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CATHEDRAL

SYNDICATE 2010

MMX

Annual Report

31 December 2015

Contents

Chairman's Statement

These accounts have been produced on both an annual accounting basis for the 2015 calendar year and on the traditional three year basis in respect of the closure of the 2013 Year of Account, as in previous years, but this year the accounts have been produced in US Dollars.

I am very pleased to say that Syndicate 2010 has produced a profit of $78.0m (which equates to £54.1m) for the 2015 calendar year. The Syndicate's combined ratio is 61.1% (after taking into account all Managing Agency related personal expenses, except for Profit Commission.) Once again Syndicate 2010 has for the most part remained clear of major losses in 2015.

On the traditional basis of reporting, Syndicate 2010 has closed the 2013 Year of Account with a profit of 12.6% for a participant paying Standard Managing Agency Fee and Profit Commission. The result is at the mid-point of our last published forecast.

The 2014 Year of Account is running satisfactorily at this stage and it looks to be profitable. The 2015 Year of Account also appears to be satisfactory but it still has some time to run before all live exposures have expired.

As reported last year, the rating environment continues to decline and does so in almost all classes along with pressures to widen terms and conditions to the detriment of underwriters. Our underwriting team has seen all this before and recognises that the market will need to see "blood on the floor" prior to any upturn.

John Hamblin will shortly be stepping down as active underwriter for Syndicate 2010 and as director of Cathedral Underwriting Limited once regulatory approval is given for Richard Williams to succeed him as active underwriter and as a director. To the former I extend thanks for his unremitting professionalism in steering the Syndicate over the last sixteen years. To the latter, who has been with the Syndicate since it began trading, I extend all best wishes for the future. The Syndicate will be in good hands.

This is a poignant moment for me as this is the last time I will be writing a Chairman's report for Cathedral Syndicate 2010 as I will be standing down as chairman mid-year. I am truly grateful for having had the chance to work alongside a great group of people for the past fifteen years or so.

Therefore, I would like to thank my non-executive and executive Board colleagues for all of their support and contributions over the years. I would extend special thanks to Peter Scales and John Lynch who are leaving us at the end of this month.

As always, I would finally like to thank all of our underwriting, claims, reinsurance, modelling, I.T., actuarial, finance and management teams and all those who provide support for them in such a challenging environment for their hard work and professionalism in producing this year's result.

A I G C South

Chairman

16 March 2016

Underwriter's Report

Introduction

On an annual accounting basis, the result of the Syndicate for calendar year 2015 is a profit of $78 million and a combined ratio of 61.1%.

2013 Account

I am pleased to report that the year has closed with a profit of $89.0 million, inclusive of currency retranslation but before personal expenses. For a Natural Name with standard personal expenses, this equates to a profit of 12.6% of capacity, before members' agency fees.

The capacity for the 2013 underwriting year was approximately £350 million. The gross signed premium income, net of brokerage, was some 65% of capacity at year-end rates of exchange.

In last year's report I summarised the underwriting conditions and loss activity that affected the 2013 year of account but, in summary, firming rates in our US property lines following Hurricane Sandy in 2012 maintained their momentum through the year. An active summer storm season in Northern Europe caused some losses but a lack of major events in the US and elsewhere meant that the result for the year was a positive one. Prior closed years continue to run off satisfactorily both in the aggregate and individually, with all years but one contributing releases to the closing year result.

2014 Account

For 2014, we maintained our capacity at £350 million.

The 2014 year was discussed in some detail in last year's accounts and the last twelve months has seen a smooth and uneventful run-off of the account to date. There were no losses of particular note affecting the Syndicate with the possible exception of the loss from Malaysian Airways Flight MH370, the cause of which remains a mystery although the loss reserve is stable. There really are very few foreseeable issues remaining which could knock the result off course.

Our forecast for the 2014 account is for a result in the range +5% to +10% of capacity.

2015 Account

For 2015 we reduced our capacity to £306 million and wrote the same classes of business as we have in the past.

Rampant competition, which had begun in earnest in the property catastrophe market during 2013, remained fierce throughout the year and, as expected, has continued to spread to other lines. The continued deployment of "alternative" capital in the catastrophe market also spread to other lines with capital markets seeking additional outlets for their investors, who were desperately seeking some sort of return in a prolonged, low return investment environment.

While our core catastrophe lines remained largely unaffected by direct competition from these markets, other reinsurers have been affected with continued pressure on overall market pricing as these markets seek to replace lost premium income. Add to this the low level of catastrophe losses during the last couple of years and the market continued to decline as most participants were making good money with apparent ease. We still experienced a high degree of customer loyalty from our client base with signings remaining strong on our renewal book.

Our commercial property account began strongly but increased competition had appeared by the mid-year, particularly for hurricane or earthquake exposed business. Having said that, although our income is lower than planned, we have had one of our best starts to date in terms of loss ratio. Those pockets of opportunity created by earlier losses in places such as New Zealand and Chile are now quickly being extinguished as those markets which withdrew following the losses are now returning at lower rates. The delegated authority or binder portion of our book saw a stable rating environment which has been one of the few bright spots of the year.

Our aerospace reinsurance account has also seen increased competition as markets continue to seek diversification. The losses which occurred in 2014 were soon forgotten with rates continuing to decline both on the original airline business our clients protect and on the reinsurance they purchase from us to protect themselves. Large losses in the aviation war market led to some optimism that at least rates in that market would reflect the experience but by early 2015 the capacity available in the market had increased significantly as insurers piled into the market in anticipation of higher rates. With supply increasing sharply and demand remaining stable, rates remained stubbornly low in spite of loss ratios for the industry as a whole in 2014 being in the hundreds of percent and smaller losses during 2015 continuing to erode margins. Our satellite account has run satisfactorily during the year.

Our contingency account grew a little once again during 2015 but continues to form a small part of our overall account. A string of losses during 2013 and 2014 pushed rates higher during 2015 with tighter terms and conditions and larger deductibles also becoming a feature.

Overall, the 2015 year of account is running reasonably to date, although there is still a large amount of business still on risk and the outcome of the year will be determined by how this runs off.

2015 Calendar Year Result

The 2015 calendar year result is made up of contributions from all open years of account (2013, 2014 and 2015) together with movements on the closed years of account (2001 to 2012) that occurred during the year. The result for the calendar year is a profit of $78.0 million (2014: restated profit of $75.1million).

The combined ratio for the 2015 calendar year is 61.1%, including all managing agency related expenses, other than profit commission (2014: 76.4%).

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

Future Prospects

The January 2016 renewal season for catastrophe treaty business saw prices continue to fall, albeit at a slower rate of decline than seen last year. Catastrophe loads in other property lines are also under continuing pressure in a marketplace which is itself awash with capital even without additional new money coming in. Our business plan for 2016 envisages a reduction in income over last year but all lines now enjoy the most comprehensive reinsurance protections we have had for many years so while net income is now falling somewhat, so is the amount we retain.

A number of early results from our competitors is showing that their income is also down but some deterioration in old year reserves is also becoming evident which has dented many results in what was otherwise a year that was light on catastrophe events. With no let-up in the low level of global interest rates and sharply declining stock markets we do not expect to see a decline in the amount of interest from "alternative capital" that will see the insurance markets as one of the few bright spots in their portfolios. With mergers and acquisitions continuing to be a feature of our industry there are some parts of the investment community who now feel that some companies are too big and would be more valuable to shareholders if they were broken up. Whether this actually happens or not is another matter but it is an interesting development in a world where big has been beautiful up to now.

Underwriter's Report

continued

Concluding Comments

Our 2014 and 2015 years of account are shaping up well so far with 2015 off to a positive start, although it has some way to go yet. They should be good of course, as the absence of a major catastrophe or catastrophes means that even the poorest team of underwriters will probably make some money during calendar year 2015 given a "normal" run off of the remaining risks. The dynamics going forward are no different than those we were looking at a year ago but possibly more so. Increasing amounts of new capital will lead to increasing competition and this will continue until the losses arrive.

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

I will shortly be standing down as active underwriter and subject to the necessary regulatory consents being received will be suceeded in that role by Richard Williams. Like myself, Richard was one of the founding underwriters of Syndicate 2010 and I have worked closely with him for nearly 20 years, both at Cathedral and in our previous home. I am sure the Syndicate will be in good hands.

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 2010, present the Annual Report for the Syndicate at 31 December 2015, together with the Chairman's Statement and the Underwriter's Report. The Syndicate commenced trading for the 2001 year of account.

This Annual Report includes the Annual Accounts for the year ended 31 December 2015 and the Underwriting Year Accounts for the 2013 Year of Account. The annual accounting result for the 2015 calendar year was a profit of $78.0 million (2014 restated: profit of $75.1 million). This consists of a contribution from all open years of account (2013, 2014 and 2015) together with all movements on the closed years of account (2001 to 2012) that occurred during the year. An analysis, by year of account, of the annual accounting result is included later in this report.

The 2013 year of account closed at 31 December 2015 with a profit of $89.0 million, inclusive of currency translation losses but before standard personal expenses. This includes movement on the closed years of account.

The auditors, Ernst & Young LLP, have included two separate "True and Fair" audit opinions with the Annual Report – one covering the annual accounting result for 2015 and the other the closing 2013 year of account result.

The Managing Agent

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

Syndicate	Principal class of business	Active underwriter	2015 Capacity £'000
2010	Non marine and aviation reinsurance, direct and facultative property and contingency	J C Hamblin	305,876
3010	Marine cargo, energy aviation all risks and hull war and terrorism	J C Hamblin	100,000

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

Directors

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

A I G C South	Chairman
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. All of the remaining Directors disposed of their interests in Cathedral Capital Limited to Lancashire Holdings Limited on completion of its takeover of the Cathedral Group on 7 November 2013.

Managing Agent's Report At 31 December 2015

continued

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 the 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 will expire 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 29 February 2016. Mr R C P Williams is to be appointed to the Board of the Cathedral Underwriting Limited, subject to the requisite regulatory approvals being received.

Multiple syndicates consent

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

Directors and their participations in Syndicate 2010

None of the Directors of Cathedral Underwriting Limited participated directly as Names on the Syndicate. However the corporate member company Cathedral Capital (1998) Limited has a £202.3 million participation on the 2014 year of account and £177.0 million participation on the 2015 and 2016 years of account. In addition, Mr South, one of the Directors, is a director of a number of corporate names which had in aggregate £1.2 million participation on the 2014 year of account, £1.1 million participation on the 2015 year of account and £0.9m on the 2016 year of account.

Active Underwriter

John Hamblin was appointed active underwriter on 30 November 2001 having joined the Syndicate on 1 January 2001 as deputy underwriter. He had previously been active underwriter for Syndicate 566. He is also active underwriter of Syndicate 3010. Mr Hamblin has agreed to step down as active underwriter of Syndicates 2010 and 3010 and subject to regulatory approval will be suceeded as active underwriter by Mr R C P Williams subject to regulatory approval being received.

Registered Office/accounting records

The registered office and principal place of business of Cathedral Underwriting Limited is 29th Floor, 20 Fenchurch Street, London, EC3M 3BY. Telephone 020 7170 9000; Fax 020 7170 9001; Email info@cathedralcapital.com; Website www.cathedralcapital.com. The accounting records are kept at the registered office.

Management of Syndicate 2010

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

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 accounting 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 28 to 31.

The functional and presentational currency of the Syndicate changed to US Dollars, effective from 1 January 2015 as US Dollars are the predominant currency of the Syndicate and the systems and internal reporting have become more focussed on US Dollars. Distributions are 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 $78.0 million in the year (2014 restated: profit of $75.1 million) and this can be analysed as follows:

	2013* account $'000	2014 account $'000	2015 account $'000	31 December 2015 $'000	31 December 2014 $'000
Gross earned premium	(4,377)	113,351	204,718	313,692	383,504
Reinsurers' share	2,750	(9,465)	(64,071)	(70,786)	(91,115)
Net earned premium	(1,627)	103,886	140,647	242,906	292,389
Gross claims incurred	41,232	(33,442)	(75,397)	(67,607)	(157,402)
Reinsurers' share	(6,812)	(2,781)	6,259	(3,334)	19,637
Net claims incurred	34,420	(36,223)	(69,138)	(70,941)	(137,765)
Net operating expenses	(5,476)	(33,835)	(53,410)	(92,721)	(92,801)
Balance on Technical account before investment return	27,317	33,828	18,099	79,244	61,823
Net investment return	2,262	653	144	3,059	3,585
Exchange (losses) and gains	(2,784)	(925)	(598)	(4,307)	9,718
Profit for the financial year	26,795	33,556	17,645	77,996	75,126

*The 2013 account includes the movement in the 2001 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. The gross and net earned premiums can be analysed as follows:

Earned premiums by underwriting team

	31 December 2015		31 December 2014	
	Gross $'000	**Net $'000**	Gross $'000	Net $'000
Non-marine reinsurance	**159,551**	**125,066**	182,961	139,139
Aviation	**21,000**	**16,779**	38,541	27,246
Satellite	**1,295**	**804**	3,376	2,475
Direct & facultative property	**123,613**	**95,027**	150,726	118.358
Contingency	**8,226**	**5,223**	7,918	5.189
Other	**7**	**7**	(18)	(18)
Total	**313,692**	**242,906**	383,504	292,389

At the year end the Syndicate had net unearned premiums of $88.4 million (2014 restated: $100.5 million) on the Statement of Financial Position.

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

The annual accounting result includes the impact of any losses identified with a date of loss in 2015 regardless of the year of account when the cover incepted. When a loss occurs, the full impact of that loss (gross and net) is recognised at that time. The Underwriter's Report contains further detail of loss activity during calendar year 2015.

The 2015 net combined ratio is 61.1% (2014: 76.4%).This combined ratio is expressed as a percentage of Net Earned Premiums and excludes investment return, profit commission and any other gains and losses that have been accounted for through the Statement of Comprehensive Income. The combined ratio is analysed as follows:

	31 December 2015		31 December 2014	
	Gross %	**Net %**	Gross %	Net %
Claims Ratio:				
Non-marine reinsurance	**21.0**	**27.2**	43.7	51.8
Aviation	**(29.9)**	**7.4**	67.4	70.5
Satellite	**44.3**	**52.0**	26.8	(23.3)
Direct & facultative property	**27.4**	**32.6**	30.0	34.3
Contingency	**74.7**	**83.5**	69.4	126.5
Total	**21.6**	**29.2**	41.0	47.1
Expense Ratio	**24.7**	**31.9**	22.3	29.3
Combined Ratio	**46.3**	**61.1**	63.3	76.4

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

The expense ratio includes brokerage on inwards business which accounts for approximately 68.4% of the net operating expenses. The operating expenses are set out in more detail in Note 4 on page 33.

The Annual Report includes a Statement of Comprehensive Income. The purpose of this statement is to show the extent to which members' balances have increased or decreased following the recognition of all gains and losses in the period, including currency retranslations where the functional currency differs to the presentational currency.

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 judgments and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed, subject to any material differences disclosed and explained in the financial statements; and
d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that there will be future years of account of the Syndicate.

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

Managing Agent's Report
At 31 December 2015

continued

Year of Account

Members' Agents

The following members' agent has provided more than 20% of the Syndicate's allocated capacity for the 2014, 2015 and 2016 years of account.

	2016 account		2015 account		2014 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Hampden Agencies Limited	**237,896**	**77.7**	237,276	77.5	270,679	77.3

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

Capacity by member type and year of account

	2016 account		2015 account		2014 account	
Name of Agent	**£'000**	**%**	£'000	%	£'000	%
Syndicate allocated capacity attributable to:						
Corporate members	**288,686**	**94.3**	286,994	93.8	323,639	92.5
External members	**14,794**	**4.8**	16,106	5.3	23,565	6.7
Working members (none of whom are employed by the managing agency)	**2,784**	**0.9**	2,776	0.9	2,812	0.8
	306,264	**100.0**	305,876	100.0	350,016	100.0

Result

The 2013 account closed with a profit of $89.0 million inclusive of currency retranslation but before standard personal expenses. For a natural name with standard personal expenses, this equates to a profit of 12.6% of capacity, before members' agency fees.

This result is in excess of the result range forecast by the managing agent at last year end. The losses that impacted the 2013 account, which were reported on in detail in last year's Annual Report, ran off as expected during 2015 and there were releases from the favourable run off of the earlier years of account that had closed into the 2013 account at 31 December 2014. The analysis of the 2013 closed year result, before personal expenses, by member type is as set out below:

	2013 account	
	$'000	%
Result attributable to:		
Corporate members	81,462	91.5
External members	7,033	7.9
Working members *(none of whom are employed by the managing agency)*	534	0.6
	89,029	100.0

2014 account forecast

The forecast 2014 year of account result at 31 December 2015, on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees, is in the range of +5% to +10% of Syndicate capacity.

This forecast has been based on the following assumptions:

- Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or in the ability of the Syndicate's reinsurers to respond to potential recoveries will not materially diverge from expectations based on developments to date;
- No material changes occur in estimates as to ultimate income levels and future reinsurance costs;
- There will be no material reinsurance failure;
- There will be no material surplus or deficiency arising from the reinsurance to close of the 2013 year of account;
- There will be no significant changes in the regulatory or legislative policies which will affect the activities of the Syndicate; and
- Interest, inflation and exchange rates as at 31 December 2016 will not differ significantly from those taken into account in the forecast.

Historical summary of results

A summary of results for all of the closed years of account of the Syndicate is set out on page 71 of this annual report.

Description of business and methods of acceptance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reinsurance protection

The non-marine reinsurance portfolio is protected by separate catastrophe and risk excess programmes. Proportional treaties are also employed.

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

The direct and facultative property account has separate catastrophe and risk excess programmes. The satellite account has proportional treaty protection.

The contingency account also has separate excess of loss protection.

We also purchase facultative reinsurance on individual risks.

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

Syndicate investments

Investment policy

The investment objective for the syndicate investment manager is to invest the Premiums Trust Funds in a manner calculated to maximise returns within agreed restraints and in line with policies approved by the Board of Cathedral Underwriting Limited. In light of this, portfolios are predominantly invested in short-term, high quality fixed income securities. The syndicate investment manager has been instructed to invest for the highest total return consistent with maintaining adequate liquidity and security and has discretion to invest in private sector securities for a limited proportion of the portfolio and within diversity limits for individual credits. Limiting the target duration of the overall portfolio controls the exposure of the investments to adverse price movements.

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

Investment performance

There were significant variations between some of the major economies during 2015, with the Federal Reserve increasing the US Federal Funds target rate by 25 basis points in December, its first interest rate increase since June 2006, while the Bank of Canada and the European Central Bank (ECB) eased policy during the year. Inflation rates remained at low levels as oil and other commodity prices weakened further; Brent crude, which was priced around $55 at the start of the year finished the year priced at around $35. In the US the economy expanded by 2.4% during the year and the unemployment rate fell from 5.6% to 5.0%. At the time of its interest rate increase the FOMC noted that "there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will rise, over the medium term, to its 2 percent objective". In the UK economic growth continued, though the rate of growth fell from 2.9% in 2014 to 2.2% in 2015. The Bank of England's MPC left bank rate unchanged at 0.5% and the asset purchase programme at £375 billion, although one member of the committee voted for an immediate 0.25% increase in bank rate at each meeting from August onward. In the Euro-zone the recovery continued, with growth during 2015 of 1.5%. However, with the economy continuing to expand below potential, risks to its growth forecasts deemed to be to the downside and inflation well below target, the ECB expanded its asset-purchase programme to Eurozone government and agency bonds in March. The combined purchases of these assets and purchases under the existing asset-backed securities and covered bonds programmes totalled €60 billion per month. In December the ECB cut its deposit rate by an additional 0.1% to -0.3% and extended the asset-purchase programme by six months to at least the end of March 2017. The yield on 3-year German Government bonds started the year at -0.08% and closed the year at -0.30%. The Bank of Canada cut its benchmark rate by 0.25% in both January and July, bringing the rate down to 0.5%, in response to the sharp drop in oil prices. The Bank saw increased downside risks to the inflation profile and financial stability risks; it reduced the rate to provide insurance against these risks, and with the aim of bringing the Canadian economy back to full capacity and inflation to target.

The Syndicate's investment returns were 0.82% in US Dollars, 0.28% in Euros and 1.36% in Canadian dollars; the US dollar and Euro returns were in the top half of the ranges estimated at the beginning of 2015, while the Canadian dollar return was above the estimated range. The US Dollar return was above that of the relevant guideline Bank of America Merrill Lynch 1-3 year Government bond index whilst the Canadian Dollar and Euro portfolios marginally lower as a result of a shorter than benchmark duration. Performance in US Dollars was largely driven by the portfolio yield, while that in Euros and Canadian Dollars was driven by portfolio yield and capital gains from falling yields.

Investment strategy

The ability to generate investment income for short-maturity portfolios remains limited, given low bond yields and tight credit spreads. During the year yields increased in the US for 1-3 year maturities, but fell in Canada and the Euro-zone. At these historically low bond yields the risks to performance remain skewed to the downside; while the US market is discounting further interest rate increases in 2016, it is discounting fewer increases than the Federal Reserve members expect, and the Canadian and Euro-zone markets are implying that interest rates in those countries will remain at current or lower levels for the foreseeable future. Portfolios currently have a short duration stance, relative to benchmark, and this is likely to be maintained in the medium term, since the investment objectives are currently biased towards protecting the Syndicate against capital losses. The extent of this short duration position will be limited in the US market by the relative steepness of the yield curve, giving additional yield for longer maturity issues, and the potential for "rolling down the yield curve" giving extra returns. The yield curves in Canada and the Euro-zone are relatively flat in the 1-3 year maturities, so there is less incentive to limit the short duration stance. Portfolio returns will also be enhanced by the exposure to corporate bonds and other "spread" products, carefully selected by sector and individual issuer to limit risks. Although credit spreads contracted in the fourth quarter of 2015, they still widened during the year, and while credit spreads may widen further given that the credit cycle is late stage in the US and global growth remains disappointing, they remain attractive for shorter maturity portfolios such as the Syndicate portfolios. The additional income that these issues generate acts to offset any short term losses generated by spread widening, which is naturally limited to some extent by the short dated nature of these positions. In the Euro portfolio yields on government and government related bonds are negative in the portfolio's maturity range, so every attempt is made to find assets with a positive yield to try to keep returns positive. For this reason the exposure to spread products is likely to remain high, and will be increased opportunistically.

Stock lending

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

Foreign exchange hedging

The managing agency, in so far as possible, matches assets and liabilities by currency within the Syndicate. To date, the managing agency has not entered into any transaction to hedge the foreign exchange exposure to the non-US Dollars (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 25.

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

Sub contracted functions

The managing agent has sub contracted the following functions:

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

Actuaries

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

Names Annual General Meeting Notice

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

Agency and Syndicate Auditor

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

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

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

Names have until 30 April 2016 to advise the compliance director of Cathedral Underwriting Limited at the address below of any objections in relation to any of the above matters.

By order of the Board

L A Holder
Managing Director
Cathedral Underwriting Limited
29th Floor, 20 Fenchurch Street
London EC3M 3BY

16 March 2016

SYNDICATE ANNUAL ACCOUNTS

For the year ended 31 December 2015

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Independent Auditor's Report to the Members of Syndicate 2010

We have audited the syndicate annual accounts of syndicate 2010 ('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 Members' Balances, the Statement of Cash Flows and the related notes 1 to 30. 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 the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 11, 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 2010

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	**304,066**	362,117
Outward reinsurance premiums		**(69,271)**	(87,767)
Net premiums written		**234,795**	274,350
Change in the provision for unearned premiums:			
Gross amount		**9,626**	21,387
Reinsurers' share		**(1,515)**	(3,348)
Earned premiums, net of reinsurance		**242,906**	292,389
Allocated investment return transferred from the non-technical account		**3,059**	3,585
Claims paid:			
Gross amount		**(149,113)**	(212,784)
Reinsurers' share		**24,389**	55,595
		(124,724)	(157,189)
Change in the provision for claims:			
Gross amount		**81,506**	55,382
Reinsurers' share		**(27,723)**	(35,958)
		53,783	19,424
Claims incurred, net of reinsurance		**(70,941)**	(137,765)
Net operating expenses	4	**(92,721)**	(92,801)
Balance on the technical account for general business		**82,303**	65,408

All items relate to continuing operations only.

The notes on pages 28 to 52 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		**82,303**	65,408
Investment income	8	**5,022**	5,816
Unrealised gains on investments		**155**	467
Investment expenses and charges	9	**(745)**	(1,343)
Unrealised losses on investments		**(1,373)**	(1,355)
Exchange (losses) and gains		**(4,307)**	9,718
Allocated investment return transferred to the general business technical account		**(3,059)**	(3,585)
Profit for the financial year		**77,996**	75,126

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		**77,996**	75,126
Currency translation differences		**-**	(10,514)
Total comprehensive income		**77,996**	64,612

The notes on pages 28 to 52 form part of these accounts.

Statement of Financial Position
As At 31 December 2015

	Notes	2015 $'000	Restated 2014 $'000
Investments:			
Financial investments	11	**329,490**	413,738
		329,490	413,738
Reinsurers' share of technical provisions:			
Provision for unearned premiums	12	**6,799**	8,517
Claims outstanding	14	**93,680**	122,413
		100,479	130,930
Debtors:			
Debtors arising out of direct insurance operations			
- Intermediaries	15	**16,351**	20,113
Debtors arising out of reinsurance operations	16	**74,499**	92,264
Other debtors	17	**6,713**	6,986
		97,563	119,363
Other assets:			
Cash and cash equivalents	18	**25,839**	23,042
Other	19	**17,566**	23,720
		43,405	46,762
Prepayments and accrued income:			
Deferred acquisition costs	20	**17,340**	19,893
Other prepayments and accrued income		**2,194**	1,243
		19,534	21,136
Total assets		**590,471**	731,929

The notes on pages 28 to 52 form part of these accounts.

	Notes	2015 $'000	Restated 2014 $'000
Capital and reserves:			
Members' balances		**123,291**	154,572
		123,291	154,572
Technical provisions:			
Provision for unearned premiums	12	**95,178**	109,066
Claims outstanding	14	**331,302**	421,809
		426,480	530,875
Creditors:			
Creditors arising out of direct insurance operations	21	**2,079**	1,885
Creditors arising out of reinsurance operations	22	**18,227**	26,739
Other creditors including taxation and social security	23	**19,792**	17,031
		40,098	45,655
Accruals and deferred income		**602**	827
Total liabilities		**590,471**	731,929

The Syndicate annual accounts on pages 22 to 52 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 28 to 52 form part of these accounts.

CATHEDRAL
SYNDICATE 2010

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

	Notes	2015 $'000
Members' balances at 1 January		**154,572**
Profit for the year		**77,996**
Transfer to member personal reserve fund		**(109,277)**
Members' balances carried forward at 31 December		**123,291**

	Notes	Restated 2014 $'000
Members' balances at 1 January		112,609
Profit for the year		75,126
Transfer to member personal reserve fund		(22,649)
Exchange gain/(loss) for change in presentational currency		(10,514)
Members' balances carried forward at 31 December		154,572

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

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

Transfers to members' personal funds comprise the 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 28 to 52 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		**77,996**	75,126
Realised and unrealised investments losses on cash			
and investments, including currency movements		**3,187**	2,917
Income from investments		**(4,506)**	(5,711)
Increase in debtors, prepayments and accrued income		**20,692**	26,004
(Decrease) in net technical provisions		**(71,391)**	(46,587)
(Increase) in creditors, accruals and deferred income		**(5,781)**	(1,371)
Exchange (loss)		**-**	(10,514)
Net cash inflow from operating activities		**20,197**	39,864
Cash flows from investing activities			
Interest received		**4,663**	5,934
Purchase of debt securities and other fixed income securities		**(196,554)**	(229,178)
Sale of debt securities and other fixed income securities		**282,522**	194,940
Movement of shares and other variable yield securities		**(1,720)**	2,897
Movement of overseas deposits		**5,081**	16,977
Net cash inflow from investing activities		**93,992**	(8,430)
Cash flows from financing activities			
Transfer (to) members in respect of underwriting participations		**(109,277)**	(22,649)
Net cash outflow from financing activities		**(109,277)**	(22,649)
Increase in cash and cash equivalents in the year		**4,912**	8,785
Cash and cash equivalents at 1 January		**23,042**	15,475
Effect of exchange rates and change in market value on cash and cash equivalents		**(2,115)**	(1,218)
Cash and cash equivalents at 31 December		**25,839**	23,042

The notes on pages 28 to 52 form part of these accounts.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2015

1 Statement of Compliance and Basis of Preparation

Cathedral Underwriting Limited, incorporated in the United Kingdom, is ultimately responsible for the management of Syndicate 2010. 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 28.

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 managements 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.

(viii) *Profit commission*

Profit commission is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

(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 profit and loss account.

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.

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

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.

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2015

continued

3 Particulars of business written

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

Type of business	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Total $'000	31 December 2015 Net technical provisions $'000
Direct insurance:							
Motor (third party liability)	**(53)**	**(48)**	**84**	**9**	**10**	**55**	**36**
Motor (other classes)	**384**	**375**	**(55)**	**(140)**	**(52)**	**128**	**215**
Marine, aviation and transport	**3,434**	**3,127**	**(1,856)**	**(1,231)**	**203**	**243**	**2,199**
Fire and other damage to property	**85,336**	**92,167**	**(30,502)**	**(31,792)**	**(15,397)**	**14,476**	**80,134**
Third party liability	**1,474**	**1,357**	**(1,150)**	**(671)**	**(116)**	**(580)**	**2,542**
Credit and suretyship	**7,570**	**8,194**	**(6,146)**	**(2,088)**	**(1,216)**	**(1,256)**	**3,840**
	98,145	**105,172**	**(39,625)**	**(35,913)**	**(16,568)**	**13,066**	**88,966**
Reinsurance acceptances	**205,921**	**208,520**	**(27,982)**	**(56,808)**	**(57,552)**	**66,178**	**219,695**
Total	**304,066**	**313,692**	**(67,607)**	**(92,721)**	**(74,120)**	**79,244**	**308,661**

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:							
Motor (third party liability)	48	135	(101)	(48)	-	(14)	174
Motor (other classes)	335	256	(106)	(99)	(25)	26	313
Marine, aviation and transport	3,595	3,077	(2,265)	(609)	315	518	2,815
Fire and other damage to property	104,856	111,754	(20,684)	(35,858)	(19,236)	35,976	91,095
Third party liability	1,152	1,139	(680)	(479)	(114)	(134)	1,984
Credit and suretyship	8,331	7,907	(5,490)	(2,034)	(3,711)	(3,328)	3,470
	118,317	124,268	(29,326)	(39,127)	(22,771)	33,044	99,851
Reinsurance acceptances	243,800	259,236	(128,076)	(53,674)	(48,707)	28,779	280,201
Total	362,117	383,504	(157,402)	(92,801)	(71,478)	61,823	380,052

Net technical provisions are net of deferred acquisition costs.

3 Particulars of business written *continued*

Geographical analysis by origin

	Gross written premiums 2015 $'000	Gross written premiums Restated 2014 $'000	Profit 2015 $'000	Profit Restated 2014 $'000	Net assets 2015 $'000	Net assets Restated 2014 $'000
Direct	**98,145**	118,317	**9,613**	45,342	**23,255**	38,492
Reinsurance	**205,921**	243,800	**68,383**	29,784	**100,036**	116,080
	304,066	362,117	**77,996**	75,126	**123,291**	154,572

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	**35,534**	49,650
US	**147,023**	163,226
Other EU member states	**27,670**	31,294
Rest of the world	**93,839**	117,947
	304,066	362,117

4 Net operating expenses

	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Acquisition costs	**53,425**	58,601
Change in deferred acquisition costs	**1,800**	3,647
Administrative expenses	**15,805**	17,076
Reinsurance commissions and profit participation	**(135)**	(315)
Loss on exchange	**1,088**	310
Personal expenses	**20,738**	13,482
	92,721	92,801

Administrative expenses include:

	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Auditors' remuneration:		
- Audit of the Syndicate annual accounts	**191**	132
- Other services pursuant to regulations and Lloyd's Byelaws	**85**	76
	276	208

Total commissions for direct insurance accounted for in the year amounted to $25,389,480 (2014 restated: $26,659,715).

Exchange gains and (losses) arising on translation of monetary assets and liabilities of ($4,307,000) (2014 restated: $9,718,000) are included in the non-technical account..

Notes to the Syndicate Annual Accounts
For the year ended 31 December 2015

continued

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:

	Notes	**Year ended 31 December 2015 $'000**	Restated Year ended 31 December 2014 $'000
Wages and salaries		**7,687**	8,133
Social security costs		**950**	998
Pension costs		**1,125**	1,114
		9,762	10,245

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	**22**	21
Underwriting and claims	**31**	31
	53	52

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:

	Notes	**Year ended 31 December 2015 $'000**	Restated Year ended 31 December 2014 $'000
Emoluments		**1,407**	1,454

7 Active underwriter's emoluments

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

	Notes	**Year ended 31 December 2015 $'000**	Restated Year ended 31 December 2014 $'000
Emoluments		**397**	424

8 Investment income

	Notes	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Income from investments		**4,506**	5,711
Gains on the realisation of investments		**516**	105
		5,022	5,816

9 Investment expenses and charges

	Notes	Year ended 31 December 2015 $'000	Restated Year ended 31 December 2014 $'000
Investment management expenses, including interest payable		**374**	426
Losses on realisation of investments		**371**	917
		745	1,343

10 Investment return

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

	31 December 2015		31 December 2014	
	Average funds '000*	Investment yield %	Average funds '000*	Investment yield %
Sterling	**9,819**	**2.5**	16,732	2.5
Euro	**32,395**	**0.3**	31,878	1.0
US Dollars	**290,810**	**0.8**	334,033	0.7
Canadian Dollars	**56,244**	**1.2**	50,147	1.3
All currencies converted to US Dollars	**381,148**	**0.9**	441,849	0.9

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

* Average funds are shown in original currencies.

11 Financial investments

	Market value		Cost	
	2015	Restated 2014	**2015**	Restated 2014
	$'000	$'000	**$'000**	$'000
Shares and other variable yield securities	**35,673**	33,953	**35,673**	33,953
Debt securities and other fixed income securities	**293,817**	379,785	**295,045**	380,372
	329,490	413,738	**330,718**	414,325

Debt securities and other fixed income securities are all listed on recognised stock exchanges. All investments, are stated at bid price value. An analysis of financial investments by external rating agencies are set out in Note 26.

All investments held by the Syndicate are only available for investment and for paying of claims by the Syndicate to it's policyholders and expenses.

12 Provisions for unearned premiums

			2015
	Gross	**Reinsurers' share**	**Net**
	$'000	**$'000**	**$'000**
At 1 January 2015	**109,066**	**8,517**	**100,549**
Premiums written in the year	**304,066**	**69,271**	**234,795**
Premiums earned in the year	**(313,692)**	**(70,786)**	**(242,906)**
Foreign exchange	**(4,262)**	**(203)**	**(4,059)**
At 31 December 2015	**95,178**	**6,799**	**88,379**

			Restated 2014
	Gross	Reinsurers' share	Net
	$'000	$'000	$'000
At 1 January 2014	132,775	11,906	120,869
Premiums written in the year	362,117	87,767	274,350
Premiums earned in the year	(383,504)	(91,115)	(292,389)
Foreign exchange	(2,322)	(41)	(2,281)
At 31 December 2014	109,066	8,517	100,549

13 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	**78,205**	98,566
Other*	**16,967**	25,882
	95,172	124,448
Less provision for bad debt	**(1,492)**	(2,035)
	93,680	122,413

* 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.

14 Claims Outstanding

			2015
	Gross $'000	**Reinsurers' share $'000**	**Net $'000**
At 1 January 2015	**421,809**	**122,413**	**299,396**
Claims incurred in current underwriting year	**74,697**	**6,259**	**68,438**
Claims incurred in prior underwriting year	**(9,646)**	**(9,593)**	**(53)**
Claims paid during the year	**(149,113)**	**(24,389)**	**(124,724)**
Foreign exchange	**(6,445)**	**(1,010)**	**(5,435)**
At 31 December 2015	**331,302**	**93,680**	**237,622**

			Restated 2014
	Gross $'000	Reinsurers' share $'000	Net $'000
At 1 January 2014	487,041	159,188	327,853
Claims incurred in current underwriting year	133,010	19,986	113,024
Claims incurred in prior underwriting year	21,036	(350)	21,386
Claims paid during the year	(212,784)	(55,595)	(157,189)
Foreign exchange	(6,494)	(816)	(5,678)
At 31 December 2014	421,809	122,413	299,396

15 Debtors arising out of direct insurance operations

	2015 $'000	Restated 2014 $'000
Due within one year - intermediaries	**16,351**	20,113

16 Debtors arising out of reinsurance operations

	2015 $'000	Restated 2014 $'000
Due within one year	**74,499**	92,264

17 Other debtors

	2015 $'000	Restated 2014 $'000
Due within one year:		
Amounts due from members	**2,066**	2,187
Other	**509**	147
Due after one year:		
Amounts due from members	**4,138**	4,652
	6,713	6,986

18 Cash and cash equivalents

	2015 $'000	Restated 2014 $'000
Cash and cash equivalents exist of:		
Cash at bank and in hand	**9,422**	13,536
Participation in investment pools	**16,281**	9,365
Deposits with approved credit institutions	**136**	141
	25,839	23,042

All cash and cash equivalents held by the Syndicate are only available for investment and for paying of claims by the Syndicate to its policyholders and expenses.

19 Other assets - overseas deposits

	2015 $'000	Restated 2014 $'000
Amounts advanced in other countries as a condition of carrying on business there	**17,566**	23,720

20 Deferred acquisition costs

	2015 $'000	Restated 2014 $'000
At 1 January	**19,893**	22,477
Change in deferred acquisition costs	**(1,800)**	(3,647)
Foreign exchange	**(753)**	1,063
At 31 December	**17,340**	19,893

21 Creditors arising out of direct insurance operations

	2015 $'000	Restated 2014 $'000
Due within one year	**2,079**	1,885

22 Creditors arising out of reinsurance operations

	2015 $'000	Restated 2014 $'000
Due within one year	**18,227**	26,739

23 Other creditors including taxation and social security

	2015 $'000	Restated 2014 $'000
Due within one year:		
Profit commission owed to managing agent	**6,863**	10,052
Expenses owed to managing agent	**744**	2,573
Other	**2**	10
Due after one year:		
Profit commission owed to managing agent	**12,183**	4,396
	19,792	17,031

24 Related parties

Cathedral Underwriting Limited manages Syndicates 2010 and 3010. The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital Holdings Limited and the ultimate parent company is Lancashire Holdings Limited. Lancashire Holdings Limited is the largest group and Cathedral Capital Holdings Limited is the smallest group which includes the Company and for which consolidated financial statements are prepared. Cathedral Capital Holdings Limited is registered in England & Wales. Lancashire Holdings Limited is incorporated 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.

Total managing agency fees paid during calendar year 2015 to Cathedral Underwriting Limited in respect of services provided to the Syndicate amounted to $3,075,656 (2014 restated: $3,750,245).

Profit commission of $6,862,910 (2014: $10,051,292) is also due to the managing agent in respect of the profit on the 2013 (2012) closed year.

Profit commission of $7,771,203 (2014: $4,396,626) has also been accrued in respect of the 2014 year of account, with $4,411,273 (2014: $0) accrued in respect of the 2015 year of account.

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

Expenses totalling $16,579,240 (2014 restated: $17,111,353) 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 $19,789,614 (2014 restated: $17,020,604) and are included in "Other creditors including taxation and social security".

Cathedral Capital (1998) Limited, a fellow subsidiary of Cathedral Underwriting Limited, provided capacity to the 2013, 2014 and 2015 underwriting years. Cathedral Capital (1998) Limited's share of the result for the 2015 calendar year is a profit of $46,523,785 (2014 restated: $42,005,786 profit).

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

24 Related parties *continued*

Quota share reinsurance

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

	Account	2013 account	2014 account	2015 account
1.	North East USA Treaty Account	5.00%	-	-

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

For the 2014 year of account, the North East USA Treaty Account quota share arrangement with Syndicate 3010 was not renewed, but was replaced by an equivalent arrangement with Lancashire Insurance Company Limited (a subsidiary of Lancashire Holdings Limited), which wrote a 7.5% line (estimated premium $525,000). This was not renewed for the 2015 account.

Facultative reinsurance

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

Consortia participation

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

Year of Account	Consortium Number and Name	Syndicate 2010's participation	Fee Paid by Syndicate 2010	*Estimated total fee payable by Syndicate 2010
2014	9381 Airline/Large GA Consortium	7.33%	$24,115	$27,500
2014	9383 Small GA Consortium	10%	$3,330	$5,000
2015	9381 Airline	8%	$7,177	$32,000
2015	9383 Small GA Consortium	10%	$4,039	$15,000
2015	9720 Large GA Consortium	7.5%	$679	$3,750
2016	9381 Airline	8%		$32,000
2016	9383 Small GA Consortium	10%		$20,000
2016	9720 Large GA Consortium	8%		$4,000

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

24 Related parties *continued*

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	**1,406**	1,454
Post-employment benefits	**35**	55
	1,441	1,509

25 Bank facilities

The Syndicate has arranged a United States catastrophe facility (up to a maximum of $80 million) with Barclays Bank Plc. The facility is there to assist in paying claims and gross funding of catastrophes. Up to United States $40 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 2010 & Syndicate 3010 of $100m. The facility was not utilised during the calendar year 2015 and was renewed for another year in December 2015.

26 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 non marine, and aviation reinsurance, direct and facultative property and contingency insurance. These accounts are predominantly short-tail in nature, and some of them have high degree of catastrophe exposure (for example the property accounts could be affected by hurricane losses or earthquakes).

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.

Underwriting risk

The Syndicate has a defined event risk appetite. Best efforts are made to restrict the maximum gross and net loss 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 or 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 its exposures, and the whole process is supported by sophisticated internal and external modelling systems. Finally to ensure the maximum depth of reinsurance coverage, all accounts have purchased separate reinsurance programmes.

b) Risk of extreme losses

Whilst the reinsurance excess of loss writings of the Syndicate provide policyholders with defined cover by way of both limits and the number of reinstatements, the development of the direct and facultative account gives 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 on the reinsurance accounts are both the level at which cover is given and the limited number of reinstatements which they will typically provide. Additionally, the Syndicate seeks to purchase a depth of cover at the lower levels particularly to protect against a frequency of mid-sized claims. The direct and facultative account is more vulnerable to loss frequency, although this is mitigated 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 mitigates this risk.

e) Unsustainable pricing

The cyclical nature of insurance means that rates constantly fluctuate. Whilst in the core reinsurance areas of the Syndicate's account, deductible levels tend to be the crucial driver, 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 their 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 Syndicate.

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 outwards reinsurance programme. The Syndicate endeavours to provide its reinsurers with the most up to date and accurate information on their account (and advise them quickly of any losses incurred) to ensure that it has have 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 the Syndicate. 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 remain 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 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 significant 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, earthquakes). 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 has not significantly changed during the year.

(iii) Sensitivity analysis- sensitivity of claims liabilities

When reviewing the claims liability projections, the factors and assumptions 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 $2,376,000 (2014 restated: $2,994,000).

The loss development table below provides information on the historical claims development for Syndicate 2010. 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 are 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	79%	53%	43%	39%	37%
24 months	76%	44%	44%	48%	-
36 months	71%	40%	42%	-	-
48 months	68%	38%	-	-	-
60 months	66%	-	-	-	-

Underwriting year - Net	**2011**	**2012**	**2013**	**2014**	**2015**
12 months	86%	61%	57%	68%	49%
24 months	77%	49%	54%	55%	-
36 months	73%	43%	51%	-	-
48 months	69%	41%	-	-	-
60 months	66%	-	-	-	-

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 $3,041,000 to the unearned premium provision (2014 restated: $3,621,000).

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 Syndicate has quantified its credit risk 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 short-dated fixed interest securities (either government or high quality investment grade bonds). Fixed interest managers are employed and their asset allocation is regularly monitored by the managing agency's' investment committee. Detailed requirements regarding asset diversification and concentration limits are set out in investment mandates given to external investment managers.

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 ratings 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	320,813	8,677	-	329,490
Cash and cash equivalents	25,839	-	-	25,839
Other assets	16,105	1,413	48	17,566
Reinsurance assets	78,985	57	17,231	96,273

At 31 December 2014	A++ $'000	B++ to B- $'000	Unrated $'000	Statement of Financial Position total $'000
Financial investments	397,761	15,977	-	413,738
Cash and cash equivalents	23,042	-	-	23,042
Other assets	22,725	941	54	23,720
Reinsurance assets	99,967	193	26,084	126,244

Of the $17.2 million unrated reinsurance assets at 31 December 2015, circa $2.6 million (2014 restated: circa $4.7 million) are fully collateralised in trust funds; circa $4.7 million are in respect of attritional IBNR that have yet to be allocated to any specific loss; and the remaining circa $9.9 million relate to a handful of specific unsettled recoveries from reinsurers that have subsequently merged or been taken over by another reinsurer and therefore the original counterparty is no longer rated. However no recovery issues are currently anticipated with respect to these specific counterparties.

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	**491**	625
6 to 9 months post due	**496**	569
Greater than 9 months past due	**804**	764
	1,791	1,958

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 Names and can ultimately draw down from the Names' funds at Lloyds.

Syndicate 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 facilities available to it as set out in Note 25.

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	**(151,082)**	**(125,427)**	**(36,696)**	**(18,097)**	**(331,302)**
Claims outstanding recoverable from reinsurers	**36,331**	**45,853**	**9,909**	**1,587**	**93,680**
	(114,751)	**(79,574)**	**(26,787)**	**(16,510)**	**(237,622)**

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	(168,360)	(151,038)	(55,799)	(46,612)	(421,809)
Claims outstanding recoverable from reinsurers	49,369	54,457	13,379	5,208	122,413
	(118,991)	(96,581)	(42,420)	(41,404)	(299,396)

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 investments held have a short duration and so foreseeable changes in market interest rates would not be expected to have a significant impact in their value.

The effective interest rate of the Syndicate's financial instruments exposed to interest rate risk at the balance sheet date is as follows:

	31 December 2015 %	31 December 2014 %
Debt securities	**0.85%**	0.86%
Cash and cash equivalents	**0.02%**	0.02%

A change in market interest rates of 0.5% would equate to a movement on net assets of $2.1 million (2014: $2.8 million). This has been calculated by revaluing the assets and liabilities that would be affected by a movement in interest rates.

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, aims 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	**39,731**	**441,361**	**44,536**	**49,417**	**15,426**	**590,471**
Total liabilities	**(43,149)**	**(305,742)**	**(23,887)**	**(19,764)**	**(74,638)**	**(467,180)**
Member's balance	**(3,418)**	**135,619**	**20,649**	**29,653**	**(59,212)**	**123,291**

Converted US Dollar '000s

As at 31 December 2014	GBP	USD	EUR	CAD	OTH	Total
Total assets	59,379	539,653	50,717	54,785	27,395	731,929
Total liabilities	(46,641)	(377,784)	(37,008)	(27,937)	(87,987)	(577,357)
Member's balance	12,738	161,869	13,709	26,848	(60,592)	154,572

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 members' 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.

At 31 December 2015, if the exchange rate of Sterling, Euro and Canadian Dollars had varied 10% against US Dollars with all other variables remaining constant the impact on profit / net assets is $1.2 million.

Operational risk

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

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

27 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 2010's uSCR return for the 2014, 2015 and 2016 years 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	**152.6**	**49.8**	160.9	52.5	171.2	48.9
Lloyd's loading	**53.4**	**17.5**	56.3	18.4	59.9	17.1
ECA	**206.0**	**67.3**	217.2	70.9	231.1	66.0

* Note: % = percentage of stamp capacity

28 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**	67,837
Member's balance at 1 January 2014 under previous UK GAAP	**$'000**	112,609
Financial instruments	**$'000**	-
Member's balance at 1 January 2014 under FRS 102 and FRS 103	**$'000**	**112,609**

Reconciliation of member's balance at 31 December 2014

Member's balance at 31 December 2014 under previous UK GAAP	**£'000**	99,724
Member's balance at 31 December 2014 under previous UK GAAP	**$'000**	154,572
Financial instruments	**$'000**	-
Member's balance at 31 December 2014 under FRS 102 and FRS 103	**$'000**	**154,572**

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**	39,642
Profit for the year ended 31 December 2014 under previous UK GAAP	**$'000**	65,408
Adjustments:		
Foreign currency translation	**$'000**	9,718
Profit for the year ended 31 December 2014 under FRS 102 and FRS 103	**$'000**	**75,126**

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 balance sheet, 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 balance sheet, and have therefore been reclassified. There is no impact on assets or members' 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 profit and loss account 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.

29 Post Statement of Financial Position events

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

2013 year of account	US$72,696,443

On the same date, outstanding profit commission of $6,862,911 will be paid to Cathedral Underwriting Limited on the 2013 closed year of account.

30 Funds at Lloyd's

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

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

SYNDICATE UNDERWRITING YEAR ACCOUNTS

FOR THE 2013 YEAR OF ACCOUNT

CLOSED AT 31 DECEMBER 2015

Independent Auditor's Report to the Members of Syndicate 2010 – 2013 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2013 year of account of syndicate 2010 ('the syndicate') for the three years ended 31 December 2015 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances, the Statement of Cash Flows, the related notes 1 to 20 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law, the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the syndicate's members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) and 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 auditor's 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 55, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

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

Opinion on the syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2013 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on which we are required to report by exception

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

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

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

17 March 2016

Statement of Managing Agent's Responsibilities

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

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

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

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

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

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

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

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

By order of the Board

L A Holder
Managing Director
Cathedral Underwriting Limited

16 March 2016

CATHEDRAL
SYNDICATE 2010

Income Statement
Technical Account - General Business
2013 Year of Account
For the 36 months ended 31 December 2015

			36 months ended 31 December 2015
		Notes	$'000
Earned premiums, net of reinsurance			
Gross premiums written		3	**416,630**
Outward reinsurance premiums			**(110,340)**
Net premiums written			**306,290**
Change in the provision for unearned premiums			
Gross amount			**492**
Reinsurers' share			**(23)**
Earned premiums, net of reinsurance			**306,759**
Reinsurance to close premiums received, net of reinsurance		3	**131,397**
Allocated investment return transferred from the non-technical account			**3,462**
Claims incurred, net of reinsurance			
Claims paid	Gross amount		**(172,416)**
	Reinsurers' share		**27,771**
			(144,645)
Reinsurance to close premium payable, net of reinsurance		8	**(115,670)**
Claims incurred net of reinsurance			**(260,315)**
Net operating expenses		5	**(107,080)**
Balance on the technical account for general business			**74,223**

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

The notes on pages 61 to 70 form part of these accounts.

Income Statement
Non-Technical Account - General Business
2013 Year of Account
For the 36 months ended 31 December 2015

	Notes	36 months ended 31 December 2015 $'000
Balance on the technical account for general business		**74,223**
Investment income	6	**5,668**
Unrealised gains on investments		**274**
Investment expenses and charges	7	**(968)**
Unrealised losses on investments		**(1,512)**
Exchange (losses and gains)		**2,394**
Allocated investment return transferred to the general business technical account		**(3,462)**
Profit for the closed year of account		**76,617**

Statement of Comprehensive Income
2013 Year of Account
For the 36 months ended 31 December 2015

	Notes	36 months ended 31 December 2015 $'000
Profit for the closed year of account		**76,617**
Currency translation differences		**(2,056)**
Total recognised gains and losses		**74,561**

The notes on pages 61 to 70 form part of these accounts.

CATHEDRAL
SYNDICATE 2010

Statement of Financial Position
2013 Year of Account
For the 36 months ended 31 December 2015

	Notes	31 December 2015 $'000
Assets		
Investments	9	**249,421**
Debtors:		
Debtors arising out of direct insurance operations		
- Intermediaries	10	**103**
Debtors arising out of reinsurance operations	11	**21,872**
Other debtors	12	**2,084**
		24,059
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	8	**81,393**
Other assets:		
Cash and cash equivalents	13	**13,095**
Other	14	**9,062**
		22,157
Prepayments and accrued income		**1,154**
Total assets		**378,184**
Liabilities		
Amounts due to members		**74,561**
Reinsurance to close premiums payable to close the account – gross amount	8	**206,202**
Creditors:		
Creditors arising out of direct insurance operations	15	**221**
Creditors arising out of reinsurance operations	16	**10,488**
Other creditors including taxation and social security	17	**86,576**
		97,285
Accruals and deferred income		**136**
Total liabilities		**378,184**

The Syndicate underwriting year accounts on pages 56 to 70 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 61 to 70 form part of these accounts.

Statement of Changes in Members' Balances
2013 Year of Account
For the 36 months ended 31 December 2015

	Notes	36 months ended 31 December 2015 $'000
Members' balance at 1 January 2013		-
Profit/(loss) for the closed year of account		**76,617**
Currency translation differences		**(2,056)**
Member's balance carried forward at 31 December 2015		**74,561**

The notes on pages 61 to 70 form part of these accounts.

CATHEDRAL
SYNDICATE 2010

Statement of Cash Flows
2013 Year of Account
For the 36 months ended 31 December 2015

	Notes	36 months ended 31 December 2015 $'000
Profit for the closed year of account		**76,617**
Realised and unrealised investment losses, including currency movements		**1,310**
Income from investments		**(5,930)**
Net reinsurance to close premium payable		**115,670**
(Increase) in debtors		**(5,066)**
(Increase) in prepayments and accrued income		**(448)**
Increase in creditors		**87,431**
Increase in accruals and deferred income		**136**
Exchange (loss)		**(2,056)**
Net cash inflow from operating activities		**267,664**
Cash flows from investing activities		
Interest received		**5,224**
Purchase of debt securities and other fixed income securities		**(486,809)**
Sale of debt securities and other fixed income securities		**254,486**
Movement of shares and other variable yield securities		**(18,311)**
Movement of overseas deposits		**(9,159)**
Net cash (outflow) from investing activities		**(254,569)**
Increase in cash and cash equivalents in the period		**13,095**
Cash and cash equivalents at 1 January 2013		**-**
Effect of exchange rates and change in market value on cash and cash equivalents		**-**
Cash and cash equivalents at 31 December 2015		**13,095**

The notes on pages 61 to 70 form part of these accounts.

Notes to the Syndicate Underwriting Year Accounts
2013 Year of Account
For the 36 months ended 31 December 2015

1 Basis of Preparation

Cathedral Underwriting Limited, incorporated in the United Kingdom, is ultimately responsible for the management of Syndicate 2010. The registered office is 29th Floor, 20 Fenchurch Street, London, EC3M 3BY. The Syndicate underwriting year accounts cover those of the individual syndicate and are prepared as at 31 December 2015 and for the 36 months ended 31 December 2015.

The Syndicate underwriting year accounts 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").

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.

The reinsurance premium to close for the 2013 year of account at 31 December 2015 was agreed by the managing agent on the 16 March 2016. Accordingly, these underwriting year of accounts do not have associated risk disclosures as required by Section 34 of FRS 102 and by Section 4 of FRS 103.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2013 year of account which has been closed by reinsurance to close at 31 December 2015; consequently the Statement of Financial Position represents the assets and liabilities of the 2013 year of account and the Income Statement, the Statement of Comprehensive Income and the Statement of Cash Flows reflect the transactions for that year of account during the 36 month period until closure.

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

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 managements estimate are disclosed in Note 26 of the Syndicate Annual Accounts.

2 Accounting Policies

Underwriting transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) *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.

(h) *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.

(i) *Fair Value of Financial Assets*

The fair value hierarchy is as follows:

(i) 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;

(ii) 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

(iii) Level 3 is using a valuation technique based on the Syndicates own assumptions.

Investments and investment return

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

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

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

Syndicate operating expenses

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

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

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

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

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

Taxation

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

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

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

Basis of currency translation

(j) The functional and presentational currency of the Syndicate is US Dollars. The functional currency of the Syndicate was Sterling up to 31 December 2014 and has changed to US Dollars from 1 January 2015. Transactions in currencies other than the functional currency are translated at the rate of exchange at the date of the transaction or at an approximate average rate.

Assets and liabilities are retranslated into US Dollars at the rate of exchange at the Statement of Financial Position date unless contracts to sell currency for Sterling have been entered into prior to the year end, in which case the contracted rates are used. This includes all assets and liabilities arising from insurance contracts including unsecured premium and deffered acquisition costs. 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

Although transactions are translated as described above, the final result for the year of account is calculated with Sterling, Canadian Dollars and Euros translated at the Statement of Finacial Position date rates of exchange.

Differences arising on the retranslation of foreign currency amounts are included in the non-technical account, except when a gain or loss on a non-monetary item is recognised in Other Comprehensive Income. Realised exchange differences are included in the technical account within net operating expenses.

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

3 Particulars of business written

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

	36 months ended 31 December 2015						
Type of business	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Total $'000	Net technical provisions $'000
Direct insurance:							
Motor (third party liability)	383	383	(168)	(87)	(26)	102	43
Motor (other classes)	483	481	(355)	(158)	(42)	(74)	49
Marine aviation and transport	3,614	3,607	(3,815)	965	745	1,502	654
Fire and other damage to property	143,161	142,943	(60,052)	(38,571)	(16,166)	28,154	22,401
Third party liability	2,637	2,634	(2,489)	(569)	(119)	(543)	1,889
Credit and suretyship	7,582	7,605	(8,723)	(1,799)	5	(2,912)	14
	157,860	157,653	(75,602)	(40,219)	(15,603)	26,229	25,050
Reinsurance acceptances*	390,167	390,866	(284,023)	(66,861)	4,550	44,532	99,759
Total	548,027	548,519	(359,625)	(107,080)	(11,053)	70,761	124,809

* Reinsurance acceptances include the reinsurance to close premium of $131,397,032 received from the 2012 year of account.

Geographical analysis by origin	Gross written premiums $'000	Profit $'000	Net assets $'000
Direct	157,860	28,400	14,063
Reinsurance	390,167	48,217	60,498
	548,027	76,617	74,561

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

Geographical analysis by destination	Gross written premiums $'000
UK	76,776
US	250,580
Other EU member states	45,554
Rest of the world	175,117
	548,027

Notes to the Syndicate Underwriting Year Accounts
2013 Year of Account
For the 36 months ended 31 December 2015

continued

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

	36 months ended 31 December 2015 $'000
Balance attributable to business allocated to the 2013 year of account	**155,327**
Balance attributable to the reinsurance to close of the 2012 year of account	**22,484**
	177,811

5 Net operating expenses

	36 months ended 31 December 2015 $'000
Acquisition costs	**68,300**
Change in deferred acquisition costs	**52**
Administrative expenses	**14,860**
Reinsurers' commissions and profit participation	**(514)**
Loss on exchange	**9,914**
Personal expenses	**14,468**
	107,080

The closed year profit is stated after charging:

	36 months ended 31 December 2015 $'000
Auditors' remuneration:	
- Audit of Syndicate annual accounts	**131**
- Other services pursuant to regulations and Lloyd's Byelaws	**59**
Staff pension costs	**1,129**

6 Investment income

	36 months ended 31 December 2015 $'000
Income from investments	**5,224**
Gains on the realisation of investments	**444**
	5,668

7 Investment expenses and charges

	36 months ended 31 December 2015 $'000
Investment management expenses, including interest	452
Losses on realisation of investments	516
	968

8 Reinsurance premium payable to close the 2013 year of account

	31 December 2015 $'000
Gross outstanding claims	154,781
Reinsurance recoveries anticipated	(67,389)
Net outstanding claims	87,392
Provision for gross claims incurred but not reported	51,421
Reinsurance recoveries anticipated	(14,004)
Provision for net claims incurred but not reported	37,417
Provision for future inwards gross premiums	(18,993)
Provision for future reinsurance protection	9,854
Provision for net premiums incurred but not reported	(9,139)
Reinsurance premium payable to close the account	115,670

9 Investments

	31 December 2015 Market value $'000
Shares and other variable yield securities	18,311
Debt Securities and other fixed income securities	231,110
	249,421

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

10 Debtors arising out of direct insurance operations

	31 December 2015 $'000
Due within one year - intermediaries	103

Notes to the Syndicate Underwriting Year Accounts
2013 Year of Account
For the 36 months ended 31 December 2015

continued

11 Debtors arising out of reinsurance operations

	31 December 2015 $'000
Due within one year	**21,872**

12 Other debtors

	31 December 2015 $'000
Amount due from members	**2,065**
Other	**19**
	2,084

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

13 Cash and cash equivalents

	31 December 2015 $'000
Cash and cash equivalents consist of:	
Cash at bank and in hand	**4,051**
Participation in investment pools	**8,909**
Deposits with approved credit institutions and approved financial institutions	**135**
	13,095

All cash and cash equivalents held by the Syndicate are only available for investment and for paying of claims by the Syndicate to its policyholders and expenses.

14 Other assets – overseas deposits

	31 December 2015 $'000
Amounts advanced in other countries as a condition of carrying on business there	**9,062**

15 Creditors arising out of direct insurance operations

	31 December 2015 $'000
Due within one year	**221**

16 Creditors arising out of reinsurance operations

	31 December 2015 $'000
Due within one year	**10,488**

17 Other creditors including taxation and social security

	31 December 2015 $'000
Inter-year loans	**79,644**
Profit commission payable to managing agent	**6,863**
Expenses payable to managing agent	**69**
	86,576

18 Borrowings

During the period to 31 December 2015, the Syndicate had an unsecured catastrophe facility with Barclays Bank plc to assist with the paying or funding of any significant catastrophe losses. This facility was never utilised by the 2013 year of account and accordingly the balance outstanding at the Statement of Financial Position date was $nil.

19 Related parties

Cathedral Underwriting Limited manages Syndicates 2010 and 3010. The immediate parent company of Cathedral Underwriting Limited is Cathedral Capital Holdings Limited and the ultimate parent company is Lancashire Holdings Limited. Lancashire Holdings Limited is the largest group and Cathedral Capital Holdings Limited is the smallest group which includes the Company and for which consolidated financial statements are prepared. Cathedral Capital Holdings Limited is registered in England & Wales. Lancashire Holdings Limited is incorporated 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.

Total managing agency fees payable to Cathedral Underwriting Limited in respect of services provided to the Syndicate in respect of the 2013 year of account amounted to $3,545,487 of which $nil was outstanding at 31 December 2015. Profit commission of $6,862,910 is also due to the managing agent in respect of the profit on the 2013 closed year. Of this, $6,862,910 was outstanding at 31 December 2015.

Expenses totalling $14,981,086 were recharged to the 2013 year of account by Cathedral Underwriting Limited. The basis on which expenses are apportioned is set out in note 2(j).

Amounts owed to Cathedral Underwriting Limited at 31 December 2015 totalled $6,931,282 and are included in "Other creditors including taxation and social security".

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

	2013 Year of Account £	2014 Year of Account £	2015 Year of Account £
Cathedral Capital (1998) Limited	**202,310,477**	**202,310,479**	**177,021,669**

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.

20 Post Statement of Financial Position events

The reinsurance premium to close the 2013 year of account at 31 December 2015 was agreed by the managing agent on 16 March 2016. Consequently the technical provisions at 31 December 2015 have been presented in the Statement of Financial Position under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account – gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw. The actual amount of reinsurance to close premiums paid will be after deduction of unsigned premiums.

The following amounts will be transferred to members' personal reserve funds on 11 April 2016 $72,696,443.

On the same date, outstanding profit commission, in respect of the 2013 year of account, of $6,862,910 will be paid to Cathedral Underwriting Limited.

Seven Year Summary of Results (unaudited)

	2013 YoA	2012 YoA	2011 YoA	2010 YoA	2009 YoA	2008 YoA	2007 YoA
Syndicate allocated capacity	£349.5m	£349.5m	£349.7m	£349.8m	£299.8m	£299.7m	£299.7m
Gross capacity utilised (i)	75.9%	80.1%	83.6%	80.8%	93.5%	77.6%	71.3%
Number of underwriting members	1,230	1,186	1,118	1,058	1,024	1,003	1,023
Aggregate net written premiums (i)	£195.9m	£207.4m	£215.3m	£197.2m	£202.7m	£168.7m	£159.6m
Net capacity utilised (i)	56.0%	59.3%	61.6%	56.4%	67.6%	56.3%	53.3%
Loss ratio (ii)	59.4%	57.2%	75.5%	77.4%	61.7%	71.0%	68.8%
Results for an illustrative share of £10,000							
Gross written premiums	7,590	8,026	8,364	8,076	9,349	7,756	7,133
Net earned premiums	5,506	5,954	6,164	5,585	6,798	5,993	5,515
Reinsurance to close received from an earlier account	2,424	2,715	2,735	2,704	2,799	2,347	2,194
Net claims paid	(2,608)	(2,529)	(4,008)	(3,682)	(2,762)	(3,125)	(2,956)
Reinsurance to close payable	(2,235)	(2,426)	(2,714)	(2,734)	(3,155)	(2,799)	(2,347)
Profit/(loss) on exchange	(7)	(30)	(71)	(8)	13	65	7
Acquisition costs	(1,228)	(1,299)	(1,280)	(1,219)	(1,457)	(1,266)	(1,199)
Syndicate operating expenses	(259)	(247)	(236)	(208)	(234)	(225)	(214)
Balance on technical account before investment return	1,593	2,138	590	438	2,002	990	1,000
Investment income and gains less losses, less expenses & charges	63	69	87	108	125	166	313
Profit for closed year of account before personal expenses	1,656	2,207	677	546	2,127	1,156	1,313
Currency translation differences	48	112	(114)	(134)	31	306	281
Total recognised gains and losses before personal expenses	1,704	2,319	563	412	2,158	1,462	1,594
Illustrative personal expenses for a traditional Name:							
- Managing agent's salary	(65)	(65)	(65)	(65)	(65)	(65)	(65)
- Central Fund contributions	(33)	(17)	(36)	(35)	(41)	(34)	(100)
- Lloyd's subscription	(32)	(34)	(36)	(35)	(41)	(34)	(50)
- Profit commission	(315)	(440)	(85)	(55)	(402)	(266)	(241)
Total illustrative personal expenses for a traditional Name	(445)	(556)	(222)	(190)	(549)	(399)	(456)
Total result after illustrative personal expenses	**1,259**	**1,763**	**341**	**222**	**1,609**	**1,063**	**1,138**

Notes

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

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

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