

CATHEDRAL CAPITAL HOLDINGS LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Registered No. 3372107

TUESDAY



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CATHEDRAL CAPITAL HOLDINGS LIMITED

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CATHEDRAL CAPITAL HOLDINGS LIMITED

DIRECTORS AND ADVISORS

Non Executive Chairman	J W Cadman	
Directors	A T Maloney	
	C J Whittle	(appointed 23 November 2017)
	W A McKee	(appointed 23 November 2017)
	H R M Verzin	(resigned 24 November 2017)
Company Secretary	L J Townsend	(resigned 21 September 2017)
	E A Woolley	(appointed 22 September 2017)
Auditors	KPMG LLP 15 Canada Square London E14 5GL	
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP	
Company Number	3372107	
Registered Office	29th Floor 20 Fenchurch Street London EC3M 3BY	

STRATEGIC REPORT

Business Review Commentary on Results

The Directors present their audited consolidated financial statements for Cathedral Capital Holdings Limited, registered company number 3372107 ("CCHL" or "the Company") for the year ended 31 December 2017.

For the year ended 31 December 2017 the Group made a profit after tax of \$7.3 million compared to a profit after tax of \$17.6 million for the previous year. The difficult market conditions experienced in 2016 continued into 2017, this, coupled with the loss experienced in respect of catastrophes have driven up the reported losses.

The Company writes a diversified book of business via the Syndicate in non-marine, direct and facultative property, aviation, cargo, satellite, energy, and terrorism. Gross written premiums decreased by \$5.6 million from \$215.0 million for the year ended 31 December 2016 to \$209.4 million for the year ended 31 December 2017.

Gross losses increased by \$140.6 million from \$92.2 million for the year ended 31 December 2016 to \$232.8 million for the year ended 31 December 2017. In 2017, the company has incurred significant major losses from a number of natural catastrophes: Hurricanes Harvey, Irma and Maria, two Mexico earthquakes and the California wildfires. Net losses increased by \$65.6 million from \$73.7 million for the year ended 31 December 2016 to \$139.3 million for the year ended 31 December 2017 due to the catastrophic events listed above. This has resulted in a deterioration of the whole account loss ratio from 56.3% in 2016 to 73.4% in 2017.

The gross acquisition ratio is 18.4% in 2017 compared to 19.5% in the previous year. The gross general and administration ratio for the year ended 31 December 2017 is 8.6% (2016: 12.5%).

Cathedral's total investment portfolio returned 1.0% in 2017 or \$3.3 million. This includes investment income, realised and unrealised gains/losses, and excludes foreign exchange. In line with the improved global growth outlook, bond yields rose modestly across all regions in which the portfolio invests (U.S., Europe, U.K., and Canada). The slightly higher level of bond coupons (compared to recent years) combined with narrowing credit spreads absorbed the negative impact of rising sovereign bond yields and enabled the portfolio to generate a decent return in 2017.

The Group tax expense for the year is \$0.5 million (2016: \$3.3 million) which gives an effective tax rate of 7.0% (2016: 15.8%). A detailed analysis of the composition of the Group charge figure is set out on Note 12 to the Annual Report and consolidated financial statements.

Strategy

Our strategy remains to service and protect our core book of business and to motivate, retain and reward all those people who are key to our ongoing success. In 2018 we will seek to avail of an improved market by identifying opportunities to cautiously expand our portfolio. We are already positioned to commence writing and have resourced Marine Hull and Power business.

Principal risks to the Business

A detailed description of the principal risks to the business is set out in Note 4.

W.A.McKee



Chief Executive Officer

13 February 2018

DIRECTORS REPORT

The Directors present the annual report and the consolidated financial statements for the year ended 31 December 2017.

Principal Activity and Review of the Business

Cathedral Capital Holdings Limited was originally set up in 1997 as a Names' Conversion vehicle which enabled Names at Lloyd's with unlimited liability to convert to limited liability. One of its two main trading subsidiary companies, Cathedral Capital (1998) Limited, underwrites at Lloyd's as a corporate member. This company underwrote £277.0 million of capacity for the 2017 year of account (2016: £277.0 million of capacity for the 2016 year of account), all of which supported Cathedral Syndicates 2010 and 3010. For the 2018 year of account, the Group will underwrite £277.0 million of capacity across Cathedral Syndicates 2010 and 3010.

Cathedral Capital Holdings Limited's other main trading subsidiary is Cathedral Underwriting Limited, a Lloyd's managing agency which is subject to the dual regulation of the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") as well as Lloyd's. This company has the rights to manage Cathedral Syndicate 2010 and Syndicate 3010. Syndicate 2010 specialises in non-marine and aviation reinsurance, direct and facultative property business, with premium capacity of £177.0 million for the 2017 year of account. The capacity of the Syndicate remains unchanged for the 2018 year of account. Cathedral Syndicate 2010 has closed its 2015 year of account, with a profit of \$67.8 million.

Cathedral Underwriting Limited set up Syndicate 3010 during 2007, with an initial capacity of £20.0 million and commenced underwriting on 1 July 2007. The Syndicate specialises in marine cargo (including specie, fine art and war), aviation war, direct aviation, energy and terrorism. The capacity was £100.0 million for the 2017 year of account and remains unchanged for the 2018 year of account. The Syndicate's sole capital provider is the Group's corporate member. Cathedral Syndicate 3010 has closed its 2015 year of account, with a profit of \$4.8 million.

Cathedral Underwriting Limited intends to expand and develop its insurance operations as opportunities and market conditions allow. The Company has been approved by the PRA, the FCA and Lloyd's as a controller of Cathedral Underwriting Limited.

Dividends

An interim dividend of \$29.0 million was paid to Cathedral Capital Limited during 2017 (2016: \$nil). The Directors do not recommend the payment of a final dividend.

Share Capital

There were no changes to the share capital during 2017.

Directors

The Directors who held office during the period are set out on page 2.

Directors' and Officers' Insurance

Lancashire Holdings Limited, a Bermudian registered company, has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and all of its subsidiary companies, including this Company and all of its subsidiaries has been included under the Lancashire Holdings Limited's Policy.

Related Parties

Details of related parties and any related party transactions can be found in Note 25.

DIRECTORS REPORT (CONTINUED)

Going Concern

The consolidated financial statements of Cathedral Capital Holdings Limited have been prepared on a going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 3.

The level of investments and cash and cash equivalents in the Group are set out in Notes 16 and 17 although some of these are restricted. Note 4 sets out the various risks to the Group, such as underwriting risk, credit risk, liquidity risk and market risk. Having taken these factors into account and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Financial Instruments

The Company's principal financial instruments are financial investments, reinsurers' share of technical provisions, receivables and cash and cash equivalents. Please see Note 4 for details on the risks in relation to these financial instruments.

Auditors

On 3 May 2017 a resolution was passed by the shareholder to appoint KPMG LLP as the Company's auditor.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Employee Involvement

Details of employees and their remuneration are included in Note 8.

Cathedral is an equal opportunity employer with all existing and prospective employees being treated equally and without discrimination on the grounds of gender, race, religion, age, sexual orientation or disability. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotions to disabled employees wherever applicable.

The Group's employment practices and procedures are designed to attract and retain high calibre, ambitious individuals. The work environment and culture is designed to enable motivated individuals to hone their skills in order to achieve their career goals and the appropriate training, both internal and external, is provided in an effort to ensure that this occurs in a timely manner. All employees receive the same opportunity for training, development and promotion.

Cathedral is committed to involving all employees in the performance and development of both the Company and the Group and employees are encouraged to discuss matters of interest and subjects affecting day-to-day operations. Employees are also regularly updated on the financial performance of the Group by the Executive Directors.

DIRECTORS REPORT (CONTINUED)

Donations

During the year the Group made \$nil charitable or political donations (2016: \$nil).

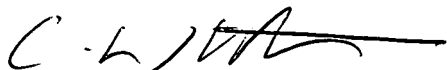
Corporate Governance

The Board of Cathedral Capital Holdings Limited is responsible for corporate governance of the Company.

On a day to day basis, however, the management of the Group's affairs and businesses are dealt with by the executive management of the Group who include the Executive Directors of the Company and selected other senior management and underwriters. This group has delegated authority from the Board to make such decisions and authorise such acts as are decided by the management to be necessary to manage and control the Group's affairs. The executive management report back to the Board at its meetings.

Directors' Remuneration

Details of the Directors' Remuneration is set out in Note 25 of this Annual Report and consolidated financial statements



C J Whittle

Chief Financial Officer

13 February 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



C J Whittle

Chief Financial Officer

13 February 2018

Registered Office:
29th Floor
20 Fenchurch Street
London EC3M 3BY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CATHEDRAL CAPITAL HOLDINGS LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Cathedral Capital Holdings Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of Consolidated Comprehensive Income, Statement of Consolidated Financial Position, Statement of Parent's Financial Position, Statement of Change in Shareholders Equity, Statement of Parent's Change in Shareholders Equity and Statement of Consolidated Cash Flows, and the related notes, including the accounting policies in note 3 to the Consolidated Financial Statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 3 May 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of gross and net insurance contract liabilities for losses and loss adjustment expenses (2017: \$337.2m gross, \$201.8m net; 2016: \$227.9m gross, \$163.5m net)

Refer to page 21 to 22 (accounting policy) and pages 54 to 55 (financial disclosures)

The risk	Our response
<p>The Group maintains reserves to cover the estimated ultimate cost of settling all losses and loss adjustment expenses arising from events which have occurred up to the balance sheet date, regardless of whether those losses have been reported to the Group.</p> <p>Subjective valuation</p> <p>The valuation of loss reserves is a complex process which requires the exercise of significant judgement. Key judgements relate to the assumptions applied in setting the estimates of both the gross and net liabilities that have been incurred but not reported, and assessing the evidence for the release or strengthening of provisions for claims.</p>	<p>We have used our own actuarial specialists to assist us in performing our procedures in this area.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> - Methodology choice Assessing and challenging the reserving methodology (on a gross basis and net of outwards reinsurance) based on our knowledge and understanding of the reserving policy within the Group. This has also involved comparing the Group's reserving methodology with industry practice and understanding the rationale for key differences. - Historical comparisons Challenging the quality of the Group's historical

<p>We also consider there to be greater judgement associated with reserves held for classes of business where losses tend to relate to low frequency high severity events, which limits the availability of historical loss data for use in calculating expected ultimate losses. For these classes in particular, there is a greater level of required judgement in estimating the initial expected loss ratios in the most recent underwriting years.</p>	<p>reserving estimates by monitoring the development of losses against initial estimates.</p> <ul style="list-style-type: none"> - Independent re-performance Applying our own assumptions to perform re-projections on the insurance contract liabilities for loss and loss adjustment expenses on both a gross and net basis and comparing these to the Group's projected results. Where there were significant variances in the results, we have challenged the Group's assumptions. Our independent re-projections focussed on classes of business where losses tend to relate to low frequency high severity events. - Benchmarking assumptions Assessing and challenging the reserving assumptions by comparing the Group's loss experience to peers in the market, on a gross and net basis, including on a contract by contract basis for large loss and catastrophe events. - Our results We found the Group's valuation of gross and net insurance contract liabilities for losses and loss adjustment expenses to be acceptable.
<p>Premiums which are estimated or earned based on non-standard profiles, included in gross premiums written (2017: \$209.4m, 2016: \$215.0m) <i>Refer to page 21 (accounting policy) and pages 39 to 40 (financial disclosures)</i></p>	
The risk	Our response
<p>Subjective estimate Pricing for certain contracts is based on a best estimate of ultimate premiums as a result of premiums being based upon future events which are unknown at the balance sheet date. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received. As updated information is received over the life of the contract, adjustments are made to the premium recognised.</p> <p>There is also judgement required in determining the appropriate earnings profile to be applied to each contract, particularly where standard (straight line over the contract period) earning profiles are not applied, for example, risk/exposure weighted profiles for North American hurricane exposed risks.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - Control operation Testing the design, implementation and operating effectiveness of key controls over the booking of gross written premiums, which includes premium estimates. - Tests of detail Verifying gross written premiums, which includes premium estimates, to source documentation for a sample of policies. [Assessing the development of written premiums on policies inception in the 2017 underwriting year based on historical experience.] Comparing written premiums recorded to the amounts signed through Lloyd's with a greater focus on policies inception in older years. - Assessing application Assessing the appropriateness of non-standard earnings profiles applied in the context of the type of contracts being written and practice across the market. - Our results We found the Group's recognition of premium estimates and premiums with non-standard earning profiles to be acceptable.
<p>Recoverability of parent company's investment in subsidiary undertakings (2017: \$4.6m, 2016: \$4.6m) <i>Refer to page 25 (accounting policy) and page 61 (financial disclosures)</i></p>	
The risk	Our response
<p>Low risk, high value The carrying amount of the parent company's investments in subsidiary undertakings represents 5% (2016: 4%) of the company's total assets. Their recoverability is not at a high risk of significant</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - Tests of detail Comparing the carrying amount of 100% of investments in subsidiary, with the relevant subsidiaries' financial statements to identify whether their net assets, being an

<p>misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.</p> <p>- Assessing subsidiary audits</p> <p>Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.</p> <p>- Our results</p> <p>We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable.</p>
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3 Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at \$2.1 million, determined with reference to a benchmark of gross premiums written of \$209.4 million, of which it represents 1 per cent. We consider gross premiums written to be the most appropriate benchmark as it provides a stable measure year on year.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding \$0.1 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected all of the four components, including the parent company, to full scope audits for group reporting purposes. Including the audit of the consolidation adjustments our scope covered 100 per cent of gross premiums written, profit before tax and total assets. The work on all of the components was performed by the Group audit team

Materiality for the parent company financial statements as a whole was set at \$0.8m, determined with reference to a benchmark of 2017 net assets, of which it represents 3.8%.

The Group audit team set the component materialities, which ranged up to \$[2]m having regard to the size and risk profile of the various components across the Group.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page [7], the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in the specific areas of the Companies Act 2006 and the Prudential Regulation Authority and Lloyd's of London prudential regulation. We identified these areas through discussion with the directors and other management (as required by auditing standards), from our sector experience, and from inspection of the Company's regulatory and legal correspondence. In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

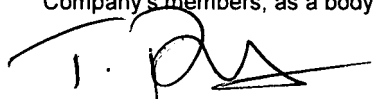
We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being the Companies Act 2006, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards), and inspected correspondence with regulatory authorities, as well as legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Timothy Butchart (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

13 February 2018

CATHEDRAL CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
	Notes		
Written premium, net of reinsurance;			
Gross premiums written	5	209,377	214,974
Outwards reinsurance premiums		(24,908)	(97,255)
Net premiums written		184,469	117,719
Change in underwriting premiums		4,871	12,659
Change in underwriting premiums on premiums ceded		396	510
Net premiums earned		189,736	130,888
Net investment income	6	4,248	4,091
Net change in unrealised losses on investments	6	(1,033)	(1,931)
Net realised gains	6	93	2,956
Net foreign exchange gains	9	1,624	6,784
Other income	7	11,974	24,956
Total net revenue		206,642	167,744
Insurance losses and loss adjustment expenses	5	(232,778)	(92,213)
Insurance losses and loss adjustment expenses recoverable	5	93,457	18,508
Net insurance losses		(139,321)	(73,705)
Insurance acquisition expenses	5	(39,421)	(44,314)
Insurance acquisition expenses ceded	5	586	784
Other operating expenses	8	(18,409)	(28,509)
Total expenses		(196,565)	(145,744)
Results of operating activities		10,077	22,000
Financing costs	10	(3,290)	(2,990)
Profit before tax	11	6,787	19,010
Tax expense	12	(550)	(3,313)
Profit attributable to the equity shareholder		6,237	15,697

There are no other comprehensive gains or losses in the year

All activities were in respect of continuing operations.

The Company paid an interim dividend of \$29.0 million in the year (2016: \$Nil) as set out in note 13. The Company does not intend to declare a final dividend for the year.

The Notes on pages 18 to 61 form an integral part of these consolidated financial statements.

CATHEDRAL CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2017

		31 December 2017 \$'000	31 December 2016 \$'000
	Notes		
Assets			
Cash and cash equivalents	16	71,710	123,251
Financial investments	17	217,745	197,414
Trade and other receivables	15	131,621	114,526
Reinsurance assets	20	145,276	73,794
Prepayments and accrued income	18	18,774	26,182
Deferred tax assets	22	19,760	10,671
Property, plant and equipment		-	3
Deferred acquisition costs		16,996	17,864
Intangible assets	14	10,957	12,075
Total assets		632,839	575,780
Equity			
Called up share capital	24	16,815	16,815
Other reserves		5,246	5,246
Translation reserve		(6,849)	(6,849)
Retained earnings		30,181	52,962
Total shareholder's equity		45,393	68,174
Liabilities			
Borrowings	19	73,130	71,293
Insurance liabilities	20	415,768	311,282
Provision for other liabilities	21	1,213	9,026
Deferred tax liabilities	22	26,127	20,150
Trade and other payables	23	57,297	88,784
Current tax liabilities		10,341	4,738
Accruals and deferred income		3,570	2,333
Total liabilities		587,446	507,606
Total equity and liabilities		632,839	575,780

The consolidated financial statements on pages 12 to 61 were approved by the Board of Directors and authorised for issue on 13 February 2018

W A McKee

Chief Executive Officer

The Company registration number is 3372107

C J Whittle

Chief Financial Officer

Chief Financial Officer


The Notes on pages 18 to 61 form an integral part of these consolidated financial statements.

CATHEDRAL CAPITAL HOLDINGS LIMITED
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2017

		31 December 2017	31 December 2016
	Notes	\$'000	\$'000
Assets			
Financial investments	17	87,799	76,405
Investments in subsidiary undertakings	29	4,566	4,566
		92,365	80,971
Current Assets			
Cash and cash equivalents	16	3,426	2,794
Trade and other receivables	15	-	24,505
Prepayments and accrued income	18	476	369
Deferred tax asset		1	-
Current tax asset		179	143
		4,082	27,811
Total assets		96,447	108,782
Equity			
Called-up share capital	25	16,815	16,815
Capital redemption reserve		2,844	2,844
Translation Reserve		(4,903)	(4,903)
Profit and loss reserve		6,179	8,172
Total shareholder's equity		20,935	22,928
Liabilities			
Borrowings	19	73,130	71,293
Deferred tax liabilities		-	233
Trade and other payables	24	2,208	14,071
Accruals and deferred income		174	257
Total liabilities		75,512	85,854
Total equity and liabilities		96,447	108,782

Profit for the year amounted to \$27.0 million (2016:\$1.0 million)

The financial statements were approved by the Board of Directors and authorised for issue on 13 February 2018 and signed on its behalf by:


W A McKee
 Chief Executive Officer


C J Whittle
 Chief Financial Officer

The Notes on pages 18 to 61 form an integral part of these financial statements.

CATHEDRAL CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Year ended 31 December 2017

	Share capital \$m	Other reserves \$m	Translation reserve \$m	Retained earnings \$m	Total shareholders equity \$m
Balance as at 1 January 2017	16,815	5,246	(6,849)	52,962	68,174
Total comprehensive income for the year	-	-	-	6,237	6,237
Dividends paid	-	-	-	(29,018)	(29,018)
Balance as at 31 December 2017	16,815	5,246	(6,849)	30,181	45,393

Year ended 31 December 2016

	Share capital \$m	Other reserves \$m	Translation reserve \$m	Retained earnings \$m	Total shareholders equity \$m
Balance as at 1 January 2016	16,815	5,246	(6,849)	37,265	52,477
Total comprehensive income for the year	-	-	-	15,697	15,697
Dividends paid	-	-	-	-	-
Balance as at 31 December 2016	16,815	5,246	(6,849)	52,962	68,174

The Notes on pages 18 to 61 form an integral part of these consolidated financial statements.

CATHEDRAL CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Year ended 31 December 2017

	Share capital	Capital redemption reserve	Translation reserve	Retained earnings	Total shareholders equity
	\$m	\$m	\$m	\$m	\$m
Balance as at 1 January 2017	16,815	2,844	(4,903)	8,172	22,928
Total comprehensive income for the year	-	-	-	27,025	27,025
Dividends paid	-	-	-	(29,018)	(29,018)
Balance as at 31 December 2017	16,815	2,844	(4,903)	6,179	20,935

Year ended 31 December 2016

	Share capital	Capital redemption reserve	Translation reserve	Retained earnings	Total shareholders equity
	\$m	\$m	\$m	\$m	\$m
Balance as at 1 January 2016	16,815	2,844	(4,903)	7,175	21,931
Total comprehensive income for the year	-	-	-	997	997
Dividends paid	-	-	-	-	-
Balance as at 31 December 2016	16,815	2,844	(4,903)	8,172	22,928

The Notes on pages 18 to 61 form an integral part of these consolidated financial statements.

CATHEDRAL CAPITAL HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Operating Activities	Notes		
Profit before taxation		6,787	19,010
Adjustments for:			
Depreciation		3	1
(Increase) in debtors & accrued income		(34,768)	(1,598)
Decrease/ (Increase) in underwriting balances		33,872	(26,318)
Realised investment (gains)		(88)	(2,956)
Unrealised investment losses		1,033	1,931
Exchange revaluation		51	1,884
Decrease in creditors		(39,230)	(13,501)
Interest expense		3,290	2,990
Interest receivable		(4,244)	(3,675)
Dividends receivable		(4)	(416)
Impairment of intangible assets		1,118	29
Cash (used) in operations		(32,180)	(22,619)
Income taxes received / (paid)		-	(1,470)
Net cash (used) in operating activities		(32,180)	(24,089)
Investing activities			
Purchase of investments		(136,302)	(162,305)
Proceeds from disposal of investments		118,504	207,394
Purchase of property, plant and equipment		-	(2)
Interest received		4,132	3,518
Dividends received		4	450
Net cash (used) in / generated from investing activities		(13,662)	49,055
Financing activities			
Interest paid on loan notes		(3,218)	(2,916)
Dividends paid		(2,165)	-
Net cash (used) in financing activities		(5,383)	(2,916)
Net (decrease) / increase in cash and cash equivalents		(51,225)	22,050
Cash and cash equivalents at beginning of year		123,251	103,180
Effect of exchange rate fluctuations on cash and cash equivalents		(316)	(1,979)
Cash and cash equivalents at end of year	16	71,710	123,251

The Notes on pages 18 to 61 form an integral part of these consolidated financial statements.

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

Cathedral Capital Holdings Limited ("the Company") is a limited company registered and domiciled in England and Wales. The addresses of its registered office and principal place of business are disclosed on page 2. The principal activities of the Company and its subsidiaries ("the Group") are described in the Report of the Directors on page 4.

2 BASIS OF PREPARATION

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted under IFRS as adopted by the European Union.

Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Company determines appropriate measurement bases, to provide the most useful information to users of the consolidated financial statements, using their judgement and considering U.K. GAAP.

In the course of preparing the consolidated financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations as noted in the 'Use of Estimates' section below, that have had a significant effect on amounts recognised in the consolidated financial statements.

All amounts, excluding share data or where otherwise stated, are in thousands of U.S. dollars.

The Group participates on syndicates at Lloyd's. These consist of Syndicates 2010 and 3010 ("the syndicates") which are managed by the managing agent which is a subsidiary of the Group. While a number of new or amended IFRS and IFRIC standards have been issued there are no standards issued that have had a material impact on the Group.

IFRS 15, Revenue from Contracts with Customers, is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will not have a material impact on the results and disclosures reported in the consolidated financial statements.

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts by an insurer. The new standard is effective for annual periods beginning on or after 1 January 2021 and will include a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition. The Group will continue to assess the impact the new standard will have on its results and the presentation and disclosure thereof.

IFRS 9, Financial Instruments: Classification and Measurement, has been issued but is not yet effective, and therefore has not yet been adopted by the Group. The Group continues to apply IAS 39, Financial Instruments: Recognition and Measurement and classifies its fixed maturity securities, equity securities and hedge funds as AFS or FVTPL. The new standard is effective for annual periods beginning on or after 1 January 2018, although it has been deferred for insurers until 1 January 2021 to align with the implementation date of IFRS 17. IFRS 9 is not expected to have a material impact on the results and disclosures reported in the consolidated financial statements.

As permitted by Section 408(3) of the Companies Act 2006, the statement of Comprehensive Income of the Company is not presented.

The consolidated balance sheet of the Group is presented in order of decreasing liquidity.

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidation principles and significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

a) Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the Group to make estimates and assumptions that affect the reported and disclosed amounts at the balance sheet date and the reported and disclosed amounts of revenues and expenses during the reporting period. Actual results may differ materially from the estimates made.

The most significant estimate made by management is in relation to losses and loss adjustment expenses. This is discussed in the risk disclosures section in Note 4. Estimates in relation to losses and loss adjustment expenses recoverable are discussed below.

The Group determines whether indefinite life intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of a cash generating unit (CGU) to which the intangible assets are allocated. The assumptions made by management in performing impairment tests of intangible assets are subject to estimation uncertainty. Details of the key assumptions used in the estimation of the recoverable amounts of a CGU are contained in note 14.

b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Intercompany balances, profits and transactions are eliminated. The Group participates on two Syndicates at Lloyd's, which are managed by the Group's managing agent subsidiary. In view of the several liability of underwriting members at Lloyd's, the Group recognises its proportion of all the transactions undertaken by the Syndicates in which it participates within its consolidated statement of comprehensive income. Similarly, the Group's proportion of the Syndicates' assets and liabilities has been reflected in its consolidated balance sheet. This proportion is calculated by reference to the Group's participation as a percentage of each Syndicate's total capacity for each year of account.

Subsidiaries' accounting policies are generally consistent with the Group's accounting policies. Where they differ, adjustments are made on consolidation to bring accounting policies in line.

c) Foreign currency translation

The functional currency, which is the currency of the primary economic environment in which operations are conducted, for all Group entities is U.S. dollars. Items included in the financial statements of each of the Group's entities are measured using the functional currency. The consolidated financial statements are also presented in U.S. dollars. Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are translated at period end exchange rates. The resulting exchange differences on translation are recorded in the consolidated statement

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

of comprehensive / income in profit or loss. Non-monetary assets and liabilities carried at historical cost and denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined, the resulting exchange differences on translation are recorded in the consolidated statement of comprehensive / income in profit or loss.

d) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite depending on the nature of the asset. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment at least annually at the CGU level by comparing the net present value of the future earnings stream of the CGU to the carrying value of the intangible asset. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

i) Goodwill

Goodwill is deemed to have an indefinite life and, after initial recognition, is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or when events or changes in circumstances indicate that it might be impaired. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

ii) Syndicate participation rights

Syndicate participation rights purchased in a business combination are initially measured at fair value and are subsequently measured at cost less any accumulated impairment losses. Syndicate participation rights are considered to have an indefinite life as they will provide benefits over an indefinite future period and are therefore not subject to an annual amortisation charge. The value of the syndicate participation rights is reviewed for impairment at least annually, or when events or changes in circumstances indicate that it might be impaired.

iii) Software under construction

The intangible assets under construction relate to costs directly attributable to computer software and are deemed to have a definite useful economic life of three years. The assets are reviewed for impairment loss at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Amortisation is calculated on a straight line basis based on the estimated useful economic life of the assets, following completion of testing and integration of the software into business as usual processes.

e) Insurance Contracts

i) Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Contracts that do not transfer significant insurance risk are accounted for as investment contracts. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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ii) Premium

Gross written premium represent contracts on business incepting during the financial year, together with adjustments made in the year to premium written in previous accounting periods. All premium are gross of commission payable to intermediaries, and include estimates for pipeline premium, representing amounts due to the Syndicate not yet notified.

Outwards reinsurance premium are accounted for in the same accounting period as the premium for the related direct or inwards business being reinsured by the syndicates. This includes both the Group's share of outwards reinsurance premium written by the syndicates and also premium paid by the Group's subsidiaries for reinsurance protection. Reinsurance premium payable to Lancashire Insurance Company Limited (a related Lancashire group company) under a reinsurance quota share agreement is recognised in line with the annual accounting underwriting result, gross of reinsurance profit commissions receivable. It is also grossed up for Lloyd's expenses (managing agency fees and managing agency profit commission) which have been effectively passed on to Lancashire Insurance Company Limited by way of the reinsurance quota share contract.

Inwards premium receivable are recorded net of commissions and brokerage. These balances are reviewed for impairment, with any impairment loss recognised as an expense in the period in which it is determined.

iv) Provision for unearned premium

Written premium is earned according to the risk profile of the policy commencing from the date of inception. Unearned premium represent the proportion of premium written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate. Estimates are based on managing agent's estimates of the exposures of the underlying business written.

The movement in the provision for unearned premium is taken to the consolidated statement of comprehensive income in order that revenue is recognised over the period of the risk.

v) Claims incurred

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

vi) Outstanding claims provision

The outstanding claims comprise amounts set aside for claims notified by the balance sheet date and IBNR and includes amounts in respect of internal and external claims handling costs.

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 the management of the Group's managing agent subsidiary. This provision is reviewed by external consulting actuaries. IBNR for major catastrophe losses is individually assessed by underwriting and non underwriting management of

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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the Group's managing agent subsidiary. 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 Group's managing agent subsidiary 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.

vii) Reinsurance

The reinsurers' share of provision 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. Where reliance has been placed on the security rating by rating agencies, it has been assumed that they provide a reliable estimate of the likelihood of the reinsurer in question being able to meet its obligations when called upon to do so.

If a reinsurance asset is impaired, the Group reduces its carrying amount accordingly, and will immediately recognise the impairment loss in the Consolidated Statement of Comprehensive Income. A reinsurance asset will be deemed to be impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the asset, that the Group may not receive all amounts due to it under the terms of the contract, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

viii) Deferred acquisition costs

Acquisition costs represent commission and other expenses arising from the conclusion of insurance contracts. They are deferred over the period in which the related premium are earned.

ix) Liability adequacy tests

At each balance sheet date, the Group performs a liability adequacy test using current best estimates of future cash outflows generated by its insurance contracts, plus any investment income thereon. If, as a result of these tests, the carrying amount of the Group's insurance liabilities is found to be inadequate, the deficiency is charged to income for the period, initially by writing off deferred acquisition costs and subsequently by establishing a provision.

x) Reinsurance To Close

To the extent that the Group participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Group has offset its share of the reinsurance to close received against its share of the reinsurance to close paid. This is accounted for in the accounting period when the reinsurance to close contract is completed (usually the year after the year of account is deemed to have closed).

Where the Group has increased or decreased its syndicate participation from one year of account to the next, the difference between the reinsurance to close received and the reinsurance to close paid is shown in the consolidated statement of

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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comprehensive income as either gross premium written or reinsurance premium payable as appropriate.

f) Financial Instruments

i) Cash and Cash Equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at amortised cost and include cash in hand, deposits held on call with banks and other short-term highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Interest income earned on cash and cash equivalents is recognised on the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

ii) Investments

The Group classifies its financial assets 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 fair values of quoted financial investments are based on bid prices at the balance sheet date. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques, such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

For the Group, unlisted investments are stated at fair value.

Realised and unrealised gains and losses on investments classified as fair value through profit and loss are recognised through the consolidated statement of comprehensive income.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group 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.

The Group's share of the syndicates' investments are treated as sold and purchased at each 31 December in recognition of the annual venture nature of participations on a syndicate. Their cost is therefore their market value, based on bid values, at that date.

g) Other Income

Managing agents fees and commissions and underwriting service fees are recognised in line with services provided. Contingent profit commissions are recognised when it is virtually certain that they will be realised. This excludes any fees or profit commission charged to the Group's corporate member subsidiary although it does include those fees and commissions charged to the Group's corporate member subsidiary but effectively passed on to Lancashire Insurance Company Limited by way of the quota share reinsurance agreement.

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

h) Other operating expenses

Operating expenses include the Group's share of the syndicates' operating expenses and the Group's corporate expenses. The Group's share of the syndicates' operating expenses includes the direct costs of membership of Lloyd's ("personal expenses"). Expenses are accounted for on an accruals basis.

i) Long Term Debt

Long-term debt is recognised initially at fair value, net of transaction costs incurred. Thereafter it is held at amortised cost, with the amortisation calculated using the effective interest rate method. Derecognition occurs when the obligation has been extinguished.

j) Property, plant and equipment

Property, plant and equipment is carried at historical cost, less accumulated depreciation and any impairment in value. Depreciation is calculated to write off the cost over the estimated useful economic life on a straight-line basis as follows:

Computer & other equipment 33% per annum

Furniture, fixtures and fittings 20% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant or equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount of the asset, and are included in the consolidated statement of comprehensive income. Costs for repairs and maintenance are charged as incurred.

k) Employee Benefits

i) Equity Compensation Plans

Lancashire Holdings Limited has issued restricted shares to certain employees and members of senior management and the Company is recharged for the costs relating to its employees. They are recognised as an expense pro-rata over the vesting period of the instrument. The total amount to be expensed is determined by reference of the fair value of the awards estimated at the grant date, excluding the impact of any non-market vesting conditions.

ii) Pensions

The Group operates a defined contribution plan. On payment of contributions to the plan there is no further obligation for the Group. Contributions are recognised as employee benefits in the consolidated statement of comprehensive income in the period to which they relate.

l) Tax

Income tax represents the sum of the tax currently payable and any deferred tax. The tax payable is calculated based on taxable profit for the period. Taxable profit for the period can differ from that reported in the consolidated statement of comprehensive

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

income due to non-taxable income and certain items which are not tax deductible or which are deferred to subsequent periods.

Deferred tax is recognised on all temporary differences between the assets and liabilities in the consolidated balance sheet and their tax base, except when the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

n) Investment in subsidiary undertakings

Investments in subsidiaries are accounted for under the cost model, measured at the lower of carrying amount and fair value less costs to sell.

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 Risk disclosure

The Group is exposed to a variety of risks when undertaking its activities. The Board has policies in place to identify and manage the key risks in accordance with its risk appetite. Together with general operational risks, these risks can be split into the following categories:

- Insurance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Capital management risk

The Group only underwrites on the syndicates managed by its managing agency subsidiary.

The sections below outline the Group's risk appetite and explain how it defines and manages each category of risk.

4.1 Insurance risk

The Group's underwriting of insurance risks has 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 Group'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, this 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 Group 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 by the relative poor performance of a single across the board by a change in any subset of the portfolio. The Group 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 Group is accumulative by nature.

Factors that elevate insurance risk include lack of risk diversification in terms of type and number of risks, geographical location and type of industry covered.

CATHEDRAL CAPITAL HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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continued

4.1.1 Diversification across classes of business

The Group's underwriting covers various classes of business which, to some extent, have different exposure profiles and therefore provides an element of diversification to the Group. An analysis of gross written premiums by class of business is as follows:

	2017 \$'000	2017 %	2016 \$'000	2016 %
Property	148,863	71.1%	150,981	70.2%
Energy	11,079	5.3%	14,860	6.9%
Cargo	22,360	10.7%	21,180	9.9%
Aviation	27,043	12.9%	24,369	11.3%
Other	32	0.0%	3,584	1.7%
Total	209,377	100.0%	214,974	100.0%

The RITC adjustment relates to the receipt of premiums in respect of additional liabilities accepted when the Group increases its underwriting capacity on a syndicate.

The Group's managing agency subsidiary monitors the type of business underwritten by its syndicates 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.

4.1.2 Frequency and severity of claims

The frequency and severity of claims in respect of the syndicates can be affected by several factors and these can impact the Group.

The syndicates currently specialise in the classes of business stated above. These accounts are predominantly short-tail in nature, and some of them have a high degree of catastrophe exposure (for example the property accounts could be affected by hurricane losses or earthquakes).

The catastrophe nature of the 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 Group.

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 Group models various loss scenarios and also runs specific realistic disaster scenarios ("RDS") in accordance with Lloyd's franchise guidelines to enable it to monitor the exposure at a gross and net level for the syndicates.

4.1.3 Underwriting risk

The syndicates have a defined event risk appetite. Best efforts are made to restrict the maximum gross and net loss that the syndicates 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, applying rates of exchange used for planning purposes. The syndicates model various loss scenarios and also prepare prescribed RDS which seek to analyse and quantify their exposures to certain specified events, and endeavour to ensure that their potential loss exposures remain within Franchise Board guidelines. The Lloyd's guidelines measure maximum RDS exposures as a percentage of both Gross Net Premium (GNP) and ECA, however, internally the syndicates continue to manage RDS exposure against capacity.

CATHEDRAL CAPITAL HOLDINGS LIMITED
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continued

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 syndicates is short tail in nature and, whilst the US Terror Attacks in 2001 showed that short tail classes are not immune from unknown / unexpected accumulations, the threat of this occurring is probably more pronounced in the liability fields. More crucially, the approach taken to risk management is heavily exposure driven. The syndicates continually seek to model their portfolio of accounts in order to identify accumulations and to monitor the exposures of the syndicates, and the whole process is supported by sophisticated internal and external modelling systems. Finally, to ensure the maximum depth of reinsurance coverage, all accounts other than Fire Theft and Collision have purchased separate reinsurance programmes.

b) Risk of extreme losses

Even ignoring apocalyptic type losses (e.g. massive meteorite strike), crippling losses could have a major destabilising effect on the insurance industry as a whole. Whilst the reinsurance writings for the syndicates (unlike direct insurance) typically provide policyholders with defined cover by way of both limits and number of reinstatements, the direct and facultative account and marine cargo account gives rise to very large assured values which are potentially more vulnerable to failures in PML (Probable Maximum Loss) assumptions. Also, the syndicates could be vulnerable to significant failure amongst their own reinsurers.

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 syndicates also purchase reinsurance programmes that are structured so as to limit the exposure to any single reinsurer.

c) Frequency of major loss

The syndicates are vulnerable to a high frequency of major loss.

The major defences the syndicates have 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 syndicates seek to purchase a depth of cover at the lower levels particularly to protect against a frequency of mid-sized claims. The direct and facultative accounts are also vulnerable to loss frequency, although this is mitigated by modulating line size by attachment point, geographical spread of risks and separate reinsurance programmes.

d) Wording issues

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

Despite this risk, most coverages utilised are fairly standard. Slip checking is part of the underwriting process. Furthermore, the independent review director of the Group's managing agent subsidiary 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 syndicates' accounts, 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.

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The major controls applied on a day-to-day basis include the peer review processes within the syndicates which ensure that all risks are seen by at least two underwriters and the syndicates' rate monitoring processes. The managing agency's syndicates' 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 syndicates' own performance against their peers.

f) Other controls

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

Each syndicate prepares an annual business plan which sets out the 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 Group's managing agency subsidiary also reviews a sample of all risks underwritten by the syndicates.

All risks underwritten by the syndicates are modelled in a timely fashion with underlying 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 presented to the managing agency's syndicate board monthly and these are monitored against those that had been expected per the syndicates business plans. Aggregation systems are also used for the other accounts to monitor exposures.

4.1.4 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 syndicates include an 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 in detail below:

a) Inappropriate reinsurance programme / gaps

The syndicates knowingly run exposures which are not covered by reinsurance. These exposures may be run below the attachment point of the outwards programme (syndicates' 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 syndicates 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.

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Also, if following the occurrence of major losses, the reinsurance programmes do not respond or provide that which was assumed, then there could be significant financial consequences to the syndicates. It is emphasised that the amount of reinsurance cover which the syndicates purchase have 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, eg terrorism, spiral and pollution, 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 syndicates aim 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 syndicates' record with their reinsurers together with the overall availability of retrocessional capacity.

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

Should there be a collapse in the retrocessional market, the syndicates 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 syndicates aim to protect themselves 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 them. Where such cover is not available, then the syndicates' exposures to large losses increases accordingly, though this may be mitigated somewhat by a reduction in the aggregate exposures taken on by them.

4.1.5 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 Group expects the ultimate settlement and administration of claims will cost. The reserving risk to the Group is that reserves established by the Group 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 recoverables and liability awards.

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

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

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a) Claims outstanding

(i) Process 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 is limited information available at the year-end, or which relates to claims which can be complex (for example, subject to potential litigation or disputes over specific terms and conditions of the policies written).

For the syndicates, the Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The syndicates underwrite relatively short-tail accounts that help them to assess ultimate claims costs relatively quickly, whether or not the years concerned have been the subject of material loss activity. Therefore, projections are able to be undertaken using underwriter judgement, market share analysis and comparison to the rest of the market.

The syndicates also have a catastrophe element to their accounts, giving the accounts exposure to large but relatively less frequent losses. When setting assumptions and projecting claims liabilities, this means that 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, aircraft losses). 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) Sensitivity analysis - sensitivity of claims liabilities

When reviewing the claims liability projections in respect of the syndicates, the Group considers the factors and assumptions which could have a large impact on those projections. The main areas of sensitivity relate to:

- those 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 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 occurrence 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 Group has sought to consider all potential losses and reviews / follows up 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 \$2.0 million (2016: \$1.6 million).

The loss development table that follows provides information about the historical claims development for syndicates. It shows how the Group's estimates of the claims ratio for the past ten underwriting years have changed at successive year-ends. In effect, the table highlights the Group'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 Group.

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While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current claims liabilities. The Group believes that the estimate of total claims liabilities as at the balance sheet date 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.

Syndicates loss ratio development table (100% of Syndicate 2010 and 3010)

Underwriting Year										
Gross	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1 year	75%	40%	63%	79%	56%	47%	58%	38%	50%	192%
2 years	70%	52%	88%	74%	46%	46%	48%	41%	58%	
3 years	70%	49%	87%	70%	41%	45%	43%	41%		
4 years	68%	46%	86%	66%	40%	43%	42%			
5 years	67%	46%	86%	64%	40%	42%				
6 years	66%	44%	86%	64%	40%					
7 years	65%	43%	86%	64%						
8 years	64%	42%	86%							
9 years	63%	42%								
10 years	63%									

Underwriting Year										
Net	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1 year	68%	53%	76%	86%	65%	62%	72%	50%	43%	140%
2 years	60%	57%	78%	75%	51%	56%	57%	46%	63%	
3 years	60%	52%	74%	70%	44%	53%	51%	44%		
4 years	57%	49%	71%	67%	43%	51%	50%			
5 years	55%	48%	71%	64%	43%	50%				
6 years	53%	46%	71%	64%	43%					
7 years	52%	45%	70%	63%						
8 years	51%	45%	70%							
9 years	50%	45%								
10 years	50%									

The loss ratios above are in respect of the pure year of account and are the cumulative annually accounted loss ratios at each stage.

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b) Provision for unearned premiums

(i) Process 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. For example, insurance policies protecting windstorms in the Florida region of the USA will tend to be earned later in the calendar year as that is when the hurricane season will occur.

(ii) Changes in assumptions and sensitivity analysis

There have been no changes in assumptions or sensitivity analyses for determining the provision for unearned premiums in respect of the syndicates.

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

The Group 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 is applied to the figures. This is not believed to be significant to the account.

If a change in the proportion of total business written of 1% was to become unearned this would equate to an adjustment of \$0.8 million to the unearned premium provision (2016: \$0.8 million).

4.2 Credit risk

The Group 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 Group 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;
- amounts due from insurance intermediaries, and
- amounts due from parent company

The Group's managing agency subsidiary'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 subsidiary's board.

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

At the year-end, the Group has quantified the credit risk to the syndicates and reduced the amounts due from reinsurers and reinsurers' share of insurance liabilities for this. Where the syndicates have any legal right of off-set, this is assumed in the calculation of credit risk.

The Group also has exposure to credit risk on its investments and cash holdings, whereby an issuer default results in the Group losing all or part of the value of a financial instrument.

With respect to the syndicates, all funds are held in either cash or short-dated fixed interest securities (either government or high-quality investment grade corporate bonds). Fixed interest managers are employed and their asset allocation is regularly monitored by the managing agency subsidiary's syndicate investment committee.

With respect to the Group's corporate investments, the Group applies an asset allocation strategy aimed at preserving capital. A limit is applied to the proportion of investments which can be invested in riskier asset classes such as equities or capital protected securities. The short-dated fixed interest securities can be invested in either government or high-quality corporate bonds.

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With respect to the syndicates' investments and Group's corporate investments, detailed requirements regarding asset diversification and concentration limits are set out in the investment mandates given to the external investment managers.

The following tables analyse the Group's concentration of credit risk, using ratings from external rating agencies. This analysis is in respect of the corporate group and the Group's share of syndicates only.

At 31 December 2017	A++ to A- \$'000	B++ to B- \$'000	Unrated \$'000	Total \$'000
Financial investments	196,117	21,625	3	217,745
Insurance receivables	58,957	-	34,644	93,601
Reinsurance assets	101,959	-	43,317	145,276
Cash and cash equivalents	71,700	-	10	71,710
	428,733	21,625	77,974	528,332

At 31 December 2016	A++ to A- \$'000	B++ to B- \$'000	Unrated \$'000	Total \$'000
Financial investments	183,246	12,828	1,340	197,414
Insurance receivables	70,686	3	12,993	83,682
Reinsurance assets	61,033	12	12,749	73,794
Cash and cash equivalents	123,235	-	16	123,251
	438,200	12,843	27,098	478,141

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.

Of the \$43.3 million (2016: \$12.7 million) unrated reinsurance assets at 31 December 2017, \$26.5 million (2016: \$5.6 million) are fully collateralised in trust funds; \$11.6 million (2016: \$1.7 million) are in respect of attritional IBNR that have yet to be allocated to any specific loss and the remaining \$5.2 million (2016: \$5.4 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 ageing analysis of debtors arising out of direct insurance operations and reinsurance operations past due but not impaired is as follows:

	Group 31 December 2017 \$'000	Group 31 December 2016 \$'000
3 to 6 months past due	469	1,530
6 to 9 months past due	1,030	1,545
Greater than 9 months past due	3,046	923
	4,545	3,998

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4.3 Liquidity risk

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

Claims arising from insurance contracts are settled by the syndicates using their own funds. Where insufficient liquid funds exist, the syndicates can place a cash call on the Names supporting them and can ultimately draw down from the Names' funds at Lloyd's. With respect to the syndicates, the funds are held in cash or in short-term, liquid stocks which are able to be converted to cash within a few days. Furthermore, the syndicates have banking catastrophe facilities available to them.

A portion of the corporate Group's assets are held as funds at Lloyd's which are restricted in terms of their use, although they can be drawn down to pay any cash calls to syndicates supported by the Group. At 31 December 2017, the Group had \$12.8 million of cash available for use (2016: \$6.7 million).

The following tables group the debt securities, cash and cash equivalents, borrowings, gross provisions for outstanding claims, and claims outstanding recoverable from reinsurers into maturity date periods. The gross provisions for outstanding claims, and claims outstanding recoverable from reinsurers reflect the estimated, undiscounted cash flows. Note that the maturity date used below for the long term debt is on the same basis as its valuation, as set out in Note 23.

At 31 December 2017	Balance sheet	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Debt securities	217,742	54,605	138,891	6,146	18,100	217,742
Cash and cash equivalents	71,710	71,710	-	-	-	71,710
Borrowings	(73,130)	(3,614)	(7,856)	(8,200)	(128,913)	(148,583)
Gross provision for claims outstanding	(337,227)	(243,727)	(67,684)	(20,292)	(5,524)	(337,227)
Claims outstanding recoverable from reinsurers	135,453	105,641	22,353	6,402	1,057	135,453
	14,548	(15,385)	85,704	(15,944)	(115,280)	(60,905)

At 31 December 2016	Balance sheet	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Debt securities	196,074	23,088	146,985	9,427	16,574	196,074
Cash and cash equivalents	123,251	123,251	-	-	-	123,251
Borrowings	(71,293)	(3,167)	(7,157)	(7,982)	(130,932)	(149,238)
Gross provision for claims outstanding	(227,873)	(106,067)	(86,606)	(23,763)	(11,437)	(227,873)
Claims outstanding recoverable from reinsurers	64,407	23,504	31,097	7,458	2,348	64,407
	84,566	60,609	84,319	(14,860)	(123,447)	6,621

4.4 Market risks

4.4.1 Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the Group. This can arise where the Group holds investments (either directly or through its participation on syndicates) with a fixed return, and market interest rates change which in turn change the market value of the investments.

The fixed interest securities held by the corporate entities of the Group and the syndicates have a short duration and so foreseeable changes in market interest rates would not be expected to have a significant impact on their value.

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All borrowings are at variable rates which are re-priced quarterly. The rates are as set out in Note 20. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. However, this exposure is to some extent mitigated as any changes in LIBOR could be expected to impact both the interest earned on the cash and investments held by the Group as well as on the loans themselves. The Group has not entered into any interest rate swap products.

A change in market interest rates of 1% would equate to a pre tax movement on net assets / profits of \$3.6 million (2016: \$3.4 million). This has been calculated by revaluing the assets and liabilities that would be affected by a movement in market interest rates.

4.4.2 Equity price risk

The Group holds some equity investments on its Consolidated Statement of Financial Position to give it a broader exposure to different investment asset classes with a view to enhancing its investment returns over the longer term. However, by doing so, the Group is exposed to a degree of equity price risk. The exposure to equities is only to the corporate assets of the Group as syndicates on which the Group participates did not hold equity investments, other than overnight money market instruments.

The Group manages its equity price risk by placing a limit on the amounts that can be invested in equities. The performance of the investment managers is continuously monitored and the Group's asset allocation committee formally receives a report from the investment managers each quarter.

Based on the year end value of equities and alternative investments, a change in the FTSE All Share Index of 10 percentage points would equate to a pre tax movement on net assets / profits of \$Nil (2016: \$134,000).

4.4.3 Currency risk

The Group holds assets and liabilities in three main currencies - sterling, euros and US dollars. The syndicates themselves also hold their assets and liabilities in Canadian dollars.

Syndicates for the most part aim to ensure that their assets and liabilities match by currency as closely as possible, which mitigates the degree of currency risk somewhat.

Syndicate underwriting profits and losses are currently only capable of being distributed in either US dollars or sterling and so the Group is affected to some degree by movements in the US dollar and sterling rate. This is further compounded by the fact that any underwriting profits are normally only 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 Group does not currently enter into any currency deals to mitigate this currency risk.

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The tables below show the currency split of the group's assets and liabilities.

As at 31 December 2017	STG \$'000	EUR \$'000	USD \$'000	CAD \$'000	Total \$'000
Assets					
Cash and cash equivalents	17,870	3,466	34,368	16,006	71,710
Financial investments	16,550	15,647	172,535	13,013	217,745
Trade and other receivables	14,033	4,961	107,119	2,281	128,394
Reinsurance assets	3,940	2,841	137,608	887	145,276
Prepayments and accrued income	592	63	18,068	51	18,774
Deferred tax asset	19,760	-	-	-	19,760
Deferred acquisition costs	3,814	663	11,082	1,437	16,996
Intangible assets	10,957	-	-	-	10,957
Total assets	87,516	27,641	480,780	33,675	629,612
Liabilities					
Borrowings	-	14,130	59,000	-	73,130
Insurance liabilities	43,971	19,417	332,880	19,499	415,767
Provision for other liabilities	1,213	-	-	-	1,213
Deferred tax liabilities	26,127	-	-	-	26,127
Trade and other payables	22,641	1,856	29,138	435	54,070
Current tax liabilities	10,341	-	-	-	10,341
Accruals and deferred income	3,391	64	116	-	3,571
Total liabilities	107,684	35,467	421,135	19,934	584,220
Net assets	(20,168)	(7,826)	59,645	13,741	45,392
Impact of 10% currency movement*	(2,017)	(783)	-	1,374	(1,426)
As at 31 December 2016	STG \$'000	EUR \$'000	USD \$'000	CAD \$'000	Total \$'000
Assets					
Cash and cash equivalents	18,633	5,594	69,818	29,206	123,251
Financial investments	14,313	13,344	157,605	12,152	197,414
Trade and other receivables	38,504	4,969	68,925	2,128	114,526
Reinsurance assets	3,908	1,939	67,214	733	73,794
Prepayments and accrued	544	156	25,442	40	26,182
Deferred tax asset	10,671	-	-	-	10,671
Property, plant and equipment	3	-	-	-	3
Deferred acquisition costs	3,429	749	12,668	1,018	17,864
Intangible assets	12,075	-	-	-	12,075
Total assets	102,080	26,751	401,672	45,277	575,780
Liabilities					
Borrowings	-	12,350	58,943	-	71,293
Insurance liabilities	37,648	18,420	235,978	19,236	311,282
Provision for other liabilities	9,026	-	-	-	9,026
Deferred tax liabilities	20,150	-	-	-	20,150
Trade and other payables	68,910	1,133	18,613	128	88,784
Current tax liabilities	4,738	-	-	-	4,738
Accruals and deferred income	2,180	48	105	-	2,333
Total liabilities	142,652	31,951	313,639	19,364	507,606
Net assets	(40,572)	(5,200)	88,033	25,913	68,174
Impact of 10% currency movement*	(4,057)	(520)	-	2,591	(1,986)

* This is the pre tax increase / (decrease) on net assets (i.e. total assets less total liabilities) / profits of a movement in the Sterling, Canadian dollar, euro against US dollars by 10%, with all other variables constant. This is based on the above currency split.

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4.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. The Company has identified and evaluated its key operational risks and these are incorporated in the risk. The Company has also established, and monitors compliance with, internal operational risk tolerances. The RRC reviews operational risk at least on an annual basis and operational risk is covered in the CRO's quarterly ORSA reporting to the Board of Directors.

In order to manage operational risks, the Company has implemented a robust governance framework. Policies and procedures are documented and identify the key risks and controls within processes. The Company's internal audit function provides independent feedback with regard to the accuracy and completeness of key risks and controls, and independently verifies the effective operation of these through substantive testing. All higher risk areas are subject to an annual audit, while compliance with tax operating guidelines is audited quarterly. Frequency of audits for all other areas varies from quarterly at the most frequent to a minimum of once every three years, on a rotational basis.

4.6 Capital management risk

The total Capital of Cathedral Capital Holdings Limited is detailed in Note 27. The Groups capital requirements vary with the insurance cycle.

Risks associated with the effectiveness of the Company's capital management are mitigated as follows:

- Regular monitoring of current regulatory and rating agency capital requirements;
- Oversight of capital requirements by the Board of Directors;
- Ability to purchase sufficient, cost effective reinsurance; and
- Maintaining contact with the regulator in order to stay abreast of upcoming developments.

Management reviews the level and composition of capital on an on-going basis with a view to:

- Maintaining sufficient capital for underwriting opportunities and to meet obligations to policyholders;
- Maximising the return to its shareholder within pre-determined risk tolerances;
- Maintaining adequate financial strength ratings; and
- Meeting internal and regulatory capital requirements.

Internal methods have been developed to review the profitability of classes of business and their estimated capital requirements, and the capital requirements of the combination of a wide range of other risk categories. Management increasingly uses these approaches in decision making. The Company also conducts capital requirement assessments under internal measures and local regulatory requirements.

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5 Segmental reporting

Management and the Board of Directors review the Company's business primarily by its five principal classes:

All amounts reported are transactions with external parties with the exception of the outwards reinsurance amounts which include related party transactions as detailed in note 26

Revenue and expenses by operating segment - for the year ended 31 December 2017

Gross premium written	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Property	Energy	Cargo	Aviation	Other ⁽³⁾	Total
(Analysed by geographical region)						
U.S. and Canada	84,629	3,752	3,879	3,027	220	95,507
Worldwide, including the U.S and Canada ⁽¹⁾	16,364	4,998	15,287	10,860	(175)	47,334
Worldwide, excluding the U.S and Canada ⁽²⁾	4,307	(28)	0	585	4	4,868
Europe	12,636	433	805	2,609	(47)	16,436
Far East	6,590	836	524	3,562	12	11,524
Middle East	588	38	74	1,006	0	1,706
Rest of the world	23,749	1,050	1,791	5,394	18	32,002
Total	148,863	11,079	22,360	27,043	32	209,377
Outwards reinsurance premiums	8,269	(10,938)	(7,316)	(14,834)	(89)	(24,908)
Change in unearned premium	2,710	3,362	(438)	(993)	230	4,871
Change in premium ceded	(85)	(171)	(110)	875	(113)	396
Net premiums earned	159,757	3,332	14,496	12,091	60	189,736
Insurance losses and loss adjustment expenses	(207,681)	(6,073)	(9,990)	(9,104)	70	(232,778)
Insurance losses recoverable	88,334	2,899	1,148	699	377	93,457
Insurance acquisition expenses	(25,495)	(1,736)	(6,997)	(5,045)	(148)	(39,421)
Insurance acquisition expenses ceded	431	49	23	82	2	586
Net underwriting profit	15,346	(1,529)	(1,321)	(1,277)	360	11,580
Net unallocated income and expenses	-	-	-	-	-	(4,793)
Profit before tax						6,787
Net loss ratio	74.7%	95.3%	61.0%	69.5%	-745.0%	73.4%
Net acquisition cost ratio	15.7%	50.6%	48.1%	41.0%	244.3%	20.5%
Expense Ratio						2.5%
Combined ratio	90.4%	145.9%	109.1%	110.6%	-500.7%	96.4%

(1) Worldwide, including the U.S and Canada comprises insurance and reinsurance contracts that insure or reinsure risks in more than one geographical area

(2) Worldwide, excluding the U.S. and Canada, comprises insurance and reinsurance contracts that insure or reinsure risks in more than one geographical area but they specifically exclude the U.S. and Canada

(3) The Other segment contains one material class being Contingency.

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Revenue and expenses by operating segment - for the year ended 31 December 2016

Gross premium written	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Property	Energy	Cargo	Aviation	Other ⁽³⁾	Total
<i>(Analysed by geographical region)</i>						
U.S. and Canada	85,969	4,737	1,956	754	1,001	94,417
Worldwide, including the U.S and Canada ⁽¹⁾	17,195	7,084	17,087	12,515	1,035	54,916
Worldwide, excluding the U.S and Canada ⁽²⁾	5,485	52	(5)	287	137	5,956
Europe	13,656	331	751	3,285	1,239	19,261
Far East	6,346	225	484	1,979	31	9,064
Middle East	725	801	33	375	3	1,936
Rest of the world	21,605	1,629	874	5,174	140	29,423
Total	150,981	14,860	21,180	24,369	3,584	214,974
Outwards reinsurance premiums	(65,838)	(8,028)	(6,247)	(15,778)	(1,364)	(97,255)
Change in unearned premium	4,142	3,252	2,797	2,263	205	12,659
Change in premium ceded	(419)	394	989	(467)	13	510
Net premiums earned	88,866	10,478	18,719	10,386	2,439	130,888
Insurance losses and loss adjustment expenses	(61,958)	(13,443)	(10,906)	(4,487)	(1,419)	(92,213)
Insurance losses recoverable	10,403	6,048	566	1,740	(249)	18,508
Insurance acquisition expenses	(27,748)	(2,726)	(7,267)	(5,557)	(1,016)	(44,314)
Insurance acquisition expenses ceded	512	90	26	136	19	784
Net underwriting profit	10,075	447	1,138	2,219	(226)	13,653
Net unallocated income and expenses	-	-	-	-	-	5,357
Profit before tax						19,010
Net loss ratio	58.0%	70.6%	55.2%	26.4%	68.4%	56.3%
Net acquisition cost ratio	30.6%	25.2%	38.7%	52.2%	40.9%	33.3%
Expense Ratio						4.1%
Combined ratio	88.7%	95.7%	93.9%	78.6%	109.3%	93.7%

(1) Worldwide, including the U.S and Canada comprises insurance and reinsurance contracts that insure or reinsure risks in more than one geographical area

(2) Worldwide, excluding the U.S. and Canada, comprises insurance and reinsurance contracts that insure or reinsure risks in more than one geographical area but they specifically exclude the U.S. and Canada

(3) The Other segment contains one material class being Contingency.

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6 Investment return

The total investment return for the group is as follows:

For the year ended 31 December 2017	\$'000	\$'000	\$'000	\$'000
	Net investment income	Net change in unrealised losses on investments	Net realised gains	Total investment return
Debt securities and other fixed interest securities	3,445	(1,093)	163	2,515
Equity securities	4	-	-	4
Cash and cash equivalents	799	60	(70)	789
Total Investment return	4,248	(1,033)	93	3,308
For the year ended 31 December 2016	\$'000	\$'000	\$'000	\$'000
	Net investment income	Net change in unrealised losses on investments	Net realised gains	Total investment return
Debt securities and other fixed interest securities	3,173	(1,894)	2,995	4,274
Equity securities	416	-	-	416
Cash and cash equivalents	502	(37)	(39)	426
Total Investment return	4,091	(1,931)	2,956	5,116

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7 Other income

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Reinsurance profit commission on quota share reinsurance agreement	1,402	4,711
Managing agency fees	3,411	3,659
Profit commission	5,416	14,966
Consortium fees	1,554	1,568
Other income	191	52
	11,974	24,956

8 Other operating expenses

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Syndicate operating expenses	6,436	4,979
Names' personal expenses on Lloyd's syndicates	1,458	906
Corporate expenses	5,519	1,771
Salaries	6,375	16,326
Costs of Restricted Share Scheme (RSS) awards	(2,546)	810
Social security costs	548	2,886
Pension costs under defined contribution plans	619	831
	18,409	28,509

The average number of people employed by the Group during the year was 76 (2016: 75). Of this, 49 were dedicated underwriting and claims (2016: 46) with the remainder of employees involved in operations, administration, actuarial and finance.

The Group does not operate a pension fund. Instead, it makes contributions to employees' individual pension funds.

The remuneration of Mr. Maloney is disclosed in Lancashire Group's Annual Report and Accounts. An allocation of Mr. Cadman's remuneration costs is charged to the Company and included above.

Highest-paid director

The above amounts for the remuneration include the following in respect of the highest paid director:

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Emoluments	876	755
Pension costs	26	9
	902	764

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The highest paid Director did not exercise any share options and did not, nor is due to, receive shares under a long term incentive scheme.

Refer to Note 26 for details of compensation of key management personnel.

9 Net foreign exchange (gains) / losses

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Retranslation of underwriting balances	(217)	(6,359)
Liabilities at historical rates of exchange	(1,876)	231
Exchange (gain) / loss on long-term loan notes	(1,765)	471
Retranslation of other corporate balances	2,234	(1,127)
	(1,624)	(6,784)

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10 Finance costs

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Interest expense on:		
Unsecured Floating Rate Subordinated Notes	3,218	2,918
Effective interest rate method adjustment	72	72
	3,290	2,990

Unsecured Floating Rate Subordinated Notes are measured at amortised cost. Other interest mainly relates to interest payable to the Group's parent company.

The effective interest rate method adjustment results from revisions of the Company's estimates of payments

11 Profit on ordinary activities before taxation

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
The profit on ordinary activities before taxation is stated after charging:		
Operating lease charges - rent	103	73
Depreciation of tangible fixed assets	3	1
(Profit) / Loss on disposal of tangible fixed assets	-	-
Impairment of intangible assets	1,118	29
		-
Auditor's remuneration		
Audit of these financial statements	31	69
Audit of financial statements of subsidiaries of the company	45	69
Audit-related assurance services	2	-
Taxation services	-	22
Other	-	28

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12 Income tax expense

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
(a) Analysis of tax expense in the year		
Current tax		
Corporation tax at 19.25% (2016: 20.00%)	4,896	6,084
Adjustments in respect of previous years	(226)	(1,833)
Contribution for group tax relief paid to other group companies for prior years	(305)	471
Overseas tax	58	10
Total current tax expense	4,423	4,732
Deferred taxation		
Investment gains	(258)	(423)
Temporary differences on decelerated capital allowances	(38)	35
Adjustments in respect of previous years	58	557
Changes in tax rates and unwinding of claims equalisation reserve	(167)	1,132
Other temporary differences	(3,467)	(2,720)
Total deferred tax (credit)	(3,872)	(1,419)
Tax expense	550	3,313

The other temporary differences in 2017 mainly relate to syndicate underwriting results \$2.8m (2016: \$1.2m) and claims equalisation reserve \$1.8m (2016: \$1.0m).

(b) Factors affecting the tax expense for the period

Profit on ordinary activities before tax	6,787	19,010
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1,306	3,802
Expenses not deductible for tax purposes	(261)	(120)
Foreign exchange adjustments	-	(800)
Changes in tax rates and unwinding of equalisation reserve	(167)	1,132
Investment income not taxable	(1)	(83)
Timing differences	88	177
Overseas tax	58	10
Prior period adjustments	(473)	(805)
Total tax expense	550	3,313

The UK corporation tax rate as at 31 December 2017 was 19.00 per cent (effective 1 April 2017). Until 1 April 2017 the UK corporation tax rate of 20.0 per cent applied. The UK government has passed legislation to reduce the rate of corporation tax to 17.0 per cent with effect from 1 April 2020. These rates have been reflected in the closing deferred tax position on the balance sheet.

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13 Dividends paid

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
Interim dividend paid in June 2017 of 70.32 cents per share (2016: Nil cents) per share	29,018	-

CATHEDRAL CAPITAL HOLDINGS LIMITED
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14 Intangible assets

As at 31 December 2017	Software under construction \$'000	Syndicate participations \$'000	Goodwill \$'000	Total \$'000
Cost at 1 January	1,118	7,504	3,453	12,075
Impaired during the year	(1,118)	-	-	(1,118)
Cost at 31 December	-	7,504	3,453	10,957

As at 31 December 2016	Software under construction \$'000	Syndicate participations \$'000	Goodwill \$'000	Total \$'000
Cost at 1 January	1,147	7,504	3,453	12,104
Impaired during the year	(29)	-	-	(29)
Cost at 31 December	1,118	7,504	3,453	12,075

Software under construction relate to the purchase of new software to replace the current underwriting system. During the year an impairment review was conducted on the software under construction and it was deemed to have a carrying value of \$nil.

The cost of syndicate participations relates to the Group's underwriting subsidiary's right to participate on a syndicate for future underwriting years. The value of such a right is dependent on the expected underwriting results generated by each syndicate, plus any residual value in the syndicate capacity auctions.

Goodwill relates to the acquisition of Cathedral Capital Services Limited in 2000, which is one of the two joint employing companies of the Group.

The useful lives of the syndicate participations and goodwill are deemed to be indefinite. Consequently they are not annually amortised but the Group annually tests these assets for impairment. The Group's goodwill relates to one cash generating unit, being the combined syndicates.

When testing impairment, the recoverable amount of the Syndicate CGU is determined based on value in use. Value in use is calculated using projected cash flows based on the financial projections of the CGU. These are approved by management and cover a three year period. The most significant assumption used to derive the projected cash flows include an assessment of business prospects, projected loss ratios, outward reinsurance expenditure and investment returns. A pre-tax discount rate of 6.2 per cent (31 December 2016 – 6.9 per cent) has been used to discount the projected cash flows, which reflect a combination of factors including the Group's expected cost of equity and cost of borrowing. The growth rate used to extrapolate the cash flows of the unit beyond the three year period is 3.0 per cent (2016- 3.0 per cent) based on historical growth rates and management's best estimate of future growth rates'

The result of the exercise indicate that the recoverable amount exceeds the intangible assets' carrying value and would not be sensitive to any reasonably possible changes in assumptions. Therefore, no impairment to be recognised during the years ended 31 December 2017 and 2016.

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15 Trade and other receivables

Group

	31 December 2017 \$'000	31 December 2016 \$'000
Arising out of direct insurance operations	29,193	29,098
Arising out of reinsurance operations	64,408	54,584
Reinsurance quota share premium receivable	-	-
Amounts owed by parent companies	-	24,505
Amounts owed by syndicates	4,429	5,034
Amounts owed by Group undertakings	-	(2)
Other receivables	33,591	1,307
	131,621	114,526

Company

	31 December 2017 \$'000	31 December 2016 \$'000
Amounts owed by parent companies	-	24,505
	-	24,505

Reinsurance quota share premium receivable is due from Lancashire Insurance Company Limited (a fellow group company).

All amounts owed were non-interest bearing.

16 Cash and cash equivalents

	31 December 2017 \$'000	31 December 2016 \$'000
Cash and cash equivalents consist of:		
Cash at bank and in hand	42,402	36,273
Short term investments	29,308	86,978
	71,710	123,251
Cash and cash equivalents consist of:		
Cash and cash equivalents held by syndicates	58,801	114,824
Cash and cash equivalents held within funds at Lloyd's	153	1,777
Cash and cash equivalents available for use by the Company	3,272	1,017
Cash and cash equivalents available for use by the Group	9,484	5,633
	71,710	123,251

Cash and cash equivalents held by syndicates and within funds at Lloyd's are restricted and are not freely available for use by the Group.

The effective interest rate for cash and cash equivalents is set out in Note 4.4.1.

CATHEDRAL CAPITAL HOLDINGS LIMITED
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17 Financial Investments

	31 December 2017 \$'000 Fair Value	31 December 2016 \$'000 Fair Value
CCHL Corporate		
Shares and other variable yield securities	-	1,336
Alternative investments	3	4
Debt and other fixed maturity securities	87,796	75,065
Total investments - Corporate	87,799	76,405
Syndicate participations		
Debt and other fixed maturity securities	129,946	121,009
Total investments - Syndicate participations	129,946	121,009
Group financial investments	217,745	197,414
	Cost	Cost
CCHL Corporate		
Shares and other variable yield securities	-	123
Alternative investments	6	8
Debt and other fixed maturity securities	88,223	75,280
Total investments - Corporate	88,229	75,411
Syndicate participations		
Debt and other fixed maturity securities	130,760	121,587
Total investments - Syndicate participations	130,760	121,587
Group financial investments	218,989	196,998

The Company determines the estimated fair value of each individual security utilising the highest level inputs available. Prices for the Company's investment portfolio are provided by a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. The audit reports are available to clients of the firm and the report is reviewed annually by management. In accordance with their pricing policy, various recognised reputable pricing sources are used including broker-dealers and pricing vendors. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing. The Company has not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for either year ending 31 December.

The fixed maturity securities could include the following securities below.

The fair value of securities in the Company's investment portfolio is estimated using the following techniques:

Level 1

Level 1 includes securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company determines securities classified as level 1 to include highly liquid U.S. treasuries and certain highly liquid short-term investments.

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Level 2

Level 2 investments include 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 data. Instruments included in level 2 are valued via independent external sources using modelled or other valuation methods. Such methods are typically industry accepted standard and include:

- Broker-dealer quotes;
- Pricing models or matrix pricing;
- Present values;
- Future cash flows;
- Yield curves;
- Interest rates;
- Prepayment speeds; and
- Default rates.

Other similar quoted instruments or market transactions may be used

The Company determines securities classified as level 2 to include short-term and fixed maturity investments such as:

- Non-U.S. government bonds;
- U.S. municipal bonds;
- U.S. government agency bonds;
- Asset backed securities;
- U.S. government agency mortgage backed securities;
- Non-agency mortgage backed securities;
- Corporate bonds; and
- OTC derivatives, including futures, options, interest rate swaps, credit default swaps, swaptions and forward foreign exchange contracts.

Level 3

Level 3 includes securities for which valuation techniques are not based on observable market data. During the years ended 31 December 2017 and 2016, the Company did not hold any category 3 investments.

The estimated fair value hierarchy of the Company's investment holdings is as follows:

As at 31 December 2017	Carrying amount	Fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$,000
Debt and other fixed maturity securities	217,743	217,743	46,433	171,310	-	217,743
As at 31 December 2016	Carrying amount	Fair value	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$,000
Debt and other fixed maturity securities	197,410	197,410	45,336	152,074	-	197,410

There were no level 3 investments as at 31 December 2017 or 2016 therefore a reconciliation of movements within that level has not been presented. There have been no transfers between levels 1 and 2.

The company determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period based on the lowest level input that is significant to the fair value measurement as a whole.

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Of the Group's corporate investments above, \$41.9 million (2016: \$38.1 million) are held as funds at Lloyd's and therefore their use is restricted. All investments held by syndicates are only available for investment and for paying of claims by the syndicates to their policyholders and expenses.

As part of its investment activities, the Group invests in unconsolidated structured entities. As at 31 December 2017, the Group's total interest in unconsolidated structured entities was \$11.2 million (2016: \$13.0 million). The Group does not sponsor any of the unconsolidated structured entities.

As at 31 December 2017, a summary of the Group's interest in unconsolidated structured entities is as follows:

	31 December 2017 \$'000	31 December 2016 \$'000
Fixed maturity securities - Corporate	3,005	2,712
Fixed maturity securities - Syndicate participations	8,213	10,263
Total investments in unstructured entities	11,218	12,975

The fixed maturity securities structured entities are created to meet specific investment needs of borrowers and investors which cannot be met from standard financial instruments available in capital markets. As such, they provide liquidity to the borrowers in these markets and provide investors with an opportunity to diversify away from standard fixed maturity securities. Whilst individual securities may differ in structure, the principles of the instruments are broadly the same and it is appropriate to aggregate the investments into the categories above.

The risks that the Group faces in respect of the investments in structured entities is similar to the risk it faces in respect of other financial investments held on the balance sheet in that fair value is determined by market supply and demand. This is in turn driven by investor evaluation of the credit risk of the structure and changes in term structure of interest rates which change investors expectation of cash flows associated with the instruments and, therefore, its value in the market. Risk management disclosure for these financial instruments and other investments is provided on note 4. The total assets of these entities are not considered meaningful for the purpose of understanding the related risks and therefore have not been presented.

The maximum exposure to loss in respect of these structured entities would be the carrying value of the instruments that the Group held as at the year end. Generally, default rates would have to increase substantially from their current level before the Group would suffer a loss and this assessment is made prior to investing and continually through the holding period for the security.

The Group has not provided any other financial or other support in relation to any other to that described above as at the reporting date, and there are no intentions to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

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18 Prepayments and accrued income
Group

	31 December 2017 \$'000	31 December 2016 \$'000
Accrued income - investments	2,321	1,746
Accrued income - underwriting	16,415	24,381
Prepayments	38	55
	18,774	26,182

Company

	31 December 2017 \$'000	31 December 2016 \$'000
Accrued income - investments	471	360
Accrued income - underwriting	-	-
Prepayments	5	9
	476	369

Accrued income - underwriting is in respect of profit commission and consortium fee receivable from Syndicate 2010 and 3010 by the Group's managing agency subsidiary.

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19 Borrowings

	Carrying value 31 December 2017 \$'000	Carrying value 31 December 2016 \$'000
Unsecured Floating Rate Subordinated Notes	73,130	71,293

The carrying amount disclosed above reasonably approximates to fair values at year end.

Unsecured Floating Rate Subordinated Notes

During 2004, two Unsecured Floating Rate Subordinated Notes Due 2034 were issued by the Company. Both Notes were listed on the Irish Stock Exchange effective from 12 January 2005.

- (i) Eur 12,000,000 Floating Rate Subordinated Notes were issued on 18 November 2004 and pay interest at a variable interest rate equal to the rate for three month deposits in euro plus a margin of 3.75% per annum. The Company can redeem the Notes in whole or in part, from time to time, on any interest payment date.
- (ii) US\$ 10,000,000 Floating Rate Subordinated Notes were issued on 26 November 2004 and pay interest at a variable interest rate equal to the rate for three months deposits in US Dollars plus a margin of 3.75% per annum. The Company can redeem these Notes in whole or in part, from time to time, on any interest payment date.

During 2005, a further two Unsecured Floating Rate Subordinated Notes Due 2035 were issued by the Company. These Notes were listed on the Irish Stock Exchange effective from 1 July 2005 and 1 March 2006.

- (i) US\$ 25,000,000 Floating Rate Subordinated Notes were issued on 13 May 2005 and pay interest at a variable interest rate equal to the rate for three months deposits in US Dollars plus a margin of 3.25% per annum. The Company can redeem these Notes in whole or in part, from time to time, on any interest payment date.
- (ii) US\$ 25,000,000 Floating Rate Subordinated Notes were issued on 18 November 2005 and pay interest at a variable interest rate equal to the rate for three months deposits in US Dollars plus a margin of 3.25% per annum. The Company can redeem these Notes in whole or in part, from time to time, on any interest payment date.

The amount of interest charged during the year in respect of the Unsecured Floating Rate Subordinated Notes is set out in Note 10.

Although the Unsecured Floating Rate Subordinated Notes are listed, they are thinly traded as they are sold into CDO pools after which there is no readily available quoted market price for these Unsecured Floating Rate Subordinated Notes. The fair values of the borrowings are therefore based on a discounted cash flow model based on a yield curve appropriate for the remaining expected term to maturity.

Facilities

The corporate Group had no bank borrowing facilities. The syndicates have credit facilities in place to assist them, where necessary, in meeting their policyholder liabilities; however, these are not available to the Group other than through their participation on the syndicates it supports.

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20 Insurance liabilities and reinsurance assets

	31 December 2017 \$'000	31 December 2016 \$'000
Gross		
Provision for claims outstanding	337,227	227,873
Provision for unearned premiums	78,541	83,409
	415,768	311,282
Recoverable from reinsurers		
Provision for claims outstanding	135,453	64,407
Provision for unearned premiums	9,823	9,387
	145,276	73,794
Net	270,492	237,488

Provision for claims outstanding

The provision for claims outstanding relates to underwriting losses which have been incurred by the Group but which have not yet been settled and includes an element of claims handling costs. The payment of these provisions is dependent on a large number of factors including the time for the legal aspects of a claim to be resolved, the time at which a full assessment of a claim can be completed and the processing of information through the broker. An element of the claims provision will be reimbursed by the Group's reinsurers and these are shown as an asset on the Consolidated Statement of Financial Position. The level of reimbursement depends on the extent to which the Group's reinsurance programmes are engaged and the ability of that reinsurer to pay its losses.

Provision for unearned premiums

This provision is in respect of premiums written by the Group but which have been deferred to a future year. This is to match the premium to the level of exposure of the policies underwritten by the Group. Although for insurance entities this is classed as a provision, it is actually deferred income.

20.1 Reconciliation of changes in insurance liabilities and reinsurance assets

	Claims outstanding \$'000	Provision for unearned premiums \$'000	Total 2017 \$'000	Total 2016 \$'000
Gross insurance liabilities				
Provision at 1 January	227,873	83,409	311,282	333,711
Additional provisions made in the year	189,722	85,678	275,400	139,291
Additional provisions - prior years	55,113	-	55,113	46,874
Amounts used in the year	(129,436)	(90,546)	(219,982)	(179,109)
Unused amount reversed during the year	(12,466)	-	(12,466)	(21,850)
Exchange differences	6,421	-	6,421	(7,635)
Provision at 31 December	337,227	78,541	415,768	311,282
	Claims outstanding \$'000	Provision for unearned premiums \$'000	Total 2017 \$'000	Total 2016 \$'000
Reinsurance assets				
Provision at 1 January	64,407	9,387	73,794	66,886
Additional provisions made in the year	80,975	19,847	100,822	16,873
Additional provisions - prior years	12,301	-	12,301	13,022
Amounts used in the year	(23,101)	(19,411)	(42,512)	(19,335)
Unused amount reversed during the year	131	-	131	(2,540)
Exchange differences	740	-	740	(1,112)
Provision at 31 December	135,453	9,823	145,276	73,794
Net	201,774	68,718	270,492	237,488

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20.2 Claims Development by Underwriting Year

Underwriting Year										
	2008 &									
Gross	Prior	2009	2010	2011	2012	2013	2014	2015	2016	2017
1 year	879,305	68,656	105,503	141,947	97,916	80,738	91,957	56,442	68,582	191,418
2 years	947,563	144,906	237,219	214,786	132,430	126,901	124,019	101,338	124,481	
3 years	947,756	139,425	242,227	207,273	121,849	124,483	112,713	100,767		
4 years	932,217	132,537	237,393	193,676	117,539	120,951	108,023			
5 years	918,694	129,917	238,624	188,054	117,097	117,865				
6 years	916,285	124,684	236,942	186,983	116,864					
7 years	911,659	120,932	237,015	186,478						
8 years	904,379	118,878	237,921							
9 years	899,998	118,228								
10 years	897,751									
Gross										
Reserves	897,751	118,228	237,921	186,478	116,864	117,865	108,023	100,767	124,481	191,418
Paid	868,643	114,257	227,871	181,379	107,446	100,826	93,673	67,120	59,074	42,281
	29,108	3,971	10,050	5,099	9,419	17,039	14,350	33,647	65,407	149,137

Underwriting Year

	2008 &									
Net	Prior	2009	2010	2011	2012	2013	2014	2015	2016	2017
1 year	513,238	58,668	82,026	99,995	74,157	69,796	78,107	51,904	60,630	110,388
2 years	562,203	118,883	149,426	161,097	108,870	113,497	111,499	83,909	104,156	
3 years	560,429	111,353	147,571	154,847	97,656	110,114	103,053	81,317		
4 years	547,474	103,940	141,786	147,593	94,065	106,645	99,118			
5 years	534,240	101,727	142,250	142,051	93,583	104,373				
6 years	527,173	98,347	140,380	141,165	93,334					
7 years	522,973	95,934	138,506	140,379						
8 years	519,144	94,427	137,552							
9 years	515,616	94,065								
10 years	514,597									
Net										
Reserves	514,597	94,065	137,552	140,379	93,334	104,373	99,118	81,317	104,156	110,388
Paid	506,940	90,055	130,824	137,025	87,009	90,725	85,888	58,038	53,258	37,744
	7,657	4,010	6,728	3,354	6,325	13,649	13,231	23,279	50,898	72,644

There has been a prior year development during 2017 calendar year of \$44.8m gross, \$31.4m net. This includes improvements and deteriorations in previous accident year losses, as well as any earnings during the current year.

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21 Provisions for other liabilities

<i>Provision in respect of profit-sharing scheme</i>	31 December 2017 \$'000	31 December 2016 \$'000
Provision at 1 January	9,026	11,347
(Release) / charge for the year	(1,473)	8,991
Utilised in the year	(6,553)	(10,989)
Exchange differences	213	(323)
Provision at 31 December	1,213	9,026

The Cathedral Group operates a profit sharing scheme from which all its executive Directors and full time employees can benefit. The size of the profit related pool created under this scheme is determined annually and is equal to 15% of the consolidated Cathedral Group profit before tax and amortisation (including any impairment charges), as well as certain Restricted Share Scheme costs. It is also before any cessions by Cathedral Capital (1998) Limited to Lancashire Insurance Company Limited under the quota share agreement. All distributions from this scheme are recommended by management of Cathedral Capital Limited to the Lancashire Group's Remuneration Committee. There was no additional provision during 2017 calendar year due to losses at Cathedral Group level. Since the year end there has been a partial release to the opening provision, which management of Cathedral Capital Limited have recommended to the Lancashire Group's Remuneration Committee a distribution of the closing provision of \$1.2 million to be distributed to Cathedral Group employees in 2018.

22 Provision for deferred tax

The provision for deferred tax for the Group is represented by:

	31 December 2017 \$'000	31 December 2016 \$'000
(Profits) of closed underwriting year	(8,646)	(6,998)
Underwriting losses/ (profits) not yet recognised for tax	13,499	(3,761)
Unrealised investment losses/ (gains)	1	(233)
Claims equalisation reserve	(6,924)	(8,374)
Reinsurance premium payable under quota share agreement	(5,168)	8,185
Other temporary differences	871	1,702
Provision for deferred tax	(6,367)	(9,479)
Reflected in the balance sheet as follows:		
Deferred tax assets	19,760	10,671
Deferred tax liabilities	(26,127)	(20,150)
Deferred tax net	(6,367)	(9,479)
Provision for deferred tax at start of year	(9,479)	(13,411)
Exchange differences	(760)	2,513
Deferred tax credit in consolidated statement of comprehensive income for year (note 12)	3,872	1,419
Provision for deferred tax at end of year	(6,367)	(9,479)

Unprovided deferred tax assets amounted to \$nil at 31 December 2017 (31 December 2016: \$nil). All deferred tax assets as at 31 December 2017 are considered to be recoverable.

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23 Trade and other payables
Group

	31 December 2017 \$'000	31 December 2016 \$'000
<i>Amounts due within one year:</i>		
Arising out of direct insurance operations	6,826	6,643
Arising out of reinsurance operations	39,006	32,518
Other taxes and social security costs	937	2,262
Amounts owed to parent companies	7,082	944
Reinsurance quota share premium payable	-	42,719
Trade creditors	3,276	3,698
Other creditors	170	-
	57,297	88,784

Company

	31 December 2017 \$'000	31 December 2016 \$'000
<i>Amounts due within one year:</i>		
Owed to other group companies	1,205	14,010
Trade creditors	833	61
Other creditors	170	-
	2,208	14,071

Reinsurance quota share premium payable is due to Lancashire Insurance Company Limited (a fellow group company).

Amounts owed to parent companies are repayable on demand and have no fixed term of repayment.

24 Share capital
Authorised share capital

	31 December 2017 No.	31 December 2016 No.
Number		
Authorised Ordinary shares of 25p each	400,000,000	400,000,000
Allotted issued and fully paid Ordinary shares of 25p each	41,265,775	41,265,775
	\$'000	\$'000
Nominal value		
Ordinary shares of 25p each	16,815	16,815
There are no rights or restriction regarding dividends and repayment of capital.		

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25 Related party transactions

(i) Directors' interest in transactions

Mr Maloney and his spouse acquired 100% of the shares in Nameco 801 on 7th November 2016. Nameco 801 provides capacity to a number of Lloyd's Syndicates including Syndicate 2010 which is managed by Cathedral Underwriting Limited. Nameco 801 has provided \$0.2million of capacity to Syndicate 2010 for the 2017 and 2018 years of account. Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation. No other Directors had an interest in transactions other than in the normal course of business or disclosed in note 26(v) below.

(ii) Other

Up until 11 December 2014, the immediate parent company was Cathedral Capital (Investments) Limited, which was the sole shareholder of the Company. Following a group restructuring, Cathedral Capital (Investments) Limited sold Cathedral Capital Holdings Limited to its parent company, Cathedral Capital Limited.

The immediate parent company is Cathedral Capital Limited. The ultimate parent company is Lancashire Holdings Limited. Lancashire Holdings Limited is the largest group for which consolidated financial statements are prepared. Cathedral Capital Limited is registered in England & Wales. Lancashire Holdings Limited is registered in Bermuda.

Lancashire Holdings Limited is the ultimate parent company of the Company and has been approved as a controller of the Group's managing agency subsidiary by Lloyd's, the PRA and FCA.

(iii) Balances and transactions with related parties

The Cathedral Capital Holdings Limited Group had the following intercompany balances with its parent companies:

	31 December 2017 \$'000	31 December 2016 \$'000
Owed by / (to) Cathedral Capital Limited	-	(944)
Owed by / (to) Lancashire Holdings Limited	(2,561)	24,505
	(2,561)	23,561

The following transactions took place with the parent companies of the Cathedral Capital Holdings Limited group:

Dividends paid to the parent company are set out in the consolidated Statement of changes in equity.

In December 2017 \$29.0 million of dividends was paid to Cathedral Capital Holdings Limited. This was paid by way of transferring \$2.2 million of cash and the rest by way of settling the intercompany balance.

Restricted Share Scheme income \$3.4 million (2016: \$1.0 million) and \$1.4 million of other expenses (2016: \$1.9 million) were charged from the Lancashire Group and retained by the Cathedral Capital Holdings Limited Group during the year. In addition, group relief was paid from Cathedral Capital Limited to Lancashire Holdings Limited as set out in note 12.

During 2013, the Cathedral Capital Holdings Limited group entered into a quota share reinsurance with Lancashire Insurance Company Limited, a fellow Lancashire group subsidiary based in Bermuda. Under this arrangement, premiums / claims are payable to / recoverable from Lancashire Insurance Company Limited which are equal to 85% of the underwriting profit / losses from the Group's participation on Syndicates 2010 and 3010. This covers the 2014 and prior years of account as they are earned from 1 January 2014. Premiums will be settled on distribution of the relevant year of account from Lloyd's. The quota share reinsurance includes reinsurance commission of 15% payable to the Cathedral Capital Holdings Limited Group. The arrangements were made on normal commercial terms.

The Cathedral Capital Holdings Limited group renewed the quota share arrangement with Lancashire Insurance Company Limited during 2016 and 2017. The amounts recognised in the income statement in respect of the quota share reinsurance are: reinsurance premiums receivable \$41.4m (2016: \$42.2 million), fees and commission income \$4.9 million (2016: \$10.3 million) and other income of \$1.4m (2016: \$4.7 million).

The Cathedral Capital Holdings Limited Group have group relief with Lancashire Holdings Limited.

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(iv) Key Management Compensation

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

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

	Year ended 31 December 2017 \$'000	Year ended 31 December 2016 \$'000
<i>Key management compensation (excluding settlement agreement)</i>		
Salaries and other short-term employee benefits	4,000	4,175
Post-employment benefits	124	24
	4,124	4,199

Loans advanced to directors and key management of the Company (and their families) are solely in relation to the timing of payment of personal items. No interest is charged on these small loans. At 31 December 2017 these items were \$nil (2016: \$nil).

All pension contributions are made to the directors' own personal pension schemes.

26 Contingent liabilities

Lloyd's of London

- (i) As explained in Note 2 the Group participates on insurance business written by Lloyd's Syndicates. As a result of this participation, the Group is exposed to claims arising on insurance business written by those syndicates.

If the corporate member subsidiary fails to meet any of its Lloyd's obligations, after having called on the Group under its guarantees, then Lloyd's will be entitled to require the subsidiary to cease or reduce its underwriting.

CATHEDRAL CAPITAL HOLDINGS LIMITED
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27 Capital

The Group's capital structure consists of equity attributable to equity holders of the parent company (which in turn comprises issued capital, reserves and retained earnings) and Unsecured Floating Rate Subordinated Notes. Details of the equity attributable to equity holders of the Company are set out in the consolidated statement of changes in equity and details of the loan capital are set out in Note 20, and there has been no change in the group's policies in managing capital since the prior year.

A significant proportion of the Group's capital is used to support its Lloyd's underwriting commitments.

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Market Act 2000, effective from 1 January 2016. Lloyd's is subject to the Solvency II, a regulatory regime for (re) insurance in the European Economic Area, introducing a new basis for assessing capital. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

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.

Solvency II has been implemented from 1 January 2017, in line with EU legislation.

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 member level to uplift the calculated uSCR (including the need to maintain the market's overall security rating) and achieves this currently by applying a market-wide loading of 35% to each uSCR to produce a Syndicate Economic Capital Assessment ("ECA").

Each uSCR is reviewed by Lloyd's annually and by the PRA on a sample basis. Management are required to carry out regular assessments of the amount of capital that is adequate for the size and nature of each syndicate. Funds at Lloyd's requirements are formally assessed twice a year and must be met for the Group to continue underwriting at Lloyd's. In addition, adjustments are made by Lloyd's to allow for open year profits and losses of the syndicates on which the corporate member participates. There is an obligation on members to remain solvent on a continuous basis.

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

As at 31 December 2017 the Group's funds at Lloyd's were provided by both Cathedral Capital Holdings Limited (\$42.0 million) and Lancashire Insurance Company Limited (\$238.9 million) and were invested in a mixture of equities, fixed interest instruments and cash. After taking into account a solvency deficit of \$37.8 million, the total capital requirement was \$281.0 million.

28 Ultimate parent undertaking

The immediate parent company is Cathedral Capital Limited and the ultimate parent company is Lancashire Holdings Limited. Lancashire Holdings Limited is the largest Company 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.

Copies of the financial statements for Cathedral Capital Limited and Lancashire Holdings Limited can be obtained 29th Floor, 20 Fenchurch Street, London, EC3M 3BY

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29 Investments in subsidiary undertakings

	31 December 2017 \$'000	31 December 2016 \$'000
Investments in subsidiary undertakings	4,566	4,566

Reconciliation

At the beginning of the year	4,566	4,566
At the end of the year	4,566	4,566

Details of the Company's subsidiaries are as follows:

Name of company	Nature of business	Proportion of ordinary shares held by the Company	Proportion of ordinary shares held by a subsidiary
Cathedral Capital (1998) Limited	Lloyd's corporate member	100%	-
Cathedral Capital (1999) Limited	Non trading	100%	-
Cathedral Capital Services Limited	Employment company	100%	-
Cathedral Underwriting Limited	Lloyd's managing agent	100%	-

All companies are registered and operate in England.