CATHEDRAL CAPITAL (1998) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

Registered No. 3402448

CATHEDRAL CAPITAL (1998) LIMITED

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CATHEDRAL CAPITAL (1998) LIMITED

DIRECTORS AND ADVISORS

Directors	A C Beardon C J Whittle (appointed 23 November 2017) H R M Verzin (resigned 24 November 2017) L Mediavilla Garcia (resigned 8 February 2018)
Company Secretary	L J Townsend (resigned 21 September 2017) E L Woolley (appointed 22 September 2017)
Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Members Agent	Hampden Agencies Ltd 40 Gracechurch Street London EC3V 0BT
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Company Number	3402448
Registered Office	29th Floor 20 Fenchurch Street London EC3M 3BY

STRATEGIC REPORT

The Directors present herewith their report and their strategic report for the year ended 31 December 2017.

Principal activities and future developments

The Company is part of the Cathedral Group ("the Group"), comprised of Cathedral Underwriting Limited, managing agent for Syndicates 2010 and 3010, Cathedral Capital Services Limited, Cathedral Capital Holdings Limited, Cathedral Capital (1999) Limited and Cathedral Capital Limited. The Company is authorised by the Council of Lloyd's to operate as a Corporate Member of Lloyd's and 1998 was its first underwriting year of account. The Company has underwritten the following capacity for the past three years of account:

2017 Underwriting Year of Account	£277,033,147
2016 Underwriting Year of Account	£277,021,715
2015 Underwriting Year of Account	£277,021,669

For the 2018 underwriting year of account, the Company will underwrite £277,033,147 of capacity, of which £177,033,147 of capacity will be allocated to Syndicate 2010 which currently specialises in non-marine and aviation reinsurance and direct and facultative property insurance and £100,000,000 will be allocated to Syndicate 3010 which currently specialises in marine cargo, aviation, terrorism and energy insurance. Syndicate 2010 and Syndicate 3010 are managed by Cathedral Underwriting Limited, another Cathedral Group ("the Group") company. The Directors intend that, subject to market conditions, the Company will continue for the foreseeable future to underwrite as a Corporate Member at Lloyd's.

As at 31 December 2017 the Company'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.

Business Review

The results attributable to the shareholder for the year are shown on pages 12 and 13. A dividend of $11.2 million was paid during the year (2016: $nil).

All syndicates on which the Company participated for the 2015, 2016 and 2017 years of account are annually accounted and their contributions to the Company's result have been included in these accounts.

STRATEGIC REPORT (CONTINUED)

On an annual accounting basis, the technical account result for the year ended 31 December 2017 split by syndicate and the open years of account, after the quota share reinsurance with Lancashire Insurance Company Limited, is as follows:

$000's	2017 YoA	2016 YoA	2015 YoA	Total
Syndicate 2010	(59,926)	2,371	7,449	(50,106)
Syndicate 3010	(5,721)	880	4,753	(88)
Combined	(65,647)	3,251	12,202	(50,194)
Quota share reinsurance premium*	56,190	(2,188)	(6,279)	47,723
Profit commission**	-	(576)	(2,173)	(2,749)
Members agent fee	(25)	(27)	(28)	(80)
Result	(9,482)	460	3,722	(5,300)

* Net of total profit commission of $1.4 million from Lancashire Insurance Company Limited.
** Managing Agency profit commission payable to Cathedral Underwriting Limited, a fellow subsidiary.

The combined 2017 calendar year result has been adversely affected by a number of large catastrophic events, which has been slightly off-set by favourable run-off of prior year reserves. Investment returns remained low given the current low interest rate environment.

On a traditional three year basis, the result for the performance of the Syndicates is summarised below.

	2018 YoA	2017 YoA	2016 YoA	2015 YoA
Capacity (GBP)	£277m	£277m	£277m	£277m
Capacity (Conv USD)	$374m	$374m	$374m	$374m
Cumulative corporate member share of aggregate syndicate results to date	N/A	$(66.1m)	$(1.7m)	$36.5m
Forecast result (% of capacity)				
- Syndicate 2010	N/A	N/A	0.0% to 7.5%	13.70%
- Syndicate 3010	N/A	N/A	-5.0% to 5.0%	3.00%

Forecast result is before members' agency fees and is for a standard Name. The 2015 year of account result is the actual reported result to capital providers on the closure of that year of account. The 2016 year of account result is the current public forecast. No public forecast has yet been released for either the 2017 or 2018 years of account.

STRATEGIC REPORT (CONTINUED)

Principal risks to the Business

A detailed description of the principal risks to the business is set out in Note 5.

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 5 for details on the risks in relation to these financial instruments.

By order of the Board

C J Whittle
13 February 2018

CATHEDRAL CAPITAL (1998) LIMITED

DIRECTORS REPORT

The Directors present herewith their report, together with the audited accounts of the Company for the year ended 31 December 2017.

Basis of preparation and presentational currency

The Company's financial statements are prepared in accordance with IFRS as adopted by the European Union.

Where IFRS is silent, as it is in respect of 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 financial statements.

The functional and presentational currency of Cathedral Capital (1998) Limited is US Dollars.

Holding Company

Cathedral Capital Holdings Limited is the immediate parent company of the Company.

Registration Number

The Company registration number is 3402448.

Directors

The Directors who served during the year are shown on page 2.

Information on Directors' interests in transactions is shown in Note 22 on page 46.

Directors' and Officers' Insurance

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

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

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 Company'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 Company'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 Company by the executive Directors.

Going Concern

After making reasonable enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Political Contributions

The Company made no political donations or incurred any political expenditure during the year.

Auditors

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

By order of the Board

C J Whittle
13 February 2018

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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 company and of the profit or loss of the company for that period. In preparing these 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company 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
13 February 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CATHEDRAL CAPITAL (1998) LIMITED

Opinion

We have audited the financial statements of Cathedral Capital (1998) Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Profit and Loss – Technical Account, Statement of Profit and Loss – Non-Technical Account and Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- 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 have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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.

Strategic report and 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 the strategic report and the directors' report;
- in our opinion the information given in those reports 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CATHEDRAL CAPITAL (1998) LIMITED

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for 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 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 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 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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CATHEDRAL CAPITAL (1998) LIMITED

Timothy Butchart
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
Canary Wharf
LondonE14 5GL

13 February 2018

Statement of Profit and Loss and Other Comprehensive Income
Technical Account - General Business
For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Written premiums, net of reinsurance:			
Gross premiums written	4	**209,377**	214,974
Outward reinsurance premiums		**(19,998)**	(86,885)
Net premiums written		**189,379**	128,089
Change in the provision for unearned premiums:			
Gross amount		**4,871**	12,659
Reinsurers' share		**396**	510
Earned premiums, net of reinsurance		**194,646**	141,258
Allocated investment return transferred from the non-technical account		**1,680**	2,554
Claims paid:			
Gross amount		**(129,421)**	(92,235)
Reinsurers' share		**23,046**	10,823
		(106,375)	(81,412)
Change in the provisions for claims:			
Gross amount		**(103,357)**	22
Reinsurers' share		**70,411**	7,685
		(32,946)	7,707
Claims incurred, net of reinsurance	6	**(139,321)**	(73,705)
Other income		**1,402**	4,711
Net operating expenses	7	**(63,707)**	(71,107)
Balance transferred to the non-technical account		**(5,300)**	3,711

The Notes on pages 17 to 47 form an integral part of these accounts.

CATHEDRAL CAPITAL (1998) LIMITED

Statement of Profit and Loss and Other Comprehensive Income
Non-Technical Account
For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Balance on the technical account - general business		**(5,300)**	3,711
Investment return	8	**1,751**	2,590
Allocated investment return transferred to the technical account - general business		**(1,680)**	(2,554)
Currency translation differences		**2,488**	3,871
Other credit/(charge)	9	**1,628**	(1,614)
(Loss)/ profit on ordinary activities before tax		**(1,113)**	6,004
Tax credit/(charge) on profit on ordinary activities	10	**756**	(1,308)
(Loss)/profit on ordinary activities after tax		**(357)**	4,696

All activities derived from continuing operations.

There are no other comprehensive gains or losses in the year

The Notes on pages 17 to 47 form an integral part of these accounts.

CATHEDRAL CAPITAL (1998) LIMITED

Statement of Financial Position

As at 31 December 2017

	Notes	2017 $'000	2016 $'000
Intangible assets	12	7,504	7,504
Financial Investments	13	129,946	121,009
		129,946	121,009
Reinsurers' Share of Technical Provisions:			
Claims outstanding	14	135,453	64,407
Unearned premiums	14	9,823	9,387
		145,276	73,794
Trade and other receivables:			
Arising out of direct insurance operations			
- due from policy holders		29,193	29,098
Arising out of reinsurance operations		64,408	54,584
Other	15	33,317	8,696
		126,918	92,378
Other Assets:			
Cash and cash equivalents	16	58,801	114,824
Deferred tax assets	17	18,677	8,185
		77,478	123,009
Prepayments and Accrued Income	18	1,854	1,391
Deferred acquisition costs	19	16,996	17,862
Total Assets		505,973	436,948
Capital and Reserves:			
Called up share capital	21	-	-
Retained earnings		6,467	17,993
Translation reserve		(2,439)	(2,439)
Total Equity		4,028	15,554
Technical Provisions:			
Claims outstanding - gross	14	337,227	227,873
Unearned premiums	14	78,541	83,409
		415,768	311,282
Provisions for other risks and charges:			
Provision for deferred taxation	17	25,914	19,133
		25,914	19,133
Trade and other payables:			
Arising from direct insurance operations		6,826	6,643
Arising from reinsurance operations		30,663	18,683
Other payables	20	10,350	48,325
		47,839	73,651
Accruals and Deferred Income		12,424	17,328
Total Liabilities & Equity		505,973	436,948

The financial statements on pages 12 to 47 were approved by the Board of Directors and authorised for issue on 13 February 2018 and signed on its behalf by:

C J Whittle
Chief Financial Officer
The Company registration number is 3402448
The Notes on pages 17 to 47 form an integral part of these accounts.

CATHEDRAL CAPITAL (1998) LIMITED

Statement of Changes in Equity
For the year ended 31 December 2017

	Notes	Called up share capital Total $'000	Retained Earnings Total $'000	Translation Reserve Total $'000	Total Shareholders' Equity Total $'000
At 1 January 2017		-	17,993	(2,439)	15,554
Loss for the period		-	(357)	-	(357)
Total comprehensive (loss) for the period		-	(357)	-	(357)
Transactions with owners:					
Dividends paid	11	-	(11,168)	-	(11,168)
At 31 December 2017		-	6,467	(2,439)	4,028

	Notes	Called up share capital Total $'000	Retained Earnings Total $'000	Translation Reserve Total $'000	Total Shareholders' Equity Total $'000
At 1 January 2016		-	13,297	(2,439)	10,858
Profit for the period		-	4,696	-	4,696
Total comprehensive income for the period		-	4,696	-	4,696
Transactions with owners:					
Dividends paid	11	-	-	-	-
At 31 December 2016		-	17,993	(2,439)	15,554

The Notes on pages 17 to 47 form an integral part of these accounts.

CATHEDRAL CAPITAL (1998) LIMITED

Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
(Loss)/ profit on ordinary activities before tax		**(1,113)**	6,004
Adjustment for:			
Finance income		**(2,657)**	(2,770)
Foreign exchange losses		**(1,973)**	(15,052)
Unrealised losses on investments		**770**	10
		(4,973)	(11,808)
(Increase)/decrease in trade and other receivables		**(42,601)**	9,062
(Decrease) in trade and other payables		**(38,142)**	(3,752)
Decrease/ (Increase) in underwriting balances		**33,870**	(26,317)
		(46,873)	(21,007)
Tax paid		-	(3,384)
		-	(3,384)
Net cash used in operating activities		**(51,847)**	(36,199)
Cash flow from investing activities			
Proceeds from sales of investments		**89,144**	123,831
Purchases of investments		**(95,630)**	(75,252)
Interest received		**2,657**	2,770
Net cash flow from investing activities		**(3,829)**	51,349
Cash flow from financing activities			
Dividends paid		-	-
Net cash flow from financing activities		-	-
Net (Decrease)/ Increase in cash and cash equivalents		**(55,676)**	15,150
Cash and cash equivalents at 1st January		**114,824**	86,917
Effect of exchange rate fluctuations on cash held		**(347)**	12,757
Cash and cash equivalents at 31st December 2017	16	**58,801**	114,824

The Notes on pages 17 to 47 form an integral part of these accounts.

1. Corporate Information

Cathedral Capital (1998) Limited ("the Company") is a limited company registered and domiciled in England and Wales. The address of its registered office and principal place of business is disclosed on page 2. The principal activities of the Company are described in the Strategic Report on page 3.

2. Basis of Preparation

The Company's 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 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 financial statements, using their judgement and considering US GAAP.

The accounts have been prepared in US Dollars, which is the functional and presentational currency of Cathedral Capital (1998) Limited.

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 to 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.

3. Accounting policies

a) Use of estimates

The preparation of 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 5.

b) Basis of accounting for underwriting results - 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.

ii) Premiums

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

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured by the syndicates. Reinsurance premium payable to Lancashire Insurance Company Limited (a related group company) under a reinsurance quota share agreement is recognised in line with the annual accounting underwriting result, gross of reinsurance profit commissions receivable.

iii) Provision for unearned premiums

Written premium is earned according to the risk profile of the policy commencing from the date of inception of the policy. Unearned premiums represent the proportion of premiums 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 Statement of Comprehensive Income.

iv) 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"). Claims outstanding are reduced by anticipated salvage and other recoveries.

v) Outstanding claims provision

The outstanding claims comprise amounts set aside for claims notified by the balance sheet date, IBNR and 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 Cathedral 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 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.

vi) 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 Company reduces its carrying amount accordingly, and will immediately recognise the impairment loss in the 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 Company 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 Company will receive from the reinsurer.

vii) 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 premiums are earned.

viii) Reinsurance to close

To the extent that the Company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

Where the Company 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 statement of comprehensive income as either gross premiums written or amounts payable to reinsurers as appropriate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

c) Financial Instruments

i) Financial Investments

Investments are treated as sold and purchased at each 31 December in recognition of the annual nature of participations on a syndicate. Their cost is therefore their market value at that date.

The Company 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 Company 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. Unlisted investments are stated fair value.

Investment income comprises interest receivable and dividends received plus realised gains or losses on the disposal of investments. Realised gains and losses arise from the difference between proceeds and cost. The realised gains reported by syndicates are net of any realised losses.

All investment income net of realised losses arising on syndicate participations is recognised in the Company's Technical Account – General Business, as an integral part of the Company's underwriting business.

Investment expenses and charges comprise investment management expenses.

ii) Cash and cash equivalents

Cash and cash equivalents 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.

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.

d) Operating expenses

Operating expenses include the Company's share of the syndicates' operating expenses and the Company's corporate expenses. The Company'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. Expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of the investment.

e) Foreign currency translation

The functional currency, which is the currency of the primary economic environment in which operations are conducted, for the Company is U.S. dollars. Items included in the financial statements of the Company are measured using the functional currency. The 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 statement of comprehensive income. Non-monetary assets and liabilities carried at historical cost and denominated in a foreign currency are translated at historic rates.

f) Taxation

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. The Company is taxed on its share of the underwriting results declared by syndicates and for tax purposes these are deemed to accrue evenly over the calendar year in which they are declared. HM Revenue & Customs determines the taxable results of individual syndicates on the basis of computations submitted by the relevant managing agent. At the date of approval of these accounts, none of the syndicate taxable results have been agreed. Any adjustments that may be necessary to the tax provisions established by the Company as a result of HM Revenue & Customs agreement of individual syndicate taxable results will be reflected in the accounts of subsequent periods.

Taxable profit for the period can differ from that reported in the statement of comprehensive 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 balance sheet and their tax base. 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.

g) Other income

Other income relates to profit commission receivable under the quota share reinsurance contract with Lancashire Insurance Company Limited.

h) Intangible asset - Syndicate participation rights

Syndicate participation rights 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.

4 Segmental Information - year ended 31 December 2017

	Gross Premiums Written $'000	Gross Premiums Earned $'000	Gross Claims Incurred $'000	Gross Operating Expenses $'000	Reinsurance Balance $'000	Total $'000
Direct Business:						
Motor - third party liability	-	-	8	(2)	-	6
Motor - other classes	476	303	(144)	(238)	(21)	(100)
Marine, Aviation & Transport	28,141	28,696	(14,976)	(9,728)	(2,069)	1,923
Fire and other Damage to Property	48,508	49,570	(59,912)	(24,844)	11,284	(23,902)
Third Party Liability	750	765	(717)	(694)	(70)	(715)
Credit and Suretyship	37	270	91	953	148	1,462
Total Direct	77,912	79,604	(75,650)	(34,552)	9,272	(21,325)
Reinsurance Business:						
Reinsurance Acceptances	131,384	134,563	(157,004)	(29,155)	18,220	(33,377)
Reinsurance to Close	74	74	(124)	-	50	-
Quota Share Reinsurance	7	7	-	-	47,714	47,722
Total Reinsurance	131,465	134,644	(157,128)	(29,155)	65,985	14,345
Total	209,377	214,248	(232,778)	(63,707)	75,257	(6,980)

Segmental Information - year ended 31 December 2016

	Gross Premiums Written $'000	Gross Premiums Earned $'000	Gross Claims Incurred $'000	Gross Operating Expenses $'000	Reinsurance Balance $'000	Total $'000
Direct Business:						
Motor - third party liability	(3)	(10)	(4)	5	(2)	(11)
Motor - other classes	248	222	(124)	(107)	(13)	(22)
Marine, Aviation & Transport	27,111	31,350	(23,539)	(7,834)	435	412
Fire and other Damage to Property	53,376	54,019	(15,695)	(13,049)	(8,229)	17,046
Third Party Liability	1,868	2,198	(442)	(423)	(315)	1,018
Credit and Suretyship	3,601	3,768	(1,609)	(1,529)	(1,406)	(776)
Total Direct	86,201	91,547	(41,413)	(22,937)	(9,530)	17,667
Reinsurance Business:						
Reinsurance Acceptances	128,827	136,140	(50,888)	(48,170)	(22,311)	14,771
Reinsurance to Close	(54)	(54)	88	-	(34)	-
Quota share reinsurance	-	-	-	-	(31,281)	(31,281)
Total Reinsurance	128,773	136,086	(50,800)	(48,170)	(53,626)	(16,510)
	-	-	-	-	-	-
Total	214,974	227,633	(92,213)	(71,107)	(63,156)	1,157

All direct business is written in the United Kingdom.

5 Risk disclosure

The Company 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; and
- Market risk.
- Operational risk
- Capital management risk

The Company only underwrites on syndicates managed by its affiliated managing agent subsidiary and the risks set out below relate to this. The sections below outline the Company's risk appetite and explain how it defines each category of risk.

5.1 Insurance risk

The Company's underwriting of insurance risks is naturally a high-risk business, with the potential for earnings to be volatile. It would be possible for the capital supporting the underwriting to be completely eroded in extreme circumstances. Even in less extreme circumstances, major losses may cause erosion of capital which, if not replaced, may curtail the Company's ability to trade going 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 Company 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 is 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.

This risk is managed through portfolio diversification of insurance contracts as it is less likely to be affected across the board by a change in any subset of the portfolio. The Company 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 Company is accumulative by nature.

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

5.1.1 Diversification across classes of business

The Company's underwriting covers various classes of business which, to some extent, have different exposure profiles and therefore provides an element of diversification to the Company.

Concentrations of insurance risk are determined by class of business, as demonstrated below.

Note 5.1.1 - Diversification across classes of business

Gross premiums written	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%**	21,179	9.9%
Aviation	**27,043**	**12.9%**	24,369	11.3%
Other	**32**	**0.0%**	3,584	1.7%
	209,377	**100.0%**	214,974	100.0%

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.

5.1.2 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 Company.

The syndicates currently specialise in property and aviation treaty reinsurance, direct and facultative property insurance, satellite, contingency business, marine cargo, direct aviation, aviation war, energy and terrorism. 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 syndicates' 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 managing agent.

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's managing agent subsidiary 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.

5.1.3 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. The syndicates model various loss scenarios and also prepare prescribed RDS which seek to analyse and quantify their exposures to certain specified events, and the syndicates 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 Economic Capital Assessment ("ECA"), however, internally the syndicates manage RDS exposure against capacity.

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

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. By and large the insurances and reinsurances provided by the syndicates are of a well-tested nature. 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 bespoke internal and external modelling systems. Finally, to ensure the maximum depth of reinsurance coverage, all accounts other than FTC have purchased separate reinsurance programmes.

b) Risk of extreme losses
Even ignoring apocalyptical type losses (e.g. massive meteorite strike), crippling losses of circa US $50 billion could have a major destabilising effect on the insurance industry as a whole. Whilst the reinsurance writings for the syndicates (unlike direct insurance) provide policyholders with defined cover by way of both limits and number of reinstatements, the development of the direct and facultative property account and the marine cargo account gives rise to very large assured values which are vulnerable to failures in Probable Maximum Loss ("PML") 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 property account and the marine cargo account are also more vulnerable to loss frequency, although this is mitigated by modulating line size by attachment point, geographical spread of risks and a separate reinsurance programme.

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 are fairly standard. While coverage may change depending on clients' needs, the coverage offered by the Syndicates is typically based upon widely used standard London market clauses within the respective contracts. Slip checking has always been part of the underwriting process. Furthermore, the Group's managing agency subsidiary's independent review director 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.

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 quarterly updates of key trends in the market at risk level, as well as benchmarking the syndicate's own performance.

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 agent 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 syndicates' board monthly and these are monitored against those that had been expected per the syndicate's business plans. Aggregation systems are also used for the other accounts to monitor exposures.

5.1.4 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 recognised 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.

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 managing agency subsidiary's independent review director. There are known exclusions in our outwards cover, e.g. 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 generally, 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 syndicate's exposure to large losses increases accordingly, though this may be mitigated somewhat by a reduction in the aggregate exposures taken on by them.

5.1.5 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 Company expects the ultimate settlement and administration of claims will cost. The reserving risk to the Company is that reserves established by the Company 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 below and on the following pages:

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 Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The syndicates underwrite relatively short-tail accounts, which can often mean that after a short period of time (e.g. typically two years), a large proportion of the underwriting losses have already been notified to them and, more importantly, catastrophic losses are known soon after an event occurs. 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 judgement, statistical projections and market data.

(ii) Changes in assumptions and sensitivity analysis
The broad assumptions used in respect of the syndicates have not significantly changed during the year.

(iii) Sensitivity analysis - sensitivity of claims liabilities
When reviewing the claims liability projections in respect of the syndicates, the Company 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 event and the year-end, notifications by year-end would not be expected to be complete. Any projections of these losses at this early stage will be subjective. Nonetheless, the Company has sought to consider all potential losses and reviews/follows up such losses on a regular basis.

The loss development table that follows provides information about the historical claims development for syndicates. It shows how the Syndicate's estimates of the claims ratio for the past ten underwriting years have changed at successive year ends. In effect it highlights the Syndicate's ability to provide a robust estimate of the claims cost. An underwriting year basis is considered to be the most appropriate basis for the Company's share of business written by the syndicates.

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 efficiencies of the past on current claims liabilities. The Company believes that the estimate of total claims liabilities as at 31 December 2017 are adequate. However due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

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. For the 2015 and prior years, these generally decreased during the 2017 calendar year in light of favourable claims experience. The 2016/2017 years have suffered significant losses from a number of catastrophes that occurred during the 2017 calendar year.

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 analysis for determining the provision for unearned premiums

(iii) Sensitivity analysis - sensitivity of provision for unearned premiums
The Company 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 one percentage point was to become unearned this would equate to an adjustment of $0.8 million to the unearned premium provision (2016: $2.1 million).

5.2 Credit risk
The Company 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 Company is exposed to credit risk are:

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

The 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 that 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 Company's liability to its assureds. If a reinsurer fails to pay a claim for any reason, the Company remains liable for payment to the policyholder. The creditworthiness of reinsurers is considered on a continuous basis by the Group's fellow managing agency subsidiary by reviewing credit grades provided by rating agencies and other publicly available financial information. An external consultant is also employed by the Company's fellow managing agency subsidiary to assist in assessing and evaluating reinsurers.

At the year-end, the Company 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 Company also has exposure to credit risk on its investments and cash holdings, whereby an issuer default results in the Company 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 fund managers are employed and their performance is regularly monitored by the managing agency subsidiary's syndicate investment committee. Detailed requirements regarding asset diversification and concentration limits are set out in the investment mandate given to the external investment managers.

The following table analyses the Company's concentration of credit risk, using ratings from external rating agencies.

Note 5 .2 Credit Risk

At 31 December 2017	**A++ to A- $'000**	**B++ to B- $'000**	**Unrated $'000**	**Total $'000**
Financial investments	**104,994**	**24,952**	**-**	**129,946**
Insurance receivables	**58,956**	**-**	**34,644**	**93,601**
Reinsurance assets	**92,613**	**-**	**42,840**	**135,453**
Cash and cash equivalents	**58,801**	**-**	**-**	**58,801**
	315,365	**24,952**	**77,484**	**417,801**

At 31 December 2016	A++ to A- $'000	B++ to B- $'000	Unrated $'000	Total $'000
Financial investments	116,093	4,916	-	121,009
Insurance receivables	70,686	3	12,993	83,682
Reinsurance assets	61,033	12	12,749	73,794
Cash and cash equivalents	114,824	-	-	114,824
	362,636	4,931	25,742	393,309

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 $42.8 million (2016:$12.4 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 $4.7 million (2016: $5.1 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 receivables arising out of direct insurance operations past due but not impaired is as follows:

	31 December 2017 $'000	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

No financial assets have been impaired during the year.

5.3 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due on a timely basis. The Company 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 cash call the Members supporting them and can ultimately draw down from the Members' 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.

The Company has no corporate cash or investments.

The following tables group the debt securities, cash and cash equivalents, 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.

At 31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
	Balance sheet	**< 1 year**	**1 - 3 years**	**4 - 5 years**	**> 5 years**	**Total**
Debt securities	**129,946**	**22,503**	**89,564**	**517**	**17,362**	**129,946**
Cash and cash equivalents	**58,801**	**58,801**	**-**	**-**	**-**	**58,801**
Gross provision for claims outstanding	**(337,227)**	**(243,727)**	**(67,684)**	**(20,292)**	**(5,522)**	**(337,227)**
Claims outstanding recoverable from reinsurers	**135,453**	**105,641**	**22,353**	**6,402**	**1,057**	**135,453**
	(13,027)	**(56,782)**	**44,233**	**(13,373)**	**12,897**	**(13,027)**

At 31 December 2016	$'000	$'000	$'000	$'000	$'000	$'000
	Balance sheet	< 1 year	1 - 3 years	4 - 5 years	> 5 years	Total
Debt securities	121,009	14,672	97,251	3,086	6,001	121,009
Cash and cash equivalents	114,824	114,824	-	-	-	114,824
Gross provision for claims outstanding	(227,873)	(106,068)	(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
	72,367	46,932	41,742	(13,219)	(3,088)	72,367

5.4 Market risks

5.4.1 Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the Company. This can arise where the Company holds investments 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 syndicates are managed with capital protection as a prime objective. As such, the portfolio durations are limited by the investment guidelines to a level designed to limit the downside risk due to rising bond yields to a level not deemed significant.

5.4.2 Equity price risk

The Company holds no equity investments.

5.4.3 Currency risk

The syndicates on which the Company participates hold a proportion of their assets and liabilities in Sterling, Canadian dollars and Euros to match the risks assured.

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.

Syndicate underwriting profits and losses are currently only capable of being distributed in either US dollars or sterling and so the Company is affected to some degree by movements in the Sterling. 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 Company does not currently enter into any currency deals to mitigate this currency risk.

If currency exchange rates moved 10%, the impact would be:

As at 31 December 2017	**USD**	**EUR conv**	**STG conv**	**CAD conv**	**Total conv**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Net assets	**12,174**	**6,349**	**(28,730)**	**14,234**	**4,028**
Impact of 10% currency movement*	**N/A**	**635**	**(2,873)**	**1,423**	**(815)**

As at 31 December 2016	USD	EUR conv	STG conv	CAD conv	Total conv
	$'000	$'000	$'000	$'000	$'000
Net assets	(7,355)	7,134	(10,586)	26,361	15,554
Impact of 10% currency movement*	N/A	713	(1,059)	2,636	2,290

*This is the pre-tax impact on net assets/ profits of a movement in Euro, Sterling and Canadian dollar against US dollars by 10%, with all other variables constant.

5.5 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.

5.6 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.

6 Claims Incurred, Net of Reinsurance

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Gross:		
2014 Year of Account	-	(22,653)
2015 Year of Account	(13,212)	47,023
2016 Year of Account	55,278	67,843
2017 Year of Account	190,712	-
	232,778	92,213
Reinsurance:		
2014 Year of Account	-	2,567
2015 Year of Account	(181)	(13,018)
2016 Year of Account	(12,301)	(8,057)
2017 Year of Account	(80,975)	-
	(93,457)	(18,508)
Net claims incurred	139,321	73,705

7 Net Operating Expenses

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Acquisition costs	38,835	43,530
Administrative expenses	17,495	15,227
Loss/(gain) on exchange	417	(1,269)
Names' personal expenses on Lloyd's syndicates	6,960	13,619
	63,707	71,107

Names' personal expenses for the year ended 31 December 2017 includes profit commission of $2.8m payable from Cathedral Underwriting Limited, a fellow subsidiary, in respect of the 2015, 2016 and 2017 years of account (2016: $9.2m).

8 Investment return

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Investment income	2,657	2,770
Net realised and unrealised losses on investments	(770)	(10)
Investment expenses and charges	(136)	(170)
	1,751	2,590

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

9 Other credit/ (charge)

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Lloyd's charges	**6**	6
Salaries and related costs	**239**	163
Auditor's remuneration - for audit services	**42**	47
Fee to parent company for use of Funds at Lloyd's	**1,960**	1,558
Management fee (credit) / charge to fellow subsidiary in respect of Restricted Share Scheme	**(4,015)**	(261)
Other	**140**	101
	(1,628)	1,614

Auditor's remuneration includes fees charged in respect of Cathedral Capital (1999) Limited.

Directors' remuneration
The remuneration of the directors charged to the Company was as follows:

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Emoluments	**102**	25
Pension costs	**8**	1
	110	26

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	**26**	9
Pension costs	**2**	-
	28	9

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

10 Taxation

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
(a) Analysis of charge in year		
Current tax:		
UK corporation tax on profit in the year at 19.25% (2016: 20.00%)	**4,284**	3,374
Overseas tax	**58**	10
Adjustments in respect of prior years:	**(226)**	(1,833)
Amount paid / (received) to a fellow subsidiary in respect of tax saved by group relief:		
- relating to prior years	**(260)**	473
- relating to current year	**-**	-
Total current tax charge / (credit)	**3,856**	2,024
Deferred tax (see Note 17):		
Change in tax rates	**(280)**	935
Timing differences	**(4,332)**	(1,651)
Total deferred tax	**(4,612)**	(716)
Tax charge / (credit) on (loss)/profit on ordinary activities	**(756)**	1,308

(b) Factors affecting tax (credit) / charge for the year

(Loss)/profit on ordinary activities before tax	**(1,113)**	6,004
(Loss)/profit on ordinary activities multiplied by standard rate of UK corporation tax at 19.25% (2016: 20.00%)	**(214)**	1,201
Foreign exchange adjustments	**-**	(800)
Items not deductible for tax purposes	**166**	756
Change in tax rates	**(280)**	935
Adjustments in respect of prior years:		
- Corporation tax	**(226)**	(1,833)
- Deferred tax	**-**	566
- Amount paid to a fellow subsidiary in respect of tax saved by group	**(260)**	473
Movement in tax losses	**-**	-
Overseas tax	**58**	10
	(756)	1,308

The UK corporation tax rate as at 31 December 2017 was 19.00 per cent (effective from 1 April 2017). Until 1 April 2016 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 19.0 per cent with effect from 1 April 2017 and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

11 Dividends	**Year ended 31 December 2017 $'000**	Year ended 31 December 2016 $'000
Dividend for the year ended 31 December 2017 of $5,584,729 per share (2016: $ nil per share)	**11,168**	-

12 Intangible assets	**Year ended 31 December 2017 $'000**	Year ended 31 December 2016
Cost at 1 January	**7,504**	7,504
Additions in the year	-	-
Disposal of capacity	-	-
Impairment charge	-	-
Exchange differences	-	-
Balance 31 December	7,504	7,504

Intangible assets are the purchase costs of the Company's participations in certain Lloyd's syndicates. This is solely in respect of Syndicate 2010.

Syndicate participation rights 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.

When testing for impairment, the recoverable amounts of the cash generating unit are determined based on value in use. Value in use is calculated using projected cash flows based on the financial projections of the cash generating unit. These are approved by management and cover a three year period. The most significant assumptions used to derive the projected cash flows include an assessment of business prospects, projected loss ratios, outwards reinsurance expenditure and investment returns. A pre-tax discount rate of 6.3% (2016: 6.9%) has been used to discount the projected cash flows. The discount rate has decreased from 6.9% to 6.3% based on the Weighted Average Cost of Capital. The change in our discount rate does not have a significant impact on our 25 year Discount Factor analysis. The growth rate used to extrapolate the cash flows of the unit beyond the three period is 3.0% (2016: 3.0%) based on historical growth rates and management's best estimate of future growth rates.

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

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Debt securities and other fixed interest securities	**129,946**	121,009
	129,946	121,009

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.

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 category 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**	**Level 2**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Fixed income securities	**129,946**	**129,946**	**21,997**	**107,949**	**129,946**

As at 31 December 2016	Carrying amount	Fair value	Level 1 1	Level 2 2	Total
	$'000	$'000	$'000	$'000	$'000
Fixed income securities	121,009	121,009	21,379	99,630	121,009

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.

As part of its investment activities, the Company (by way of its participation on the syndicates) invests in unconsolidated structured entities. As at 31 December 2017, the Company's total interest in unconsolidated structured entities was $8.2 million (2016: $13 million), none of which are sponsored by the Company.

The debt and fixed income 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 income 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 in respect of the investments in unstructured entities is similar to the risks in respect of other financial investments, 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.

The maximum exposure to loss in respect of these structured entities would be the carrying value of the instruments held at 31 December. Generally, default rates would have to increase substantially from their current level before a loss would be suffered and this assessment is made prior to investing and continually through the holding period for the security.

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

14 Movement in technical provisions

	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 - current 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 - current 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

15 Other Receivables

	31 December 2017 $'000	31 December 2016 $'000
Amounts owed by group companies	32	7,598
Other	954	1,098
Reinsurance premium receivable under quota share agreement	32,330	-
	33,317	8,696

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	29,493	27,846
Short-term investments	29,308	86,978
	58,801	114,824
Cash and cash equivalents consist of:		
Cash and cash equivalents held by syndicates & corporate member	58,801	114,824
	58,801	114,824

Cash and cash equivalents held by the syndicates are restricted and are not freely available for use by the Company. There is $9.3m held by the company.

17 Deferred tax

Deferred tax relates to the following:

	31 December 2017 $'000	31 December 2016 $'000
Profits of closed underwriting year	(8,646)	(6,998)
Claims equalisation reserve	(6,924)	(8,374)
Underwriting profits not yet recognised for tax	13,499	(3,761)
Reinsurance premium payable under quota share agreement	(5,166)	8,185
	(7,237)	(10,948)
Reflected in the balance sheet as follows:		
Deferred tax assets	18,677	8,185
Deferred tax liabilities	(25,914)	(19,133)
Deferred tax net	(7,237)	(10,948)

Reconciliation of deferred tax:

	31 December 2017 $'000	31 December 2016 $'000
Opening balance as of 1 January	(10,948)	(14,319)
Deferred tax credit in Statement of Profit and Loss	4,612	716
Exchange differences	(901)	2,655
Closing balance as at 31 December	(7,237)	(10,948)

18 Prepayments and accrued income

	31 December 2017 $'000	31 December 2016 $'000
Prepayments	6	5
Accrued income	1,849	1,386
	1,854	1,391

19 Movement in deferred acquisition costs

	2017 $'000	Total 2016 $'000
Deferral at 1 January	17,862	20,882
Additional provisions - current year	13,507	13,704
Additional provisions - prior years	-	-
Amounts used in the year	(14,373)	(16,724)
Deferral at 31 December	16,996	17,862

20 Other payables

	31 December 2017 $'000	31 December 2016 $'000
Group relief owed to parent company	**7,123**	2,028
Due to managing agent within one year	**3,227**	3,578
Reinsurance premium payable under quota share	**-**	42,719
	10,350	48,325

21 Share Capital

	31 December 2016 $'000	31 December 2016 $'000
Authorised:		
1,000 ordinary shares of £1	**1,000**	1,000
Allotted, issued and fully paid:		
2 ordinary shares of £1	**2**	2

There are no rights or restriction regarding dividends and repayment of capital.

22 Related party transactions

(i) Transactions with parent and other group companies

Cathedral Capital (1998) Limited had an intercompany debtor with its parent company, Cathedral Capital Holdings Limited, of Nil (2016: $7.6 million). All transactions with Cathedral Capital Holdings Limited were in the normal course of business. Cathedral Capital (1998) Limited paid a dividend of $11.2 million (2016: Nil).

All transactions with other group companies are also in the normal course of business. These include recharges of expenses from other group companies and payment of interest on intercompany balances with other group companies, including funds at Lloyd's fee of $1.9 million from CCHL.

(ii) Directors interest in transactions

There were no Directors transactions during the year.

(iii) Key Management Personnel Compensation

Key management personnel include all persons having authority and responsibility for planning, directing and controlling the activities of the Company. 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.

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

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Salaries and other short term employee benefits	**1,383**	1,426
Post-employment benefits	**104**	43
	1,487	1,469

23 Contingent liabilities

With effect from 1 January 1998, the Company participates on insurance business written by Lloyd's syndicates. As a result of this participation, the Company is exposed to claims arising on insurance business written by those syndicates.

If the Company 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 Company to cease or reduce its underwriting.

24 Capital

The capital structure consists of equity attributable to equity holders, comprising of called up equity share capital and retained earnings, details of which are set out in the Statement of Changes in Equity on page 14. There has been no change to the Company's policy for managing capital.

Details of the Company's issued and allotted share capital are shown in Note 21 on page 45.

Details of the Company's Funds at Lloyd's are stated in the Strategic report on page 3.

25 Ultimate Parent undertaking

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

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