

# **CATHEDRAL CAPITAL LIMITED**

## **Annual Report and Financial Statements** For the year ended 31 December 2020



Registered in England and Wales Number 5958018

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## Directors and Officers

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### DIRECTORS

E L Woolley

C J Whittle

B Cass

R J Attwood

resigned 31 August 2020

### COMPANY SECRETARY

M E Lynn

### AUDITOR

KPMG LLP

15 Canada Square

Canary Wharf

London E14 5GL

### REGISTERED OFFICE

Level 29

20 Fenchurch Street

London EC3M 3BY

Registered Number

5958018 (England and Wales)

## Principal Activity and Review of the Business

The Company operates as a holding company of the Cathedral Capital Holdings Limited ("CCHL") Group.

Cathedral Capital Holdings Limited was originally set up in 1997 as a Names' Conversion vehicle which enabled names at Lloyd's with unlimited liability to convert to limited liability. One of its two main trading subsidiary companies, Cathedral Capital (1998) Limited, underwrites at Lloyd's as a corporate member. This company underwrote £332.8m of capacity for the 2020 year of account all of which supported Lancashire Syndicates 2010 and 3010. For the 2021 year of account, the Group will underwrite £375.8m of capacity across Lancashire Syndicates 2010 and 3010.

Cathedral Capital Holdings Limited's other main trading subsidiary is Lancashire Syndicates Limited ("LSL"), a Lloyd's managing agency which is authorised and regulated by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) and Lloyd's. This Company has the rights to manage Lancashire Syndicate 2010 and Lancashire Syndicate 3010. Syndicate 2010 currently specialises in non-marine and aviation reinsurance and direct and facultative property business with premium capacity of £305.9m for the 2020 year of account. The capacity of the Syndicate has increased to £324.9m for the 2021 year of account. Lancashire Syndicate 2010 has just closed its 2018 year of account, with a profit of \$6.0m.

LSL set up Syndicate 3010 during 2007 with an initial capacity of £20.0m and commenced underwriting on 1 July 2007. The Syndicate currently specialises in marine cargo including specie, fine art with war with aviation war, aviation direct, energy and terrorism joining the account during 2014, power and marine hull joining in 2018, and accident and health joining in 2020. The capacity of the Syndicate was increased from £60.0m to £100.0m during the 2015 year of account and was maintained at £100.0m for the 2016, 2017, 2018 and 2019 years of account. The capacity of the Syndicate increased to £150.0m for the 2020 year of account and has increased to £175.0m for the 2021 year of account. The Syndicate's sole capital provider is the Group's corporate member. Lancashire Syndicate 3010 has just closed its 2018 year of account, with a profit of \$3.0m.

The Syndicates reported an aggregate 2020 calendar year profit of \$6.1m (2019: \$11.7m).

## Future Developments

It is intended that the Company continues to operate as a holding company of Cathedral Capital Holdings Limited Group for the foreseeable future. Cathedral Capital (1998) Limited is expected to continue its participation of the two syndicates managed by LSL.

## Results and Dividends

The results attributable to shareholder for the year are shown on page 9.

No dividend was paid by the Company to its parent company (2019: \$nil).

The total equity of the Company at the year-end are detailed below:

	2020 \$'000	2019 \$'000
Total shareholder's equity	183,684	183,683

## Financial Instruments

The Company's principal financial instrument is its investment in subsidiary undertakings, which is set out in Note 7 of the financial statements.

## Climate Change

The Company is exposed to both climate-related risk and opportunities. The two major categories of risk being transition and physical risk. Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate related events) or chronic (due to longer-term shifts in climate patterns). The Company is more significantly affected by physical risk through its exposure to acute and chronic climate change. However, consideration must be, and is, given to transition and climate-related litigation risks. In our underwriting operations, we manage this risk effectively by supplementing our internal know-how with external vendor models. We have clear tolerances and preferences in place to actively manage exposures, and the board regularly monitors our Probable Maximum Loss ("PML"). The risks to the asset side of our balance sheet from exposure to climate change are mitigated in part through regular reviews of our third party asset managers, our asset allocation, and the underlying securities within our portfolio.

Climate change, its related risks and opportunities and their financial impact are a key focus of the board at their quarterly meetings. The stress and scenario tests performed as part of the business planning process include climate-related scenarios, these scenarios will continue to be refined and enhanced as more information becomes available. The work performed to date has not resulted in any material impact on our business strategy or change to our understanding of the risks' impacts to our business.

## Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006 (the "Act")

The Board of Directors of Cathedral Capital Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its sole member (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2020.

In accordance with the Lancashire Holdings Limited group's ("the Group") approved strategy, the Company seeks to effectively manage the insurance cycle by underwriting profitable business in the specialty insurance lines in which it operates. Our strategic priorities are that we do not seek top line growth for the sake of it in markets where we do not believe the right opportunities exist, we seek to underwrite our core portfolio profitably through the insurance cycle and look to seize opportunities when they present themselves. We focus on disciplined underwriting with a strong focus on profitability and risk selection. By reducing our risk levels in markets where we consider premiums do not justify the risks presented and, seeking to expand our portfolio where the risk/return metric improves, the Company seeks to create a sustainable business operation for the long term.

We recognise that our responsibility is not only to our parent company and our clients and we strive to be a good employer, a good corporate citizen and a responsible preserver of resources.

The Group's employees are the lifeblood of the Group and we strive to attract and retain excellent staff. The Group actively seeks to engage with its staff, and to afford them a stable and open workplace. Our staff work on a cross-departmental basis, are provided with regular training and development and management encourages engagement across all areas of the business. The Company promotes the the Group values<sup>(1)</sup> set out below, and during the prior year employees participated in a group-wide staff engagement survey, the feedback for which was positive. The Group recognises that promoting a positive and inclusive culture is an important factor in its continued ability to attract and retain the best talent and continues to explore how it can promote flexible working options and career development opportunities. All permanent staff are eligible to share in the Company's and Group's success through the granting of nil restricted share scheme cost awards and participation in the Company's bonus arrangements. To ensure alignment with the Group's values and to effectively monitor individual performance, certain senior managers' remuneration is overseen by the Group's Remuneration Committee.

It is crucial to the Company's long term success that it positively engages with its key stakeholders such as clients, brokers, outwards reinsurers and service providers to provide suitable (re)insurance products; the Company's underwriters, claims team, senior management, and the Company's directors will meet regularly with stakeholders both in the UK and internationally to receive their feedback and insight. Our policies are important to our clients in seeking to protect them and their business from risk events, and when losses do occur we are responsive in order to provide our policyholders with ongoing support and we seek to pay their claims as expeditiously as possible.

The Company also recognises the importance of an open and constructive relationship with government agencies and regulators both in the UK and internationally when it underwrites certain overseas (re)insurance contracts, and to this end the Company has developed a range of internal procedures and processes to establish a robust operating platform to ensure compliance with legal requirements and regulatory rules and standards; and seeks to be proactive in its provision of accurate information to such agencies and regulators

The Company is active in supporting the promotion of the interests of the wider London insurance market, and as an example of that the CEO of Lancashire Syndicates Limited, a fellow group subsidiary, sits on the board of the Lloyd's Market Association ("LMA").

Through the Lancashire Foundation, the Group makes financial contributions and provides human support to a number of good causes in the places we operate around the world. The Company also seeks to help those who are in distress or at a disadvantage, through continued support of local initiatives and activities, volunteering days and mentoring opportunities.

The Company is a wholly owned subsidiary of a Group that reports against the United Nations Environment Programme Finance Initiative (I) Principles for Sustainable Insurance, and is committed to managing the environmental impacts of all its businesses, including the Company's.

(1)

Leadership, exhibiting passion and commitment in all aspects of Lancashire life and inspiring others to do the same, we are Aspirational, aspiring to deliver a superior service for our clients, ourselves and our business partners, we are Nimble in our decisions, actions and business processes, we are Collaborative, valuing teamwork and a diversity of skills and experience and sharing in our success, and we are Straightforward in conducting our business in an accountable, open, honest and sustainable way.

By order of the Board



CJ Whittle

Director

8 April 2021

## Directors' Report

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The Directors present the annual report and the audited financial statements of Cathedral Capital Limited (the "Company") for the year ended 31 December 2020.

### Directors

The Directors who held office during the year are set out on page 1.

Information on Directors' transactions is set out in Note 10 on page 16.

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

### Going Concern

The Directors have prepared the financial statements of the Company on a going concern basis.

The Company's principal risk is in relation to its investment in subsidiary undertakings. The Company assesses whether there are any indications of impairment annually. Based on the impairment review performed, the Directors believe that there are no indications of impairment.

Further detail on the assessment of going concern is provided within the going concern section in Note 2.

Based on the going concern assessment performed as at 31 December 2020, the Directors consider there to be no material uncertainties that may cast significant doubt over the Company's ability to continue to operate as a going concern. The Directors have formed a judgment that there is a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements.

### Financial Instruments

The Company's principal financial instruments are investment in subsidiary undertakings. The risk disclosures in relation to the financial instruments are set out within the Strategic Report on page 2.

### Political Contributions

The Company made no political donations or incurred any political expenditure during the year (2019: \$nil).

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### Disclosure of Information to the Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Directors' Report

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### 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

By order of the Board



C.J Whittle

Director

8 April 2021

Company Registered Number: 5958018

### Opinion

We have audited the financial statements of Cathedral Capital Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Shareholder's 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Lancashire Holdings Limited's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.



## Independent Auditor's Report to the Members of Cathedral Capital Limited

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### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **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.

### **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 5, 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](http://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.



Timothy Butchart (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
KPMG LLP  
15 Canada Square  
Canary Wharf  
London E14 5GL

8 April 2021

## Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Net foreign exchange gain		1	1
<b>Operating profit</b>	4	1	1
<b>Profit before tax</b>		1	1
Income tax expense	6	—	—
<b>Profit for the year</b>		1	1

All activities were in respect of continuing operations.

There are no other comprehensive gains or losses in the year.

The notes on pages 13 to 16 form an integral part of these financial statements.

## Balance Sheet

As at 31 December 2020

	Notes	2020 \$'000	2019 \$'000
<b>Assets</b>			
Investments in subsidiary undertakings	7	183,653	183,653
Other assets		31	30
<b>Total assets</b>		<b>183,684</b>	<b>183,683</b>
<b>Shareholder's Equity</b>			
Share capital	8	13	13
Share premium account		2,433	2,433
Capital redemption reserve	9	63,997	63,997
Retained earnings		117,241	117,240
<b>Total shareholder's equity</b>		<b>183,684</b>	<b>183,683</b>

The notes on pages 13 to 16 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 8 April 2021 and signed on its behalf by:



CJ Whittle

Chief Financial Officer

## Statement of Changes in Shareholder's Equity

For the year ended 31 December 2020

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Retained earnings \$'000	Total Equity \$'000
Balance as at 31 December 2018	13	2,433	63,997	117,239	183,682
Total profit for the year	—	—	—	1	1
Balance as at 31 December 2019	13	2,433	63,997	117,240	183,683
Total profit for the year	—	—	—	1	1
Balance as at 31 December 2020	13	2,433	63,997	117,241	183,684

The notes on pages 13 to 16 form an integral part of these financial statements.

## Statement of Cash Flows

For the year ended 31 December 2020

	2020 \$'000	2019 \$'000
Cash flows from operating activities		
Profit for the year	1	1
Adjustment for:		
Foreign exchange gain	(1)	(1)
<b>Net cash flows from operating activities</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents</b>	<b>—</b>	<b>—</b>
Cash and cash equivalents at 1 January	—	—
<b>Cash and cash equivalents at 31 December</b>	<b>—</b>	<b>—</b>

The notes on pages 13 to 16 form an integral part of these financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2020

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### 1. General Information

Cathedral Capital 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 1. The principal activities of the Company are described in the Strategic Report on page 2.

### 2. Basis of Preparation of the Financial Statements

#### (a) Basis of Preparation

The financial statements have been prepared on a going concern basis in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost accounting rules. The accounts have been prepared on a going concern basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

All amounts, excluding share data or where otherwise stated, are in thousands of US Dollars ("USD").

#### (b) Consolidation

The Company has not produced consolidated accounts as it is exempt under Section 400 of the Companies Act 2006. The parent company, Lancashire Holdings Limited, prepares consolidated financial statements including the Company.

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.

#### (c) New Accounting Standard

While a number of other amended IFRS and IFRIC standards have become effective this year, none of these standards have had a material impact on the Company.

#### *Going Concern*

The Directors have performed an assessment of the Company's ability as a going concern.

The Company operates as a holding company of CCHL. In the normal course of business, the Company does not transact with other entities. The Company's principal risk is in relation to its investment in subsidiary undertakings. The Company assess whether there are any indications of impairment annually.

Management has carried out an impairment test by comparing the carrying value of the investment in subsidiary undertakings with the estimated recoverable amount. The following has been considered when assessing whether the Company's investment in subsidiary undertakings has been impaired:

- a significant change in the business or asset profile of the cash generating unit ("CGU"), where CCHL has been determined to be the CGU;
- significant changes in the economic, market, technological or legal environments in which the CGU operates;
- material changes in interest rates; and
- a significant decline in the cash flows or profits generated by the CGU and any restructuring plans that could negatively affect the CGU.

Based on the impairment review performed above, the Directors believe that there are no indications of impairment. The value in use of CCHL CGU is \$534.5m, which exceeds the carrying value of investment in subsidiary undertakings by \$350.8m.

Based on the going concern assessment performed as at 31 December 2020, the Directors consider there to be no material uncertainties that may cast significant doubt over the Company's ability to continue to operate as a going concern. The Directors have formed a judgment that there is a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future, a period of at least twelve months from the date of signing these financial statements.

### 3. Significant Accounting Policies

#### a) Revenue

Revenue consists of dividends received from companies within the Group.

#### b) Expenses

Expenses are accounted for on an accruals basis.

#### c) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## Notes to the Financial Statements

For the year ended 31 December 2020

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### d) Foreign Currency

The functional currency, which is the currency of the primary economic environment in which operations are conducted, for the Company is USD. Items included in the financial statements of the Company are measured using the functional currency. The financial statements are presented in USD which is the Company's functional and presentational currency.

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

The sterling exchange rates used in conversion, as required by the Registrar of companies, is 1.36 as at 31 December 2020 and 1.31 as at 31 December 2019. As mentioned above, profit and loss items are translated at the exchange rate on the date of the transaction.

All amounts, excluding share data or where otherwise stated, are in thousands of USD.

### e) Investments in Subsidiary Undertakings

Investment in subsidiary undertakings are carried at cost less impairment.

The Company assesses whether there are any indications of impairment annually. When indications of impairment exist, an impairment test is carried out by comparing the carrying value of the investment in subsidiary undertakings with the estimate of the recoverable amount of the subsidiary. Any impairments are recognised as an income or an expense through the statement of comprehensive income in the period in which they occur.

### f) Financial Instruments

The key financial instruments used by the Company are investments in subsidiary undertakings, discussed in Note 3 (e).

### g) Use of Estimates

The preparation of the Company's financial statements requires management to make judgements and estimates that affect the reported amounts and the accompanying financial statement disclosures. In the course of preparing the financial statements no key judgements have been made in the process of applying the accounting policies that do not include a related element of estimation uncertainty.

Estimates are made in respect of impairment of investment in subsidiary undertakings discussed in e) above. The assumptions made by management in performing annual impairment tests are subject to estimation uncertainty.

## 4. Operating Profit

	2020 \$'000	2019 \$'000
Operating profit	1	1

The audit fees for the Company are borne by its fellow group subsidiary, Cathedral Capital Holdings Limited. The audit fees in relation to the Company is \$12.8k (2019: \$5.0k).

### Employees

The Company has no employees. All employees are employed by Lancashire Insurance Services Limited, a fellow group company.



## Notes to the Financial Statements

For the year ended 31 December 2020

### 5. Directors' Remuneration

	2020 \$'000	2019 \$'000
Directors' remuneration	1,916	1,684
Company contributions to money purchase pension plans	105	77
Compensation for loss of office	122	412
<b>Total</b>	<b>2,143</b>	<b>2,173</b>

Highest paid director

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

	2020 \$'000	2019 \$'000
Directors' remuneration	908	792
Company contributions to money purchase pension plans	43	36
<b>Total</b>	<b>951</b>	<b>828</b>

#### Key management compensation

Key management personnel includes all persons having authority and responsibility for planning, directing and controlling the activities of the Group. These people include the executive Directors of the Company. Details of the cost of the key management compensation charged to the Group are as follows:

	2020 \$'000	2019 \$'000
Salaries and other short-term employee benefits	1,916	1,684
Post-employment benefits	105	77
<b>Total</b>	<b>2,021</b>	<b>1,761</b>

### 6. Taxation

	2020 \$'000	2019 \$'000
<b>Current tax expense:</b>		
UK corporation tax on profits for the current year	—	—
<b>Total tax expense</b>	<b>—</b>	<b>—</b>
Reconciliation of effective tax rate:		
Profit before tax	1	1
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	—	—
<b>Total tax expense</b>	<b>—</b>	<b>—</b>

The UK corporation tax rate as at 31 December 2020 was maintained at 19% (effective 1 April 2017).

### 7. Investment in Subsidiary Undertakings

	2020 \$'000	2019 \$'000
As at 31 December	183,653	183,653

Details of the Company's subsidiaries are as follows:

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

All companies are registered and operate in England and Wales.

The business of the Company is managing its investments in subsidiaries. Its risks are considered to be the same as those in the operations of the Cathedral Capital Holdings Group and full details of the risk management policies are given in Note 3 of the Cathedral Capital Holdings Limited annual report and consolidated financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2020

### 8. Share Capital

	2020 Authorised Allotted issued and fully paid	2019 Authorised Allotted issued and fully paid
<b>Number:</b>		
Ordinary shares of 1p each	479,157	479,157
	2020 \$'000	2019 \$'000
<b>Nominal value:</b>		
Ordinary shares of 1p each	13	13

On 28 October 2015, the Company reorganised its share capital as follows:

- 702,290 of A Ordinary shares of 0.1p were consolidated and divided into 70,229 of A Ordinary shares of 1p.
- All of the A Ordinary shares of 1p, the B Ordinary shares of 1p and the B1 Ordinary shares of 1p were then converted into Ordinary shares of 1p.

Following this reorganisation, no A Ordinary, B Ordinary or B1 Ordinary shares remained outstanding and 479,157 Ordinary Shares of 1p each were issued and fully paid.

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

### 9. Capital Redemption Reserve

The capital redemption reserve is in respect of preference shares and deferred shares which are redeemed out of distributable profits and is not distributable.

### 10. Related Party Transactions

(i) Transactions with parent and other group companies

The Company had no intercompany transactions with its subsidiary, Cathedral Capital Holdings Limited at 31 December 2020 (2019: \$nil). No dividend was paid by the Company to Lancashire Holdings limited during the year (2019: \$nil).

The Company has not received any dividend from Cathedral Capital Holdings Limited (2019: \$nil).

(ii) Directors' interests in transactions

The directors had no interest in transactions with Cathedral Capital Limited during the year other than in the normal course of business.

(iii) Key management personnel compensation

#### *Key management compensation*

Key management personnel includes all persons having authority and responsibility for planning, directing and controlling the activities of the Group. These people include the executive Directors of the Company. Details of the cost of the key management compensation charged to the Group are as follows:

	2020 \$'000	2019 \$'000
Salaries and other short-term employee benefits	1,916	1,684
Post-employment benefits	105	77
<b>Total</b>	<b>2,021</b>	<b>1,761</b>

The cost of the key management personnel compensation was borne by other group companies.

### 11. Capital

The capital structure consists of equity attributable to equity holders, comprising of share capital, share premium, capital redemption reserve and retained earnings, details of which are set out in the Statement in Shareholder's Equity in equity on page 11.

The Company's policy and process for managing capital is to ensure the Company remains solvent.

### 12. Ultimate Parent Undertaking

The immediate parent and the ultimate parent company is Lancashire Holdings Limited.

Lancashire Holdings Limited, incorporated in Bermuda, is the largest group which includes the Company and for which the consolidated financial statements are prepared.

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