LANCASHIRE SYNDICATES LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022

Registered in England and Wales Number 292093

Contents

Directors and Officers

CHAIRMAN

N P Davenport *

DIRECTORS

E L Woolley	(Resigned on 24 June 2022)
A C Beardon	(Resigned on 3 January 2023)
C J Whittle	
J M Barnes	
J D Spence	
P T Dawe	
R D Milner	
L J Gibbins *	
S W Fraser *	
P Martin *	
B A Schofield *	(Appointed 3 January 2023)
K Turner	(Appointed 3 January 2023)

* Non Executive

COMPANY SECRETARY

E M Lynn-Williams

AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

BANKERS

Barclays Bank Plc
1 Churchill Place
London E14 5HP

REGISTERED OFFICE

Level 29
20 Fenchurch Street
London EC3M 3BY

Registered Number 292093 (England and Wales)

Review of the Business and Future Developments

The principal activity of Lancashire Syndicates Limited (the "Company") is that of a Managing Agent at Lloyd's. The Company is authorised and regulated by the Prudential Regulatory Authority (PRA), the Financial Conduct Authority (FCA) and Lloyd's.

The Company manages Lancashire Syndicate 2010, which specialises in non-marine and aviation reinsurance, direct and facultative property insurance, and cargo specialty. Mr M Narbett is the Active Underwriter of Syndicate 2010. The syndicate had a premium capacity of £345.0m for the 2022 year of account and this has increased to £400.0m for the 2023 year of account.

The Company also manages Lancashire Syndicate 3010, which specialises in marine cargo, energy, aviation all risks including deductible and hull war, terrorism, power utility, marine hull and accident and health. The Syndicate had a premium capacity of £250.0m for the 2022 year of account and this has increased to £375.0m for the 2023 year of account. Mr M Thomas is the Active Underwriter of Syndicate 3010.

The Company also acts as manager on various Lloyd's consortia; six Aviation, two Cargo, two construction and two Accident & Health consortia, all led by Syndicate 3010.

On a year of account (YoA) basis, the aggregate capacity of the syndicates is as follows:

Managed Syndicates	2023 YoA	2022 YoA	2021 YoA	2020 YoA
Capacity	£775m	**£595m**	£500m	£456m
- Syndicate 2010	£400m	**£345m**	£325m	£306m
- Syndicate 3010	£375m	**£250m**	£175m	£150m
Result (% of capacity)				
- Syndicate 2010	n/a	**n/a**	0% to -12.5%	-2.5%
- Syndicate 3010	n/a	**n/a**	15% to 10%	15.2%

The 2020 year of account result is the actual reported result to capital providers on the closure of that year of account. The 2021 year of account result is the current public forecast. No public forecast has yet been released for either the 2022 or 2023 years of account at the date these financial statements are published.

The key performance indicators of the Company are as follows for each calendar year:

	2022 $'000	2021 $'000	2020 $'000
Revenue	**5,888**	8,000	9,435
Profit/(loss) before tax	**2,551**	763	(2,720)
Profit/(loss) before tax/Revenue	**43.3%**	9.5%	(28.8)%
Net Equity	**19,424**	17,353	16,739

The results attributable to the shareholder of the Company are set out in the Statement of Comprehensive Income on page 10.

Total revenue has decreased due to a reduction in profit commission receivable during the year from Syndicate 3010. Profit commission payable by Syndicate 3010 has been waived from the 2020 underwriting year onwards.

Principal Risks

Since 1 April 2014, the Company is subject to the dual regulation of the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), and also continues to be regulated by Lloyd's. Accordingly, the principal risk to the business is the loss of its regulatory approval, which would prohibit it from carrying on its business.

The risk is mitigated by ensuring that the internal controls, management and governance structures are sufficiently robust to manage a business of the size and complexity run by the Company.

The Company also has insurance risk linked to the ability of its managed syndicates to operate in the Lloyd's market. This includes, but is not limited to, declines in premium rates, sizeable catastrophe and other large loss events, failure to maintain key broker and client relationships, changes in regulation and changes in the geopolitical environment. This risk is mitigated in several ways including, operating strict underwriting standards within the syndicates, ensuring that the syndicates purchase appropriate and cost-effective reinsurance cover, ensuring that the syndicates operate within a strict compliance framework and holding regular meetings with the regulators.

The Company is also required to ensure that it remains solvent in accordance with Lloyd's regulations and must ensure it meets its solvency requirements on an ongoing basis. The assets of the Company are managed with the prime objective of ensuring that the Company remains solvent.

The financial instruments are subject to liquidity risk and credit risk. Liquidity risk is the risk that cash may not be available to pay obligations when due on a timely basis, and credit risk is the risk that a counterparty will be unable to pay amounts in full when due. To mitigate the exposure to liquidity and credit risk, cash deposits are held with a number of banks, each of which has a long term credit rating of at least A-. Receivables are predominately the profit commission owing by the members of Syndicate 2010 which are managed by the Company. For the closed year, this amount has been finalised and is expected to be received in April 2023.

In addition, the Company holds some of its funds in currencies other than US Dollars ("USD"). This exposes the Company to a degree of market risk as a result of any movement in those currency exchange rates in comparison to USD. The Company does not currently enter into any currency deals to mitigate this currency risk, but the currency position of the Balance Sheet is regularly reviewed. Mitigation of currency risk is performed at the Group (Lancashire Holding Ltd, "LHL" or "Group") level.

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 one of the 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 Lancashire Syndicates 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 2022.

In line with its annually approved business plan, and in accordance with its 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.

Our employees are the lifeblood of the Company and we strive to attract and retain excellent staff. The Company 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 Lancashire Holdings Limited group values(1) set out below. Lancashire is committed to giving people mechanisms for feedback and to suggest how enhancements can be made to the employee experience. During 2022, a survey was carried out among our London-based staff focusing on wellbeing. This followed a Group-wide 2021 Engagement Survey and was designed to test the effectiveness of a number of initiatives that had been introduced following the wider survey. A Group-wide reward and benefits survey was also carried out during 2022 to assess employee's views on company benefits and their understanding of them. Participation in this survey was high at 85% with positive feedback. The Company 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 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 Company's values and to effectively monitor individual performance, certain senior managers' remuneration is overseen by the Company'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.

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

C J Whittle

31 March 2023

The Directors present their annual report and the audited financial statements of Lancashire Syndicates Limited (the "Company") for the year ended 31 December 2022.

Directors

The Directors who served during the year are shown on page 1.

Information on Directors' interests in transactions is set out in Note 15 on page 18.

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.

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 2022, 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 intercompany debt and cash. The risk disclosures in relation to the financial instruments are set out within the Strategic Report on page 2.

Dividends

There were no dividends paid in the year (2021: $nil).

Political Contributions

The Company made no political donations or incurred any political expenditure during the year (2021: $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.

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

31 March 2023

Company Registered Number: 292093

Opinion

We have audited the financial statements of Lancashire Syndicates Limited (the "Company") for the year ended 31 December 2022 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 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted 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, the audit committee, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, 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 the revenue is composed of relatively simple income streams earned by the Company from the Syndicates it manages.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted containing key words such as error, restatement, correction; those posted by individuals who typically do not make journal entries or are not authorized to post journal entries; those posted without explanation, description, or numerical description only; those posted to seldom used accounts for which the other side is cash; journals created and posted by the same user; and post-closing journals above our materiality threshold.

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, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, 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.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity regulations and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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 fraud 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 6, 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.

Salim Tharani (Senior Statutory Auditor)

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

31 March 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Revenue	3	5,888	8,000
Administrative expenses		(4,847)	(7,924)
Net foreign exchange loss		(23)	(187)
Operating profit		1,018	(111)
Investment income and similar income	5	169	20
Other income		1,565	854
Finance costs and similar charges	6	(201)	—
Profit before tax		2,551	763
Income tax charge	9	(480)	(149)
Profit for the year		2,071	614

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

All activities are derived from continuing operations.

The notes on pages 14 to 19 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2022

	Notes	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	10	**8,259**	15,860
Trade and other receivables	11	**30,659**	27,132
Total assets		**38,918**	42,992
Liabilities			
Trade and other payables	12	**18,955**	25,443
Current tax liabilities		**539**	196
Total liabilities		**19,494**	25,639
Shareholder's Equity			
Share capital	13	**1,594**	1,594
Share premium account		**1,411**	1,411
Retained earnings		**16,419**	14,348
Total shareholder's equity		**19,424**	17,353
Total liabilities and shareholder's equity		**38,918**	42,992

The notes on pages 14 to 19 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 31 March 2023 and signed on is behalf by:

C J Whittle

Director

Statement of Changes in Shareholder's Equity

For the year ended 31 December 2022

	Share capital $'000	Share premium account $'000	Retained earnings $'000	Total Equity $'000
Balance as at 31 December 2020	1,594	1,411	13,734	16,739
Total profit for the year	—	—	614	614
Balance as at 31 December 2021	**1,594**	**1,411**	**14,348**	**17,353**
Total profit for the year	—	—	**2,071**	**2,071**
Balance as at 31 December 2022	**1,594**	1,411	**16,419**	**19,424**

The notes on pages 14 to 19 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit before tax		**2,551**	763
Fixed assets depreciation	4	**7**	15
Interest income	5	**(57)**	(22)
Net foreign exchange loss		**23**	187
Changes in operational assets and liabilities			
- Other assets and liabilities		**(10,345)**	(29,760)
Net cash flows used in operating activities		**(7,821)**	(28,817)
Cash flows from investing activities			
Interest received		**57**	22
Net cash flows from investing activities		**57**	22
Net decrease in cash and cash equivalents		**(7,764)**	(28,795)
Cash and cash equivalents at 1 January		**15,860**	45,097
Effect of exchange rate fluctuations on cash and cash equivalents		**163**	(442)
Cash and cash equivalents at 31 December	10	**8,259**	15,860

The notes on pages 14 to 19 form an integral part of these financial statements.

1. General Information

Lancashire Syndicates 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. Summary of Significant Accounting Policies

The basis of preparation, use of judgments and estimates, and significant accounting policies adopted in the preparation of these financial statements are set out below.

Basis of Preparation

Going Concern Basis of Accounting

The financial statements have been prepared on a going concern basis in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In considering the appropriateness of the going concern basis, the Directors have undertaken a risk assessment. The risk assessment considered a range of possible forward looking scenarios (including severe but plausible scenarios) for a period of over 12 months from the date of this report, taking account of actions already taken to mitigate the risks to the Company's employees and operations, as well as actions available in the future as needed.

In addition to the above, the following factors were also considered as part of our going concern assessment:

- As at 31 December 2022, the Company considers that it has more than adequate liquidity to pay its obligations as they fall due. The Company held cash and cash equivalents of $8.3m as at 31 December 2022.
- The Company's revenue is sufficient to cover both its fixed and variable expenses.

Based on the going concern assessment performed as at 31 December 2022, 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.

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.

Significant Accounting Policies

The principal accounting policies are set out below, and have been applied consistently.

a) Revenue

Revenue comprises of managing agent fees, consortium fees, profit commission, management fees and other income. Managing agent fees and consortium fees are recognised in line with the activity to which the fees relate. Managing agent profit commission is recognised on open years where its measurement is reasonably certain. Consortium profit commission is recognised when the year of account closes.

b) Administrative Expenses

Administrative 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 statement of comprehensive loss 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.

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.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12, Income Taxes.

d) Foreign Currency

The financial statements are presented in USD which is the Company's functional and presentational currency.

2. Summary of Significant Accounting Policies (Continued)

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions, or 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. Non-monetary assets and liabilities that are measured at historical cost denominated in a foreign currency are translated using the historical exchange rate. The resulting exchange differences on translation are shown in the statement of comprehensive loss.

Foreign exchange exposures across the Lancashire Group are hedged by Lancashire Holdings Limited and a corresponding charge or credit is made to Group companies depending on their respective currency exposures. Amounts are shown in other income/charges in the Income Statement.

The sterling exchange rate used in conversion is 1.20 as at 31 December 2022 and 1.35 as at 31 December 2021. As mentioned above, profit and loss items are translated at the exchange rate on the date of the transaction.

e) Cash and Cash Equivalents

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

f) Financial Instruments

The key financial instruments used by the Company are short term receivables and payables, and cash. The carrying amount is disclosed at amortised cost at year end. All inter-company loans are repayable on demand and have no fixed term of repayment. Short term receivables and payables are measured at amortised cost.

g) Other Income/Charges

Other Income/Charges represents amounts credited or charged by Lancashire Holdings Limited for managing foreign exchange exposures across the Lancashire Group. Currency exposure within the CCL Sub-Group arises predominately from the managed Syndicates and LSL as the managing agent assumes this Group recharge. The income for 2022 for the Company is $1.6m (2021: $0.9m).

h) Use of Estimates

The preparation of financial statements in conformity with IFRS requires the Company 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. During the year estimates related solely to the accrual of expenses, which are not material to the company.

3. Revenue

	2022 $'000	2021 $'000
Managing agent fees	**4,786**	4,239
Managing agent profit commission	**—**	1,448
Consortium fees	**828**	935
Consortium profit commission	**274**	1,378
Total revenue	**5,888**	8,000

The Company charges fees and profit commission to the members of the consortium agreements it manages. Consortium profit commission is due to the Company in respect of the 2020 closed year agreements (2021: 2019 closed year agreements).

There was no managing agent profit commission during the year (2021: $1,448k relating to 2019 year of account) from its managed Syndicates.

4. Operating Profit

Results of operating activities are stated after charging the following amounts:

	2022 $'000	2021 $'000
Operating profit	**1,018**	743
Operating profit is after charging:		
Net foreign exchange loss	**(23)**	(187)
Depreciation of tangible fixed assets	**(7)**	(15)
Fees in respect of the taxation services	**(71)**	(122)
Fees to the auditors:		
Audit of the financial statements	**(40)**	(32)
Other fees in respect of the regulatory return	**(4)**	(4)

The depreciation of tangible fixed assets was recharged to the Company by its fellow group undertaking, in respect of the Company's use of the related assets.

5. Investment Income and Similar Income

	2022 $'000	2021 $'000
Interest receivable from related group companies	180	21
Bank interest and charges	(11)	(1)
Total	169	20

Bank interest income includes fees of $68k during the year (2021: $23k). Excluding fees bank interest income is $57k (2021: $22k).

6. Finance Costs and Similar Charges

	2022 $'000	2021 $'000
Interest payable to related group companies	(201)	—
Other charges	—	—
Total	(201)	—

See Note 5 and 15 for the details of the interest payable to related group companies.

7. Employees

The Lancashire Group companies have consolidated the employment and payroll services within LISL, a fellow group company. LISL pays all salaries to the employees and recharges a proportion to the Company. All staff are employed by LISL.

The average number of employees employed by LISL but working for the Company during the year by category, is as follows:

	2022 Number	2021 Number
Underwriting staff	3	3
Administrative staff	4	4
Total	7	7

The following amounts were recharged by LISL to the Company in respect of salary costs:

	2022 $'000	2021 $'000
Salaries and wages	926	941
Social security costs	128	120
Other pension costs	98	85
Profit related pay (including Employer's NI)	1,104	1,611
Restricted share scheme awards	157	176
Total	2,413	2,933

In 2022, the Syndicate share of profit- related pay was recharged to the corporate member.

8. Directors' Remuneration

	2022 $'000	2021 $'000
Directors' remuneration	3,071	3,925
Company contributions to money purchase pension plans	261	232
Directors' fees *	425	363
Total	3,757	4,520

* This relates to directors' remuneration paid to the non-executive directors, net of employer national insurance.

The above includes remuneration allocated to the Company and managed syndicates.

Highest paid director

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

	2022 $'000	2021 $'000
Directors' remuneration	819	823
Company contributions to money purchase pension plans	42	45
Total	861	868

9. Taxation

	2022 $'000	2021 $'000
Current Tax:		
UK corporation tax for the year	**486**	172
Adjustment in respect of previous years	**(6)**	(23)
Total current tax	**480**	**149**
Factors affecting the tax charge for the year		
Profit before tax	**2,551**	763
Current tax at 19.00% (2021: 19.00%)	**485**	145
Expenses not deductible for tax purposes	**1**	27
Adjustment in respect of previous years	**(6)**	(23)
Total	**480**	**149**

The UK corporation tax rate as at 31 December 2022 was maintained at 19% (2021:19%).

10. Cash and Cash Equivalents

	2022 $'000	2021 $'000
Cash at bank and in hand	**8,259**	15,860

All of the funds shown above are available for use by the Company.

11. Trade and Other Receivables

	2022 $'000	2021 $'000
Amounts due from managed Syndicates	**24,503**	18,358
Amounts due from related group companies	**3,603**	2,293
Other receivables	**2,484**	6,316
VAT recoverable	**69**	165
Total	**30,659**	27,132

Other receivables mainly include receivables relating to members agency fee of $1,775k (2021: $979k), consortium profit commission of $127k (2021: $1,418k) and consortium fee of $454k (2021: $303k).

In 2021, the company obtained an intercompany loan of $15.0m from Cathedral Capital (1998) Limited on behalf of its managed Syndicate, Syndicate 2010. The Syndicate borrowed an additional $5.0m in 2022. This loan was subject to 1% interest per annum due on the drawn amount. This resulted in a $20.0m receivable from Syndicate 2010.

See Notes 12 and 15 for the details of amounts due from managed Syndicates.

12. Trade and Other Payables

	2022 $'000	2021 $'000
Amounts falling due within one year:		
Amounts owed to related group companies	**17,203**	23,834
Other payables	**102**	160
Accruals and deferred income	**1,650**	1,449
Total	**18,955**	25,443

Amounts owed to related group companies has decreased during the year due to settlement of outstanding balances.

In 2021, the company obtained an intercompany loan of $15.0m from Cathedral Capital (1998) Limited on behalf of its managed Syndicate, Syndicate 2010. The company obtained an additional $5.0m on behalf of the Syndicate in 2022. This loan was subject to 1% interest per annum due on the drawn amount. This resulted in a $20.0m payable to Cathedral Capital (1998) Limited.

Accruals and deferred income includes deferred managing agency fee of $1,516k (2021: $1,364k).

13. Share Capital

	2022 Number	2021 Number
Authorised, allotted, issued and fully paid:		
Ordinary shares of £1	**960,036**	960,036

	2022 $'000	2021 $'000
Nominal Value:		
Ordinary shares of £1	**1,594**	1,594

On 10 February 2017, the Company reorganised its share capital as follows:

- 960,001 'A' Ordinary shares of £1 were converted to Ordinary shares of £1
- 3,500 'B' shares of 1p were consolidated and divided into 35 Ordinary shares of £1

Following the reorganisation, no 'A' Ordinary or 'B' shares remain outstanding and 960,036 Ordinary shares of £1 each were issued and fully paid up.

14. Capital Commitments

There are no known capital commitments (2021: $nil).

15. Related Party Transactions

(i) Transactions with parent and other group companies

The Company had the following intercompany balances with Cathedral and Lancashire group companies:

Amounts owed from / (to) related group companies	2022 $'000	2021 $'000
Amounts due from managed Syndicates	**24,503**	18,358
Amounts owed from Cathedral Capital Holdings Limited	**2,214**	1,798
Amounts owed to Cathedral Capital (1998) Limited	**(12,683)**	(10,667)
Amounts owed from Lancashire Australia Underwriting PTY Ltd	**689**	213
Amounts owed to Lancashire Group	**(3,820)**	(12,909)
Total	**10,903**	(3,207)

The above intercompany balances are included within Note 11 and Note 12 of the financial statements. All transactions with group companies are incurred in the normal course of business. These include recharges of expenses from group companies and intercompany loan and interest balances with group companies.

In 2021, the company obtained an intercompany loan of $15.0m from Cathedral Capital (1998) Limited on behalf of its managed Syndicate, Syndicate 2010. The company obtained an additional $5.0m loan in 2022. This loan was subject to 1% interest per annum due on the drawn amount.

The amounts due to Lancashire Holdings Limited and other Lancashire group companies mainly includes intercompany recharges relating to the costs of profit related pay and other operating expenses. The amount of expenses recharged to the Company are also being recharged to its managed Syndicates.

(ii) Directors' interest in transactions

Mr Maloney, a director of LHL, and his spouse acquired 100% of the shares in Nameco 801 on 7 November 2016. Nameco 801 provides capacity to a number of Lloyd's Syndicates including Syndicate 2010 which is managed by the Company.

Nameco 801 has provided $0.2m of capacity to Syndicate 2010 for each of the 2020, 2021, 2022 and 2023 years of account. Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation.

No other Directors had an interest in transactions other than in the normal course of business.

(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.

15. Related Party Transactions (Continued)

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

	2022 $'000	2021 $'000
Salaries and other short term employee benefits	3,496	4,288
Post-employment benefits	261	232
Total	3,757	4,520

16. Capital

The capital structure consists of equity attributable to the shareholder, comprising of share capital, share premium and retained earnings, details of which are set out in the Statement of Changes in Shareholder's Equity on page 12.

The Company's policy and process for managing capital is to continuously review the solvency requirements of the Company and ensure there is sufficient capital in place to meet its requirements. The Company submits quarterly financial returns to Lloyd's to show that it has sufficient capital to operate within the Lloyd's market.

17. Ultimate Parent Undertaking

Cathedral Capital Holdings Limited ("CCHL"), registered in England and Wales, is the immediate parent company of the Company. Lancashire Holdings Limited ("LHL"), incorporated in Bermuda, is the ultimate parent company of the Company.

LHL is the largest group which includes the Company and for which consolidated financial statements are prepared. Copies of the consolidated financial statements for LHL can be obtained from 29th Floor, 20 Fenchurch Street, London, EC3M 3BY.

18. Post balance sheet events

There were no post balance sheet events for 2022.