

**Company registration number: 3442377**

## **Sands Underwriting Limited**

### **Report and financial statements 31 December 2011**

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# **Sands Underwriting Limited**

## **Company information**

### **Directors**

Mr D J Marshall  
Mr J Chivers

### **Company Secretary**

Argenta Secretariat Limited

### **Registered Office**

Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

### **Auditors**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

### **Accountants**

Argenta Tax & Corporate Services Limited  
Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

# Sands Underwriting Limited

## Report of the Directors

The Directors submit their Report together with the audited financial statements of the Company for the year ended 31 December 2011

### Principal Activities and Business Review

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2012 year of account.

The financial statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2009, 2010 and 2011 years of account, as well as any 2008 and prior run-off years. The 2009 year closed at 31 December 2011 with a result of £742,216 (2008 - £446,122). The 2010 and 2011 open underwriting account will normally close at 31 December 2012 and 2013.

### Results and Dividends

The results for the year are set out on pages 6 to 7 of the financial statements. Dividends totalling £275,041 were paid in the year (2010 - £480,766).

### Financial Risk Management Objectives and Policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

### Key Performance Indicators

The directors monitor the performance of the Company by reference to the following key performance indicators:

	2011	2010
Capacity (youngest underwriting year)	£ 3,017,064	£ 2,973,425
Gross premium written as a % of capacity	91.4%	83.7%
Underwriting profit of latest closed year		
as a % of capacity	24.9%	14.1%
Run-off years of account movement	£ (1)	£ -
Combined ratio	102.2%	87.6%

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

### Directors

The Directors who served at any time during the year were as follows:

Mr D J Marshall

Mr J Chivers

# **Sands Underwriting Limited**

## **Report of the Directors (continued)**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing 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 period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

**In the case of each of the persons who are Directors at the time this report is approved, the following applies:**

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 3/7/2012  
and signed on its behalf by

D J MARSHALL  
Director

# **Sands Underwriting Limited**

## **Independent Auditor's report**

### **Independent auditor's report to the members of Sands Underwriting Limited**

We have audited the financial statements of Sands Underwriting Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of the directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for 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.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit/(loss) for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.


# **Sands Underwriting Limited**

## **Independent Auditor's report (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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

  
**Markham Grice (Senior statutory auditor)**  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory auditor  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD

 2012

# Sands Underwriting Limited

## Profit and loss account

### Technical account – general business

For the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Premiums written</b>			
Gross premiums written	1	2,756,519	2,488,247
Outward reinsurance premiums	1	(459,959)	(482,968)
<b>Net premiums written</b>		<u>2,296,560</u>	<u>2,005,279</u>
<b>Change in the provision for unearned premiums</b>			
Gross provision	1	(131,380)	250,339
Reinsurers' share	1	(2,321)	(48,071)
<b>Earned premiums, net of reinsurance</b>		<u>2,162,859</u>	<u>2,207,547</u>
<b>Allocated investment return transferred from the non-technical account</b>		68,340	122,449
<b>Other technical income, net of reinsurance</b>		-	3,038
<b>Claims paid</b>			
Gross amount	1	(1,419,174)	(1,544,855)
Reinsurers' share	1	262,202	239,840
<b>Net claims paid</b>		<u>(1,156,972)</u>	<u>(1,305,015)</u>
<b>Change in provision for claims</b>			
Gross amount	1	(407,816)	153,018
Reinsurers' share	1	113,235	50,603
<b>Change in net provision for claims</b>		<u>(294,581)</u>	<u>203,621</u>
<b>Claims incurred, net of reinsurance</b>		(1,451,553)	(1,101,394)
<b>Changes in other technical provisions, net of reinsurance</b>		-	-
Net operating expenses	1, 2	(759,202)	(831,390)
<b>Other technical charges, net of reinsurance</b>		<u>-</u>	<u>-</u>
<b>Balance on the technical account for general business</b>		<u>20,444</u>	<u>400,250</u>

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

# Sands Underwriting Limited

## Profit and loss account

### Non - technical account

### For the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Balance on technical account for general business</b>		20,444	400,250
Investment income	3	110,037	148,880
Unrealised gains on investments		31,439	34,300
Investment expenses and charges	4	(28,171)	(29,326)
Unrealised losses on investments		(43,205)	(31,041)
Allocated investment return transferred to the general business technical account		(68,340)	(122,449)
Other income		48,659	38,093
Other charges		(203,304)	(82,953)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	(132,441)	355,754
Tax on profit/(loss) on ordinary activities	6	30,068	(92,004)
<b>Profit/(loss) for the financial year</b>	13	(102,373)	263,750

The Company has no recognised gains or losses other than the profit or loss for the year

All amounts relate to continuing operations

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements



# Sands Underwriting Limited

## Balance sheet As at 31 December 2011

		31 December 2011			31 December 2010		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	8	-	36,811	36,811	-	60,609	60,609
<b>Investments</b>							
Financial investments	9	3,098,436	-	3,098,436	3,356,101	-	3,356,101
Deposits with ceding undertakings		2,017	-	2,017	1,881	-	1,881
		3,100,453	-	3,100,453	3,357,982	-	3,357,982
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums		125,527	-	125,527	127,371	-	127,371
Claims outstanding		905,387	-	905,387	722,556	-	722,556
Other technical provisions		-	-	-	-	-	-
		1,030,914	-	1,030,914	849,927	-	849,927
<b>Debtors</b>							
Arising out of direct insurance operations		654,827	-	654,827	630,253	-	630,253
Arising out of reinsurance operations		777,833	-	777,833	757,310	-	757,310
Other debtors	10	419,246	-	419,246	486,881	-	486,881
		1,851,906	-	1,851,906	1,874,444	-	1,874,444
<b>Other assets</b>							
Cash at bank and in hand		164,346	62,358	226,704	106,129	31,777	137,906
Other		384,329	-	384,329	328,477	-	328,477
		548,675	62,358	611,033	434,606	31,777	466,383
<b>Prepayments and accrued income</b>							
Accrued interest		6,906	-	6,906	7,786	-	7,786
Deferred acquisitions costs		274,371	-	274,371	246,613	-	246,613
Other prepayments and accrued income		16,929	-	16,929	12,383	-	12,383
		298,206	-	298,206	266,782	-	266,782
<b>Total assets</b>		6,830,154	99,169	6,929,323	6,783,741	92,386	6,876,127

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

# Sands Underwriting Limited

## Balance sheet

As at 31 December 2011

		31 December 2011			31 December 2010		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	12	-	3,750	3,750	-	3,750	3,750
Share premium account		-	8,293	8,293	-	8,293	8,293
Profit and loss account	13	536,940	(417,472)	119,468	954,912	(458,030)	496,882
<b>Shareholders' funds – attributable to equity interests</b>							
	14	536,940	(405,429)	131,511	954,912	(445,987)	508,925
<b>Technical provisions</b>							
Provision for unearned premiums		1,146,532	-	1,146,532	1,022,089	-	1,022,089
Claims outstanding – gross amount		4,528,257	-	4,528,257	3,921,349	-	3,921,349
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks and charges</b>							
Deferred taxation	15	-	160,990	160,990	-	234,551	234,551
Other		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>							
		1,333	-	1,333	2,239	-	2,239
<b>Creditors</b>							
Arising out of direct insurance operations		154,906	-	154,906	177,123	-	177,123
Arising out of reinsurance operations		350,452	-	350,452	418,844	-	418,844
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	318,040	46,153	364,193	394,791	102,728	497,519
		6,499,520	207,143	6,706,663	5,936,435	337,279	6,273,714
<b>Accruals and deferred income</b>							
		(206,306)	297,455	91,149	(107,606)	201,094	93,488
<b>Total liabilities</b>							
		6,830,154	99,169	6,929,323	6,783,741	92,386	6,876,127

Approved and authorised for issue by the Board of Directors on 3/7/2012 and signed on its behalf by

Director  
D J MARSHALL

Company registration number 3442377

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

# Sands Underwriting Limited

## Cash flow statement

For the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Operating activities</b>			
Net cash inflow/(outflow) from operating activities	17(a)	358,754	629,902
<b>Returns on investments and servicing of finance</b>		-	-
<b>Capital expenditure</b>			
Purchase of syndicate capacity		-	(25,250)
Proceeds from sale of syndicate capacity		48,659	43,298
<b>Taxation</b>			
Corporation and overseas taxes (paid)/refunded		(101,791)	(166,120)
<b>Equity dividends paid</b>		(275,041)	(480,766)
<b>Financing</b>			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>30,581</u>	<u>1,064</u>
<b>Cash flows were invested as follows</b>			
Increase/(decrease) in cash holdings		30,581	1,064
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>30,581</u>	<u>1,064</u>

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the syndicates at Lloyd's.

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

# **Sands Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2011**

### **Basis of preparation of financial statements**

#### **Basis of preparation**

The financial statements have been prepared in accordance with the provisions of Schedule 3 to SI 2008/410 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006)

#### **Recognition of insurance transactions**

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates")

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims.

#### **Sources of data**

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

# **Sands Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2011**

### **Accounting policies**

#### **i Accounting convention**

The financial statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments

#### **ii Going concern**

These financial statements have been prepared on a going concern basis

#### **iii Premiums**

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of other syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

#### **iv Claims incurred**

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

#### **v Provision for claims outstanding**

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

#### **vi Unexpired risk provision**

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### Accounting policies (continued)

#### vii Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of

- (1) a premium, and
- (2) either

- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business), or
- (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

#### viii Investments

**Syndicate** Where investments represent the Company's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

**Corporate** Listed investments held directly by the Company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit are stated at market value. Unlisted investments held directly by the Company are stated at cost less provision for any permanent diminution in value.

# **Sands Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2011**

### **Accounting policies (continued)**

#### **ix Investment return**

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

#### **x Net operating expenses**

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

#### **xi Foreign currencies**

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

#### **xii Syndicate participation rights**

Where the Company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years.

#### **xiii Taxation**

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

#### **xiv Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 1. Class of Business

2011	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	155,070	149,775	(70,207)	(67,198)	(6,453)	5,917
Motor – third party liability	15,462	14,982	(6,727)	(5,032)	(875)	2,348
Motor – other classes	259,108	146,114	(120,698)	(53,389)	(2,844)	(30,817)
Marine, aviation and transport	495,621	484,838	(181,199)	(146,286)	(37,066)	120,287
Fire and other damage to property	670,704	652,238	(375,146)	(213,030)	(62,701)	1,361
Third party liability	309,067	327,244	(144,145)	(118,919)	(23,448)	40,732
Credit and suretyship	53,007	51,686	(24,674)	(10,587)	(8,827)	7,598
Legal expenses	9,518	7,530	(2,542)	(4,618)	(161)	209
Assistance	-	-	-	-	-	-
Miscellaneous	9,631	5,248	(2,162)	(3,597)	(91)	(602)
	1,977,188	1,839,655	(927,500)	(622,656)	(142,466)	147,033
<b>Reinsurance</b>	779,331	785,484	(899,490)	(136,546)	55,623	(194,929)
<b>Total</b>	2,756,519	2,625,139	(1,826,990)	(759,202)	(86,843)	(47,896)
2010						
<b>Direct Insurance</b>						
Accident and health	139,051	157,770	(67,779)	(68,393)	(8,335)	13,263
Motor – third party liability	15,964	12,848	(7,294)	(3,971)	(257)	1,326
Motor – other classes	35,317	35,453	(16,282)	(14,012)	401	5,560
Marine, aviation and transport	423,158	448,388	(235,553)	(140,912)	(11,931)	59,992
Fire and other damage to property	656,894	717,987	(329,975)	(242,919)	(98,086)	47,007
Third party liability	384,677	399,998	(236,668)	(115,100)	(3,083)	45,147
Credit and suretyship	59,547	58,386	(10,608)	(17,925)	(10,427)	19,426
Legal expenses	4,136	5,178	(2,739)	(1,692)	(168)	579
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	(98)	-	(98)
	1,718,744	1,836,008	(906,898)	(605,022)	(131,886)	192,202
<b>Reinsurance</b>	769,503	902,578	(484,939)	(226,368)	(108,710)	82,561
<b>Total</b>	2,488,247	2,738,586	(1,391,837)	(831,390)	(240,596)	274,763

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25 Segmental Reporting



# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

<b>2. Net Operating Expenses</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Acquisition costs	660,126	593,050
Change in deferred acquisition costs	(33,173)	61,900
Administrative expenses	102,222	117,815
Reinsurance commissions and profit participations	(68,291)	(79,180)
Personal expenses	98,318	137,805
	<u>759,202</u>	<u>831,390</u>
<b>3. Investment Income</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Income from investments	92,323	119,578
Gains on the realisation of investments	15,954	28,938
Bank deposit interest	1,760	364
	<u>110,037</u>	<u>148,880</u>
<b>4. Investment Expenses and Charges</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Investment management expenses, including interest	5,182	6,554
Losses on the realisation of investments	22,989	22,772
	<u>28,171</u>	<u>29,326</u>
<b>5. Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging		
Directors' remuneration	-	-
Amortisation of syndicate capacity	23,798	19,464
(Profit)/loss on disposal of intangible fixed assets	(48,659)	(38,093)
(Profit)/loss on exchange	10,972	(85,554)
The Company has no employees and no staff costs are met by the Company		
The fees payable to the Company's auditor for audit services are included in the fees payable to the Members' Agent		

# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

6. Taxation	2011 £	2010 £
<b>Analysis of charge in year</b>		
Current tax		
UK corporation tax on profit/(loss) of the year	37,243	95,541
Adjustment in respect of previous period	(6,470)	(18,087)
	<hr/> 30,773	<hr/> 77,454
Foreign tax	12,720	9,497
Total current tax	<hr/> 43,493	<hr/> 86,951
Deferred tax		
Origination and reversal of timing differences	(73,561)	5,053
	<hr/> (30,068)	<hr/> 92,004

### Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.25% (2010 - 21.00%) . The differences are explained below

Profit/(loss) on ordinary activities before tax	(132,441)	355,754
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2010 – 21.00%)	(26,819)	74,708
Effects of		
Underwriting results subject to timing differences for taxation	63,159	9,548
Creation/(utilisation) of tax losses	-	-
Foreign tax	10,144	7,503
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	3,486	3,708
Marginal rates of taxation and prior period adjustment	(6,477)	(8,516)
	<hr/> 43,493	<hr/> 86,951

The results of the Company's participation on the 2009, 2010 and 2011 years of account and any calendar year movement on 2008 and prior run-offs, will not be assessed to tax until the year ended 31 December 2012, 2013 and 2014 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account

7. Dividends	2011 £	2010 £
<b>Amounts recognised as distributions to equity holders in the period.</b>		
Interim dividends paid	275,041	480,766

# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

<b>8. Intangible Assets</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Purchased syndicate capacity</b>		
<b>Cost</b>		
At 1 January 2011	207,217	193,388
Additions	-	25,250
Disposals	(8,990)	(11,421)
At 31 December 2011	<u>198,227</u>	<u>207,217</u>
<b>Amortisation</b>		
At 1 January 2011	146,608	133,360
Provided during the year	23,798	19,464
Disposals	(8,990)	(6,216)
At 31 December 2011	<u>161,416</u>	<u>146,608</u>
<b>Net Book Value</b>		
At 31 December 2011	36,811	60,609
At 31 December 2010	<u>60,609</u>	<u>60,028</u>

## 9. Financial Investments

### Other financial investments – Syndicate

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Market</b>	<b>Cost</b>	<b>Market</b>	<b>Cost</b>
	<b>Value</b>		<b>Value</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Shares and other variable yield securities and units in unit trusts	323,486	320,301	382,033	375,541
Debt securities and other fixed income securities	2,637,139	2,655,514	2,805,322	2,815,823
Participation in investment pools	63,523	62,510	97,358	89,841
Loans secured by mortgages	39,265	39,455	35,645	35,924
Other loans	20,872	20,742	25,620	25,620
Deposits with credit institutions	14,076	14,076	9,781	9,781
Other	75	587	342	342
	<u>3,098,436</u>	<u>3,113,185</u>	<u>3,356,101</u>	<u>3,352,872</u>

Listed investments included in the market value above

Shares and other variable yield securities and units in unit trusts	323,486	382,033
Debt securities and other fixed income securities	2,637,139	2,805,322
	<u>2,960,625</u>	<u>3,187,355</u>

# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 10. Other Debtors

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	419,246	-	419,246	486,881	-	486,881
	<u>419,246</u>	<u>-</u>	<u>419,246</u>	<u>486,881</u>	<u>-</u>	<u>486,881</u>

### 11. Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	34,772	34,772	-	231	231
Investments	-	-	-	-	-	-
	<u>-</u>	<u>34,772</u>	<u>34,772</u>	<u>-</u>	<u>231</u>	<u>231</u>

Funds at Lloyd's represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

### 12. Called-up Share Capital

	2011 Authorised	2011 Allotted, called-up and fully paid	2010 Authorised	2010 Allotted, called-up and fully paid
Ordinary 25p shares	4,000,000	15,000	4,000,000	15,000

# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 13. Profit and Loss Account

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	954,912	(458,030)	496,882	1,092,846	(378,948)	713,898
Reallocate distribution	(446,122)	446,122	-	(588,376)	588,376	-
Profit/(loss) for the financial year	28,150	(130,523)	(102,373)	450,442	(186,692)	263,750
Equity dividends	-	(275,041)	(275,041)	-	(480,766)	(480,766)
Retained profit/(loss) carried forward	536,940	(417,472)	119,468	954,912	(458,030)	496,882

### 14. Reconciliation of Movements in Shareholders' Funds

	2011 £	2010 £
Opening shareholders' funds	508,925	725,941
Profit/(loss) for the financial year	(102,373)	263,750
Equity dividends	(275,041)	(480,766)
Proceeds from issue of shares	-	-
Closing shareholders' funds	131,511	508,925

### 15. Provision for Other Risks and Charges

Deferred Taxation	2011 £	2010 £
Opening balance	234,551	229,498
Profit and loss account charge	(73,561)	5,053
Closing balance	160,990	234,551

# Sands Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 16. Other Creditors including Taxation and Social Security

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	37,243	37,243	-	95,541	95,541
Directors' loan accounts	-	8,910	8,910	-	7,187	7,187
Third party funds	-	-	-	-	-	-
Other creditors	318,040	-	318,040	394,791	-	394,791
Amount due to group undertakings	-	-	-	-	-	-
	318,040	46,153	364,193	394,791	102,728	497,519

### 17. (a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	(132 441)	355 754
(Profit)/loss attributable to syndicate transactions	417,972	137,934
Profit/(loss) – excluding syndicate transactions	285,531	493,688
(Increase)/decrease in debtors	-	23,788
Increase/(decrease) in creditors	98 084	131,055
(Profit)/loss on disposal of intangible assets	(48,659)	(38,093)
Amortisation of syndicate capacity	23,798	19,464
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	358,754	629,902

### (b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2011 £	Cashflow £	Changes to Market Value £	At 31 December 2011 £
Cash	31,777	30,581	-	62,358
Other financial investments	-	-	-	-
	31,777	30,581	-	62,358

# **Sands Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2011**

### **18. Related Party Disclosure**

There are no related party issues to be disclosed in respect of the Company

### **19. Ultimate Controlling Party**

The Company is controlled by Mr D J Marshall who holds 51% of the issued £3,750 ordinary share capital