Company registration number: 3442377

Sands Underwriting Limited

Report and financial statements
31 December 2016

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Sands Underwriting Limited

Company information

Directors	Mr D J Marshall Mr J Chivers
Company Secretary	Argenta Secretariat Limited
Registered Office	5th Floor 70 Gracechurch Street London EC3V 0XL
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Accountants	Argenta Tax & Corporate Services Limited 5th Floor 70 Gracechurch Street London EC3V 0XL

Sands Underwriting Limited

Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2016.

Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2014, 2015 and 2016 years of account, as well as any 2013 and prior run-off years. The 2014 year closed at 31 December 2016 with a result of £409,732 (2013 - £372,550). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018 respectively.

Results and Dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £Nil were paid in the year (2015 - £Nil).

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

	2016	**2015**
Capacity (youngest underwriting year)	£ 2,643,239	£ 2,586,845
Gross premium written as a % of capacity	97.1%	89.3%
Underwriting profit of latest closed year:		
as a % of capacity	14.7%	13.7%
Run-off years of account movement	£ -	£ -
Combined ratio	95.2%	85.5%

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

Approved by the Board on 5/7/ 2017
and signed on its behalf by:

D J MARSHALL

Director

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 2016.

Principal Activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2017 year of account.

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.

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)

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 5/7/ 2017
and signed on its behalf by:

D J MARSHALL

Director

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 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of the Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's report (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

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.

Amanda Barker (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

7 July 2017

Sands Underwriting Limited

Profit and loss account
Technical account – general business
For the year ended 31 December 2016

	Note		2016 £		2015 £
Premiums written					
Gross premiums written	1		2,567,818		2,310,870
Outward reinsurance premiums	1		(545,028)		(464,552)
Net premiums written			2,022,790		1,846,318
Change in the provision for unearned premiums					
Gross provision	1		(43,018)		(33,547)
Reinsurers' share	1		29,745		5,177
Earned premiums, net of reinsurance			2,009,517		1,817,948
Allocated investment return transferred from the non-technical account			50,269		22,897
Other technical income, net of reinsurance			-		-
Claims paid					
Gross amount	1	(1,145,217)		(1,114,357)	
Reinsurers' share	1	158,961		245,854	
Net claims paid		(986,256)		(868,503)	
Change in provision for claims					
Gross amount	1	(201,718)		180,677	
Reinsurers' share	1	144,811		(83,323)	
Change in net provision for claims		(56,907)		97,354	
Claims incurred, net of reinsurance			(1,043,163)		(771,149)
Changes in other technical provisions, net of reinsurance			(5,921)		10,418
Net operating expenses	1, 2		(870,176)		(782,897)
Other technical charges, net of reinsurance			-		-
Balance on the technical account for general business			140,526		297,217

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Sands Underwriting Limited

Profit and loss account
Non - technical account
For the year ended 31 December 2016

	Note	2016 £	2015 £
Balance on technical account for general business		140,526	297,217
Investment income	3	192,613	11,149
Allocated investment return transferred to the general business technical account		(50,269)	(22,897)
Other income		78,286	100
Other charges		(39,791)	(77,501)
Profit/(loss) on ordinary activities before taxation	4	321,365	208,068
Tax on profit/(loss) on ordinary activities	5	(53,856)	(37,312)
Profit/(loss) for the financial year		267,509	170,756
Other comprehensive income/(expenditure)		19,126	9,395
Total comprehensive income/(expenditure)	10	286,635	180,151

All amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Sands Underwriting Limited

Balance sheet
As at 31 December 2016

	Note	31 December 2016 Syndicate Participation £	Corporate £	Total £	31 December 2015 Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	-	-	-	-	-
Investments							
Financial investments	7	3,104,498	1,247,029	4,351,527	2,837,202	1,104,743	3,941,945
Deposits with ceding undertakings		325	-	325	353	-	353
		3,104,823	1,247,029	4,351,852	2,837,555	1,104,743	3,942,298
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	192,085	-	192,085	143,897	-	143,897
Claims outstanding	8	834,109	-	834,109	609,256	-	609,256
Other technical provisions		4,493	-	4,493	10,418	-	10,418
		1,030,687	-	1,030,687	763,571	-	763,571
Debtors							
Arising out of direct insurance operations		677,472	-	677,472	583,726	-	583,726
Arising out of reinsurance operations		426,330	-	426,330	418,612	-	418,612
Other debtors	7	317,941	-	317,941	260,421	-	260,421
		1,421,743	-	1,421,743	1,262,759	-	1,262,759
Other assets							
Cash at bank and in hand		152,693	2,111	154,804	98,781	8,798	107,579
Other		259,522	-	259,522	202,564	-	202,564
		412,215	2,111	414,326	301,345	8,798	310,143
Prepayments and accrued income							
Accrued interest		5,366	-	5,366	2,811	-	2,811
Deferred acquisitions costs	8	332,105	-	332,105	274,241	-	274,241
Other prepayments and accrued income		8,521	-	8,521	10,478	-	10,478
		345,992	-	345,992	287,530	-	287,530
Total assets		6,315,460	1,249,140	7,564,600	5,452,760	1,113,541	6,566,301

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Sands Underwriting Limited

Balance sheet
As at 31 December 2016

	Note	31 December 2016 Syndicate Participation £	Corporate £	Total £	31 December 2015 Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	9	-	3,750	3,750	-	3,750	3,750
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	8,293	8,293	-	8,293	8,293
Profit and loss account	10	392,039	469,015	861,054	526,652	47,767	574,419
Shareholders' funds – attributable to equity interests		392,039	481,058	873,097	526,652	59,810	586,462
Technical provisions							
Provision for unearned premiums	8	1,254,515	-	1,254,515	1,079,507	-	1,079,507
Claims outstanding	8	3,850,799	-	3,850,799	3,211,138	-	3,211,138
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	11	-	161,058	161,058	-	210,756	210,756
Other		-	-	-	-	-	-
Deposit received from reinsurers		632	-	632	472	-	472
Creditors							
Arising out of direct insurance operations		106,472	-	106,472	98,526	-	98,526
Arising out of reinsurance operations		331,123	-	331,123	290,735	-	290,735
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	7	325,147	557,914	883,061	238,716	763,030	1,001,746
		5,868,688	718,972	6,587,660	4,919,094	973,786	5,892,880
Accruals and deferred income		54,733	49,110	103,843	7,014	79,945	86,959
Total liabilities		6,315,460	1,249,140	7,564,600	5,452,760	1,113,541	6,566,301

Approved and authorised for issue by the Board of Directors on 5/7/ 2017
and signed on its behalf by:

D J MARSHALL
Director

Company registration number: 3442377

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Sands Underwriting Limited

Statement of changes in equity
For the year ended 31 December 2016

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	3,750	-	8,293	394,268	-	406,311
Profit/(loss) for the year	-	-	-	170,756	-	170,756
Other comprehensive income	-	-	-	9,395	-	9,395
Total comprehensive income	-	-	-	180,151	-	180,151
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2015	3,750	-	8,293	574,419	-	586,462
Profit/(loss) for the year	-	-	-	267,509	-	267,509
Other comprehensive income	-	-	-	19,126	-	19,126
Total comprehensive income	-	-	-	286,635	-	286,635
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2016	3,750	-	8,293	861,054	-	873,097

Called-up share capital represents the nominal value of shares that have been issued.

Capital redemption reserve records the nominal value of shares repurchased by the Company.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

The profit and loss account represents cumulative profits and losses of the Company.

Capital contribution reserve relates to contributions to the equity capital of the Company.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Sands Underwriting Limited

Cash flow statement
For the year ended 31 December 2016

	2016 £	2015 £
Operating activities		
Profit/(loss) on ordinary activities before tax	321,365	217,463
(Profit)/loss attributable to syndicate transactions	153,739	(7,100)
Profit/(loss) - excluding syndicate transactions	475,104	210,363
Adjusted for:		
(Increase)/decrease in debtors	-	-
Increase/(decrease) in creditors	(329,583)	(182,925)
(Profit)/loss on disposal of intangible assets	-	(100)
Amortisation of syndicate capacity	-	2,524
Realised/unrealised (gains)/losses on investments	(142,286)	14,178
Investment income	(58)	(2,430)
Corporation and overseas taxes (paid)/refunded	(9,922)	(3,098)
Net cash inflow/(outflow) from operating activities	(6,745)	38,512
Investing activities		
Investment income	58	2,430
Purchase of syndicate capacity	-	-
Proceeds from sale of syndicate capacity	-	2,254
Purchase of financial investments	-	(1,118,921)
Proceeds from sale of financial investments	-	-
Net cash (outflow)/inflow from investing activities	58	(1,114,237)
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net cash increase/(decrease) in cash and cash equivalents	(6,687)	(1,075,725)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	8,798	1,084,523
Cash and cash equivalents at the end of the year	2,111	8,798
Consisting of:		
Cash at bank and in hand	2,111	8,798
Cash equivalents	-	-
	2,111	8,798

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 13 to 37 form part of these Financial Statements.

Basis of preparation of financial statements

General information

The Company is a limited company incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Company's functional currency, being the primary economic environment in which the Company operates.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*, FRS103 *Insurance Contracts* and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"). These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

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") in aggregation with the transactions undertaken by the Company at entity level ("the Corporate").

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.

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.

Accounting policies

i Going concern

These financial statements have been prepared on a going concern basis.

ii 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 vi below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vi 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 inter - Syndicate 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.

iii 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.

iv 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 with regards to 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.

v 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.

Accounting policies (continued)

vi 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.

vii Financial instruments

The Company has chosen to apply the provisions of Section 11 *Basic Financial Instruments and Section* 12 *Other Financial Instruments* in full.

The Company holds both basic and non-basic financial instruments. The Company's financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables and investments in a variety of basic and non-basic financial instruments, through both the Corporate and through the Syndicates.

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

Basic financial instruments (except for non-puttable ordinary and non-convertible preference shares) are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled.

Accounting policies (continued)

vii Financial instruments (continued)

Where a financial instrument constitutes a financing transaction, it is initially measured at the present value of the future payments, discounted at a market rate of interest, and subsequently measured at amortised cost using the effective interest rate method.

All other financial instruments are measured at fair value through profit or loss, except for investments in equity instruments that are not publicly traded, and whose fair value cannot otherwise be measured reliably, which are measured at cost less impairment.

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the profit and loss.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Interest income is recognised as it accrues using the effective interest rate method.

Dividend income receivable is recognised when the rights to receive the distributions have been established.

viii Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivates are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

ix Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability.

x Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Accounting policies (continued)

xi 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.

xii 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, except for non-monetary assets and liabilities arising out of insurance contracts which are treated as monetary items in accordance with FRS 103 *Insurance Contracts* ("FRS 103"). Exchange differences arising on translation to the functional currency are dealt with in the profit and loss account.

xiii Intangible assets

Intangible assets include purchased rights to participate on Syndicates. The purchase cost is capitalised and amortised on a straight line basis over the useful life of the rights which is five years.

xiv Insurance contracts – product classification

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

xv 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.

xvi Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Accounting policies (continued)

xvi Deferred taxation (continued)

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

xvii Critical accounting judgements and key sources of estimated uncertainty

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Directors in respect of the Corporate only, and do not include estimates and judgements made in respect of the Syndicates.

Critical accounting judgements

The critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment
In assessing whether there have been any indicators of impairment assets, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating value in use
Where an indication of impairment exists the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

Recoverability of receivables
The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

Determining the useful life of purchased syndicate capacity
The Directors have assessed the useful life of syndicate capacity to be five years. This is on the basis that the Directors consider this to be the life over which value is created from the investment made.

Sands Underwriting Limited

Notes to the Financial Statements
For the year ended 31 December 2016

1. Class of Business

2016	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	151,547	145,822	(72,675)	(67,834)	(3,600)	1,713
Motor – third party liability	16,087	17,815	(10,620)	(6,126)	(401)	668
Motor – other classes	189,216	179,823	(198,475)	(61,049)	64,917	(14,784)
Marine, aviation and transport	334,404	355,394	(196,476)	(146,073)	(18,179)	(5,334)
Fire and other damage to property	782,705	773,413	(377,752)	(258,935)	(103,505)	33,221
Third party liability	456,107	420,228	(258,954)	(159,845)	(9,883)	(8,454)
Credit and suretyship	46,043	39,516	(22,296)	(11,804)	(3,212)	2,204
Legal expenses	4,126	4,260	(1,910)	(2,218)	2	134
Assistance	-	-	-	-	-	-
Miscellaneous	3,529	4,392	(2,719)	(1,276)	37	434
	1,983,764	1,940,663	(1,141,877)	(715,160)	(73,824)	9,802
Reinsurance	584,054	584,137	(205,058)	(155,016)	(137,687)	86,376
Total	2,567,818	2,524,800	(1,346,935)	(870,176)	(211,511)	96,178

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	128,668	125,183	(52,663)	(57,526)	(8,258)	6,736
Motor – third party liability	18,812	16,012	(11,300)	(5,699)	1,144	157
Motor – other classes	168,469	199,085	(139,496)	(56,196)	(3,672)	(279)
Marine, aviation and transport	347,349	338,338	(117,135)	(145,424)	(37,707)	38,072
Fire and other damage to property	697,811	692,169	(269,741)	(234,718)	(120,699)	67,011
Third party liability	382,812	366,933	(193,229)	(138,105)	(2,502)	33,097
Credit and suretyship	37,561	37,368	(20,929)	(9,294)	(4,943)	2,202
Legal expenses	5,122	7,109	(2,657)	(3,448)	(30)	974
Assistance	-	-	-	-	-	-
Miscellaneous	5,824	7,887	(4,429)	(2,171)	7	1,294
	1,792,428	1,790,084	(811,579)	(652,581)	(176,660)	149,264
Reinsurance	518,442	487,239	(122,101)	(130,316)	(120,184)	114,638
Total	2,310,870	2,277,323	(933,680)	(782,897)	(296,844)	263,902

All insurance business is underwritten in the United Kingdom in the Lloyd's insurance market. Consequently all insurance contracts are deemed to be concluded in the United Kingdom.

Sands Underwriting Limited

Notes to the Financial Statements
For the year ended 31 December 2016

2. Net Operating Expenses

	2016 £	2015 £
Acquisition costs	737,917	662,064
Change in deferred acquisition costs	(16,780)	(18,115)
Administrative expenses	147,668	125,428
Reinsurance commissions and profit participations	(91,683)	(81,291)
Personal expenses	93,054	94,811
	870,176	782,897

3. Investment Income

	2016 £	2015 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	53,531	46,735
Realised gains and losses	1,277	1,997
Unrealised gains and losses	142,406	(35,916)
Other	-	-
	197,214	12,816
Financial instruments held at amortised cost:		
Interest	58	2,430
Other	-	-
	58	2,430
Investment management expenses, including interest	(4,659)	(4,097)
	(4,659)	(4,097)
	192,613	11,149

4. Profit/(Loss) on Ordinary Activities before Taxation

	2016 £	2015 £
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Amortisation of syndicate capacity	-	2,524
(Profit)/loss on disposal of intangible fixed assets	-	(100)
(Profit)/loss on exchange	(81,037)	(6,436)

The Company has no employees and no staff costs are met by the Company.

The Directors are considered to be the key management personnel of the Company.

The fees payable to the Company's auditor for audit services are included in the fees payable to the Members' Agent.

5. Taxation

	2016 £	2015 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	113,643	20,011
Adjustment in respect of previous period	(13,911)	-
	99,732	20,011
Foreign tax	3,822	3,098
Total current tax	103,554	23,109
Deferred tax:		
Origination and reversal of timing differences	(60,455)	6,820
Change in tax rate	10,757	7,383
Total tax	53,856	37,312

Factors affecting tax charge for period

	2016 £	2015 £
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	321,365	217,463
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 – 20.00%)	64,273	43,493
Effects of:		
Change in deferred tax rate	10,757	7,383
Deferred tax asset previously unrecognised	-	-
Foreign tax	3,058	2,479
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	(24,232)	(16,043)
Total tax charge/(credit) for the period	53,856	37,312

The results of the Company's participation on the 2014, 2015 and 2016 years of account and any calendar year movement on 2013 and prior run-offs, will not be assessed to tax until the year ended 31 December 2017, 2018 and 2019 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.

The current UK corporation tax rate is 20%. The rate will be reduced to 19% from 1 April 2017 and to 17% from 1 April 2020. The effect of these reductions are reflected in the recognised deferred tax liability/(asset).

6. Intangible Assets

	2016 £	2015 £
Purchased Syndicate Capacity		
Cost		
At 1 January 2016	179,362	187,050
Additions	-	-
Disposals	-	(7,688)
At 31 December 2016	179,362	179,362
Amortisation		
At 1 January 2016	179,362	182,372
Additions	-	2,524
Disposals	-	(5,534)
At 31 December 2016	179,362	179,362
Net Book Value		
At 31 December 2016	-	-
At 31 December 2015	-	4,678

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2016 Market Value £	2015 Market Value £
Shares and other variable yield securities and units in unit trusts	462,823	28,344
Debt securities and other fixed income securities	2,531,982	2,380,466
Participation in investment pools	60,346	46,775
Loans with credit institutions	5,130	7,447
Derivative financial instruments	3,972	1,448
Other investments	12,527	-
Deposits with credit institutions	12,556	19,820
Other	15,162	352,902
	3,104,498	2,837,202

Other financial investments – Corporate

	2016	2015
Shares and other variable yield securities and units in unit trusts	1,247,029	1,104,743
Debt securities and other fixed income securities	-	-
Other investments	-	-
	1,247,029	1,104,743

7. Financial Instruments and Financial Risk Management (continued)

7.2 Other Debtors

	Syndicate Participation £	Corporate £	2016 Total £	Syndicate Participation £	Corporate £	2015 Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	317,941	-	317,941	260,421	-	260,421
	317,941	-	317,941	260,421	-	260,421

7.3 Funds at Lloyd's

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

	Syndicate Participation £	Corporate £	2016 Total £	Syndicate Participation £	Corporate £	2015 Total £
Cash	-	611	611	-	609	609
Investments	-	1,247,029	1,247,029	-	1,104,743	1,104,743
	-	1,247,640	1,247,640	-	1,105,352	1,105,352

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.

7.4 Other Creditors including Taxation and Social Security

	Syndicate Participation £	Corporate £	2016 Total £	Syndicate Participation £	Corporate £	2015 Total £
Corporation tax	-	113,643	113,643	-	20,011	20,011
Directors' loan accounts	-	444,271	444,271	-	743,019	743,019
Third party funds	-	-	-	-	-	-
Other creditors	325,147	-	325,147	238,716	-	238,716
Amount due to group undertakings	-	-	-	-	-	-
	325,147	557,914	883,061	238,716	763,030	1,001,746

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments

The tables below set out the Company's financial instruments by classification.

Other financial investments – Syndicate participation

	At fair value through profit or loss	At amortised cost	Total	At fair value through profit or loss	At amortised cost	Total
			2016			2015
	£	£	£	£	£	£
Financial assets						
Investments	3,104,498	-	3,104,498	3,039,767	-	3,039,767
Deposits with ceding undertakings	-	325	325	-	353	353
Insurance debtors	-	677,472	677,472	-	583,726	583,726
Reinsurance debtors	-	426,330	426,330	-	418,612	418,612
Other debtors	-	317,941	317,941	-	260,421	260,421
Cash at bank and in hand	-	152,693	152,693	-	98,781	98,781
Other assets	259,522	-	259,522	-	-	-
	3,364,020	1,574,761	4,938,781	3,039,767	1,361,893	4,401,660
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	886	-	886	-	-	-
Insurance creditors	-	106,472	106,472	-	98,526	98,526
Reinsurance creditors	-	331,123	331,123	-	290,735	290,735
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-
	886	437,595	438,481	-	389,261	389,261

Other financial investments – Corporate

	At fair value through profit or loss	At amortised cost	Total	At fair value through profit or loss	At amortised cost	Total
			2016			2015
	£	£	£	£	£	£
Financial assets						
Investments	1,247,029	-	1,247,029	1,104,743	-	1,104,743
Other debtors	-	-	-	-	-	-
Cash at bank and in hand	-	2,111	2,111	-	8,798	8,798
Other assets	-	-	-	-	-	-
	1,247,029	2,111	1,249,140	1,104,743	8,798	1,113,541
Financial liabilities						
Other creditors	-	557,914	557,914	-	763,030	763,030
	-	557,914	557,914	-	763,030	763,030

7. **Financial Instruments and Financial Risk Management (continued)**

7.5 **Classification of Financial Instruments (continued)**

The table below sets out details of the Company's derivative financial instruments.

	2016		2015	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	133,197	3,953	54,014	1,227
Interest rate future contracts	27,258	(31)	45,305	44
Foreign exchange options	-	-	-	-
Equity options	-	-	2,622	58
Foreign exchange contract for difference	51,467	(643)	5,273	115
Other	3,874	693	-	-
	215,796	3,972	107,214	1,444

7.6 **Financial Instruments held at fair value through profit or loss**

The assets and liabilities carried at fair value through profit or loss have been categorised between the three levels of the fair value hierarchy that reflects the observability and significance of inputs used when establishing the fair value. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level (a) in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis.

Level (b) in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. Instead the price of a recent transaction for an identical asset or liability is used, provided that there has not been a significant change in economic circumstances or a significant lapse of time since the recent transaction.

Level (c) in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices in active markets or in a recent transaction. These assets and liabilities are measured using a valuation technique to estimate what the transaction price would have been in an arm's length transaction.

Sands Underwriting Limited

Notes to the Financial Statements
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7. **Financial Instruments and Financial Risk Management (continued)**

7.6 **Financial Instruments held at fair value through profit or loss (continued)**

The tables below set out Company's financial instruments held at fair value through profit or loss by level of hierarchy.

Other financial investments – Syndicate participation

	Level (a)	Level (b)	Level (c)	Fair value total	Held at amortised cost	Total
	£	£	£	£	£	£
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	131,287	331,413	123	462;823	-	462,823
Debt securities and other fixed income securities	490,028	2,041,954	-	2,531,982	-	2,531,982
Participation in investment pools	4,306	26,644	29,396	60,346	-	60,346
Loans and deposits with credit institutions	12,513	17,700	-	30,213	-	30,213
Overseas deposits	97,907	166,907	10,008	274,822	-	274,822
Derivatives	317	3,655	-	3,972	-	3,972
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	736,358	2,588,273	39,527	3,364,158	-	3,364,158
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	138	748	-	886	-	886
Financial liabilities classified as held for sale	-	-	-	-	-	-
	138	748	-	886	-	886

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

Other financial investments – Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	77,593	244,798	58,857	381,248	-	381,248
Debt securities and other fixed income securities	783,406	1,041,545	555,515	2,380,466	-	2,380,466
Participation in investment pools	3,497	15,792	27,486	46,775	-	46,775
Loans and deposits with credit institutions	45,119	(50,165)	17,403	12,357	-	12,357
Overseas deposits	114,196	93,965	9,312	217,473	-	217,473
Derivatives	83	-	1,365	1,448	-	1,448
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	1,023,894	1,345,935	669,938	3,039,767	-	3,039,767
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	109	-	1,964	2,073	-	2,073
Financial liabilities classified as held for sale	-	-	-	-	-	-
	109	-	1,964	2,073	-	2,073

Other financial investments – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	1,247,029	-	-	1,247,029	-	1,247,029
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	1,247,029	-	-	1,247,029	-	1,247,029

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

Other financial investments – Corporate (continued)

	Level (a)	Level (b)	Level (c)	Fair value total	Held at amortised cost	Total
	£	£	£	£	£	£
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	1,104,743	-	-	1,104,743	-	1,104,743
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	1,104,743	-	-	1,104,743	-	1,104,743

7.7 Financial Risk Management

The Company is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds.

The Company is exposed to the following financial risks in the course of its operating and financing activities:

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Foreign exchange risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate, including those in respect of financial risk management. The following qualitative risk management disclosures made by the Directors therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

Sands Underwriting Limited

Notes to the Financial Statements
For the year ended 31 December 2016

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Credit risk

Credit risk is the risk that a counterparty to the Company's financial instruments will cause a loss to the Company through failure to perform its obligations. The key areas of exposure to credit risk for the Company result through its reinsurance programme, investments, bank deposits and policyholder receivables.

The Company manages credit risk at the Corporate level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions. At the Corporate level the Company did not hold any collateral as security against its receivables, or have any other credit enhancements at the reporting dates.

The carrying amount of the Company's financial assets represents the Company's maximum exposure to credit risk.

The tables below show the credit quality of financial assets that are neither past due nor impaired.

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2016						
Shares and other variable yield securities and units in unit trusts	106,469	24,477	76,823	20,984	234,070	462,823
Debt securities and other fixed income securities	634,382	856,153	749,606	240,005	51,836	2,531,982
Participation in investment pools	14,452	17,566	807	491	27,030	60,346
Loans secured with credit institutions	4,943	12,714	-	-	-	17,657
Deposits with credit institutions	-	1,980	10,576	-	-	12,556
Overseas deposits	141,283	68,216	24,417	27,792	13,114	274,822
Derivative investments	-	-	3	313	3,656	3,972
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	325	325
Reinsurers share of claims outstanding	19,121	183,458	585,109	18,848	27,573	834,109
Reinsurance debtors	11,749	8,840	25,177	3,263	863	49,892
Cash at bank and in hand	572	4,155	113,066	34,852	48	152,693
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	932,971	1,177,559	1,585,584	346,548	358,515	4,401,177

Sands Underwriting Limited

Notes to the Financial Statements
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7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2015						
Shares and other variable yield securities and units in unit trusts	98,748	10,877	63,473	30,684	177,464	381,246
Debt securities and other fixed income securities	580,190	863,852	644,312	263,185	28,928	2,380,467
Participation in investment pools	10,948	936	659	166	34,065	46,774
Loans secured with credit institutions	6,412	231	804	-	-	7,447
Deposits with credit institutions	-	614	4,633	-	-	5,247
Overseas deposits	114,706	52,839	34,728	14,523	342	217,138
Derivative investments	-	-	17	59	1,372	1,448
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	353	353
Reinsurers share of claims outstanding	15,508	178,703	390,077	7,702	18,548	610,538
Reinsurance debtors	2,359	5,001	150,744	963	313	159,380
Cash at bank and in hand	21,024	4,395	59,972	13,389	-	98,780
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	849,895	1,117,448	1,349,419	330,671	261,385	3,908,818

The tables below show the ageing and impairment of financial assets by class of instruments.

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2016						
Shares and other variable yield securities and units in unit trusts	462,823	-	-	-	-	462,823
Debt securities and other fixed income securities	2,531,982	-	-	-	-	2,531,982
Participation in investment pools	60,346	-	-	-	-	60,346
Loans secured with credit institutions	17,657	-	-	-	-	17,657
Deposits with credit institutions	12,556	-	-	-	-	12,556
Overseas deposits	274,822	-	-	-	-	274,822
Derivative investments	3,972	-	-	-	-	3,972
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	325	-	-	-	-	325
Reinsurers share of claims outstanding	834,108	-	-	-	-	834,109
Reinsurance debtors	31,500	16,630	238	1,021	503	49,892
Cash at bank and in hand	152,693	-	-	-	-	152,693
Insurance debtors	614,672	29,881	9,887	23,482	(450)	677,472
Other debtors	1,175,087	2,384	110	806	-	1,178,387
	6,172,543	48,895	10,235	25,309	53	6,257,036

7. **Financial Instruments and Financial Risk Management (continued)**

7.7 **Financial Risk Management (continued)**

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2015						
Shares and other variable yield securities and units in unit trusts	381,246	-	-	-	2	381,248
Debt securities and other fixed income securities	2,380,466	-	-	-	-	2,380,466
Participation in investment pools	46,775	-	-	-	-	46,775
Loans secured with credit institutions	7,447	-	-	-	-	7,447
Deposits with credit institutions	5,246	-	-	-	-	5,246
Overseas deposits	217,137	-	-	-	-	217,137
Derivative investments	1,448	-	-	-	-	1,448
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	353	-	-	-	-	353
Reinsurers share of claims outstanding	610,538	-	-	-	(1,281)	609,257
Reinsurance debtors	159,380	74,457	931	1,153	284	236,205
Cash at bank and in hand	98,781	-	-	-	-	98,781
Insurance debtors	687,271	34,767	7,987	10,511	(800)	739,736
Other debtors	115,039	-	-	510	-	115,549
	4,711,127	109,224	8,918	12,174	(1,795)	4,839,648

At the Corporate level the Company is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Corporate.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

At the Corporate level the Company manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Company can be required to pay.

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2016						
Derivative financial instruments	-	886	-	-	-	886
Deposits received from reinsurers	-	632	-	-	-	632
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	1,264,277	1,386,470	620,484	579,568	3,850,799
Creditors	-	493,080	67,843	21,496	3,844	586,263
Other	-	-	-	-	-	-
	-	1,758,875	1,454,313	641,980	583,412	4,438,580

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	No stated maturity	Less than 1 year	1 to 3 years	3 to 5 years	Greater than 5 years	Total
	£	£	£	£	£	£
2015						
Derivative financial instruments	-	2,240	-	-	-	2,240
Deposits received from reinsurers	-	472	-	-	-	472
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	1,057,030	1,060,325	594,042	499,741	3,211,138
Creditors	624	375,335	36,706	4,907	-	417,572
Other	2,864	-	-	-	-	2,864
	3,488	1,435,077	1,097,031	598,949	499,741	3,634,286

At the Corporate level the Company is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Corporate.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Corporate level the Company manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

The table below shows the impact of changes in interest rates on the profit or loss for the period and on the equity of the Company.

Syndicate participation

	2016	2015
	£	£
Impact of 50 basis point increase on profit or loss	(29,282)	(18,702)
Impact of 50 basis point decrease on profit or loss	28,409	16,617
Impact of 50 basis point increase on equity	(29,282)	(18,702)
Impact of 50 basis point decrease on equity	28,409	16,617

At the Corporate level the Company is not exposed to significant cash flow interest rate risk as all of the financial instruments attract fixed rates of interest. Consequently a sensitivity analysis for interest rate risk has not been presented for the Corporate.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

The Company is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Company manages equity price risk by maintaining an appropriate mix between equity and debt financial instruments, and by spreading the risk on equity investments across a portfolio of investments.

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

The table below shows the impact of changes in equity prices on the profit or loss for the period and on the equity of the Company.

Syndicate participation

	2016 £	2015 £
Impact on profit or loss of 5% increase in Stock Market Prices	1,748	1,146
Impact on profit or loss of 5% decrease in Stock Market Prices	(1,742)	(1,165)
Impact on equity of 5% increase in Stock Market Prices	1,748	1,146
Impact on equity of 5% decrease in Stock Market Prices	(1,742)	(1,165)

At the Corporate level the Company is not exposed to significant cash flow equity price risk. Consequently a sensitivity analysis for equity price risk has not been presented for the Corporate.

Currency risk

The Company holds both assets and liabilities denominated in currencies other than Sterling, its functional currency. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

At the Corporate level the Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The table below considers financial assets and financial liabilities denominated in the currencies of the Company's principal foreign exchange exposures in aggregate.

Net assets and liabilities

	2016		2015	
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Sterling	(543,391)	481,055	(177,260)	59,808
United States Dollar	360,345	3	443,569	2
Euro	221,352	-	43,909	-
Canadian Dollar	296,875	-	122,003	-
Australian Dollar	57,966	-	16,225	-
Japanese Yen	(2,493)	-	(3,801)	-
Other	3,892	-	2,628	-

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate 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. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing currency risk arising from assets and liabilities are only presented for the Corporate in these financial statements.

The Company's assets are primarily Funds at Lloyd's to support its underwriting. These are held in various currencies but are all either listed investments or cash. As such, any exchange movement would be accounted for in the profit and loss.

	Corporate Profit and loss			
	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
Effect of sterling exchange movement by 10%	£	£	£	£
United States Dollar	-	-	-	-
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.8 Capital Management

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Standard Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR "to ultimate"). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each Syndicate member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares.

Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR "to ultimate".

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

The Funds at Lloyd's represent the capital which allows the Company to participate on the Syndicates. Refer to Note 7.3 for further information.

8. Insurance Contracts

The following reconciliation shows the movement in the provision for claims outstanding during the year.

	Gross provision £	Reinsurance asset £	2016 Net £	Gross provision £	Reinsurance asset £	2015 Net £
At 1 January	3,211,138	609,256	2,601,882	3,145,977	646,687	2,499,290
Movements in the year	201,718	144,811	56,907	(179,746)	(83,323)	(96,423)
Exchange differences	437,943	80,042	357,901	244,907	45,892	199,015
At 31 December	3,850,799	834,109	3,016,690	3,211,138	609,256	2,601,882

The following reconciliation shows the movement in the provision for unearned premium during the year.

	Gross provision £	Reinsurance asset £	2016 Net £	Gross provision £	Reinsurance asset £	2015 Net £
At 1 January	1,079,507	143,897	935,610	1,021,946	84,304	937,642
Movements in the year	43,018	29,745	13,273	33,547	5,177	28,370
Exchange differences	131,990	18,443	113,547	24,014	54,416	(30,402)
At 31 December	1,254,515	192,085	1,062,430	1,079,507	143,897	935,610

The following reconciliation shows the movement in deferred acquisition costs during the year.

	2016 £	2015 £
At 1 January	274,241	264,716
Movements in the year	16,780	18,115
Exchange differences	41,084	(8,590)
At 31 December	332,105	274,241

8.1 Risks arising from Insurance Contracts

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate 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. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these financial statements.

9. Called-up Share Capital

Issued and fully paid

Par value per share	At 1 January	Issued during the year	Redeemed during the year	At 31 December
Ordinary 25p shares	15,000	-	-	15,000
Total	15,000	-	-	15,000

The Ordinary 25p shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.

10. Profit and Loss Account

			2016			2015
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	526,652	47,767	574,419	519,552	(125,284)	394,268
Reallocate distribution	(372,551)	372,551	-	(304,705)	304,705	-
Profit/(loss) for the financial year	237,938	48,697	286,635	311,805	(131,654)	180,151
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	392,039	469,015	861,054	526,652	47,767	574,419

11. Deferred Tax

	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	2016 Total £
At 1 January	104,242	-	109,923	(3,409)	210,756
Movement in the year	(28,730)	-	(21,065)	97	(49,698)
At 31 December	75,512	-	88,858	(3,312)	161,058

	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	2015 Total £
At 1 January	106,558	(8,000)	101,235	(3,239)	196,554
Movement in the year	(2,316)	8,000	8,688	(170)	14,202
At 31 December	104,242	-	109,923	(3,409)	210,756

The unused tax losses carried forward at the Balance Sheet date are £Nil. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within other debtors (Note 7.2).

12. Related Party Disclosure

During the year the Directors made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £444,271 (2015: £743,019).

Any related party loans and balances do not attract interest and are repayable on demand.

13. Ultimate Controlling Party

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