

Company registration number: 3442377

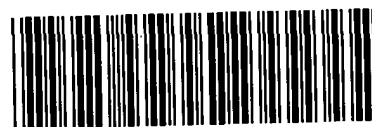
Sands Underwriting Limited

Report and financial statements 31 December 2013

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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

Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2013.

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 2011, 2012 and 2013 years of account, as well as any 2010 and prior run-off years. The 2011 year closed at 31 December 2013 with a result of £237,521 (2010 - £138,751). The 2012 and 2013 open underwriting accounts will normally close at 31 December 2014 and 2015 respectively.

Results

The results for the year are set out on pages 7 to 8 of the financial statements.

Key Performance Indicators

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

	2013	2012
Capacity (youngest underwriting year)	£ 2,718,429	£ 2,577,386
Gross premium written as a % of capacity	89.0%	95.4%
Underwriting profit of latest closed year:		
as a % of capacity	7.9%	4.7%
Run-off years of account movement	£ -	£ -
Combined ratio	80.8%	83.2%


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

Approved by the Board on
and signed on its behalf by

7th June 2014

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 2013.

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 2014 year of account.

Dividends

Dividends totalling £117,233 were paid in the year (2012 - £119,400).

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.

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
and signed on its behalf by



2014

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 2013 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 4, 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 2013 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 Strategic Report and 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

 27 June 2014

Sands Underwriting Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2013

	Note	2013 £	2012 £
Premiums written			
Gross premiums written	1	2,420,165	2,459,725
Outward reinsurance premiums	1	(473,827)	(452,895)
Net premiums written		1,946,338	2,006,830
Change in the provision for unearned premiums			
Gross provision	1	(19,026)	113,351
Reinsurers' share	1	20,712	(4,761)
Earned premiums, net of reinsurance		1,948,024	2,115,420
Allocated investment return transferred from the non-technical account		33,108	88,937
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(1,423,771)	(1,339,096)
Reinsurers' share	1	267,185	249,030
Net claims paid		(1,156,586)	(1,090,066)
Change in provision for claims			
Gross amount	1	472,527	113,935
Reinsurers' share	1	(134,859)	(5,349)
Change in net provision for claims		337,668	108,586
Claims incurred, net of reinsurance		(818,918)	(981,480)
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(754,560)	(777,527)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		407,654	445,350

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Sands Underwriting Limited

Profit and loss account

Non - technical account

For the year ended 31 December 2013

	Note	2013 £	2012 £
Balance on technical account for general business		407,654	445,350
Investment income	3	76,029	84,166
Unrealised gains on investments		25,154	44,971
Investment expenses and charges	4	(28,909)	(17,249)
Unrealised losses on investments		(32,316)	(21,162)
Allocated investment return transferred to the general business technical account		(33,108)	(88,937)
Other income		10,459	-
Other charges		(118,716)	(173,999)
Profit/(loss) on ordinary activities before taxation	5	306,247	273,140
Tax on profit/(loss) on ordinary activities	6	(64,922)	(59,534)
Profit/(loss) for the financial year	13	241,325	213,606

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 12 to 23 form part of these Financial Statements.

Sands Underwriting Limited

Balance sheet

As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	8	-	12,971	12,971	-	22,798	22,798
Investments							
Financial investments	9	2,728,747	-	2,728,747	2,794,749	-	2,794,749
Deposits with ceding undertakings		1,855	-	1,855	1,675	-	1,675
		2,730,602	-	2,730,602	2,796,424	-	2,796,424
Reinsurers' share of technical provisions							
Provision for unearned premiums		137,858	-	137,858	118,094	-	118,094
Claims outstanding		699,312	-	699,312	810,775	-	810,775
Other technical provisions		-	-	-	-	-	-
		837,170	-	837,170	928,869	-	928,869
Debtors							
Arising out of direct insurance operations		494,584	-	494,584	574,386	-	574,386
Arising out of reinsurance operations		454,989	-	454,989	521,864	-	521,864
Other debtors	10	207,012	-	207,012	304,541	-	304,541
		1,156,585	-	1,156,585	1,400,791	-	1,400,791
Other assets							
Cash at bank and in hand		125,153	282,557	407,710	113,430	288,266	401,696
Other		329,796	-	329,796	374,221	-	374,221
		454,949	282,557	737,506	487,651	288,266	775,917
Prepayments and accrued income							
Accrued interest		3,107	-	3,107	3,870	-	3,870
Deferred acquisitions costs		262,550	-	262,550	250,652	-	250,652
Other prepayments and accrued income		8,855	555	9,410	9,278	525	9,803
		274,512	555	275,067	263,800	525	264,325
Total assets		5,453,818	296,083	5,749,901	5,877,535	311,589	6,189,124

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Sands Underwriting Limited

Balance sheet As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
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	414,197	(76,431)	337,766	206,627	7,047	213,674
Shareholders' funds – attributable to equity interests							
	14	414,197	(64,388)	349,809	206,627	19,090	225,717
Technical provisions							
Provision for unearned premiums		1,025,654	-	1,025,654	1,012,686	-	1,012,686
Claims outstanding – gross amount		3,428,906	-	3,428,906	3,900,780	-	3,900,780
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	165,177	165,177	-	117,263	117,263
Other		-	-	-	-	-	-
Deposit received from reinsurers		1,181	-	1,181	1,098	-	1,098
Creditors							
Arising out of direct insurance operations		72,901	-	72,901	105,901	-	105,901
Arising out of reinsurance operations		282,271	-	282,271	337,684	-	337,684
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	204,808	140,448	345,256	312,531	121,951	434,482
		5,015,721	305,625	5,321,346	5,670,680	239,214	5,909,894
Accruals and deferred income		23,900	54,846	78,746	228	53,285	53,513
Total liabilities		5,453,818	296,083	5,749,901	5,877,535	311,589	6,189,124

Approved and authorised for issue by the Board of Directors on 7th June 2014
and signed on its behalf by:

D J MARSHALL

Director

Company registration number: 3442377

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Sands Underwriting Limited

Cash flow statement

For the year ended 31 December 2013

	Note	2013 £	2012 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17(a)	208,971	382,010
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of Syndicate capacity		-	(3,589)
Proceeds from sale of Syndicate capacity		10,459	-
Taxation			
Corporation and overseas taxes (paid)/refunded		(107,906)	(33,113)
Equity dividends paid		(117,233)	(119,400)
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>(5,709)</u>	<u>225,908</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		(5,709)	225,908
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>(5,709)</u>	<u>225,908</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 12 to 23 form part of these Financial Statements.

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2013

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 2013

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 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.

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 2013

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 2013

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. No amortisation is charged in the year of purchase.

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 2013

1. Class of Business

2013	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	123,795	120,993	(48,138)	(49,100)	(8,510)	15,245
Motor – third party liability	14,684	11,617	(7,154)	(4,169)	613	907
Motor – other classes	228,762	234,566	(178,467)	(79,822)	7,864	(15,859)
Marine, aviation and transport	382,624	397,458	(146,221)	(127,777)	(46,523)	76,937
Fire and other damage to property	649,984	638,018	(235,787)	(209,436)	(114,463)	78,332
Third party liability	340,641	314,059	(164,982)	(116,519)	(547)	32,011
Credit and suretyship	33,855	33,782	456	(9,940)	(4,172)	20,126
Legal expenses	11,088	10,173	(4,463)	(4,644)	175	1,241
Assistance	-	-	-	-	-	-
Miscellaneous	5,973	6,469	(3,285)	(2,902)	(100)	182
	1,791,406	1,767,135	(788,041)	(604,309)	(165,663)	209,122
Reinsurance	628,759	634,004	(163,203)	(150,251)	(155,126)	165,424
Total	2,420,165	2,401,139	(951,244)	(754,560)	(320,789)	374,546

2012	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	133,174	140,944	(57,825)	(57,178)	(1,286)	24,655
Motor – third party liability	7,143	11,029	(3,602)	(3,664)	(276)	3,487
Motor – other classes	239,647	248,431	(187,540)	(81,192)	394	(19,907)
Marine, aviation and transport	408,578	427,928	(182,655)	(131,590)	1,530	115,213
Fire and other damage to property	674,442	694,449	(398,096)	(223,781)	(51,307)	21,265
Third party liability	310,404	314,889	(152,129)	(110,689)	(18,084)	33,987
Credit and suretyship	32,659	38,869	(13,839)	(9,022)	(7,873)	8,135
Legal expenses	9,142	9,122	(4,357)	(4,186)	62	641
Assistance	-	-	-	-	-	-
Miscellaneous	11,140	11,111	(4,646)	(5,990)	(21)	454
	1,826,329	1,896,772	(1,004,689)	(627,292)	(76,861)	187,930
Reinsurance	633,396	676,304	(220,472)	(150,235)	(137,114)	168,483
Total	2,459,725	2,573,076	(1,225,161)	(777,527)	(213,975)	356,413

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 2013

2. Net Operating Expenses	2013	2012
	£	£
Acquisition costs	638,333	623,173
Change in deferred acquisition costs	(15,177)	25,547
Administrative expenses	97,285	95,178
Reinsurance commissions and profit participations	(61,203)	(62,191)
Personal expenses	95,322	95,820
	<u>754,560</u>	<u>777,527</u>
3. Investment Income	2013	2012
	£	£
Income from investments	56,520	64,306
Gains on the realisation of investments	12,659	18,071
Bank deposit interest	6,850	1,789
	<u>76,029</u>	<u>84,166</u>
4. Investment Expenses and Charges	2013	2012
	£	£
Investment management expenses, including interest	7,082	5,566
Losses on the realisation of investments	21,827	11,683
	<u>28,909</u>	<u>17,249</u>
5. Profit/(Loss) on Ordinary Activities before Taxation	2013	2012
	£	£
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	9,828	17,602
(Profit)/loss on disposal of intangible fixed assets	(10,459)	-
(Profit)/loss on exchange	48,562	49,382

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 2013

6. Taxation

	2013 £	2012 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	16,494	107,391
Adjustment in respect of previous period	(2,439)	(9,703)
	14,055	97,688
Foreign tax	2,953	5,573
Total current tax	17,008	103,261
Deferred tax		
Origination and reversal of timing differences	47,914	(43,727)
	64,922	59,534

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 20.00% (2012 - 20.00%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	306,247	273,140
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2012 – 20.00%)	61,249	54,628
Effects of:		
Underwriting results subject to timing differences for taxation	(44,164)	43,480
Creation/(utilisation) of tax losses	-	-
Foreign tax	2,362	4,458
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	(2,439)	695
Current tax charge for the period	17,008	103,261

The results of the Company's participation on the 2011, 2012 and 2013 years of account and any calendar year movement on 2010 and prior run-offs, will not be assessed to tax until the year ended 31 December 2014, 2015 and 2016 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

	2013 £	2012 £
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid	117,233	119,400

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2013

8. Intangible Assets

	2013 £	2012 £
Purchased Syndicate capacity		
Cost		
At 1 January 2013	201,816	198,227
Additions	-	3,589
Disposals	(2,141)	-
At 31 December 2013	199,675	201,816
Amortisation		
At 1 January 2013	179,018	161,416
Provided during the year	9,828	17,602
Disposals	(2,142)	-
At 31 December 2013	186,704	179,018
Net Book Value		
At 31 December 2013	12,971	22,798
At 31 December 2012	22,798	36,811

9. Financial Investments

Other financial investments – Syndicate

	2013 Market Value £	2013 Cost £	2012 Market Value £	2012 Cost £
Shares and other variable yield securities and units in unit trusts	289,900	286,850	242,020	239,741
Debt securities and other fixed income securities	2,340,364	2,354,827	2,414,742	2,407,127
Participation in investment pools	67,420	60,717	75,106	85,078
Loans secured by mortgages	25,964	25,834	39,401	38,928
Other loans	2,192	2,192	19,789	19,783
Deposits with credit institutions	2,749	2,749	3,691	3,691
Other	158	169	-	75
	2,728,747	2,733,338	2,794,749	2,794,423

Listed investments included in the market value above

Shares and other variable yield securities and units in unit trusts	289,900	242,020
Debt securities and other fixed income securities	2,340,364	2,414,742
	2,630,264	2,656,762

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2013

10. Other Debtors

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	207,012	-	207,012	304,541	-	304,541
	<u>207,012</u>	<u>-</u>	<u>207,012</u>	<u>304,541</u>	<u>-</u>	<u>304,541</u>

11. Funds at Lloyd's

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

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	28	28	-	28	28
Investments	-	-	-	-	-	-
	<u>-</u>	<u>28</u>	<u>28</u>	<u>-</u>	<u>28</u>	<u>28</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

	2013	2013	2012	2012
	Authorised	Allotted, called-up and fully paid	Authorised	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 2013

13. Profit and Loss Account

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	206,627	7,047	213,674	536,940	(417,472)	119,468
Reallocate distribution	(138,751)	138,751	-	(742,218)	742,218	-
Profit/(loss) for the financial year	346,321	(104,996)	241,325	411,905	(198,299)	213,606
Equity dividends	-	(117,233)	(117,233)	-	(119,400)	(119,400)
Retained profit/(loss) carried forward	414,197	(76,431)	337,766	206,627	7,047	213,674

14. Reconciliation of Movements in Shareholders' Funds

	2013 £	2012 £
Opening shareholders' funds	225,717	131,511
Profit/(loss) for the financial year	241,325	213,606
Equity dividends	(117,233)	(119,400)
Proceeds from issue of shares	-	-
Closing shareholders' funds	349,809	225,717

15. Provision for Other Risks and Charges

Deferred Taxation	2013 £	2012 £
Opening balance	117,263	160,990
Profit and loss account charge	47,914	(43,727)
Closing balance	165,177	117,263

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2013

16. Other Creditors including Taxation and Social Security

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	16,494	16,494	-	107,391	107,391
Directors' loan accounts	-	123,954	123,954	-	14,560	14,560
Third party funds	-	-	-	-	-	-
Other creditors	204,808	-	204,808	312,531	-	312,531
Amount due to group undertakings	-	-	-	-	-	-
	204,808	140,448	345,256	312,531	121,951	434,482

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

	2013 £	2012 £
Profit/(loss) on ordinary activities before tax	306,247	273,140
(Profit)/loss attributable to Syndicate transactions	(207,570)	330,313
Profit/(loss) – excluding Syndicate transactions	98,677	603,453
(Increase)/decrease in debtors	(30)	(525)
Increase/(decrease) in creditors	110,955	(238,520)
(Profit)/loss on disposal of intangible assets	(10,459)	-
Amortisation of Syndicate capacity	9,828	17,602
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	208,971	382,010

(b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2013 £	Cashflow £	Changes to Market Value £	At 31 December 2013 £
Cash	288,266	(5,709)	-	282,557
Other financial investments	-	-	-	-
	288,266	(5,709)	-	282,557

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2013

18. 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 £123,954 (2012: £14,560).

19. Ultimate Controlling Party

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