

Company registration number: 3442377

Sands Underwriting Limited

Report and financial statements 31 December 2014

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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 2014.

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 2012, 2013 and 2014 years of account, as well as any 2011 and prior run-off years. The 2012 year closed at 31 December 2014 with a result of £304,724 (2011 - £237,521). The 2013 and 2014 open underwriting accounts will normally close at 31 December 2015 and 2016 respectively.

Results and Dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £61,500 were paid in the year (2013 - £117,233).

Financial Risk Management Objectives and Policies

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

Hedge accounting is not used by the Company.

Key Performance Indicators

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

	2014	2013
Capacity (youngest underwriting year)	£ 2,781,877	£ 2,718,429
Gross premium written as a % of capacity	81.9%	89.0%
Underwriting profit of latest closed year:		
as a % of capacity	11.8%	7.9%
Run-off years of account movement	£ -	£ -
Combined ratio	85.4%	80.8%

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

5/8/2015

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 2014.

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 2015 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
and signed on its behalf by

5/8/ 2015

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 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Directors and auditors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report 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 2014 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.

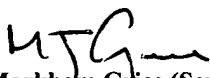
Sands Underwriting Limited

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

13 August 2015

Sands Underwriting Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2014

	Note	2014 £	2013 £
Premiums written			
Gross premiums written	1	2,279,306	2,420,165
Outward reinsurance premiums	1	(430,875)	(473,827)
Net premiums written		<u>1,848,431</u>	<u>1,946,338</u>
Change in the provision for unearned premiums			
Gross provision	1	27,250	(19,026)
Reinsurers' share	1	(6,470)	20,712
Earned premiums, net of reinsurance		<u>1,869,211</u>	<u>1,948,024</u>
Allocated investment return transferred from the non-technical account		44,209	33,108
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(1,114,694)	(1,423,771)
Reinsurers' share	1	244,132	267,185
Net claims paid		<u>(870,562)</u>	<u>(1,156,586)</u>
Change in provision for claims			
Gross amount	1	112,094	472,527
Reinsurers' share	1	(62,482)	(134,859)
Change in net provision for claims		<u>49,612</u>	<u>337,668</u>
Claims incurred, net of reinsurance		<u>(820,950)</u>	<u>(818,918)</u>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(775,035)	(754,560)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>317,435</u>	<u>407,654</u>

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 2014

	Note	2014 £	2013 £
Balance on technical account for general business		317,435	407,654
Investment income	3	76,717	76,029
Unrealised gains on investments		7,438	25,154
Investment expenses and charges	4	(17,567)	(28,909)
Unrealised losses on investments		(15,464)	(32,316)
Allocated investment return transferred to the general business technical account		(44,209)	(33,108)
Other income		1,021	10,459
Other charges		(164,218)	(118,716)
Profit/(loss) on ordinary activities before taxation	5	161,153	306,247
Tax on profit/(loss) on ordinary activities	6	(29,938)	(64,922)
Profit/(loss) for the financial year	13	131,215	241,325

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 2014

		31 December 2014			31 December 2013		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	8	-	4,678	4,678	-	12,971	12,971
Investments							
Financial investments	9	2,897,353	-	2,897,353	2,728,747	-	2,728,747
Deposits with ceding undertakings		1,186	-	1,186	1,855	-	1,855
		2,898,539	-	2,898,539	2,730,602	-	2,730,602
Reinsurers' share of technical provisions							
Provision for unearned premiums		132,056	-	132,056	137,858	-	137,858
Claims outstanding		638,489	-	638,489	699,312	-	699,312
Other technical provisions		-	-	-	-	-	-
		770,545	-	770,545	837,170	-	837,170
Debtors							
Arising out of direct insurance operations		520,828	-	520,828	494,584	-	494,584
Arising out of reinsurance operations		326,992	-	326,992	454,989	-	454,989
Other debtors	10	186,171	-	186,171	207,012	-	207,012
		1,033,991	-	1,033,991	1,156,585	-	1,156,585
Other assets							
Cash at bank and in hand		96,426	1,084,523	1,180,949	125,153	282,557	407,710
Other		228,025	-	228,025	329,796	-	329,796
		324,451	1,084,523	1,408,974	454,949	282,557	737,506
Prepayments and accrued income							
Accrued interest		3,557	-	3,557	3,107	-	3,107
Deferred acquisitions costs		249,184	-	249,184	262,550	-	262,550
Other prepayments and accrued income		10,914	-	10,914	8,855	555	9,410
		263,655	-	263,655	274,512	555	275,067
Total assets		5,291,181	1,089,201	6,380,382	5,453,818	296,083	5,749,901

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 2014

		31 December 2014			31 December 2013		
	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	532,765	(125,284)	407,481	414,197	(76,431)	337,766
Shareholders' funds – attributable to equity interests							
	14	532,765	(113,241)	419,524	414,197	(64,388)	349,809
Technical provisions							
Provision for unearned premiums		1,001,761	-	1,001,761	1,025,654	-	1,025,654
Claims outstanding – gross amount		3,145,977	-	3,145,977	3,428,906	-	3,428,906
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	196,553	196,553	-	165,177	165,177
Other		-	-	-	-	-	-
Deposit received from reinsurers							
		730	-	730	1,181	-	1,181
Creditors							
Arising out of direct insurance operations		81,171	-	81,171	72,901	-	72,901
Arising out of reinsurance operations		312,010	-	312,010	282,271	-	282,271
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	194,662	937,238	1,131,900	204,808	140,448	345,256
		4,736,311	1,133,791	5,870,102	5,015,721	305,625	5,321,346
Accruals and deferred income							
		22,105	68,651	90,756	23,900	54,846	78,746
Total liabilities							
		5,291,181	1,089,201	6,380,382	5,453,818	296,083	5,749,901

Approved and authorised for issue by the Board of Directors on 5/8/2015 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 2014

	Note	2014 £	2013 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17(a)	872,451	208,971
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of Syndicate capacity		-	-
Proceeds from sale of Syndicate capacity		6,071	10,459
Taxation			
Corporation and overseas taxes (paid)/refunded		(15,056)	(107,906)
Equity dividends paid		(61,500)	(117,233)
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>801,966</u>	<u>(5,709)</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		801,966	(5,709)
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>801,966</u>	<u>(5,709)</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 2014

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 2014

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 2014

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 2014

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 2014

1. Class of Business

2014	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	123,367	124,745	(50,176)	(56,464)	(6,556)	11,549
Motor – third party liability	13,062	14,313	(10,068)	(4,955)	(184)	(894)
Motor – other classes	233,217	233,119	(162,211)	(83,423)	3,672	(8,843)
Marine, aviation and transport	347,118	353,634	(170,462)	(121,934)	(22,249)	38,989
Fire and other damage to property	669,460	658,865	(240,035)	(221,770)	(114,505)	82,555
Third party liability	334,027	338,464	(206,513)	(120,165)	3,662	15,448
Credit and suretyship	37,451	38,049	(27,700)	(9,035)	(455)	859
Legal expenses	7,993	8,483	(3,031)	(4,620)	(40)	792
Assistance	-	-	-	-	-	-
Miscellaneous	9,428	9,434	(5,510)	(3,213)	6	717
	1,775,123	1,779,106	(875,706)	(625,579)	(136,649)	141,172
Reinsurance	504,183	527,450	(126,894)	(149,456)	(119,046)	132,054
Total	2,279,306	2,306,556	(1,002,600)	(775,035)	(255,695)	273,226

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

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 2014

2. Net Operating Expenses	2014	2013
	£	£
Acquisition costs	629,201	638,333
Change in deferred acquisition costs	1,242	(15,177)
Administrative expenses	113,306	97,285
Reinsurance commissions and profit participations	(64,766)	(61,203)
Personal expenses	96,052	95,322
	775,035	754,560
3. Investment Income	2014	2013
	£	£
Income from investments	48,984	56,520
Gains on the realisation of investments	20,818	12,659
Bank deposit interest	6,915	6,850
	76,717	76,029
4. Investment Expenses and Charges	2014	2013
	£	£
Investment management expenses, including interest	5,085	7,082
Losses on the realisation of investments	12,482	21,827
	17,567	28,909
5. Profit/(Loss) on Ordinary Activities before Taxation	2014	2013
	£	£
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	3,243	9,828
(Profit)/loss on disposal of intangible fixed assets	(1,021)	(10,459)
(Profit)/loss on exchange	(32,415)	48,562

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 2014

6. Taxation	2014 £	2013 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	16,494
Adjustment in respect of previous period	(5,792)	(2,439)
	(5,792)	14,055
Foreign tax	4,354	2,953
Total current tax	(1,438)	17,008
Deferred tax		
Origination and reversal of timing differences	31,376	47,914
	29,938	64,922

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% (2013 - 20.00%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	161,153	306,247
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2013 – 20.00%)	32,231	61,249
Effects of:		
Underwriting results subject to timing differences for taxation	(39,359)	(44,164)
Creation/(utilisation) of tax losses	8,000	-
Foreign tax	3,483	2,362
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	(5,793)	(2,439)
Current tax charge for the period	(1,438)	17,008

The results of the Company's participation on the 2012, 2013 and 2014 years of account and any calendar year movement on 2011 and prior run-offs, will not be assessed to tax until the year ended 31 December 2015, 2016 and 2017 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	2014 £	2013 £
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid	61,500	117,233

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2014

8. Intangible Assets	2014	2013
	£	£
Purchased Syndicate capacity		
Cost		
At 1 January 2014	199,675	201,816
Additions	-	-
Disposals	(12,625)	(2,141)
At 31 December 2014	<u>187,050</u>	<u>199,675</u>
Amortisation		
At 1 January 2014	186,704	179,018
Provided during the year	3,243	9,828
Disposals	(7,575)	(2,142)
At 31 December 2014	<u>182,372</u>	<u>186,704</u>
Net Book Value		
At 31 December 2014	4,678	12,971
At 31 December 2013	<u>12,971</u>	<u>22,798</u>

9. Financial Investments

Other financial investments – Syndicate

	2014	2014	2013	2013
	Market	Cost	Market	Cost
	Value	£	Value	£
	£		£	
Shares and other variable yield securities and units in unit trusts	338,671	328,380	289,900	286,850
Debt securities and other fixed income securities	2,447,234	2,458,700	2,340,364	2,354,827
Participation in investment pools	47,501	38,225	67,420	60,717
Loans secured by mortgages	15,236	15,161	25,964	25,834
Other loans	26,557	26,555	2,192	2,192
Deposits with credit institutions	7,224	7,224	2,749	2,749
Other	14,930	15,013	158	169
	<u>2,897,353</u>	<u>2,889,258</u>	<u>2,728,747</u>	<u>2,733,338</u>

Listed investments included in the market value above

Shares and other variable yield securities and units in unit trusts	338,671	289,900
Debt securities and other fixed income securities	2,447,234	2,340,364
	<u>2,785,905</u>	<u>2,630,264</u>

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2014

10. Other Debtors

	2014			2013		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	186,171	-	186,171	207,012	-	207,012
	<u>186,171</u>	<u>-</u>	<u>186,171</u>	<u>207,012</u>	<u>-</u>	<u>207,012</u>

11. Funds at Lloyd's

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

	2014			2013		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	948,329	948,329	-	28	28
Investments	-	-	-	-	-	-
	<u>-</u>	<u>948,329</u>	<u>948,329</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

	2014	2014	2013	2013
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary 25p shares	<u>4,000,000</u>	<u>15,000</u>	<u>4,000,000</u>	<u>15,000</u>

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2014

13. Profit and Loss Account

	2014			2013		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	414,197	(76,431)	337,766	206,627	7,047	213,674
Reallocate distribution	(235,463)	235,463	-	(138,751)	138,751	-
Profit/(loss) for the financial year	354,031	(222,816)	131,215	346,321	(104,996)	241,325
Equity dividends	-	(61,500)	(61,500)	-	(117,233)	(117,233)
Retained profit/(loss) carried forward	532,765	(125,284)	407,481	414,197	(76,431)	337,766

14. Reconciliation of Movements in Shareholders' Funds

	2014 £	2013 £
Opening shareholders' funds	349,809	225,717
Profit/(loss) for the financial year	131,215	241,325
Equity dividends	(61,500)	(117,233)
Proceeds from issue of shares	-	-
Closing shareholders' funds	419,524	349,809

15. Provision for Other Risks and Charges

Deferred Taxation	2014 £	2013 £
Opening balance	165,177	117,263
Profit and loss account charge	31,376	47,914
Closing balance	196,553	165,177

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2014

16. Other Creditors including Taxation and Social Security

	2014			2013		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	16,494	16,494
Directors' loan accounts	-	937,238	937,238	-	123,954	123,954
Third party funds	-	-	-	-	-	-
Other creditors	194,662	-	194,662	204,808	-	204,808
Amount due to group undertakings	-	-	-	-	-	-
	194,662	937,238	1,131,900	204,808	140,448	345,256

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

	2014 £	2013 £
Profit/(loss) on ordinary activities before tax	161,153	306,247
(Profit)/loss attributable to Syndicate transactions	(118,568)	(207,570)
Profit/(loss) – excluding Syndicate transactions	42,585	98,677
(Increase)/decrease in debtors	555	(30)
Increase/(decrease) in creditors	827,089	110,955
(Profit)/loss on disposal of intangible assets	(1,021)	(10,459)
Amortisation of Syndicate capacity	3,243	9,828
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	872,451	208,971

(b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2014 £	Cashflow £	Changes to Market Value £	At 31 December 2014 £
Cash	282,557	801,966	-	1,084,523
Other financial investments	-	-	-	-
	282,557	801,966	-	1,084,523

Sands Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2014

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 £937,238 (2013: £123,954).

19. Ultimate Controlling Party

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