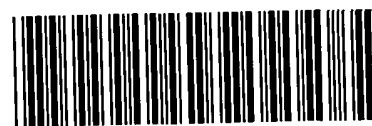


**Company registration number: 11166286**

**SDIC Limited**

**Annual Report and Financial Statements**  
**31 December 2021**

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# **SDIC Limited**

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# **SDIC Limited**

## **Company Information**

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### **Directors**

Mary Elisabeth Dickinson  
Michael Edward Dickinson  
Jeremy Richard Holt Evans  
Nomina Plc

### **Company Secretary**

Hampden Legal Plc

### **Registered Office**

5<sup>th</sup> floor  
40 Gracechurch Street  
London  
EC3V 0BT

### **Auditors**

PKF Littlejohn LLP  
Statutory Auditor  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

# SDIC Limited

## Strategic Report

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The Directors present their Strategic Report for the year ended 31 December 2021.

### Business review and future developments

The Financial Statements incorporate the annual accounting results of the syndicates on which the Group participates for the 2019, 2020 and 2021 years of account, as well as any prior run-off years.

The results of the Group for the year are set out in the Profit and Loss Account.

### Key performance indicators

The Directors monitor the performance of the Group by reference to the key performance indicators of the underlying Lloyd's limited liability members.

### Other performance indicators

As a result of the nature of this Group the majority of its activities are carried out by the syndicates in which it participates. The Group is not involved directly in the management of the syndicates' activities and therefore the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

### Financial risk management objectives and policies

As a supporter of corporate member of Lloyd's, the majority of the risks to this Group's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed in Note 5, these risks are mostly managed by the managing agent of the syndicate. The Group's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates. The Group is also directly exposed to these risks, but they are not considered material compared to the syndicate risk for the assessment of the assets, liabilities, financial position and profit or loss of the Group.

### Section 172(1) Statement

The Directors of the Company have a duty to promote the success of the Company whilst giving due regard to the interests of stakeholders affected by the Group's activities.

As a result of the nature of this Group, the majority of its activities are carried out by the syndicates in which it participates. The Group is not involved directly in the management of the syndicates' activities, as these are the responsibility of the relevant managing agent. Each managing agent has a board of directors which are responsible for the activities of each syndicate, and themselves have a duty towards a range of considerations including (but not limited to) employees, community and environmental matters, standards of business conduct and the long term consequence of decisions.

The Group itself undertakes very few transactions. The Group does not employ any staff and the only suppliers are those who provide services for the administration of the Group. The Directors ensure supplier invoices are paid on time in line with any agreed terms. The Directors work very closely with the Members of the Company to discuss all significant decisions, including the selection of which syndicates to participate.

The Group and the syndicates are required to operate within the guidelines and code of conduct of the Lloyd's market. Behind the Lloyd's market is the Lloyd's Corporation, an independent organisation and regulator that acts to protect and maintain the market's reputation and provides services and original research, reports and analysis to the industry's knowledge base.

The Company's Section 172(1) Statement is available at <https://www.hampden.co.uk/namecosection172>.

Approved by the Board of Directors on 22 September 2022 and signed on its behalf by:



Mark Tottman for and on behalf of Nomina Plc  
Director

# **SDIC Limited**

## **Directors' Report**

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The Directors present their Report together with the Financial Statements of the Group and the Company for the year ended 31 December 2021.

### **Principal activities**

The Company was incorporated on 23 January 2018 and acts as a holding company for SD Underwriting Limited and a number of Lloyd's corporate members. For further details see note 15.

### **Results and dividends**

The results of the Group for the year are set out on pages 10 to 12 of the Financial Statements. No dividends were paid in the year (2020: £nil).

### **Directors**

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

Mary Elisabeth Dickinson  
Michael Edward Dickinson  
Jeremy Richard Holt Evans  
Nomina Plc

### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Group and Company and of the profit or loss of the Group for that period. In preparing those 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 United Kingdom 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 Group and Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for: such internal control as they determine necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error; and safeguarding the assets of the Group and Company, complying with laws and regulations, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **SDIC Limited**

## **Directors' Report (continued)**

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### **Auditor**

- i. PKF Littlejohn LLP has signified its willingness to continue in office as auditor.
- ii. Disclosure of information to the Auditor:

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

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

Approved by the Board of Directors on 22 September 2022 and signed on its behalf by:



Mark Tottman for and on behalf of Nomina Plc  
Director

# **SDIC Limited**

## **Independent Auditor's Report**

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### **Independent Auditor's Report to the Members of SDIC Limited**

#### **Opinion**

We have audited the Financial Statements of SDIC Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2021 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Shareholders' Equity, the Company Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 and FRS 103 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)*.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's result 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the Financial Statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the Annual Report other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters 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 the 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.

# **SDIC Limited**

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group and Parent Company Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Parent Company Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The procedures we have undertaken to detect irregularities, including fraud, are detailed below:

- We obtained an understanding of the Group and Parent Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the Financial Statements. We obtained our understanding in this regard through discussion with the Directors and the application of our knowledge and experience of the sector in which the Group and Parent Company operates in. We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, Lloyds of London byelaws as they relate to limited liability vehicles, UK GAAP and UK taxation regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and Parent Company with those laws and regulations. These procedures included, but were not limited to:
  - Discussion with management of any known, or suspected instances, of non-compliance by the Group and Parent Company with those laws and regulations;
  - discussion with management of any, or suspected, incidence of fraud;
  - review of the Financial Statements disclosure and testing to supporting documentation to assess compliance with applicable law and regulation.
- A review and testing of the system of controls established by management to ensure the accuracy of the Financial Statements.

We identified the risks of material misstatement of the Financial Statements due to fraud as being those arising from management override of controls. We have addressed this risk by performing audit procedures which included, but were not limited to, the testing of journals, reviewing material accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business that came to our attention.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the Financial Statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the Financial Statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



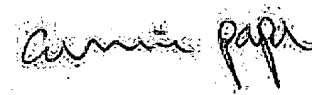
# **SDIC Limited**

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

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### **Use of our report**

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.



**Carmine Papa (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**  
22 September 2022

15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

# SDIC Limited

## Consolidated Profit and Loss Account Technical Account – General Business for the year ended 31 December 2021

	Note	2021 £	2020 £
<b>Premiums written</b>			
Gross premiums written	6,7	4,558,932	4,375,236
Outward reinsurance premiums		(1,194,827)	(1,148,388)
<b>Net premiums written</b>		<b>3,364,105</b>	<b>3,226,848</b>
<b>Change in the provision for unearned premiums</b>	8		
Gross provision		(163,099)	(134,400)
Reinsurers' share		4,788	38,202
<b>Net change in the provision for unearned premiums</b>		<b>(158,311)</b>	<b>(96,198)</b>
<b>Earned premiums, net of reinsurance</b>		<b>3,205,794</b>	<b>3,130,650</b>
Allocated investment return transferred from the non-technical account		12,026	138,424
Other technical income, net of reinsurance		-	-
<b>Total technical income</b>		<b>3,217,820</b>	<b>3,269,074</b>
<b>Claims paid</b>			
Gross amount	(2,209,620)	(2,326,942)	
Reinsurers' share	761,667	688,536	
<b>Net claims paid</b>	<b>(1,447,953)</b>	<b>(1,638,406)</b>	
<b>Change in the provision for claims</b>			
Gross amount	(315,788)	(578,737)	
Reinsurers' share	78,836	135,553	
<b>Change in the net provision for claims</b>	8 <b>(236,952)</b>	<b>(443,184)</b>	
<b>Claims incurred, net of reinsurance</b>		<b>(1,684,905)</b>	<b>(2,081,590)</b>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	9	(1,246,438)	(1,227,245)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<b>286,477</b>	<b>(39,761)</b>

The Notes are an integral part of these Financial Statements.

# SDIC Limited

## Consolidated Profit and Loss Account Non - Technical Account for the year ended 31 December 2021

	Note	2021 £	2020 £
<b>Balance on technical account for general business</b>		286,477	(39,761)
Investment income	10	139,317	225,958
Unrealised gains on investments	10	387,038	1,355,445
Investment expenses and charges	10	(60,097)	(142,372)
Unrealised losses on investments	10	(175,808)	(1,265,460)
Allocated investment return transferred to the general business technical account		(12,026)	(138,424)
Other income		78,650	73,669
Other charges		176,883	(96,682)
<b>Profit/(loss) before taxation</b>	11	820,434	(27,627)
Tax on profit/(loss)	12	(89,573)	12,597
<b>Profit/(loss) for the financial year</b>		<u>730,861</u>	<u>(15,030)</u>

## Consolidated Statement of Comprehensive Income

	2021 £	2020 £
<b>Profit/(loss) for the financial year</b>	<u>730,861</u>	<u>(15,030)</u>
Other comprehensive income:		
Currency translation differences	3,319	7,340
Tax on other comprehensive income	(830)	(1,394)
Other comprehensive income for the year, net of tax	<u>2,489</u>	<u>5,946</u>
<b>Total comprehensive income for the financial year</b>	18 <u>733,350</u>	<u>(9,084)</u>

All amounts relate to continuing operations.

The Notes are an integral part of these Financial Statements.

# SDIC Limited

## Consolidated Balance Sheet as at 31 December 2021

		31 December 2021			31 December 2020		
	Note	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	13	-	4	4	-	4	4
<b>Investments</b>							
Financial investments	14	5,092,482	1,188,505	6,280,987	4,611,988	806,197	5,418,185
Deposits with ceding undertakings		31,628	-	31,628	278	-	278
		5,124,110	1,188,505	6,312,615	4,612,266	806,197	5,418,463
Provision for unearned premiums	8	396,226	-	396,226	385,524	-	385,524
Claims outstanding	8	2,096,262	-	2,096,262	1,995,464	-	1,995,464
Other technical provisions		-	-	-	-	-	-
		2,492,488		2,492,488	2,380,988	-	2,380,988
<b>Debtors</b>							
Arising out of direct insurance operations							
- Policyholders		11	-	11	11	-	11
- Intermediaries		1,272,567	-	1,272,567	1,000,429	-	1,000,429
Arising out of reinsurance operations		829,753	-	829,753	884,998	-	884,998
Other debtors	16	73,875	2,832,464	2,906,339	108,466	2,681,561	2,790,027
		2,176,206	2,832,464	5,008,670	1,993,904	2,681,561	4,675,465
<b>Other assets</b>							
Cash at bank and in hand		206,327	471,580	677,907	171,176	574,297	745,473
Other		348,678	-	348,678	327,503	-	327,503
		555,005	471,580	1,026,585	498,679	574,297	1,072,976
<b>Prepayments and accrued income</b>							
Accrued interest		10,089	-	10,089	12,059	-	12,059
Deferred acquisition costs	8	491,384	-	491,384	474,899	-	474,899
Other prepayments and accrued income		15,645	-	15,645	14,868	-	14,868
		517,118	-	517,118	501,826	-	501,826
<b>Total assets</b>		10,864,927	4,492,553	15,357,480	9,987,663	4,062,059	14,049,722

The Notes are an integral part of these Financial Statements.

# SDIC Limited

## Consolidated Balance Sheet as at 31 December 2021

		31 December 2021			31 December 2020		
	Note	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	17	-	181	181	-	181	181
Share premium	17	-	5,519,820	5,519,820	-	5,519,820	5,519,820
Merger reserve	15	-	(3,979,047)	(3,979,047)	-	(3,699,313)	(3,699,313)
Profit and loss account	18	71,970	2,617,493	2,689,463	(179,451)	2,135,564	1,956,113
Shareholders' funds – attributable to equity holders of the parent company		71,970	4,158,447	4,230,417	(179,451)	3,956,252	3,776,801
Non-controlling interest		-	-	-	-	-	-
<b>Total shareholders' funds</b>		<b>71,970</b>	<b>4,158,447</b>	<b>4,230,417</b>	<b>(179,451)</b>	<b>3,956,252</b>	<b>3,776,801</b>
<b>Technical provisions</b>							
Provision for unearned premiums	8	2,098,886	-	2,098,886	1,913,329	-	1,913,329
Claims outstanding – gross	8	7,390,449	-	7,390,449	7,001,817	-	7,001,817
Other technical provisions		-	-	-	-	-	-
		9,489,335	-	9,489,335	8,915,146	-	8,915,146
<b>Provisions for other risks and charges</b>							
Deferred taxation	19	-	-	-	-	-	-
Other		4,040	-	4,040	3,984	-	3,984
		4,040	-	4,040	3,984	-	3,984
<b>Deposits received from reinsurers</b>		<b>3,098</b>	<b>-</b>	<b>3,098</b>	<b>5,673</b>	<b>-</b>	<b>5,673</b>
<b>Creditors</b>							
Arising out of direct insurance operations		83,940	-	83,940	200,878	1	200,879
Arising out of reinsurance operations		826,909	-	826,909	704,838	-	704,838
Amounts owed to credit institutions		-	-	-	10,179	-	10,179
Other creditors including taxation and social security	20	302,490	238,141	540,631	234,156	33,588	267,744
		1,213,339	238,141	1,451,480	1,150,051	33,589	1,183,640
<b>Accruals and deferred income</b>		<b>83,145</b>	<b>95,965</b>	<b>179,110</b>	<b>92,260</b>	<b>72,218</b>	<b>164,478</b>
<b>Total liabilities</b>		<b>10,792,957</b>	<b>334,106</b>	<b>11,127,063</b>	<b>10,167,114</b>	<b>105,807</b>	<b>10,272,921</b>
<b>Total liabilities and shareholders' funds</b>		<b>10,864,927</b>	<b>4,492,553</b>	<b>15,357,480</b>	<b>9,987,663</b>	<b>4,062,059</b>	<b>14,049,722</b>

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 September 2022 and signed on its behalf by:



Mark Tottman for and on behalf of Nomina Plc  
Director

Company registration number: 11166286

The Notes are an integral part of these Financial Statements.

# SDIC Limited

## Company Balance Sheet as at 31 December 2021

	Note	2021 £	2020 £
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Investments</b>			
Investment in subsidiary undertakings	15	3,700,000	3,700,000
		<u>3,700,000</u>	<u>3,700,000</u>
<b>Current assets</b>			
Amounts owed by subsidiary undertakings		1,719,498	1,745,196
Amounts owed by shareholders		-	-
Other debtors	16	-	-
Cash at bank			2,359
		<u>1,719,498</u>	<u>1,747,555</u>
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to subsidiary undertakings		-	-
Amounts owed to shareholders		(309)	(309)
Other creditors and accruals	20	(6,790)	(5,280)
		<u>(7,099)</u>	<u>(5,589)</u>
<b>Net current assets / (liabilities)</b>		1,712,399	1,741,966
<b>Total assets less current liabilities</b>		<u>5,412,399</u>	<u>5,441,966</u>
<b>Creditors: amounts falling due after one year</b>			
Deferred taxation	19	-	-
Other creditors	20	-	-
		<u>-</u>	<u>-</u>
<b>Net assets / (liabilities)</b>		<u>5,412,399</u>	<u>5,441,966</u>
<b>Shareholders' funds</b>			
<b>Capital and reserves</b>			
Called up share capital	17	181	181
Share premium account	17	5,519,820	5,519,820
		<u>5,520,001</u>	<u>5,520,001</u>
<b>Profit and loss account</b>			
At 1 January		(78,035)	(55,964)
Profit/(loss) for the period attributable to the owners		(29,567)	(22,073)
Other changes in profit and loss account		-	2
At 31 December		<u>(107,602)</u>	<u>(78,035)</u>
<b>Total shareholders' funds</b>		<u>5,412,399</u>	<u>5,441,966</u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 September 2022 and signed on its behalf by:



Mark Tottman for and on behalf of Nomina Plc  
Director

Company registration number: 11166286

The Notes are an integral part of these Financial Statements.

# SDIC Limited

## Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2021

	Note	Called up share capital £	Share premium £	Merger reserves £	Profit and loss account £	Total share- holders' funds £
At 1 January 2020		181	5,519,820	(3,669,313)	1,965,197	3,785,885
<b>Total comprehensive income for the year:</b>						
Disposal of subsidiary		-	-	-	-	-
Profit/(loss) for the financial year		-	-	-	(15,030)	(15,030)
Other comprehensive income for the year		-	-	-	5,946	5,946
Total comprehensive income for the year		-	-	-	(9,084)	(9,084)
<b>Transactions with owners:</b>						
Dividends paid	18,22	-	-	-	-	-
Proceeds from the issue of shares	17	-	-	-	-	-
Total transactions with owners		-	-	-	-	-
<b>At 31 December 2020</b>		<b>181</b>	<b>5,519,820</b>	<b>(3,669,313)</b>	<b>1,956,113</b>	<b>3,776,801</b>
At 1 January 2021		181	5,519,820	(3,669,313)	1,965,113	3,776,801
<b>Total comprehensive income for the year:</b>						
Disposal of subsidiary		-	-	-	-	-
Profit/(loss) for the financial year		-	-	(279,734)	730,861	451,127
Other comprehensive income for the year		-	-	-	2,489	2,489
Total comprehensive income for the year		-	-	(279,734)	733,350	453,616
<b>Transactions with owners:</b>						
Dividends paid	18,22	-	-	-	-	-
Proceeds from the issue of shares	17	-	-	-	-	-
Total transactions with owners		-	-	-	-	-
<b>At 31 December 2021</b>		<b>181</b>	<b>5,519,820</b>	<b>(3,979,047)</b>	<b>2,689,463</b>	<b>4,230,417</b>

### Merger reserves:

The difference between the nominal value of the shares issued, plus the fair value of any other consideration given, and the nominal value, including any attributable share premium, of the shares received in exchange is included as a merger reserve in the consolidated balance sheet.

The Notes are an integral part of these Financial Statements.

# SDIC Limited

## Company Statement of Changes in Shareholders' Equity for the period ended 31 December 2021

	Note	Called up share capital £	Share premium £	Profit and loss account £	Total shareholders' funds £
On January 1 2020		181	5,519,820	(55,968)	5,464,037
<b>Total comprehensive income for the period:</b>					
Profit/(loss) for the financial period		-	-	(22,072)	(22,073)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	(22,072)	(22,072)
<b>Transactions with owners:</b>					
Dividends paid	18,22	-	-	-	-
Proceeds from issue of shares	17	-	-	-	-
Total transactions with owners		-	-	-	-
<b>At 31 December 2020</b>		<b>181</b>	<b>5,519,820</b>	<b>(78,035)</b>	<b>5,441,966</b>

	Note	Called up share capital £	Share premium £	Profit and loss account £	Total shareholders' funds £
On January 1 2021		181	5,519,820	(78,035)	5,441,966
<b>Total comprehensive income for the period:</b>					
Profit/(loss) for the financial period		-	-	(29,567)	(29,567)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	(29,567)	(29,567)
<b>Transactions with owners:</b>					
Dividends paid	18,22	-	-	-	-
Proceeds from issue of shares	17	-	-	-	-
Total transactions with owners		-	-	-	-
<b>At 31 December 2021</b>		<b>181</b>	<b>5,519,820</b>	<b>(107,602)</b>	<b>5,412,399</b>

The Notes are an integral part of these Financial Statements.



# SDIC Limited

## Consolidated Statement of Cash Flows for the year ended 31 December 2021

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	820,434	(27,627)
Deduction of (profit)/loss attributed to syndicate transactions	(355,648)	(46,622)
Distribution/(collection) of closed year result from/(to) syndicates	107,546	(267,144)
Profit/(loss) excluding syndicate transactions	572,332	(341,393)
Adjustments for:		
(Increase)/decrease in debtors	(240,941)	1,327,143
Increase/(decrease) in creditors	(50,526)	(748,845)
(Profit)/loss on disposal of intangible assets	(78,650)	(83,230)
Amortisation of syndicate capacity	-	-
Amortisation of goodwill/(release of negative goodwill)	-	-
Investment income	(17,702)	(76,946)
Realised/unrealised (gains)/losses on investments	(382,308)	(378,244)
Income tax paid	(1,274)	(80,553)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(199,069)</b>	<b>(382,068)</b>
<b>Cash flows from investing activities</b>		
Investment income	17,702	76,946
Purchase of syndicate capacity	-	(4)
Proceeds from sale of syndicate capacity	78,650	83,230
Purchase of investments	-	-
Proceeds from sale of investments	-	24,793
Acquisition of subsidiaries	-	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>96,352</b>	<b>184,965</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	-	-
Issue of shares	-	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(102,717)</b>	<b>(197,103)</b>
Cash and cash equivalents at beginning of year	574,297	771,400
Effect of exchange rate changes on cash and cash equivalents	-	-
<b>Cash and cash equivalents at end of year</b>	<b>471,580</b>	<b>574,297</b>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	471,580	574,297
Other financial investments	-	-
<b>Cash and cash equivalents</b>	<b>471,580</b>	<b>574,297</b>

The Group has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Consolidated Statement of Cash Flows is prepared reflecting only the movement in corporate funds, which includes transfers to and from the syndicates at Lloyd's.

### Net Debt Reconciliation:

The Net Debt Reconciliation comprises only of the corporate cash and cash equivalents, as the Group does not have any borrowings.

The cash and cash equivalents at the beginning of the year, the cash flows arising during the year, any exchange rate movements and the cash and cash equivalents at the end of the year are disclosed within the Cash Flow Statement above.

The Notes are an integral part of these Financial Statements.

# **SDIC Limited**

## **Notes to the Financial Statements for the year ended 31 December 2021**

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### **1. General information**

The Company is a private company limited by shares that was incorporated in England and Wales and whose registered office is 40 Gracechurch Street, London, EC3V 0BT. The Group participates in insurance business as an underwriting member of various syndicates at Lloyd's.

### **2. Statement of compliance**

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance.

### **3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### **Basis of preparation**

The Financial Statements have been prepared on a going concern basis, under the historical cost basis of accounting, as modified by the revaluation of certain financial instruments measured at fair value through profit or loss.

The preparation of Financial Statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006, not to present the Company Profit and Loss Account as part of these Financial Statements. The individual profit or loss of the Company for the year is shown on the face of the Company Balance Sheet and in the Company Statement of Changes in Shareholders' Equity on pages 13 and 15.

#### **FRS 102: Reduced disclosure exemptions for the Company**

The Company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as far as the Company standalone disclosures are concerned, as permitted by FRS 102:

- i. The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d) as far as the Company Statement of Cash Flows is concerned, as the Consolidated Statement of Cash Flows includes the Company's cash flows;
- ii. The requirements of Section 33 Related Party Disclosures, paragraph 33.7 for disclosing key management personnel compensation in total, for the Company;
- iii. The requirements of Section 33 Related Party Disclosures, paragraph 33.1A, for disclosing related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

#### **Going concern**

The Group participates as an underwriting member of Lloyd's. Its underwriting is supported by Funds at Lloyd's, either made available by the Company directly or by its members. The Directors are of the opinion that the Group and the Company have adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in the preparation of these Financial Statements.

#### **Basis of consolidation, goodwill and investments in subsidiaries**

The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiary undertakings made up to 31 December 2021.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding or partnership participation of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

# **SDIC Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2021**

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### **3. Summary of significant accounting policies (continued)**

#### **Basis of consolidation, goodwill and investments in subsidiaries (continued)**

In the Parent Company's Financial Statements, investments in subsidiaries are stated at cost and are reviewed for impairment annually or when events or changes in circumstances indicate the carrying value to be impaired.

The difference between the nominal value of the shares issued, plus the fair value of any other consideration given, and the nominal value, including any attributable share premium, of the shares and assets received in exchange is included as a merger reserve in the consolidated balance sheet.

Uniform Accounting Policies are used for all Group companies. Profits or losses on intra-Group transactions are eliminated on consolidation.

#### **Basis of accounting**

The Financial Statements have been 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 or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the syndicates on which the Group participates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the Balance Sheet as "Syndicate participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the syndicates' insurance creditors.

The information included in these Financial Statements in respect of the syndicates has been supplied by managing agents based upon the various accounting policies they have adopted. The following describes the policies they have adopted:

#### **General business**

##### **i. Premiums**

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Group participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

##### **ii. Unearned premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the Balance Sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

##### **iii. Deferred acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

# **SDIC Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2021**

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### **3. Summary of significant accounting policies (continued)**

#### **iv. Reinsurance premiums**

Managing agents enter into reinsurance contracts on behalf of syndicates, in the normal course of business, in order to limit the potential losses arising from certain exposures. Reinsurance premium costs are allocated by the managing agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

#### **v. Claims incurred and reinsurers' share**

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicate's managing agent as regards 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 including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time as the exposure period recedes. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. 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 the amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

#### **vi. Unexpired risks provision**

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the Balance Sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

#### **vii. Closed years of account**

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

# **SDIC Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2021**

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### **3. Summary of significant accounting policies (continued)**

#### **vii. Closed years of account (continued)**

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The Group has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

#### **viii. Run-off years of account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result, any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

#### **ix. Net operating expenses (including acquisition costs)**

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Group participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

#### **x. Distribution of profits and collection of losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

#### **xi. Financial assets and financial liabilities**

##### **Classification:**

The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the Profit and Loss Account and Other Comprehensive Income. These classifications are made at initial recognition and subsequent classification is only permitted in restricted circumstances.

The syndicates' investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

##### **Recognition:**

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. In respect of the purchases and sales of financial assets, they are recognised on the trade date.

##### **Initial measurement:**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate if interest for a similar debt instrument.

##### **Subsequent measurement:**

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

# **SDIC Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2021**

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### **3. Summary of significant accounting policies (continued)**

#### **xi. Financial assets and financial liabilities (continued)**

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through profit or loss.

De-recognition of financial assets and liabilities:

Financial assets are derecognised when and only when a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement:

The best evidence of fair value is a quoted price for an identical asset or liability in an active market that the entity can access at the measurement date.

When quoted prices are unavailable, observable inputs developed using market data for the asset or liability, either directly or indirectly, are used to determine the fair value.

If the market for the asset is not active and there are no observable inputs, then the syndicate estimates the fair value by using unobservable inputs, i.e. where market data is unavailable.

Impairment of financial instruments measured at amortised cost or cost:

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Offsetting:

Debtors/creditors arising from insurance/reinsurance operations shown in the Balance Sheet include the totals of all the syndicates' outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

#### **xii. Investment return**

Investment return comprises all investment income, realised investment gains and losses, movements in unrealised gains and losses, net of investment expenses and charges.

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the fair value at that date.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

#### **xii. Basis of currency translation**

The presentation and functional currency of the Group is Pound Sterling, which is the currency of the primary economic environment in which it operates. Supported syndicates may have different functional currencies.

# **SDIC Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2021**

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### **3. Summary of significant accounting policies (continued)**

#### **xii. Basis of currency translation (continued)**

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Pound Sterling at the rates of exchange at the Balance Sheet date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction.

Differences arising on translation to the functional currency of the syndicates where the functional currency was not Pound Sterling are reported in the Statement of Other Comprehensive Income. All other exchange differences are reported within the Profit and Loss Account, Non-Technical Account (or the Technical Account in respect of Life syndicates).

#### **Reinsurance at corporate level**

Where considered applicable by the Directors, the Group may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 3 (iv) and (v) above.

#### **Taxation**

The Group is taxed on its results including its share of underwriting results declared by the syndicates. These are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these Financial Statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these Financial Statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the Financial Statements of subsequent periods.

#### **Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

#### **Intangible assets**

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on syndicates' underwriting years are included within intangible assets and amortised over a five year period beginning in the year following the purchase of the syndicate participation.

The intangible assets are reviewed for impairment where there are indicators for impairment, and any impairment is charged to the Profit and Loss Account for the period.

#### **Cash and cash equivalents and Statement of Cash Flows**

Cash and cash equivalents include deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and cash in hand.

The Group has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Consolidated Statement of Cash Flows is prepared reflecting only the movement in corporate funds, which includes transfers to and from syndicates at Lloyd's.

# **SDIC Limited**

## **Notes to the Financial Statements (continued) for the year ended 31 December 2021**

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### **3. Summary of significant accounting policies (continued)**

#### **Share capital**

Ordinary share capital is classified as equity. The difference between fair value of the consideration received and the nominal value of the share capital being issued, is taken to the share premium account. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of taxes, from the proceeds.

#### **Dividend distributions to shareholders**

Dividend distributions to the Company's shareholders are recognised in the Financial Statements in the period in which the dividends are approved by the shareholders. These amounts are recognised in the Statement of Changes in Shareholders' Equity.

### **4. Key accounting judgements and estimation uncertainties**

In applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These 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 measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 5.

The management and control of each syndicate is carried out by the managing agent of that syndicate, and the Group looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the Group only, and do not include estimates and judgements made in respect of the syndicates.

#### **Purchased syndicate capacity:**

Estimating value in use:

Where an indication of impairment of capacity values 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 an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is five years. This is on the basis that this is the life over which the original value of the capacity acquired is used up.

#### **Assessing indicators of impairment:**

In assessing whether there have been any indicators of impairment assets, the Directors consider 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.

#### **Recoverability of receivables:**

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

### **5. Risk management**

This section summarises the financial and insurance risks the Group is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.



# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 5. Risk management (continued)

#### Risk background

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The Group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Group considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Group relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Group also mitigates its insurance risks by participating across several syndicates as detailed in Note 25.

The analysis below provides details of the financial risks the Group is exposed to from syndicate insurance activities and at a corporate company level, as required by FRS 103. Note 8 provides further analysis of sensitivities to reserving and underwriting risks.

#### Syndicate risks

##### i. Liquidity risk

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligation when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

Although there are usually no stated maturities for claims outstanding, syndicates have provided their expected maturity of future claims settlements as follows:

2021	No stated maturity £	0-1 year £	1-3 years £	3-5 years £	> 5 years £	Total £
Claims outstanding	-	2,489,350	2,558,015	1,142,613	1,200,471	7,390,449
2020	No stated maturity £	0-1 year £	1-3 years £	3-6 years £	> 5 years £	Total £
Claims outstanding	(396)	2,342,357	2,254,398	1,299,479	1,105,979	7,001,817

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 5. Risk management (continued)

#### Syndicate risks (continued)

##### ii. Credit risk

Credit ratings to syndicate assets emerging directly from insurance activities which are neither past due nor impaired, are as follows:

2021	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Financial investments	1,067,794	1,451,377	1,487,381	775,609	310,321	5,092,482
Deposits with ceding undertakings	(1)	-	30,176	-	1,453	31,628
Reinsurers share of claims outstanding	64,906	684,641	1,202,852	40,327	103,536	2,096,262
Reinsurance debtors	2,734	42,187	87,218	12,054	13,723	157,916
Cash at bank and in hand	23,555	6,456	173,615	1,418	1,283	206,327
	1,158,988	2,184,661	2,981,242	829,408	430,316	7,584,615

2020	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
Financial investments	496,924	1,604,595	1,559,152	621,334	329,983	4,611,988
Deposits with ceding undertakings	-	-	-	-	278	278
Reinsurers share of claims outstanding	115,019	516,437	1,171,765	50,212	142,031	1,995,464
Reinsurance debtors	1,097	40,537	104,934	16,135	20,962	183,665
Cash at bank and in hand	-	7,227	161,416	2,252	281	171,176
	613,040	2,168,796	2,997,267	689,933	493,535	6,962,571

Syndicate assets emerging directly from insurance activities, with reference to their due date or impaired are as follows:

2021	Neither past due nor impaired £	Past due but not impaired			Impaired £	Total £
		Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £		
Financial investments	5,092,482	-	-	-	-	5,092,482
Deposits with ceding undertakings	31,628	-	-	-	-	31,628
Reinsurers share of claims outstanding	2,096,262	-	-	-	-	2,096,262
Reinsurance debtors	157,916	146,253	3,040	12,304	-	319,513
Cash at bank and in hand	206,327	-	-	-	-	206,327
Insurance and other debtors	2,602,528	108,299	26,682	22,399	-	2,759,908
	10,187,143	254,552	29,722	34,703	-	10,506,120

2020	Neither past due nor impaired £	Past due but not impaired			Impaired £	Total £
		Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £		
Financial investments	4,611,988	-	-	-	-	4,611,988
Deposits with ceding undertakings	278	-	-	-	-	278
Reinsurers share of claims outstanding	1,995,464	-	-	-	-	1,995,464
Reinsurance debtors	183,665	77,494	9,270	488	(31)	270,886
Cash at bank and in hand	171,176	-	-	-	-	171,176
Insurance and other debtors	2,424,898	92,760	26,063	14,495	-	2,558,216
	9,387,469	170,254	35,333	14,983	(31)	9,608,008

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 5. Risk management (continued)

#### Syndicate risks (continued)

##### iii. Interest rate and equity price risk

Interest rate risk and equity price risk are the risks that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices, respectively.

##### iv. Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The table below provides details of syndicate assets and liabilities by currency:

2021	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	1,407,169	7,729,431	410,646	1,007,550	310,131	10,864,927
Total liabilities	(1,646,379)	(7,723,736)	(527,017)	(732,396)	(163,429)	(10,792,957)
Surplus/(deficiency) of assets	(239,210)	5,695	(116,371)	275,154	146,702	71,970
2020	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ Converted
Total assets	1,267,573	7,035,458	445,271	886,225	353,136	9,987,663
Total liabilities	(1,719,764)	(7,133,550)	(507,747)	(648,570)	(157,483)	(10,167,114)
Surplus/(deficiency) of assets	(452,191)	(98,092)	(62,476)	237,655	195,653	(179,451)

The impact of a 5% change in exchange rates between GBP and other currencies would be £15,559 on shareholders' funds (2020: £13,637).

#### Group risks

##### i. Investment, Credit and Liquidity risks

The significant risks faced by the Group are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, interest rate risk and currency risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Group to meet the claim. In order to minimise investment, credit and liquidity risk the Group's funds are invested in readily realisable short term deposits. The Group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

##### ii. Currency risks

The syndicates can distribute their results in Pound Sterling, US dollars or a combination of the two. The Group is exposed to movements in the US dollar between the Balance Sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account.

In addition, the Group is also subject to currency fluctuations in respect of any financial investments and Funds at Lloyd's shown in the Corporate column of the Consolidated Balance Sheet and as set out in Notes 14 and 16 respectively.

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 5. Risk management (continued)

#### Group risks (continued)

#### iii. Regulatory risks

The Group is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Group is able to support.

#### iv. Operational risks

As there are relatively few transactions actually undertaken by the Group there are only limited systems and operational requirements of the Group and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Group's key decision making and the fact that the majority of the Group's operations are conducted by syndicates, provides control over any remaining operational risks.

### 6. Class of business

2021	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
<b>Direct insurance</b>						
Accident and health	111,610	114,284	(39,160)	(49,035)	(6,353)	19,736
Motor – third party liability	4,525	3,411	(847)	(1,519)	(32)	1,013
Motor – other classes	92,661	89,106	(39,545)	(36,185)	(3,567)	9,809
Marine, aviation and transport	387,638	360,105	(166,382)	(141,362)	(18,747)	33,614
Fire and other damage to property	1,329,021	1,300,288	(710,717)	(387,391)	(148,305)	53,875
Third party liability	1,356,318	1,291,956	(846,472)	(376,102)	(15,806)	53,576
Credit and suretyship	104,733	104,128	(70,772)	(35,006)	(13,160)	(14,810)
Legal expenses	1,527	1,577	(709)	(723)	(3)	142
Assistance	-	-	-	-	-	-
Miscellaneous	234	137	(96)	(569)	-	(528)
<b>Total direct</b>	<b>3,388,267</b>	<b>3,264,992</b>	<b>(1,874,700)</b>	<b>(1,027,892)</b>	<b>(205,973)</b>	<b>156,427</b>
Reinsurance	1,170,665	1,130,841	(650,708)	(218,546)	(143,563)	118,024
<b>Total</b>	<b>4,558,932</b>	<b>4,395,833</b>	<b>(2,525,408)</b>	<b>(1,246,438)</b>	<b>(349,536)</b>	<b>274,451</b>

2020	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
<b>Direct insurance</b>						
Accident and health	140,391	145,325	(126,232)	(53,520)	(619)	(35,046)
Motor – third party liability	10,870	9,835	(8,502)	(3,137)	488	(1,316)
Motor – other classes	91,641	92,307	(62,516)	(31,641)	(1,806)	(3,656)
Marine, aviation and transport	467,673	443,727	(247,028)	(143,777)	(27,827)	25,095
Fire and other damage to property	1,259,758	1,215,010	(709,061)	(376,267)	(132,216)	(2,534)
Third party liability	1,215,114	1,141,720	(749,556)	(339,159)	(23,018)	29,987
Credit and suretyship	135,524	141,841	(421,568)	(41,771)	131,500	(189,998)
Legal expenses	6,333	5,727	(2,746)	(1,912)	(944)	125
Assistance	-	-	-	-	-	-
Miscellaneous	1	1	(21)	-	7	(13)
<b>Total direct</b>	<b>3,327,305</b>	<b>3,195,493</b>	<b>(2,327,230)</b>	<b>(991,184)</b>	<b>(54,435)</b>	<b>(177,356)</b>
Reinsurance	1,047,931	1,045,343	(578,449)	(236,061)	(231,662)	(829)
<b>Total</b>	<b>4,375,236</b>	<b>4,240,836</b>	<b>(2,905,679)</b>	<b>(1,227,245)</b>	<b>(286,097)</b>	<b>(178,185)</b>

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

7. Geographical analysis	2021 £	2020 £
Gross premium written in:		
United Kingdom	3,374,224	3,327,305
Other EU Member States	-	-
Rest of the World	14,043	-
Total direct gross premium written	3,388,267	3,327,305

## 8. Technical provisions

Movement in claims outstanding	Gross £	Reinsurance £	2021 Net £	Gross £	Reinsurance £	2020 Net £
At 1 January	7,001,817	1,995,464	5,006,353	7,902,897	2,277,647	5,625,250
Acquired on acquisition	-	-	-	-	-	-
Movement of reserves	315,788	78,836	236,952	578,737	135,553	443,184
Other movements	72,844	21,962	50,882	(1,479,817)	(417,736)	(1,062,081)
At 31 December	7,390,449	2,096,262	5,294,187	7,001,817	1,995,464	5,006,353

Movement in unearned premiums	Gross £	Reinsurance £	2021 Net £	Gross £	Reinsurance £	2020 Net £
At 1 January	1,913,329	385,524	1,527,805	1,839,608	360,393	1,479,215
Acquired on acquisition	-	-	-	-	-	-
Movement of reserves	163,099	4,788	158,311	134,400	38,202	96,198
Other movements	22,458	5,914	16,544	(60,679)	(13,071)	(47,608)
At 31 December	2,098,886	396,226	1,702,660	1,913,329	385,524	1,527,805

Movement in deferred acquisition costs	2021 Net £	2020 Net £
At 1 January	474,899	478,888
Acquired on acquisition	-	-
Movement in deferred acquisition costs (Note 9)	26,500	11,573
Other movements	(10,075)	(15,562)
At 31 December	491,324	474,899

Included within other movements are foreign exchange movements and the effect of the 2018 and prior years' technical provisions being reinsured to close into the 2019 year of account (2020: 2017 and prior years' technical provisions being reinsured to close into the 2018 year of account), to the extent where the Group's syndicate participation portfolio has changed between those two years of account.

### Assumptions, changes in assumptions and sensitivity

As described in Note 5 the majority of the risks to the Group's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Group's role in managing these risks, in conjunction with the Group's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Group arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 8. Technical provisions (continued)

The key assumptions underlying the amounts carried by the Group arising from insurance contracts are:

- the net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the Balance Sheet date;
- the net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the Balance Sheet date, including appropriate allowance for anticipated losses in excess of the unearned premium;
- the claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the Balance Sheet date;
- the potential ultimate result of run-off year results has been accurately estimated by the managing agents; and
- the values of investments and other assets and liabilities are correctly stated at their realisable values at the Balance Sheet date.

There have been no changes to these assumptions in 2021.

The amounts carried by the Group arising from insurance contracts are sensitive to various factors as follows:

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Group's pre-tax profit/loss by £160,290 (2020: £156,533);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Group's pre-tax profit/loss by £369,522 (2020: £350,091);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profit/loss by £264,709 (2020: £250,318).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

The tables below show the historical gross and net claims development based on the Group's syndicate participations on all syndicate years during the year ended 31 December 2021. The table does not include the claims development on any syndicates which the Group no longer participates upon and is based on the latest participation shares during the year ended 31 December 2021.

### Claims development - Gross

Underwriting pure year	After one year £000	After two years £000	After three years £000	After four years £000	After five years £000	After six years £000	After seven years £000	After eight years £000	After nine years £000	After ten years £000	Profit / (loss) on RITC received £000
2012	1,263	1,839	1,799	1,726	1,697	1,665	1,638	1,623	1,608	1,593	259
2013	965	1,632	1,594	1,532	1,481	1,452	1,430	1,412	1,409		228
2014	911	1,537	1,557	1,498	1,530	1,501	1,491	1,490			253
2015	868	1,607	1,620	1,582	1,570	1,563	1,558				202
2016	990	1,977	2,017	1,983	1,966	1,951					181
2017	1,823	2,868	3,026	2,979	2,969						105
2018	1,387	2,486	2,653	2,564							171
2019	1,316	2,629	2,592								
2020	1,476	2,723									
2021	1,554										

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 8. Technical provisions (continued)

#### Claims development - Net

Underwriting pure year	After one year £000	After two years £000	After three years £000	After four years £000	After five years £000	After six years £000	After seven years £000	After eight years £000	After nine years £000	After ten years £000	Profit / (loss) on RITC received £000
2012	1,017	1,543	1,514	1,446	1,424	1,400	1,378	1,360	1,352	1,339	233
2013	811	1,416	1,373	1,325	1,281	1,253	1,234	1,218	1,216		216
2014	761	1,336	1,351	1,287	1,280	1,260	1,251	1,245			230
2015	728	1,367	1,386	1,355	1,330	1,312	1,308				197
2016	775	1,569	1,587	1,555	1,527	1,519					205
2017	1,134	1,883	1,987	1,957	1,923						108
2018	976	1,777	1,906	1,864							153
2019	878	1,892	1,882								
2020	1,021	1,917									
2021	1,013										

### 9. Net operating expenses

	2021 £	2020 £
Acquisition costs	928,013	902,851
Change in deferred acquisition costs (Note 8)	(26,560)	(11,573)
Administrative expenses	344,985	335,967
Loss/(profit) on exchange	-	-
	<u>1,246,438</u>	<u>1,227,245</u>

### 10. Investment return

	2021 £	2020 £
Investment income	90,118	97,982
Dividend income	17,779	8,557
Interest on cash at bank	1,108	6,858
Other interest and similar income	893	(896)
Realised gains on investments	29,419	113,547
<b>Investment income</b>	<u>139,317</u>	<u>225,958</u>
Investment management expenses	(31,245)	(37,432)
Realised losses on investments	(28,852)	(104,940)
<b>Investment expenses and charges</b>	<u>(60,097)</u>	<u>(142,372)</u>
Unrealised gains and losses, net	211,230	89,985
<b>Total investment return</b>	<u>290,450</u>	<u>173,571</u>

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 10. Investment Return (continued)

Analysed as follows:

	Investments at fair value through profit or loss £	Investments available for sale £	2021 Total £	Investments at fair value through profit or loss £	Investments available for sale £	2020 Total £
Realised gains and losses	567		567	15,341	(6,734)	8,607
Unrealised gains and losses	155,548	55,682	211,230	82,715	7,270	89,985
Other relevant income	-	-	-	-	-	-
	<u>156,115</u>	<u>55,682</u>	<u>211,797</u>	<u>98,056</u>	<u>536</u>	<u>98,592</u>
Interest and similar income, net of expenses			78,653			74,979
<b>Total investment return</b>			<u>290,450</u>			<u>173,571</u>

### 11. Profit/(loss) before taxation

2021  
£

2020  
£

This is stated after charging/(crediting):

Key management personnel remuneration	-	-
Auditor's remuneration – Company audit	5,280	5,280
Auditor's remuneration – Other group entity audit	891	891
Amortisation of syndicate capacity	-	-
Amortisation of goodwill/(release of negative goodwill)	-	-
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-
The Company has no employees.		

### 12. Taxation

2021  
£

2020  
£

#### Analysis of charge in year

Current tax:

UK corporation tax on profit/(loss) of the year	56,311	(45,308)
Adjustment in respect of previous years	(1,677)	(9,443)
Foreign tax	1,274	2,402
<b>Total current tax</b>	<u>55,908</u>	<u>(52,349)</u>

Deferred tax:

Origination and reversal of timing differences	50,350	57,277
Change in tax rate	(16,685)	(17,525)
<b>Total deferred tax</b>	<u>33,665</u>	<u>39,752</u>

Tax charge/ (credit) on profit/(loss)

89,573

(12,597)



# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 12. Taxation (continued)

#### Factors affecting tax charge for year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) before tax	820,434	(27,627)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	155,882	(5,249)
Effects of:		
Adjustment in respect of previous years	(1,677)	(9,443)
Group relief	5,618	(41,546)
Income not taxable	(3,167)	(1,444)
Permanent differences	(52,711)	(82,450)
Foreign tax	1,274	2,402
Rate change adjustments	(15,646)	125,133
Tax charge/(credit) for the year	89,573	(12,597)

The results of the Group's participation on the 2019, 2020 and 2021 years of account and the calendar year movement on 2017 and prior run-offs will not be assessed to tax until the year ended 31 December 2021, 2022 and 2023 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 UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. This was legislated on 10 June 2021. If a deferred tax balance, this has been calculated with reference to the substantively enacted rates as required under FRS 102.

### 13. Intangible assets

	2021			2020		
	Goodwill £	Syndicate Capacity £	Total £	Goodwill £	Syndicate Capacity £	Total £
<b>Cost</b>						
At 1 January	-	74,324	74,324	-	75,926	75,926
Additions	-	-	-	-	4	4
Disposals	-	(1,428)	(1,428)	-	(1,610)	(1,610)
Acquired with acquisition	-	-	-	-	-	-
At 31 December	-	72,896	72,896	-	74,320	74,320
<b>Amortisation</b>						
At 1 January	-	74,320	74,320	-	75,926	75,926
Provided during the year	-	-	-	-	-	-
Disposals	-	(1,428)	(1,428)	-	(1,606)	(1,606)
Acquired with acquisition	-	-	-	-	-	-
At 31 December	-	72,892	72,892	-	74,320	74,320
<b>Net book value</b>						
At 31 December 2020 / 2019	-	4	4	-	-	-
At 31 December 2019 / 2018	-	4	4	-	-	-

**Notes to the Financial Statements (continued)**  
**for the year ended 31 December 2021**

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset.

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# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 14. Financial investments (continued)

Financial investments Group Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
	£	£	£	£	£	£
<b>2021</b>						
Shares and other variable yield securities and units in unit trusts	18,877	-	-	18,877	-	18,877
Debt securities and other fixed income securities	1,169,628	-	-	1,169,628	-	1,169,628
<b>Fair value</b>	<b>1,188,505</b>	<b>-</b>	<b>-</b>	<b>1,188,505</b>	<b>-</b>	<b>1,188,505</b>
						<b>Total</b>
						<b>£</b>
<b>Cost</b>				<b>17,253</b>	<b>-</b>	<b>17,253</b>

Financial investments Group Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
	£	£	£	£	£	£
<b>2020</b>						
Shares and other variable yield securities and units in unit trusts	15,350	-	-	15,350	-	15,350
Debt securities and other fixed income securities	790,847	-	-	790,847	-	790,847
<b>Fair value</b>	<b>806,197</b>	<b>-</b>	<b>-</b>	<b>806,197</b>	<b>-</b>	<b>806,197</b>
						<b>Total</b>
						<b>£</b>
<b>Cost</b>				<b>17,253</b>	<b>-</b>	<b>17,253</b>

Included within the Group Corporate figures above are financial investments denominated in non-Sterling currency. The impact of a 5% change in exchange rates between GBP and other currencies would be £nil on shareholders' funds (2020: £nil).

### 15. Investments in subsidiary undertakings - Company and Group

The Company's fixed asset investments represents unlisted investments in subsidiary undertakings stated at cost adjusted for any impairment. The subsidiary undertakings, all of which are included in the consolidation, are as follows:

Entity	Nature of business	Ownership share		2020	2021
				Cost	Cost
				£	£
SD Underwriting Limited	Intermediate holding company	100%	Direct	3,700,000	3,700,000
Nameco (No. 207) Limited	Lloyd's corporate member	100%	Indirect	-	-
Nameco (No. 210) Limited	Lloyd's corporate member	100%	Indirect	-	-
				<b>3,700,000</b>	<b>3,700,000</b>

On the 27<sup>th</sup> May 2021 J F C Palmer Limited, Nameco (No. 203) Limited, Nameco (No. 204) Limited and Nameco (No. 230) Limited were sold at £nil gain/loss.

All Group undertakings are registered in England and Wales.

The registered office of all subsidiary undertakings is 5<sup>th</sup> Floor, 40 Gracechurch Street, London, EC3V 0BT.

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 16. Other debtors

	2021			2020		
	Syndicate participation	Corporate	Total	Syndicate participation	Corporate	Total
	£	£	£	£	£	£
<b>Group</b>						
Amounts due from shareholders	-	-	-	-	-	-
Funds at Lloyd's	-	2,803,788	2,803,788	-	2,583,293	2,583,293
Deferred tax asset (Note 19)	-	18,342	18,342	-	52,838	52,838
Receivables from other related parties	-	-	-	-	-	-
Other	73,875	10,334	84,209	108,466	45,430	153,896
	<u>73,875</u>	<u>2,832,464</u>	<u>2,906,339</u>	<u>108,466</u>	<u>2,681,561</u>	<u>2,790,027</u>

Funds at Lloyd's ("FAL") represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the Group's underwriting activities as described in the Accounting Policies. The Group retains the rights to the economic benefit of these assets. The Group 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 Group's liabilities in respect of its underwriting.

Where FAL is comprised of financial investments, to meet Lloyd's requirements these investments will usually be the equivalent of Level 1 as defined in Note 14. FAL are held mainly either in Sterling or US dollar denominations and therefore are potentially exposed to the currency risk of fluctuation between the Sterling and US dollar exchange rate. The maximum exposure to a 5% movement in the Sterling and USD exchange rate will be £140,189 (2020: £129,165).

	2021 Total £	2020 Total £
<b>Company</b>		
Deferred tax asset (Note 19)	-	-
Receivables from other related parties	-	-
Other debtors	-	-
	<u>-</u>	<u>-</u>

### 17. Share capital

Allotted, called-up and fully paid	2021		2020	
	Issued	Value £	Issued	Value £
Ordinary £1 shares	181	181	181	181

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 17. Share capital (continued)

On 23 January 2018 the Company was incorporated with the issue of 1 ordinary share of a nominal value of £1.

On the 24 August 2018 the Company issued 10 ordinary £1 shares, issued at a premium, for a total consideration of £370,000 in exchange for 10 shares in SD Underwriting Limited.

On 1 September 2018 the Company issued 170 ordinary £1 shares, issued at a premium, for a total consideration of £5,150,000.

The total share premium arising on the above share issues amounted to £5,519,820.

The Group share capital of 100 ordinary £1 shares in 2017 represents the share capital of SD Underwriting Limited which was the ultimate parent undertaking at the time.

### 18. Profit and loss account

	2021			2020		
	Syndicate participation	Corporate	Total	Syndicate participation	Corporate	Total
	£	£	£	£	£	£
<b>Group</b>						
Retained profit/(loss) brought forward	(179,451)	2,135,564	1,956,113	(500,557)	2,465,754	1,965,197
Acquired on acquisition of subsidiary	-	-	-	-	-	-
Reallocate distribution	(107,546)	107,546	-	267,144	(267,144)	-
Profit/(loss) and other comprehensive income for the financial year	358,967	374,383	733,350	53,962	(63,046)	(9,084)
Dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	71,970	2,617,493	2,689,463	(179,451)	2,135,564	1,956,113

The result for each underwriting year of account is generated over a three year period. These Financial Statements, which cover the period from 1 January 2021 to 31 December 2021, show movements in the first twelve months of the 2021 year of account, the second twelve months of the 2020 year of account and the final twelve months of the 2019 year of account.

Future cash flows will arise when profits/(losses) are distributed/(collected) by Lloyd's after each year of account has closed. Subject to certain conditions, Lloyd's can allow the partial early release of some profits or in the event of an expect loss require advance funding prior to the year of account closing.

The cumulative profit and loss account on all open underwriting years of account is shown in the Balance Sheet under 'Syndicate participation' as detailed in the table below:

	2021	2020
	£	£
Underwriting year of account (cumulative):		
2016 after 36 months	-	-
2017 after 36 months / 24 months	143,602	107,953
2018 after 24 months / 12 months	9,031	(91,698)
2019 after 12 months	(80,663)	(195,706)
	71,970	(179,451)

### 19. Deferred taxation assets/(liabilities)

	2021	2020
	£	£
<b>Group</b>		
Opening balance - net	52,838	93,983
Acquired on acquisition	-	-
Profit and loss account (charge)/credit	(33,664)	(39,751)
Other comprehensive income (charge)/credit	(830)	(1,394)
Closing balance - net	18,342	52,838

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 19. Deferred taxation assets/(liabilities) (continued)

The above net deferred tax position as at the year end is analysed as follows:

	2021	2020
	£	£
Deferred tax asset (Note 16)	18,342	52,838
Deferred tax liability	-	-
Net deferred tax balance	18,342	52,838

	2021	2020
	£	£
Opening balance - net	-	-
Profit and loss account (charge)/credit	-	-
Closing balance - net	-	-

The above net deferred tax position as at the year end is analysed as follows:

	2021	2020
	£	£
Deferred tax asset (Note 16)	-	-
Deferred tax liability	-	-
Net deferred tax balance	-	-

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within Other debtors (Note 16).

### 20. Other creditors including taxation and social security

	2021			2020		
	Syndicate participation	Corporate	Total	Syndicate participation	Corporate	Total
	£	£	£	£	£	£
Group						
Corporation tax	-	9,563	9,563	-	-	-
Amounts due to shareholders	-	217,057	217,057	-	26,035	26,035
Bank loan	-	-	-	-	-	-
Other creditors	302,490	11,521	314,011	234,156	7,553	241,709
	302,490	238,141	540,631	234,156	33,588	267,744

	2021	2020
	Total	Total
	£	£
Company		
Falling due within one year		
Corporation tax	-	-
Accruals	6,790	5,280
	6,790	5,280

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 20. Other creditors including taxation and social security (continued)

Falling due after one year

Bank loan

Other creditors

-	-
-	-
-	-

### 21. Financial liabilities

The Group categorises its fair value measurement using the following three fair value hierarchy levels based on the reliability of inputs used in determining fair values as follows:

Level 1: The unadjusted quoted price in an active market for identical liabilities that an entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable (i.e. developed using market data) for the liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the liability.

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2021	£	£	£	£	£	£
Borrowings	-	-	-	-	-	-
Derivative liabilities	2,954	-	-	2,954	-	2,954
Financial liabilities classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>2,954</b>	<b>-</b>	<b>-</b>	<b>2,954</b>	<b>-</b>	<b>2,954</b>

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2020	£	£	£	£	£	£
Borrowings	-	-	-	-	10,179	10,179
Derivative liabilities	3,295	-	-	3,295	-	3,295
Financial liabilities classified as held for sale	-	-	-	-	-	-
<b>Fair value</b>	<b>3,295</b>	<b>-</b>	<b>-</b>	<b>3,295</b>	<b>10,179</b>	<b>13,474</b>

All other financial liabilities of the syndicate participation, including creditors arising out of direct insurance operations, creditors arising out of reinsurance operations and other creditors, are measured at amortised cost.

#### Financial liabilities – Group and Company Corporate

All corporate financial liabilities are measured at amortised cost.

### 22. Dividends

	2021 £	2020 £
Equity dividends declared and paid	-	-

# SDIC Limited

## Notes to the Financial Statements (continued) for the year ended 31 December 2021

### 23. Related party transactions

Nomina plc, a Director of the Company, provides administration services to the Group. Nomina plc charged fees totalling £10,180 (2020: £18,000) for providing these services.

As at 31 December 2021, the net amount due to the shareholder amounted to £217,057 (2019: £76,580), and is repayable on demand provided the Group has adequate funds. (Note 16 and 20)

### 24. Ultimate controlling party

The Company is controlled by Mary Elisabeth Dickinson.

### 25. Syndicate participation

The principal syndicates or members' agent pooling arrangements ("MAPA") in which the Company participates as an underwriting member are as follows:

Syndicate or MAPA number	Managing agent	2022 Allocated Capacity £	2021 Allocated capacity £	2020 Allocated capacity £	2019 Allocated capacity £
33	Hiscox Syndicates Limited	848,208	848,208	848,208	698,524
386	QBE Underwriting Limited	195,226	177,477	168,950	168,950
510	Tokio Marine Kiln Syndicates Limited	753,750	753,750	655,794	570,256
609	Atrium Underwriters Limited	722,703	695,227	584,704	502,464
623	Beazley Furlonge Limited	1,019,239	1,018,798	953,519	894,199
727	S A Meacock & Company Limited	172,631	167,603	167,603	162,721
1176	Chaucer Syndicates Limited	75,000	75,000	75,000	117,583
2010	Cathedral Underwriting Limited	212,379	200,034	188,533	188,533
2525	Asta Managing Agency Limited	33,450	31,133	28,807	25,161
2791	Managing Agency Partners Limited	631,885	631,885	631,885	631,885