

SD Underwriting Limited

Directors' Report and Financial Statements 31 December 2014

Registered number 06495582



SD Underwriting Limited

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SD Underwriting Limited

Company Information

Directors	S Dickinson M Dickinson Nomina Plc
Company Secretary	Hampden Legal Plc
Registered Office	Hampden House Great Hampden Great Missenden Buckinghamshire HP16 9RD
Auditors	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD

SD Underwriting Limited

Report of the Directors

The Directors submit their Report together with the Financial Statements of the Company for the year ended 31 December 2014

Principal activities

The principal activity of the Company is that of a holding company for a number of Lloyd's corporate capital members

Results and dividends

The results for the year are set out on pages 6 to 7 of the Financial Statements. No interim dividend was paid in the year (2013 £nil). The Directors do not recommend the payment of a final dividend.

Directors

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

S Dickinson
M Dickinson
Nomina Plc

Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and any other irregularities.

Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

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 auditors are 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 auditors are aware of that information.

Approved by the Board on 25 September 2015
and signed on its behalf by


Hampden Legal Plc
Secretary

SD Underwriting Limited

Strategic Report

Business review and future developments

The Financial Statements incorporate the annual accounting results of the syndicates on which the Group participates for the 2012, 2013 and 2014 years of account, as well as any 2011 and prior run-off years

Key performance indicators

The directors monitor the performance of the Group by reference to the key performance indicators of the underlying Lloyd's corporate members

Other performance indicators

As a result of the nature of this Company as the holding company of Lloyd's corporate members the majority of its activities are carried out by the syndicates in which its subsidiaries participate. The Group is not involved directly in the management of the syndicate's activities, including employment of syndicate staff, as these are the responsibility of the relevant managing agent. Each managing agent will also have responsibility for the environmental activities of each syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters

Risk management

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 below, these risks are mostly managed by the managing agent of the syndicate. This Group's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates

Syndicate risks

Each 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

Investment and Currency risks

The other 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, liquidity risk, currency risk and interest rate 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 cash deposits

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

SD Underwriting Limited

Strategic Report (continued)

Operational risks

As there are relatively few transactions actually undertaken by the Group there are only limited systems and staffing 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.

Approved by the Board on 25 September 2015
and signed on its behalf by



Hampden Legal Plc
Secretary

SD Underwriting Limited

Report of the Auditors

Independent Auditor's report to the Members of SD Underwriting Limited

We have audited the Financial Statements of SD Underwriting Limited for the year ended 31 December 2014 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group and parent company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Report of the Directors and the Strategic Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and Strategic Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



Carmine Papa (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

29 September 2015

1 Westferry Circus
Canary Wharf
London
E14 4HD

SD Underwriting Limited

Consolidated Profit and Loss Account Technical Account – General Business For the year ended 31 December 2014

	Note	2014 £	2013 £
Premiums written			
Gross premiums written	1	4,430,337	4,605,313
Outward reinsurance premiums		(778,935)	(891,879)
Net premiums written		<u>3,651,402</u>	<u>3,713,434</u>
Change in the provision for unearned premiums			
Gross amount		(40,188)	6,688
Reinsurers' share		(13,695)	896
Earned premiums, net of reinsurance		<u>3,597,519</u>	<u>3,721,018</u>
Allocated investment return transferred from the non-technical account		104,689	65,391
Claims paid			
Gross amount		(1,954,576)	(2,216,331)
Reinsurers' share		404,458	476,046
Net claims paid		<u>(1,550,118)</u>	<u>(1,740,285)</u>
Change in the provision for claims			
Gross amount		119,588	327,851
Reinsurers' share		(132,278)	(195,630)
Change in net provision for claims		<u>(12,690)</u>	<u>132,221</u>
Claims incurred, net of reinsurance		<u>(1,562,808)</u>	<u>(1,608,064)</u>
Net operating expenses	3	(1,475,354)	(1,539,596)
Balance on the technical account for general business		<u>664,046</u>	<u>638,749</u>

The accounting policies and notes on pages 12 to 24 are an integral part of these Financial Statements

SD Underwriting Limited
Consolidated Profit and Loss Account
Non - Technical Account
For the year ended 31 December 2014

	Note	2014 £	2013 £
Balance on the technical account for general business		664,046	638,749
Investment income	4	160,341	137,615
Unrealised gains on investments		45,351	72,503
Investment expenses and charges	5	(43,608)	(66,445)
Unrealised losses on investments		(44,925)	(65,792)
Allocated investment return transferred to the general business technical account		(104,689)	(65,391)
Other income		(1,487)	-
Other charges		(129,463)	(127,106)
Profit on ordinary activities before taxation	6	545,566	524,133
Tax on profit on ordinary activities	7	(121,274)	(113,676)
Profit for the financial year	15	424,292	410,457

The Group had no recognised gains or losses other than the profit for the year

All amounts relate to continuing operations

The accounting policies and notes on pages 12 to 24 are an integral part of these Financial Statements

SD Underwriting Limited
Consolidated Balance Sheet
As at 31 December 2014

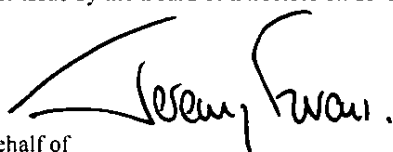
	Note	31 December 2014			31 December 2013		
		Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Assets							
Intangible assets	9	-	65,676	65,676	-	89,164	89,164
Investments							
Financial investments	10	5,602,409	32,555	5,634,964	5,142,282	24,547	5,166,829
Deposits with ceding undertakings		1,087	-	1,087	1,720	-	1,720
		5,603,496	32,555	5,636,051	5,144,002	24,547	5,168,549
Reinsurers' share of technical provisions							
Provision for unearned premiums		255,558	-	255,558	262,154	-	262,154
Claims outstanding		1,261,610	-	1,261,610	1,455,680	-	1,455,680
Other technical provisions		-	-	-	-	-	-
		1,517,168	-	1,517,168	1,717,834	-	1,717,834
Debtors							
Arising out of direct insurance operations		908,247	-	908,247	814,619	-	814,619
Arising out of reinsurance operations		1,609,452	-	1,609,452	1,211,208	-	1,211,208
Other debtors	12	402,191	291,849	694,040	383,559	511,270	894,829
		2,919,890	291,849	3,211,739	2,409,386	511,270	2,920,656
Other assets							
Cash at bank and in hand		285,361	574,154	859,515	297,739	203,997	501,736
Other		336,573	-	336,573	488,911	-	488,911
		621,934	574,154	1,196,088	786,650	203,997	990,647
Prepayments and accrued income							
Accrued interest		10,511	-	10,511	9,131	-	9,131
Deferred acquisitions costs		489,606	-	489,606	477,474	-	477,474
Other prepayments and accrued income		18,910	-	18,910	11,708	-	11,708
		519,027	-	519,027	498,313	-	498,313
Total assets		11,181,515	964,234	12,145,749	10,556,185	828,978	11,385,163

The accounting policies and notes on pages 12 to 24 are an integral part of these Financial Statements

SD Underwriting Limited
Consolidated Balance Sheet
As at 31 December 2014

	Note	31 December 2014			31 December 2013		
		Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	13	-	100	100	-	100	100
Other reserves		-	38,275	38,275	-	38,275	38,275
Profit and loss account	14	1,023,686	214,232	1,237,918	656,636	156,990	813,626
Shareholders' funds – attributable to equity interests	15	1,023,686	252,607	1,276,293	656,636	195,365	852,001
Technical provisions							
Provision for unearned premiums		2,000,152	-	2,000,152	1,909,461	-	1,909,461
Claims outstanding – gross amount		6,743,899	-	6,743,899	6,731,359	-	6,731,359
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	16	-	41,561	41,561	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		919	-	919	1,005	-	1,005
Creditors							
Arising out of direct insurance operations		106,990	-	106,990	82,950	-	82,950
Arising out of reinsurance operations		790,899	-	790,899	663,549	-	663,549
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	17	471,708	530,486	1,002,194	458,623	513,443	972,066
		10,114,567	572,047	10,686,614	9,846,947	513,443	10,360,390
Accruals and deferred income		43,262	139,580	182,842	52,602	120,170	172,772
Total liabilities		11,181,515	964,234	12,145,749	10,556,185	828,978	11,385,163

Approved and authorised for issue by the Board of Directors on 25 September 2015
and signed on its behalf by



Jeremy Evans for and on behalf of
Nomina Plc
Director

Company registration number 06495582

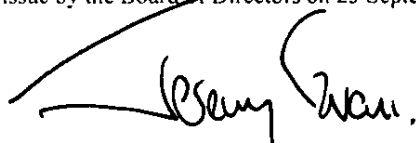
The accounting policies and notes on pages 12 to 24 are an integral part of these Financial Statements

SD Underwriting Limited

Company Balance Sheet As at 31 December 2014

	Note	2014 £	2013 £
Fixed assets			
Investment in Group undertakings	11	<u>156,993</u>	<u>158,193</u>
		156,993	158,193
Current assets			
Other debtors	12	72,777	72,777
Cash at bank		<u>23,965</u>	<u>33,985</u>
		96,742	106,762
Creditors – amounts falling due within one year			
Amounts owed to Group undertakings		(192,262)	(192,262)
Amounts owed to Shareholders		(209,293)	(198,293)
Other creditors and accruals		<u>(5,760)</u>	<u>(5,521)</u>
		(407,315)	(396,076)
Net current liabilities		(310,573)	(289,314)
Total assets less current liabilities		<u>(153,580)</u>	<u>(131,121)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(153,680)	(131,221)
Total shareholders' funds	15	<u>(153,580)</u>	<u>(131,121)</u>

Approved and authorised for issue by the Board of Directors on 25 September 2015
and signed on its behalf by



Jeremy Evans for and on behalf of
Nomina Plc
Director

Company registration number 06495582

The accounting policies and notes on pages 12 to 24 are an integral part of these Financial Statements

SD Underwriting Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2014

	Note	2014 £	2013 £
Operating activities			
Net cash inflow/(outflow) from operating activities	18	379,436	53,637
Returns on investments and servicing of finance			
		547	561
Capital expenditure			
Purchase of syndicate capacity		(12,353)	(7,177)
Proceeds from sale of syndicate capacity		2,981	-
Taxation			
Corporation and overseas taxes paid		(454)	(7,845)
Equity dividends paid			
		-	-
Net cash inflow/(outflow) for the year	18	370,157	39,176
 Cash flows were invested as follows			
Increase/(decrease) in cash holdings	18	370,157	39,176
Purchase of financial investments		16,107	-
Sale of financial investments		(16,107)	-
Net investment of cash flows		370,157	39,176

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

The accounting policies and notes on pages 12 to 24 are an integral part of these Financial Statements.

SD Underwriting Limited

Accounting Policies

For the year ended 31 December 2014

Basis of preparation

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable Accounting Standards

The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's

The Financial Statements have been prepared in accordance with Section 396(3) of the Companies Act 2006, Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006, except that exchange differences arising on syndicate assets and liabilities are dealt with in the technical account as all of these differences arise from technical account transactions

Accounting information in respect of the syndicate participations has been provided by the Syndicate's managing agent and has been reported upon by the syndicate auditors

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 shareholders. The Directors are of the opinion that the Group and the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in preparation of the Financial Statements

Basis of accounting

i Company

Under the requirements of FRS 6, Acquisitions and Mergers, the consolidated accounts of the Company have been prepared using merger accounting where the conditions have been met, otherwise acquisition accounting has been used

The carrying values of the assets and liabilities of the combining bodies have not been adjusted to fair value on consolidation. However appropriate adjustments have been made to achieve uniformity of accounting policies

The results and cash flows of all the combining bodies have been brought into the financial statements of SD Underwriting Limited from the beginning of the current financial year, adjusted to achieve uniformity of accounting policies

As permitted by Section 408 of the Companies Act 2006, the Profit and Loss Account of the Parent Company is not presented as part of these Financial Statements. The profit or loss of the Parent Company for the year is shown in note 15

ii Subsidiaries

The Financial Statements are prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit 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 Company 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

SD Underwriting Limited

Accounting Policies

For the year ended 31 December 2014

Basis of accounting (continued)

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 Company 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.

iv Reinsurance premiums

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.

SD Underwriting Limited

Accounting Policies

For the year ended 31 December 2014

General business (continued)

v Claims incurred and reinsurers' share (continued)

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. 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.

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 Company 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.

SD Underwriting Limited

Accounting Policies

For the year ended 31 December 2014

General business (continued)

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 Company 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 Investments

Investments are stated at current value, including accrued interest at the Balance Sheet date

xii Investment return

Investment return comprises all investment income, realised investment gains and losses and 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 current 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

xiii Basis of currency translation

Syndicates maintain separate funds in Sterling, US dollars, Canadian dollars and Euros

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

Assets and liabilities are translated into Sterling at the rates of exchange at the Balance Sheet date

Differences arising on translation of foreign currency amounts in syndicates are included in the technical account

xiv Debtors/creditors arising from insurance/reinsurance operations

The amounts 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

SD Underwriting Limited

Accounting Policies

For the year ended 31 December 2014

Taxation

The Company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these Financial Statements 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.

Deferred tax assets and liabilities have not been discounted.

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 fixed assets and amortised over a 5 year period beginning in the year following the purchase of the syndicate participation.

Cash flow statement

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

Goodwill

On consolidation goodwill arising on the acquisition of subsidiary undertakings is capitalised on the consolidated balance sheet and amortised over a period of 5 years. Goodwill will be written down in value if, in the directors opinion, the value has been permanently impaired.

SD Underwriting Limited

Notes to the Financial Statements

For the year ended 31 December 2014

1. Class of business

2014	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance Balance £	Total £
Direct insurance						
Accident and health	164,581	166,177	(67,250)	(72,294)	(7,295)	19,338
Motor – third party liability	18,550	20,252	(12,392)	(6,880)	(433)	547
Motor – other classes	230,364	228,323	(154,626)	(78,948)	2,434	(2,817)
Marine, aviation and transport	483,099	480,560	(204,974)	(170,123)	(33,870)	71,593
Fire and other damage to property	1,058,780	1,055,806	(331,580)	(360,471)	(185,035)	178,720
Third party liability	755,450	749,607	(451,243)	(257,953)	(18,696)	21,715
Credit and suretyship	59,374	58,798	(40,181)	(13,838)	(1,990)	2,789
Legal expenses	11,775	11,338	(4,284)	(6,253)	(158)	643
Assistance	-	-	-	-	-	-
Miscellaneous	41,751	39,748	(9,988)	(18,353)	(7,123)	4,284
Total direct	2,823,724	2,810,609	(1,276,518)	(985,113)	(252,166)	296,812
Reinsurance	1,606,613	1,579,540	(558,470)	(490,241)	(268,284)	262,545
Total	4,430,337	4,390,149	(1,834,988)	(1,475,354)	(520,450)	559,357
2013	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance Balance £	Total £
Direct insurance						
Accident and health	167,579	165,975	(75,666)	(72,480)	(8,833)	8,996
Motor – third party liability	20,209	14,970	(9,088)	(6,184)	192	(110)
Motor – other classes	217,223	220,474	(160,143)	(84,014)	970	(22,713)
Marine, aviation and transport	512,769	528,292	(193,986)	(174,081)	(54,311)	105,914
Fire and other damage to property	1,102,283	1,140,566	(384,367)	(406,720)	(205,365)	144,114
Third party liability	779,593	769,849	(484,451)	(284,436)	18,082	19,044
Credit and suretyship	87,179	85,841	(11,241)	(31,953)	(12,625)	30,022
Legal expenses	13,037	12,352	(4,357)	(6,634)	(757)	604
Assistance	-	-	-	-	-	-
Miscellaneous	5,263	5,712	(2,872)	(2,779)	(76)	(15)
Total direct	2,905,135	2,944,031	(1,326,171)	(1,069,281)	(262,723)	285,856
Reinsurance	1,700,178	1,667,970	(562,309)	(470,315)	(347,844)	287,502
Total	4,605,313	4,612,001	(1,888,480)	(1,539,596)	(610,567)	573,358

SD Underwriting Limited

Notes to the Financial Statements

For the year ended 31 December 2014

2. Geographical analysis	2014	2013
	£	£
Direct gross premium written in:		
United Kingdom	2,197,725	2,314,062
Other EU Member States	40,750	42,528
Rest of the World	585,249	548,545
	<hr/>	<hr/>
	2,823,724	2,905,135
	<hr/>	<hr/>
3 Net operating expenses	2014	2013
	£	£
Acquisition costs	1,045,756	1,052,707
Change in deferred acquisition costs	(13,199)	(15,034)
Administrative expenses	496,565	413,251
Loss/(profit) on exchange	(53,768)	88,672
	<hr/>	<hr/>
	1,475,354	1,539,596
	<hr/>	<hr/>
4. Investment income	2014	2013
	£	£
Income from investments	114,522	117,167
Gains on the realisation of investments	45,272	19,887
Bank deposit interest	547	561
	<hr/>	<hr/>
	160,341	137,615
	<hr/>	<hr/>
5 Investment expenses and charges	2014	2013
	£	£
Investment management expenses, including interest	10,756	14,277
Losses on the realisation of investments	32,852	52,168
	<hr/>	<hr/>
	43,608	66,445
	<hr/>	<hr/>
6 Profit/(loss) on ordinary activities before taxation	2014	2013
	£	£
This is stated after charging		
Amortisation of syndicate capacity	31,284	32,097
Amortisation of goodwill	-	12,626
Loss on disposal of syndicate capacity	-	20,895
Auditors remuneration	6,000	5,760
	<hr/>	<hr/>
The Company has no employees		

SD Underwriting Limited

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

7. Taxation	2014 £	2013 £
Analysis of charge in year		
Current tax		
UK corporation tax on profit of the year	4,470	(4)
Adjustment in respect of previous year	1,115	(5,305)
	5,585	(5,309)
Foreign tax	8,813	8,052
Total current tax	14,398	2,743
Deferred tax		
Origination and reversal of timing differences	106,876	113,557
Change in tax rate	-	(2,624)
	121,274	113,676

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 21.49% (2013 – 23.25%). The differences are explained below

Profit on ordinary activities before tax	545,565	524,132
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 – 23.25%)	117,242	121,861
Effects of		
Underwriting results subject to timing differences for taxation	(73,137)	(93,364)
Utilisation of tax losses	(2,531)	16,864
Foreign tax	8,813	8,052
Other corporation computation adjustments	(36,872)	(45,359)
Marginal rates of taxation and prior period adjustment	883	(5,311)
Current tax charge for the year	14,398	2,743

The results of the Group's participation on the 2012, 2013 and 2014 years of account and the calendar year movement on 2011 and prior run-offs will not be assessed to tax until the year ended 31 December 2015, 2016 and 2017 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account

8. Dividends	2014 £	2013 £
Equity dividends declared and paid	-	-

SD Underwriting Limited

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

9 Intangible Assets	2014		2013			
	Purchased syndicate capacity £	Goodwill £	Total £	Purchased syndicate capacity £	Goodwill £	Total £
Cost						
At 1 January 2014	181,243	75,758	257,001	174,066	75,758	249,824
Additions	12,353	-	12,353	7,177	-	7,177
Disposals	(15,432)	-	(15,432)	-	-	-
At 31 December 2014	<u>178,164</u>	<u>75,758</u>	<u>253,922</u>	<u>181,243</u>	<u>75,758</u>	<u>257,001</u>
Amortisation						
At 1 January 2014	92,079	75,758	167,837	59,982	63,132	123,114
Provided during the year	31,284	-	31,284	32,097	12,626	44,723
Disposals	(10,875)	-	(10,875)	-	-	-
At 31 December 2014	<u>112,488</u>	<u>75,758</u>	<u>188,246</u>	<u>92,079</u>	<u>75,758</u>	<u>167,837</u>
Net book value						
At 31 December 2014	<u>65,676</u>	<u>-</u>	<u>65,676</u>	<u>89,164</u>	<u>-</u>	<u>89,164</u>
At 31 December 2013	<u>89,164</u>	<u>-</u>	<u>89,164</u>	<u>-</u>	<u>-</u>	<u>-</u>

10 Investments

Other financial investments - Syndicate

	2014		2013	
	Market value £	Cost £	Market value £	Cost £
Shares and other variable yield securities and units in unit trusts	676,107	606,083	464,449	458,909
Debt securities and other fixed income securities	4,595,088	4,584,382	4,261,350	4,291,521
Participation in investment pools	139,896	120,520	293,402	280,581
Loans secured by mortgages	7,230	7,201	13,941	13,811
Other loans	52,902	52,899	4,150	4,150
Deposits with credit institutions	11,243	11,244	5,303	5,300
Other	119,943	112,364	99,687	103,037
	<u>5,602,409</u>	<u>5,494,693</u>	<u>5,142,282</u>	<u>5,157,309</u>
Listed investments included within the above	<u>5,411,091</u>	<u>5,310,985</u>	<u>5,019,201</u>	<u>5,031,011</u>

Other financial investments - Corporate

Shares and other variable yield securities	32,555	20,503	24,547	15,028
Debt securities and other fixed income securities	-	-	-	-
	<u>32,555</u>	<u>20,503</u>	<u>24,547</u>	<u>15,028</u>
Listed investments included within the above	<u>32,555</u>	<u>20,503</u>	<u>24,547</u>	<u>15,028</u>

SD Underwriting Limited

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

11. Investment in group undertakings

The Company's fixed asset investments represent investments in subsidiary undertakings stated at cost adjusted for any impairment

	2014 £	2013 £
Balance at 1 January 2014	158,193	206,096
Adjustment for impairment review	(1,200)	(47,903)
Balance at 31 December 2014	<u>156,993</u>	<u>158,193</u>

The Company's principal subsidiary undertakings, all of which are included in the consolidation, are as follows

Name	Shares held by Group %	Nature of business
Caroe Underwriting Limited	100	Lloyd's Corporate Member
Dunbar Underwriting Limited	100	Lloyd's Corporate Member
Nameco (No 35) Limited	100	Lloyd's Corporate Member
Nameco (No 104) Limited	100	Lloyd's Corporate Member
Nameco (No 244) Limited	100	Lloyd's Corporate Member
Nameco (No 338) Limited	100	Lloyd's Corporate Member
Nameco (No 363) Limited	100	Lloyd's Corporate Member
Evedon Enterprises Limited	100	Lloyd's Corporate Member
J F C Palmer Limited	100	Lloyd's Corporate Member
Nameco (No 96) Limited	100	Lloyd's Corporate Member
Nameco (No 126) Limited	100	Lloyd's Corporate Member
Nameco (No 207) Limited	100	Lloyd's Corporate Member
Nameco (No 210) Limited	100	Lloyd's Corporate Member
Nameco (No 203) Limited	100	Lloyd's Corporate Member
Nameco (No 204) Limited	100	Lloyd's Corporate Member
Nameco (No 230) Limited	100	Lloyd's Corporate Member

12. Other debtors

Group	2014			2013		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Proprietors' loan account	-	2,337	2,337	-	1,291	1,291
Funds at Lloyd's	-	285,270	285,270	-	428,700	428,700
Deferred tax	-	-	-	-	65,315	65,315
Other	402,191	4,242	406,433	383,559	15,964	399,523
	<u>402,191</u>	<u>291,849</u>	<u>694,040</u>	<u>383,559</u>	<u>511,270</u>	<u>894,829</u>

Funds at Lloyd's 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 has entered into a Lloyd's Deposit Trust Deed which gives the Corporation 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.

Company

The Company debtors include unpaid share capital of £100 (2013: £100) and amounts due from group undertakings of £72,677 (2013: £72,677).

SD Underwriting Limited

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

13 Called-up share capital	2014	2013
	£	£
Allotted, called up and unpaid		
Ordinary £1 shares	<u>100</u>	<u>100</u>

14. Profit and loss account	2014	2013
	£	£
Company		
Retained loss brought forward	(131,221)	(67,507)
Loss for the financial year	(22,459)	(63,714)
Retained loss carried forward	<u>(153,680)</u>	<u>(131,221)</u>

	2014			2013		
	Syndicate	Corporate	Total	Syndicate	Corporate	Total
Group	£	£	£	£	£	£
Retained profit/(loss) brought forward	656,636	156,990	813,626	171,106	232,063	403,169
Reallocate distribution	(347,842)	347,842	-	(198,812)	198,812	-
Profit/(loss) for the financial year	714,892	(290,600)	424,292	684,342	(273,885)	410,457
Retained profit/(loss) carried forward	<u>1,023,686</u>	<u>214,232</u>	<u>1,237,918</u>	<u>656,636</u>	<u>156,990</u>	<u>813,626</u>

15. Reconciliation of movements in shareholders' funds	2014	2013
	£	£
Group		
Opening shareholders' funds	852,001	441,544
Profit for the financial year	424,292	410,457
Closing shareholders' funds	<u>1,276,293</u>	<u>852,001</u>

	2014	2013
	£	£
Company		
Opening shareholders' funds	(131,121)	(67,407)
Loss for the financial year	(22,459)	(63,714)
Closing shareholders' funds	<u>(153,580)</u>	<u>(131,121)</u>

16. Deferred taxation	2014	2013
	£	£
Opening balance	(65,315)	(176,248)
Profit and loss account charge	106,876	110,933
Closing balance	<u>41,561</u>	<u>(65,315)</u>

Deferred tax assets on trading losses available to offset future profits of £nil (2013 £65,315) are shown in debtors note 12

SD Underwriting Limited

Notes to the Financial Statements

For the year ended 31 December 2014

17. Other creditors including taxation and social security

	2014			2013		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Corporation tax	-	4,474	4,474	-	-	-
Proprietors' loan accounts	-	525,983	525,983	-	513,443	513,443
Other creditors	471,708	29	471,737	458,623	-	458,623
Amounts due to group undertakings	-	-	-	-	-	-
	<u>471,708</u>	<u>530,486</u>	<u>1,002,194</u>	<u>458,623</u>	<u>513,443</u>	<u>972,066</u>

No interest is charged on the proprietors' loan

18 (a) Reconciliation of operating profit to net cash outflow from operating activities

	2014 £	2013 £
Profit/(loss) on ordinary activities before tax	545,566	524,133
Syndicate transactions	(367,050)	(485,530)
Balance	<u>178,516</u>	<u>38,603</u>
Interest received	(547)	(561)
Decrease/(increase) in debtors	111,394	221,738
(Decrease)/increase in creditors	65,220	(241,613)
Profit on disposal of intangible assets	1,577	-
Amortisation of syndicate capacity	31,284	32,097
Amortisation of goodwill	-	12,626
Realised/unrealised (gains)/losses on investments	(8,008)	(9,253)
Net outflow from operating activities	<u>379,436</u>	<u>53,637</u>

(b) Movement in cash, portfolio investments and financing

	At 1 January 2014 £	Cashflow £	Changes to market value £	At 31 December 2014 £
Cash	203,997	370,157	-	574,154
Other financial investments	24,547	-	8,008	32,555
	<u>228,544</u>	<u>370,157</u>	<u>8,008</u>	<u>606,709</u>

19. Related party disclosure

The Company has taken advantage of the exemption under paragraph 3 of Financial Reporting Standard 8, 'Related Party Disclosures', not to disclose transactions or balances during the period with group undertakings

Nomina Plc, a director of the Company, administers the conversion scheme in which the Group participates. Nomina Plc charged a management fee of £35,950 (2013: £57,000) to cover all the costs of basic administration of the Group.

20. Ultimate controlling party

The Company is controlled by S Dickinson

SD Underwriting Limited

Notes to the Financial Statements

For the year ended 31 December 2014

21 Syndicate participation

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

Syndicate or MAPA number	Managing agent	2015 Allocated capacity £	2014 Allocated capacity £	2013 Allocated capacity £	2012 Allocated capacity £
33	Hiscox Syndicates Limited	175,725	175,725	166,939	166,939
218	ERS Syndicate Management Limited	52,881	66,102	66,102	66,102
386	QBE Underwriting Limited	47,122	55,206	55,206	55,206
510	Tokio Marine Kiln Syndicates Limited	269,599	269,599	269,599	269,599
557	Tokio Marine Kiln Syndicates Limited	23,912	23,912	23,912	23,912
609	Atrium Underwriters Limited	97,440	97,440	97,440	97,440
623	Beazley Furlonge Limited	255,522	274,162	253,852	242,228
727	S A Meacock & Company Limited	115,027	115,027	115,027	115,027
958	Canopus Managing Agents Limited	109,586	103,663	130,319	165,861
1176	Chaucer Syndicates Limited	12,525	12,525	12,525	12,525
1200	Argo Managing Agency Limited	-	-	-	177,348
1729	Asta Managing Agency Limited	103,220	103,220	-	-
2010	Cathedral Underwriting Limited	151,169	172,765	172,765	172,765
2014	Pembroke Managing Agency Limited	288,408	216,219	-	-
2121	Argenta Syndicate Management Limited	-	-	-	51,426
2791	Managing Agency Partners Limited	289,222	327,699	372,135	372,135
6105	Ark Syndicate Management Limited	96,168	96,168	30,435	54,816
6106	Amlin Underwriting Limited	-	-	36,838	32,500
6110	Pembroke Managing Agency Limited	-	-	152,627	124,457
6111	Catlin Underwriting Agencies Limited	246,922	250,791	236,157	122,560
6117	Asta Managing Agency Limited	151,359	229,268	-	-
7200	Members' Agents Pooling Arrangement	217,798	225,918	225,918	225,918
7201	Members' Agents Pooling Arrangement	1,570,236	1,643,920	1,643,920	1,643,920
7202	Members' Agents Pooling Arrangement	392,556	413,150	413,150	413,150
7203	Members' Agents Pooling Arrangement	72,353	76,040	76,040	76,040
7211	Members' Agents Pooling Arrangement	44,061	46,086	46,086	46,086
7212	Members' Agents Pooling Arrangement	281,691	292,890	292,890	292,890
7217	Members' Agents Pooling Arrangement	125,354	111,430	111,430	111,430
7227	Members' Agents Pooling Arrangement	7,069	-	-	-
		5,196,925	5,398,925	5,001,312	5,132,280

22. Post balance sheet event

The company has transferred 100% of the share capital of 7 subsidiaries post these financial statements for a consideration of £1 per subsidiary to Nomina Services Limited