

Company registration number: 06495582

SD Underwriting Limited

Report and financial statements
31 December 2010



SD Underwriting Limited

Contents:

Company information	1
Report of the directors	2
Report of the auditors	5
Consolidated profit and loss account - technical account	6
Consolidated profit and loss account - non-technical account	7
Consolidated balance sheet	8
Company balance sheet	10
Consolidated cash flow statement	11
Accounting policies	12
Notes to the financial statements	17

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

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 2010

Principal Activities, Business Review and Future Developments

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

The Financial Statements incorporate the annual accounting results of the syndicates on which the Group participates for the 2008, 2009 and 2010 years of account, as well as any 2007 and prior run-off years

During 2010, all of the share capital of three Lloyd's Corporate Members, Nameco (No 203) Limited, Nameco (No 204) Limited and Nameco (No 230) Limited, was transferred from the direct ownership of Mr S Dickanson to the Company

Certain syndicates on which the Group participates have for a variety of reasons been unable to close. There is a greater than usual degree of uncertainty as to the eventual outcome of these accounts

Results and Dividends

The results for the year are set out on pages 6 to 7 of the Financial Statements

Key Performance Indicators

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

Other Performance Indicators

As a result of the nature of this Company as the holding company of Lloyd's corporate capital members the majority of its activities are carried out by the syndicates in which it participates. The Company 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

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 an Individual Capital Assessment (ICA) 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 ICA, 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 and the Financial Services Authority provide additional controls over the syndicate's management of risks

SD Underwriting Limited

Report of the Directors (continued)

Syndicate risks (continued)

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's subsidiaries are subject to continuing approval by Lloyd's and the Financial Services Authority 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.

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.

Directors

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

S Dickinson
M Dickinson
Nomina Plc

SD Underwriting Limited

Report of the Directors (continued)

Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial 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

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 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.

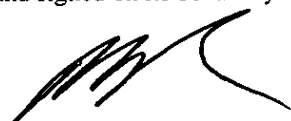
Auditors

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

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) They have taken all the steps that they ought to have taken as 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 27 September 2011
and signed on its behalf by



Hampden Legal Plc
Secretary

SD Underwriting Limited

Independent Auditors' report

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 2010 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Accounting Policies 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 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.

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 2010 and of its 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 Directors' 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

The Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above matters.



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

27 September 2011

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 2010

	Note	2010 £	2009 £
Premiums Written			
Gross premiums written	1	4,273,320	5,061,217
Outward reinsurance premiums		(836,364)	(1,011,459)
Net Premiums Written		<u>3,436,956</u>	<u>4,049,758</u>
Change in the provision for unearned premiums			
Gross Provision		164,275	116,315
Reinsurers' share		(64,376)	67,653
Earned Premiums, Net of Reinsurance		<u>3,536,855</u>	<u>4,233,726</u>
Allocated Investment Return Transferred from the Non-Technical Account		155,549	256,146
Other technical income, net of reinsurance		2,123	20,846
Claims Paid			
Gross Amount		(2,472,636)	(2,624,432)
Reinsurers' share		433,432	415,796
Net claims paid		<u>(2,039,204)</u>	<u>(2,208,636)</u>
Change in Provision for Claims			
Gross amount		89,446	168,353
Reinsurers' share		(79,767)	(28,661)
Change in net provision for claims		<u>9,679</u>	<u>139,692</u>
Claims Incurred, Net of Reinsurance		<u>(2,029,525)</u>	<u>(2,068,944)</u>
Changes in other technical provisions, net of reinsurance			-
Net operating expenses	3	(1,300,702)	(1,610,331)
Other technical charges, net of reinsurance			-
Balance on the Technical Account for General Business		<u>364,300</u>	<u>831,443</u>

The accounting policies and notes on pages 12 to 25 form part of these Financial Statements

SD Underwriting Limited

Consolidated profit and loss account Non - technical account For the year ended 31 December 2010

	Note	2010 £	2009 £
Balance on Technical Account for General Business		364,300	831,443
Investment income	4	374,904	301,107
Unrealised gains on investments		64,688	227,823
Investment expenses and charges	5	(76,107)	(85,998)
Unrealised losses on investments		(156,508)	(54,074)
Allocated investment return transferred to the general business technical account		(155,549)	(256,146)
Other income		10,907	37,280
Other charges		(60,934)	(209,524)
Profit on ordinary activities before taxation	6	<u>365,701</u>	<u>791,911</u>
Tax on profit on ordinary activities	7	229,109	(164,031)
Profit for the financial year	15	<u>594,810</u>	<u>627,880</u>

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 25 form part of these Financial Statements

SD Underwriting Limited
Consolidated balance sheet
As at 31 December 2010

		31 December 2010			31 December 2009		
Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £	
Assets							
Intangible assets	9	-	114,465	114,465	-	115,087	115,087
Investments							
Financial investments	10	5,737,538	1,031,156	6,768,694	5,997,198	1,139,094	7,136,292
Deposits with ceding undertakings		1,519	-	1,519	1,478	-	1,478
		5,739,057	1,031,156	6,770,213	5,998,676	1,139,094	7,137,770
Reinsurers' share of technical provisions							
Provision for unearned premiums		235,482	-	235,482	203,372	-	203,372
Claims outstanding		1,515,131	-	1,515,131	1,677,387	-	1,677,387
Other technical provisions		-	-	-	-	-	-
		1,750,613	-	1,750,613	1,880,759	-	1,880,759
Debtors							
Arising out of direct insurance operations		1,012,855	-	1,012,855	1,057,996	-	1,057,996
Arising out of reinsurance operations		834,046	-	834,046	1,146,482	-	1,146,482
Other debtors	12	448,636	208,414	657,050	503,517	484,992	988,509
		2,295,537	208,414	2,503,951	2,707,995	484,992	3,192,987
Other assets							
Cash at bank and in hand		266,740	98,726	365,466	325,592	464,792	790,384
Other		576,571	-	576,571	542,423	-	542,423
		843,311	98,726	942,037	868,015	464,792	1,332,807
Prepayments and accrued income							
Accrued interest		11,185	-	11,185	26,293	-	26,293
Deferred acquisitions costs		432,047	-	432,047	451,793	-	451,793
Other prepayments and accrued income		20,759	-	20,759	16,754	-	16,754
		463,991	-	463,991	494,840	-	494,840
Total assets		11,092,509	1,452,761	12,545,270	11,950,285	2,203,965	14,154,250

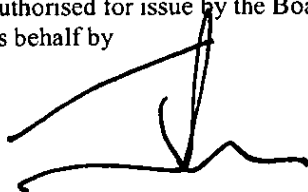
The accounting policies and notes on pages 12 to 25 form part of these Financial Statements

SD Underwriting Limited
Consolidated balance sheet
As at 31 December 2010

	Note	31 December 2010			31 December 2009		
		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	931,480	(568,688)	362,792	1,368,696	(1,600,714)	(232,018)
Shareholders' funds – attributable to equity interests	15	931,480	(530,313)	401,167	1,368,696	(1,562,339)	(193,643)
Technical provisions							
Provision for unearned premiums		1,765,798	-	1,765,798	1,898,846	-	1,898,846
Claims outstanding – gross amount		7,145,066	-	7,145,066	7,242,908	-	7,242,908
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	16	-	-	-	-	225,422	225,422
Other		-	-	-	-	-	-
Deposit received from reinsurers		1,609	-	1,609	27,492	-	27,492
Creditors							
Arising out of direct insurance operations		265,294	-	265,294	304,212	-	304,212
Arising out of reinsurance operations		563,391	-	563,391	500,574	-	500,574
Amounts owed to credit institutions		-	-	-	1,163	-	1,163
Other creditors including taxation and social security	17	514,549	1,763,609	2,278,158	656,518	3,320,453	3,976,971
		10,255,707	1,763,609	12,019,316	10,631,713	3,545,875	14,177,588
Accruals and deferred income		(94,678)	219,465	124,787	(50,124)	220,429	170,305
Total liabilities		11,092,509	1,452,761	12,545,270	11,950,285	2,203,965	14,154,250

Approved and authorised for issue by the Board of Directors on 27 September 2011
and signed on its behalf by

Nomina plc
Director



Company registration number 06495582

The accounting policies and notes on pages 12 to 25 form part of these Financial Statements

SD Underwriting Limited

Company balance sheet As at 31 December 2010

Company registration number 06495582

	Note	2010 £	2009 £
Fixed assets			
Investment in Group undertakings	11	206,096	205,094
Financial Investments		1,004,002	-
		<u>1,210,098</u>	<u>205,094</u>
Current assets			
Amounts due to Group undertakings		39,915	39,915
Other debtors		100	100
Cash at bank		33,509	4,965
		<u>73,524</u>	<u>44,980</u>
Creditors – amounts falling due within one year			
Amounts owed to Group undertakings		178,000	178,000
Amounts owed to Shareholders		1,100,096	92,094
Other creditors and accruals		13,700	8,812
		<u>1,291,796</u>	<u>278,906</u>
Net current assets/(liabilities)		(1,218,272)	(233,926)
Total assets less current liabilities		<u>(8,174)</u>	<u>(28,832)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(8,274)	(28,932)
Total shareholders' funds	15	<u>(8,174)</u>	<u>(28,832)</u>

Approved and authorised for issue by the Board of Directors on September 2011
and signed on its behalf by

Nomina plc
Director

The accounting policies and notes on pages 12 to 25 form part of these Financial Statements

SD Underwriting Limited

Consolidated cash flow statement For the year ended 31 December 2010

	Note	2010 £	2009 £
Operating activities			
Net cash (outflow)/inflow from operating activities	18	(232,627)	499,745
Returns on investments and servicing of finance			
		1,454	14,493
Capital expenditure			
Purchase of syndicate capacity		(31,635)	(30,223)
Proceeds from sale of syndicate capacity		15,620	58,002
Acquisition of subsidiary, net of cash acquired			
		-	-
Taxation			
Corporation and overseas taxes paid		(199,978)	(34,584)
Equity dividends paid			
		-	-
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash (outflow)/inflow for the year	18	<u>(447,166)</u>	<u>507,433</u>
Cash flows were invested as follows			
Decrease in cash holdings	18	(366,066)	(503,501)
Purchase of financial investments		1,005,004	1,010,935
Sale of financial investments		(1,086,104)	-
Net investment of cash flows		<u>(447,166)</u>	<u>507,434</u>

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 25 form part of these Financial Statements

SD Underwriting Limited

Accounting Policies For the year ended 31 December 2010

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 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

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 2010

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 2010

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 2010

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, United States 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 2010

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 2010

1. Class of Business

2010	Gross Written Premiums £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	227,438	244,825	(120,926)	(99,871)	(16,679)	7,349
Motor – third party liability	22,123	21,077	(11,892)	(7,318)	(245)	1,622
Motor – other classes	272,080	278,979	(393,241)	(89,990)	(8,520)	(212,772)
Marine, aviation and transport	392,273	389,908	(186,685)	(108,801)	(20,632)	73,790
Fire and other damage to property	978,230	1,018,847	(433,100)	(338,145)	(153,264)	94,338
Third party liability	709,005	710,494	(340,655)	(210,818)	(70,534)	88,487
Credit and suretyship	291,859	313,195	(158,684)	(92,411)	(45,559)	16,541
Legal expenses	31,488	35,309	(23,072)	(13,009)	(445)	(1,217)
Assistance	-	-	-	-	-	-
Miscellaneous	8,059	9,875	(5,023)	(5,075)	71	(152)
	2,932,555	3,022,509	(1,673,278)	(965,438)	(315,807)	67,986
Reinsurance	1,340,765	1,415,086	(709,912)	(335,264)	(231,268)	138,642
Total	4,273,320	4,437,595	(2,383,190)	(1,300,702)	(547,075)	206,628
2009						
Direct Insurance						
Accident and health	201,508	196,443	(89,493)	(84,388)	(14,566)	7,996
Motor – third party liability	16,239	16,446	(18,359)	(5,174)	(934)	(8,021)
Motor – other classes	292,909	271,603	(214,292)	(82,277)	(766)	(25,732)
Marine, aviation and transport	482,767	491,768	(191,539)	(146,200)	(59,011)	95,018
Fire and other damage to property	1,293,711	1,259,578	(615,997)	(431,587)	(151,749)	60,245
Third party liability	886,437	905,645	(497,292)	(298,177)	(30,544)	79,632
Credit and suretyship	54,099	53,971	(62,862)	(15,383)	4,504	(19,770)
Legal expenses	4,090	4,453	(2,071)	(1,886)	(77)	419
Assistance	-	-	-	-	-	-
Miscellaneous	14,087	13,445	(5,546)	(5,783)	-	2,116
	3,245,847	3,213,352	(1,697,451)	(1,070,855)	(253,143)	191,903
Reinsurance	1,815,370	1,964,180	(758,628)	(539,476)	(303,528)	362,548
Total	5,061,217	5,177,532	(2,456,079)	(1,610,331)	(556,671)	554,451

SD Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2010

2. Geographical Analysis	2010	2009
	£	£
Direct Gross Premium Written in:		
United Kingdom	2,336,282	3,164,857
Other EU Member States	97,159	-
Rest of the World	499,114	80,990
	<hr/> 2,932,555	<hr/> 3,245,847
3. Net Operating Expenses	2010	2009
	£	£
Acquisition costs	922,927	1,056,018
Change in deferred acquisition costs	36,025	27,746
Administrative expenses	416,065	433,991
(Profit)/loss on exchange	(74,315)	92,576
	<hr/> 1,300,702	<hr/> 1,610,331
4. Investment Income	2010	2009
	£	£
Income from investments	236,713	188,387
Gains on the realisation of investments	136,737	98,227
Bank deposit interest	1,454	14,493
	<hr/> 374,904	<hr/> 301,107
5. Investment Expenses and Charges	2010	2009
	£	£
Investment management expenses, including interest	11,685	10,606
Losses on the realisation of investments	64,422	75,392
	<hr/> 76,107	<hr/> 85,998
6. Profit/(Loss) on Ordinary Activities before Taxation	2010	2009
	£	£
This is stated after charging		
Directors remuneration	-	-
Amortisation of syndicate capacity	12,398	31,661
Amortisation of goodwill	-	15,152
Auditors remuneration	4,800	5,185
	<hr/> 4,800	<hr/> 5,185

The Company has no employees

SD Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2010

7. Taxation	2010 £	2009 £
Analysis of Charge in Period		
Current tax		
UK corporation tax on profit of the period	190,048	216,812
Adjustment in respect of previous period	(143,604)	1,459
	<u>46,444</u>	<u>218,271</u>
Foreign tax	7,937	12,926
Total current tax	<u>54,381</u>	<u>231,197</u>
Deferred tax		
Origination and reversal of timing differences	(295,354)	(82,565)
Change in tax rate	11,864	15,399
	<u>(229,109)</u>	<u>164,031</u>

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 28.00% (2009 – 21.00%). The differences are explained below

Profit on ordinary activities before tax	365,701	791,911
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.00% (2009 – 21.00%)	102,396	166,301
Effects of		
Underwriting results subject to timing differences for taxation	80,701	38,721
Utilisation of tax losses	(2,117)	(60,919)
Foreign tax	5,970	10,211
Other corporation computation adjustments	(15,671)	22,566
Marginal rates of taxation and prior period adjustment	(116,898)	54,317
Current tax charge for the period	<u>54,381</u>	<u>231,197</u>

The results of the Group's participation on the 2008, 2009 and 2010 years of account and the calendar year movement on 2007 and prior run-offs, will not be assessed to tax until the year ended 31 December 2011, 2012 and 2013 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	2010 £	2009 £
Equity dividends declared and paid	<u>-</u>	<u>-</u>

SD Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2010

9. Intangible Assets	Purchased Syndicate Capacity £	Goodwill £	2010 Total £	Purchased Syndicate Capacity £	Goodwill £	2009 Total £
Cost						
At 1 January 2010	96,250	75,758	172,008	67,865	75,758	143,623
Additions	31,635	-	31,635	30,223	-	30,223
Acquired on acquisition	-	-	-	-	-	-
Disposals	(30,189)	-	(30,189)	(1,838)	-	(1,838)
At 31 December 2010	<u>97,696</u>	<u>75,758</u>	<u>173,454</u>	<u>96,250</u>	<u>75,758</u>	<u>172,008</u>
Amortisation						
At 1 January 2010	39,244	17,677	56,921	8,544	2,525	11,069
Provided during the year	12,398	15,152	27,550	31,661	15,152	46,813
Acquired on acquisition	-	-	-	-	-	-
Disposals	(25,482)	-	(25,482)	(961)	-	(961)
At 31 December 2010	<u>26,160</u>	<u>32,829</u>	<u>58,989</u>	<u>39,244</u>	<u>17,677</u>	<u>56,921</u>
Net Book Value						
At 31 December 2010	<u>71,536</u>	<u>42,929</u>	<u>114,465</u>	<u>57,006</u>	<u>58,081</u>	<u>115,087</u>

SD Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2010

10. Investments

Other Financial Investments - Syndicate

	2010		2009	
	Market Value £	Cost £	Market Value £	Cost £
Shares and other variable yield securities and units in unit trusts	606,383	570,315	539,207	526,109
Debt securities and other fixed income securities	4,758,632	4,766,369	5,126,188	5,098,094
Participation in investment pools	288,561	274,031	216,170	200,151
Loans secured by mortgages	25,466	25,732	5,093	5,529
Other loans	38,015	38,015	191	191
Deposits with credit institutions	20,177	20,177	109,167	107,965
Other	304	1,510	1,182	1,670
	5,737,538	5,696,149	5,997,198	5,939,709
Listed investments included within the above	5,653,576	5,610,715	5,881,565	5,824,354

Other Financial Investments - Corporate

Shares and other variable yield securities	1,031,156	1,029,965	1,139,094	1,021,709
Debt securities and other fixed income securities	-	-	-	-
	1,031,156	1,029,965	1,139,094	1,021,709
Listed investments included within the above	27,154	1,029,965	1,139,094	1,021,709

SD Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2010

11. Investment in Group undertakings

The Company's fixed asset investments represent investments in subsidiary undertakings stated at cost

	2010 £	2009 £
Balance at 1 January 2010	205,094	205,094
Movement in year	1,002	-
Balance at 31 December 2010	206,096	205,094

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

On 2 March 2010, all of the share capital of three Lloyd's Corporate Members, Nameco (No 203) Limited, Nameco (No 204) Limited and Nameco (No 230) Limited, was transferred from the direct ownership of Mr S Dickinson to the Company. The transfer was accounted for using merger acquisition accounting.

12 Other Debtors

	2010			2009		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Funds at Lloyd's	-	82,501	82,501	-	425,618	425,618
Deferred tax	-	58,068	58,068	-	-	-
Other	448,636	67,845	516,481	503,517	59,374	562,891
	448,636	208,414	657,050	503,517	484,992	988,509

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.

SD Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2010

13. Called-up Share Capital							2010	2009
							£	£
Allotted, called up and unpaid								
Ordinary £1 shares							<u>100</u>	<u>100</u>
14. Profit and Loss Account							2010	2009
							£	£
Company								
Retained loss brought forward							(28,932)	(8,915)
Profit/(loss) for the financial year							<u>20,658</u>	<u>(20,017)</u>
Retained loss carried forward							<u>(8,274)</u>	<u>(28,932)</u>
							2010	2009
Group	Syndicate	Corporate	Total	Syndicate	Corporate	Total		
	Participation	£	£	Participation	£	£		
Retained profit/(loss) brought forward	1,368,696	(1,600,714)	(232,018)	1,660,131	(2,520,029)	(859,898)		
Reallocate distribution	(850,098)	850,098	-	(1,187,950)	1,187,950	-		
Profit/(loss) for the financial year	412,882	181,928	594,810	896,515	(268,635)	627,880		
Retained profit/(loss) carried forward	<u>931,480</u>	<u>(568,688)</u>	<u>362,792</u>	<u>1,368,696</u>	<u>(1,600,714)</u>	<u>(232,018)</u>		
15. Reconciliation of Movements in Shareholders' Funds							2010	2009
							£	£
Company								
Opening shareholders funds							(28,832)	(8,815)
Issue of share capital							-	-
Profit/(loss) for the financial year							20,658	(20,017)
Closing shareholders' funds							<u>(8,174)</u>	<u>(28,832)</u>
							2010	2009
							£	£
Group								
Opening shareholders funds							(193,643)	(821,523)
Profit for the financial year							594,810	627,880
Transfer to other reserves							-	-
Closing shareholders' funds							<u>401,167</u>	<u>(193,643)</u>

SD Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2010

16 Deferred Taxation	2010	2009
	£	£
Opening balance	225,422	292,588
Acquired on acquisition	-	-
Profit and loss account charge	(283,490)	(67,166)
Closing balance	<u>(58,068)</u>	<u>225,422</u>

The above balance of £58,068 is a deferred tax asset, which is included in other debtors note 12

17. Other Creditors including Taxation and Social Security	2010			2009		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	73,607	73,607	-	218,770	218,770
Proprietors' loan accounts	-	1,657,363	1,657,363	-	2,902,319	2,902,319
Other creditors	514,549	32,639	547,188	656,518	199,364	855,882
	<u>514,549</u>	<u>1,763,609</u>	<u>2,278,158</u>	<u>656,518</u>	<u>3,320,453</u>	<u>3,976,971</u>

18. (a) Reconciliation of Operating Profit to Net Cash (Outflow)/inflow from Operating Activities	2010	2009
	£	£
Profit on ordinary activities before tax	365,701	791,911
Syndicate transactions	437,216	291,435
Balance	802,917	1,083,346
Interest received	(1,454)	(14,493)
Decrease in debtors	357,440	56,732
Decrease in creditors	(1,435,010)	(519,380)
Profit on disposal of intangible assets	(10,907)	(37,280)
Amortisation of syndicate capacity	12,398	31,661
Amortisation of goodwill	15,152	15,152
Realised/unrealised losses/(gains) on investments	26,837	(115,993)
Net (outflow)/inflow from operating activities	<u>(232,627)</u>	<u>499,745</u>

(b) Movement in cash, portfolio investments and financing

	At 1 January 2010	Cashflow	Changes to Market Value	At 31 December 2010
	£	£	£	£
Cash	464,792	(366,066)	-	98,726
Other financial investments	1,139,094	(81,100)	(26,838)	1,031,156
	<u>1,603,886</u>	<u>(447,166)</u>	<u>(26,838)</u>	<u>1,129,882</u>

19 Related party disclosure

Nomina plc, a director of the Company, administers the conversion scheme in which the Group participates. Nomina plc charged a management fee of £44,625 (2009 £36,750) 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 2010

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	2010 Allocated Capacity £	2009 Allocated Capacity £	2008 Allocated capacity £	2007 Allocated Capacity £
33	Hiscox Syndicates Limited	175,723	123,008	153,759	146,374
218	Equity Syndicate Management Limited	125,315	108,441	108,441	103,278
318	Beaufort Underwriting Agency Limited	112,720	-	-	-
386	QBE Underwriting Limited	48,790	101,096	101,096	80,877
510	R J Kiln & Co Limited	169,461	-	-	-
557	R J Kiln & Co Limited	47,653	45,435	45,435	45,435
570	Atrium Underwriters Limited	97,440	108,304	135,379	121,999
623	Beazley Furlonge Limited	242,228	47,653	47,653	28,625
727	S A Meacock & Company Limited	115,027	84,278	84,278	101,136
807	R J Kiln & Co Limited	123,447	-	-	-
958	Omega Underwriting Agents Limited	148,967	170,360	181,091	190,549
1176	Chaucer Syndicates Limited	12,525	106,143	106,143	106,143
1200	Argo Managing Agency Limited	204,347	-	-	-
2010	Cathedral Underwriting Limited	172,765	67,495	67,495	55,000
2020	Catlin Underwriting Agencies Limited	-	216,207	149,850	149,850
2121	Argenta Syndicate Management Limited	45,000	-	-	-
2791	Managing Agency Partners Limited	308,319	10,939	10,939	8,952
3245	Argo Managing Agency Limited	-	265,031	146,666	181,000
4040	HCC Underwriting Agency Ltd	-	148,081	148,081	123,433
6101	Argenta Syndicate Management Limited	-	-	-	186,925
6103	Managing Agency Partners Limited	-	234,506	269,678	234,482
6104	Hiscox Syndicates Limited	-	-	100,189	106,329
6106	Amlin Underwriting Limited	25,000	15,000	73,000	88,000
7200	Members' Agents Pooling Arrangement	123,398	89,323	89,323	-
7201	Members' Agents Pooling Arrangement	1,133,930	86,027	86,027	-
7202	Members' Agents Pooling Arrangement	231,452	10,000	-	-
7203	Members' Agents Pooling Arrangement	46,911	195,267	209,558	197,698