

Company registration number. 3840766

A G Sadowski Underwriting Limited

Report and Financial Statements
31 December 2014



A G Sadowski Underwriting Limited

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A G Sadowski Underwriting Limited

Company Information

Directors

Nomina Plc
Andrew Gregory Sadowski
Kathleen Mary Sadowski

Company Secretary

Hampden Legal Plc

Registered Office

85 Gracechurch Street
London
EC3V 0AA

Auditors

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

Solicitors

Jones Day
21 Tudor Street
London
EC4Y 0DJ

A G Sadowski 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 trading as a Lloyd's corporate capital member. The Company continues to trade in 2015 and the Directors expect this year's result to be profitable.

Results and dividends

The results for the year are set out on pages 8 to 9 of the Financial Statements. Dividends totalling £63,483 were paid in the year (2013: £15,572).

Directors

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

Nomina Plc
Andrew Gregory Sadowski
Kathleen Mary Sadowski

Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A G Sadowski Underwriting Limited

Report of the Directors (continued)

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 of Directors on 19 August 2015 and signed on its behalf by



Hampden Legal Pic
Secretary

A G Sadowski Underwriting Limited

Strategic Report

Business review and future developments

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2012, 2013 and 2014 years of account, as well as any prior run-off years. The 2012 year closed at 31 December 2014 with a result of £229,474 (2011: £113,449). The 2013 and 2014 open underwriting accounts will normally close at 31 December 2015 and 2016.

Key performance indicators

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

	2014	2013
Capacity (youngest underwriting year)	1,789,450	1,789,442
Gross premium written as a % of capacity	82.4%	85.8%
Underwriting profit of latest closed year as a % of capacity	13.8%	7.0%
Run-off years of account movement	-	-

Other performance indicators

As a result of the nature of this Company as a Lloyd's corporate member 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.

Financial risk management objectives and policies

As a corporate member of Lloyd's the majority of the risks to this Company'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. The Company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company is also directly exposed to these risks, but they are not considered material compared to the syndicate risk for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

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 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 Company 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 Company 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 Company 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 Company 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 Company to meet the claim. In order to minimise investment, credit and liquidity risk the Company's funds are invested in readily realisable short term cash deposits.

A G Sadowski Underwriting Limited

Strategic Report (continued)

Regulatory risks

The Company 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 Company is able to support.

Operational risks

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

Approved by the Board of Directors on 19 August 2015 and signed on its behalf by



Hampden Legal Plc
Secretary

A G Sadowski Underwriting Limited

Report of the Auditors

Independent Auditor's report to the Members of A G Sadowski Underwriting Limited

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

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. In addition, we read all the financial and non-financial information in the Report of the Directors and 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 Company's affairs as at 31 December 2014 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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, 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.



Carmine Papa (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
19 August 2015

1 Westferry Circus
Canary Wharf
London
E14 4HD

A G Sadowski Underwriting Limited

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

	Note	2014 £	2013 £
Premiums written			
Gross premiums written	1	1,475,092	1,535,076
Outward reinsurance premiums		(250,005)	(281,947)
Net premiums written		<u>1,225,087</u>	<u>1,253,129</u>
Change in the provision for unearned premiums			
Gross provision		(5,980)	(31,815)
Reinsurers' share		(2,383)	11,990
Earned premiums, net of reinsurance		<u>1,216,724</u>	<u>1,233,304</u>
Allocated investment return transferred from the non-technical account		28,364	20,876
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount		(663,752)	(746,629)
Reinsurers' share		121,451	132,481
Net claims paid		<u>(542,301)</u>	<u>(614,148)</u>
Change in the provision for claims			
Gross amount		71,120	133,502
Reinsurers' share		(35,932)	(49,611)
Change in the net provision for claims		<u>35,188</u>	<u>83,891</u>
Claims incurred, net of reinsurance		<u>(507,113)</u>	<u>(530,257)</u>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	3	(514,227)	(519,309)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>223,748</u>	<u>204,614</u>

The accounting policies and notes are an integral part of these Financial Statements

A G Sadowski Underwriting Limited

Profit and Loss Account

Non - Technical Account

for the year ended 31 December 2014

	Note	2014 £	2013 £
Balance on technical account for general business		223,748	204,614
Investment income	4	72,026	49,468
Unrealised gains on investments		25,220	13,440
Investment expenses and charges	5	(17,158)	(23,846)
Unrealised losses on investments		(13,886)	(26,045)
Allocated investment return transferred to the general business technical account		(28,364)	(20,876)
Other income		(645)	534
Other charges		(33,667)	(33,571)
Profit/(loss) on ordinary activities before taxation	6	227,274	163,718
Tax on profit/(loss) on ordinary activities	7	(53,422)	(35,560)
Profit/(loss) for the financial year	14	173,852	128,158

All amounts relate to continuing operations

The Company had no recognised gains and losses in the year other than the result above

The accounting policies and notes are an integral part of these Financial Statements

A G Sadowski Underwriting Limited

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	-	68,491	68,491	-	69,241	69,241
Investments							
Financial investments	10	1,821,197	-	1,821,197	1,702,362	-	1,702,362
Deposits with ceding undertakings		567	-	567	874	-	874
		1,821,764	-	1,821,764	1,703,236	-	1,703,236
Reinsurers' share of technical provisions							
Provision for unearned premiums		78,396	-	78,396	79,167	-	79,167
Claims outstanding		355,896	-	355,896	396,919	-	396,919
Other technical provisions		-	-	-	-	-	-
		434,292	-	434,292	476,086	-	476,086
Debtors							
Arising out of direct insurance operations		308,887	-	308,887	271,348	-	271,348
Arising out of reinsurance operations		493,395	-	493,395	450,590	-	450,590
Other debtors	11	175,753	407,023	582,776	144,377	369,071	513,448
		978,035	407,023	1,385,058	866,315	369,071	1,235,386
Other assets							
Cash at bank and in hand		90,157	152,098	242,255	101,465	153,286	254,751
Other		126,677	-	126,677	179,177	-	179,177
		216,834	152,098	368,932	280,642	153,286	433,928
Prepayments and accrued income							
Accrued interest		4,649	-	4,649	4,092	-	4,092
Deferred acquisition costs		165,656	-	165,656	156,457	-	156,457
Other prepayments and accrued income		5,001	-	5,001	4,880	-	4,880
		175,306	-	175,306	165,429	-	165,429
Total assets		3,626,231	627,612	4,253,843	3,491,708	591,598	4,083,306

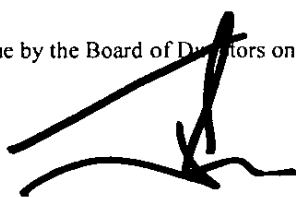
The accounting policies and notes are an integral part of these Financial Statements

A G Sadowski Underwriting Limited

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	12	-	200	200	-	200	200
Share premium account		-	-	-	-	-	-
Profit and loss account	13	371,330	392,789	764,119	221,949	431,801	653,750
Shareholders' funds	14	371,330	392,989	764,319	221,949	432,001	653,950
Technical provisions							
Provision for unearned premiums		642,975	-	642,975	623,294	-	623,294
Claims outstanding – gross amount		2 182,809	-	2,182,809	2,288,697	-	2 288,697
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	123,949	123,949	-	84,235	84,235
Other		-	-	-	-	-	-
Deposits received from reinsurers		426	-	426	563	-	563
Creditors							
Arising out of direct insurance operations		47,794	-	47,794	37,894	-	37,894
Arising out of reinsurance operations		230,250	-	230,250	180,186	-	180,186
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	132,910	18,382	151,292	118,767	12,364	131,131
		3,237,164	142,331	3,379,495	3,249,401	96,599	3,346,000
Accruals and deferred income		17,737	92,292	110,029	20,358	62,998	83,356
Total liabilities		3,626,231	627,612	4,253,843	3,491,708	591,598	4,083,306

Approved and authorised for issue by the Board of Directors on 19 August 2015 and signed on its behalf by



Jeremy Richard Holt Evans for and on behalf of Nomina Plc
Director

Company registration number 3840766

The accounting policies and notes are an integral part of these Financial Statements

A G Sadowski Underwriting Limited

Cash Flow Statement for the year ended 31 December 2014

	Note	2014 £	2013 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17(a)	89,378	72,302
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of syndicate capacity		(23,852)	(22,820)
Proceeds from sale of syndicate capacity		-	534
Taxation			
Corporation and overseas taxes (paid)/refunded		(3,231)	(38,546)
Equity dividends paid		(63,483)	(15,572)
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>(1,188)</u>	<u>(4,102)</u>
Cash flows were invested as follows			
Increase/(decrease) in cash holdings	17(b)	(1,188)	(4,102)
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows		<u>(1,188)</u>	<u>(4,102)</u>

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

The accounting policies and notes are an integral part of these Financial Statements.

A G Sadowski Underwriting Limited

Accounting Policies

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 Company participates as an underwriting member of Lloyd's. Its underwriting is supported by Funds at Lloyd's either made available by the Company directly or by its members. The Directors are of the opinion that the 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

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

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

A G Sadowski Underwriting Limited

Accounting Policies (continued)

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

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

A G Sadowski Underwriting Limited

Accounting Policies (continued)

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.

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, 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.

A G Sadowski Underwriting Limited

Accounting Policies (continued)

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

Taxation

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

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

Deferred taxation

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

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

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 five 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.

A G Sadowski 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	77,792	76,001	(31,042)	(35,327)	(3,042)	6,590
Motor – third party liability	7,921	8,512	(5,055)	(2,992)	(146)	319
Motor – other classes	33,154	56,278	(36,235)	(18,440)	1,139	2,742
Marine, aviation and transport	164,420	163,906	(74,478)	(58,375)	(10,418)	20,635
Fire and other damage to property	381,797	373,613	(130,398)	(133,180)	(56,286)	53,749
Third party liability	266,933	253,988	(132,656)	(94,491)	(14,913)	11,928
Credit and suretyship	50,335	40,746	(25,505)	(15,333)	273	181
Legal expenses	5,238	5,196	(1,953)	(2,947)	(63)	233
Assistance	-	-	-	-	-	-
Miscellaneous	4,304	4,158	(2,391)	(1,859)	(323)	(415)
Total direct	991,894	982,398	(439,713)	(362,944)	(83,779)	95,962
Reinsurance	483,198	486,714	(152,919)	(151,283)	(83,090)	99,422
Total	1,475,092	1,469,112	(592,632)	(514,227)	(166,869)	195,384
2013						
Direct insurance						
Accident and health	73,569	68,979	(29,555)	(31,574)	(3,762)	4,088
Motor – third party liability	8,415	6,279	(3,893)	(2,661)	136	(139)
Motor – other classes	71,255	71,255	(51,633)	(28,997)	2,388	(6,987)
Marine, aviation and transport	176,711	178,444	(70,906)	(62,821)	(17,286)	27,431
Fire and other damage to property	371,110	362,115	(139,430)	(138,008)	(57,724)	26,953
Third party liability	237,846	223,121	(133,589)	(91,374)	4,596	2,754
Credit and suretyship	32,487	27,987	(2,090)	(12,858)	(3,166)	9,873
Legal expenses	6,266	5,887	(2,141)	(3,180)	(290)	276
Assistance	-	-	-	-	-	-
Miscellaneous	1,275	1,478	(689)	(909)	(8)	(128)
Total direct	978,934	945,545	(433,926)	(372,382)	(75,116)	64,121
Reinsurance	556,142	557,716	(179,201)	(146,927)	(111,971)	119,617
Total	1,535,076	1,503,261	(613,127)	(519,309)	(187,087)	183,738

2. Geographical analysis

	2014 £	2013 £
Direct gross premium written in:		
United Kingdom	869,559	936,994
Other EU Member States	4,754	3,018
Rest of the World	117,581	38,922
	991,894	978,934

3. Net operating expenses

	2014 £	2013 £
Acquisition costs	357,557	346,059
Change in deferred acquisition costs	(11,146)	(13,205)
Administrative expenses	189,523	156,972
Loss/(profit) on exchange	(21,707)	29,483
	514,227	519,309

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2014

4 Investment income	2014	2013
	£	£
Income from investments	56,244	43,110
Gains on the realisation of investments	15,594	5,541
Bank deposit interest	188	817
	<hr/>	<hr/>
	72,026	49,468
	<hr/>	<hr/>
5. Investment expenses and charges	2014	2013
	£	£
Investment management expenses, including interest	2,817	3,740
Losses on the realisation of investments	14,341	20,106
	<hr/>	<hr/>
	17,158	23,846
	<hr/>	<hr/>
6. Profit/(loss) on ordinary activities before taxation	2014	2013
	£	£
This is stated after charging		
Directors remuneration	-	-
Amortisation of syndicate capacity	23,957	17,920
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-
The Company has no employees	<hr/>	<hr/>
The auditors, PKF Littlejohn LLP, charge a fixed fee to Nomina Plc for the provision of the audit of the Company. This fee is included within the service fee charged to the Company by Nomina Plc and equates to approximately £72 (2013 £80)		
7 Taxation	2014	2013
	£	£
Analysis of charge in year		
Current tax		
UK corporation tax on profit/(loss) of the year	11,662	1,185
Adjustment in respect of previous years	-	-
	<hr/>	<hr/>
	11,662	1,185
Foreign tax	2,046	1,962
Total current tax	<hr/>	<hr/>
	13,708	3,147
Deferred tax		
Origination and reversal of timing differences	39,714	32,413
Change in tax rate	-	-
	<hr/>	<hr/>
	53,422	35,560
	<hr/>	<hr/>
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 20.00% (2013 20.00%). The differences are explained below		
Profit/(loss) on ordinary activities before tax	227,274	163,718
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2013 20.00%)	<hr/>	<hr/>
	45,455	32,744
Effects of		
Underwriting results subject to timing differences for taxation	(29,743)	(28,777)
Utilisation of tax losses	-	-
Foreign tax	2,046	1,962
Other corporation tax computation adjustments	(4,050)	(2,782)
Marginal rates of taxation and prior period adjustment	-	-
	<hr/>	<hr/>
Current tax charge for the year	13,708	3,147
	<hr/>	<hr/>

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2014

7 Taxation (continued)

The results of the Company'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	63,483	15,572
<hr/>		
9 Intangible assets	2014	2013
	£	£
Purchased syndicate capacity		
Cost		
At 01 January 2014	160,841	141,476
Additions	23,852	22,820
Disposals	(645)	(3,455)
At 31 December 2014	184,048	160,841
<hr/>		
Amortisation		
At 01 January 2014	91,600	77,135
Provided during the year	23,957	17,920
Disposals	-	(3,455)
At 31 December 2014	115,557	91,600
<hr/>		
Net book value		
At 31 December 2014	68,491	69,241
At 31 December 2013	69,241	64,341

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	199,565	180,378	186,762	184,741
Debt securities and other fixed income securities	1,550,416	1,560,311	1,451,165	1,463,173
Participation in investment pools	36,123	30,837	52,955	49,399
Loans secured by mortgages	3,373	3,361	6,930	6,855
Other loans	14,922	14,921	1,162	1,162
Deposits with credit institutions	3,208	3,207	1,523	1,523
Other	13,590	10,983	1,865	4,946
	1,821,197	1,803,998	1,702,362	1,711,799
<hr/>				
Listed investments included within the above	1,786,104	1,771,526	1,690,882	1,697,313

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2014

10 Investments (continued)	2014		2013	
	Market value £	Cost £	Market value £	Cost £
Other financial investments - Corporate				
Shares and other variable yield securities	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
	-	-	-	-
Listed investments included within the above	-	-	-	-

11 Other debtors	2014			2013		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Proprietors' loan accounts	-	-	-	-	-	-
Funds at Lloyd's	-	407,023	407,023	-	369,071	369,071
Deferred tax asset (note 15)	-	-	-	-	-	-
Other	175,753	-	175,753	144,377	-	144,377
	<u>175,753</u>	<u>407,023</u>	<u>582,776</u>	<u>144,377</u>	<u>369,071</u>	<u>513,448</u>

Funds at Lloyd's represents assets deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives 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 Company's liabilities in respect of its underwriting. The Company's underwriting is supported by assets made available to it by the shareholders of the Company.

12 Share capital

Allotted, called-up and fully paid

	2014		2013	
	Issued	Value £	Issued	Value £
Ordinary £1 Shares	200	200	200	200

13 Profit and loss account

	2014			2013		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Retained profit/(loss) brought forward	221,949	431,801	653,750	69,809	471,355	541,164
Reallocate distribution	(112,914)	112,914	-	(81,284)	81,284	-
Profit/(loss) for the financial year	262,295	(88,443)	173,852	233,424	(105,266)	128,158
Equity dividends	-	(63,483)	(63,483)	-	(15,572)	(15,572)
Retained profit/(loss) carried forward	<u>371,330</u>	<u>392,789</u>	<u>764,119</u>	<u>221,949</u>	<u>431,801</u>	<u>653,750</u>

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2014

14. Reconciliation of movements in shareholders' funds

	2014	2013
	£	£
Opening shareholders' funds	653,950	541,364
Profit/(loss) for the financial year	173,852	128,158
Equity dividends	(63,483)	(15,572)
Proceeds from issue of shares	-	-
Closing shareholders' funds	<u>764,319</u>	<u>653,950</u>

15. Deferred taxation assets/(liabilities)

	2014	2013
	£	£
Opening balance	(84,235)	(51,822)
Profit and loss account (charge)/credit	(39,714)	(32,413)
Closing balance	<u>(123,949)</u>	<u>(84,235)</u>

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within Other debtors (note 11).

16. Other creditors including taxation and social security

	2014			2013		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Corporation tax	-	11,662	11,662	-	1,185	1,185
Proprietors' loan accounts	-	6,718	6,718	-	11,179	11,179
Third party funds	-	-	-	-	-	-
Other creditors	132,910	2	132,912	118,767	-	118,767
Amount due to group undertakings	-	-	-	-	-	-
	<u>132,910</u>	<u>18,382</u>	<u>151,292</u>	<u>118,767</u>	<u>12,364</u>	<u>131,131</u>

17. (a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2014	2013
	£	£
Profit or loss on ordinary activities before tax	227,274	163,718
(Profit)/loss attributable to syndicate transactions	(149,381)	(152,140)
Profit or loss – excluding syndicate transactions	77,893	11,578
(Increase)/decrease in debtors	(37,952)	28,837
Increase/(decrease) in creditors	24,835	14,501
(Profit)/loss on disposal of intangible assets	645	(534)
Amortisation of syndicate capacity	23,957	17,920
Impairment of syndicate capacity	-	-
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	<u>89,378</u>	<u>72,302</u>

(b) Movement in cash, portfolio investments and financing

	At 1 January 2014	Cash flow	Changes to market value	At 31 December 2014
	£	£	£	£
Cash	153,286	(1,188)	-	152,098
Other financial investments	-	-	-	-
	<u>153,286</u>	<u>(1,188)</u>	<u>-</u>	<u>152,098</u>

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2014

18 Related party disclosure

Nomina plc, a director of the Company, provides administration services to the Company. Nomina plc charged a management fee of £2,750 (2013 £2,750) to cover all the costs of basic administration of the Company.

19 Ultimate controlling party

The Company is controlled by A G Sadowski and K M Sadowski.

20 Syndicate participation

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

Syndicate or MAPA number	Managing agent	2015 Allocated capacity £	2014 Allocated capacity £	2013 Allocated capacity £	2012 Allocated capacity £
33	Hiscox Syndicates Limited	175,000	158,362	150,444	150,444
218	ERS Syndicate Management Limited	-	-	58,327	58,327
386	QBE Underwriting Limited	63,470	74,358	64,358	64,358
510	Tokio Marine Kiln Syndicates Limited	308,586	308,586	308,586	308,586
557	Tokio Marine Kiln Syndicates Limited	27,171	27,171	27,171	27,171
609	Atrium Underwriters Limited	243,125	243,125	243,125	243,125
623	Beazley Furlonge Limited	98,497	83,592	52,400	20,000
727	S A Meacock & Company Limited	108,739	108,739	108,739	108,739
958	Canopus Managing Agents Limited	62,768	59,375	74,643	95,000
1176	Chaucer Syndicates Limited	20,000	20,000	20,000	10,000
1729	Asta Managing Agency Limited	34,000	34,000	-	-
2010	Cathedral Underwriting Limited	98,027	112,031	112,031	112,031
2014	Pembroke Managing Agency Limited	60,000	60,000	-	-
2525	Asta Managing Agency Limited	47,424	47,424	47,424	47,424
2791	Managing Agency Partners Limited	194,301	220,149	250,000	208,701
5820	ANV Syndicates Limited	-	-	64,453	-
6103	Managing Agency Partners Limited	6,788	16,856	18,956	15,000
6104	Hiscox Syndicates Limited	25,000	35,000	25,000	25,000
6105	Ark Syndicate Management Limited	25,000	25,000	8,971	16,156
6106	Amlin Underwriting Limited	-	-	30,000	30,000
6107	Beazley Furlonge Limited	25,000	25,000	25,000	25,000
6110	Pembroke Managing Agency Limited	-	-	50,000	40,042
6111	Catlin Underwriting Agencies Limited	33,446	33,970	30,000	33,881
6117	Asta Managing Agency Limited	50,735	76,851	-	-
7217	Members' Agents Pooling Arrangement	22,343	19,861	19,814	19,814