

Company registration number: 3840766

A G Sadowski Underwriting Limited

Annual Report and Financial Statements 31 December 2016

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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
Lisa Michelle Sadowski (appointed 28 June 2016)

Company Secretary

Hampden Legal Plc

Registered Office

5th Floor, 40 Gracechurch Street
London
EC3V 0BT

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 present their Report together with the audited Financial Statements of the Company for the year ended 31 December 2016.

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 2017 and the Directors expect this year's result to be profitable.

Results and dividends

The results for the year are set out on pages 7 to 8 of the Financial Statements. Dividends totalling £137,931 were paid in the year (2015: £280,242).

Directors

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

Nomina Plc
Andrew Gregory Sadowski
Kathleen Mary Sadowski
Lisa Michelle Sadowski (appointed 28 June 2016)

Directors' Responsibilities Statement

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 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)

Auditor

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

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

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

Approved by the Board of Directors on 9 August 2017 and signed on its behalf by:



Hampden Legal Plc
Secretary

A G Sadowski Underwriting Limited

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2016.

Business review and future developments

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2014, 2015 and 2016 years of account, as well as any prior run-off years. The 2014 year closed at 31 December 2016 with a result of £295,977 (2013: £254,872). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018.

Key performance indicators

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

	2016	2015
Capacity (youngest underwriting year)	1,905,052	1,729,420
Gross premium written as a % of capacity	96.8%	86.9%
Underwriting profit of latest closed year:		
as a % of capacity	16.5%	14.2%
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 syndicates' 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 in Note 4, 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.

Impact of Brexit vote

Following the referendum vote for the United Kingdom to leave the EU, Lloyd's has been working together with market members to prepare for changes that are likely to arise as a result of leaving the EU. Lloyd's have noted that, although only around 11% of the market's gross written premiums arise from the EU excluding the UK, they are making preparations to maintain access to the insurance market in the EU. At this time the details of future trading with the EU in general and the impact on the Lloyd's market cannot be known, although these uncertainties, together with related economic factors including exchange rates and investment values, may have an impact on results for several years. The Directors are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Company.

Approved by the Board of Directors on 9 August 2017 and signed on its behalf by:



Hampden Legal Plc
Secretary

A G Sadowski Underwriting Limited

Independent Auditor's Report

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 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Auditor

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 Annual 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 2016 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of audit, we have not identified any material misstatements in the Strategic Report and the Report of the Directors.

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
9 August 2017

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 2016

	Note	2016 £	2015 £
Premiums written			
Gross premiums written	5,6	1,844,016	1,503,687
Outward reinsurance premiums		(388,079)	(270,994)
Net premiums written		1,455,937	1,232,693
Change in the provision for unearned premiums	7		
Gross provision		(104,205)	(25,168)
Reinsurers' share		25,099	12,324
Net change in the provision for unearned premiums		(79,106)	(12,844)
Earned premiums, net of reinsurance		1,376,831	1,219,849
Allocated investment return transferred from the non-technical account		34,202	15,266
Other technical income, net of reinsurance		-	-
Total technical income		1,411,033	1,235,115
Claims paid			
Gross amount	(693,037)	(645,080)	
Reinsurers' share	96,940	118,731	
Net claims paid	(596,097)	(526,349)	
Change in the provision for claims			
Gross amount	(225,902)	64,934	
Reinsurers' share	98,633	(46,058)	
Change in the net provision for claims	7	(127,269)	18,876
Claims incurred, net of reinsurance		(723,366)	(507,473)
Changes in other technical provisions, net of reinsurance		-	2,135
Net operating expenses	8	(619,331)	(542,935)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		68,336	186,842

The 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 2016

	Note	2016 £	2015 £
Balance on technical account for general business		68,336	186,842
Investment income	9	76,646	76,411
Unrealised gains on investments	9	86,750	15,335
Investment expenses and charges	9	(23,787)	(21,459)
Unrealised losses on investments	9	(30,644)	(28,836)
Allocated investment return transferred to the general business technical account		(34,202)	(15,266)
Other income		-	-
Other charges		(3,872)	(43,624)
Profit/(loss) before taxation	10	139,227	169,403
Tax on profit/(loss)	11	(35,184)	(21,260)
Profit/(loss) for the financial year		104,043	148,143

Statement of Comprehensive Income

	2016 £	2015 £
Profit/(loss) for the financial year	104,043	148,143
Other comprehensive income:		
Currency translation differences	34,017	10,020
Tax on other comprehensive income	(6,463)	(1,904)
Other comprehensive income for the year, net of tax	27,554	8,116
Total comprehensive income for the financial year	131,597	156,259

All amounts relate to continuing operations.

The Notes are an integral part of these Financial Statements.

A G Sadowski Underwriting Limited

Balance Sheet as at 31 December 2016

	Note	31 December 2016			31 December 2015		
		Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Assets							
Intangible assets	12	-	81,931	81,931	-	83,382	83,382
Investments							
Financial investments	13	2,253,610	-	2,253,610	1,925,221	-	1,925,221
Deposits with ceding undertakings		187	-	187	157	-	157
		2,253,797	-	2,253,797	1,925,378	-	1,925,378
Reinsurers' share of technical provisions							
Provision for unearned premiums	7	134,097	-	134,097	94,691	-	94,691
Claims outstanding	7	466,744	-	466,744	331,363	-	331,363
Other technical provisions		-	-	-	2,135	-	2,135
		600,841	-	600,841	428,189	-	428,189
Debtors							
Arising out of direct insurance operations							
- Policyholders		18	-	18	-	-	-
- Intermediaries		412,876	-	412,876	332,036	-	332,036
Arising out of reinsurance operations		490,518	-	490,518	450,054	-	450,054
Other debtors	14	241,985	514,321	756,306	189,958	437,733	627,691
		1,145,397	514,321	1,659,718	972,048	437,733	1,409,781
Other assets							
Cash at bank and in hand		117,743	2,633	120,376	92,447	33,145	125,592
Other		153,450	-	153,450	112,660	-	112,660
		271,193	2,633	273,826	205,107	33,145	238,252
Prepayments and accrued income							
Accrued interest		5,525	-	5,525	4,683	-	4,683
Deferred acquisition costs	7	216,317	-	216,317	182,948	-	182,948
Other prepayments and accrued income		4,944	-	4,944	5,011	-	5,011
		226,786	-	226,786	192,642	-	192,642
Total assets		4,498,014	598,885	5,096,899	3,723,364	554,260	4,277,624

The Notes are an integral part of these Financial Statements.

A G Sadowski Underwriting Limited

Balance Sheet as at 31 December 2016

	Note	31 December 2016			31 December 2015		
		Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	15	-	200	200	-	200	200
Share premium account		-	-	-	-	-	-
Profit and loss account	16	307,021	323,157	630,178	369,518	266,994	636,512
Shareholders' funds		307,021	323,357	630,378	369,518	267,194	636,712
Technical provisions							
Provision for unearned premiums	7	877,510	-	877,510	702,234	-	702,234
Claims outstanding – gross amount	7	2,731,818	-	2,731,818	2,207,562	-	2,207,562
Other technical provisions		-	-	-	-	-	-
		3,609,328	-	3,609,328	2,909,796	-	2,909,796
Provisions for other risks and charges							
Deferred taxation	17	-	105,557	105,557	-	129,532	129,532
Other		-	-	-	-	-	-
		-	105,557	105,557	-	129,532	129,532
Deposits received from reinsurers		391	-	391	291	-	291
Creditors							
Arising out of direct insurance operations		51,549	-	51,549	51,647	-	51,647
Arising out of reinsurance operations		264,931	-	264,931	217,057	-	217,057
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	18	254,908	85,598	340,506	177,440	55,122	232,562
		571,388	85,598	656,986	446,144	55,122	501,266
Accruals and deferred income		9,886	84,373	94,259	(2,385)	102,412	100,027
Total liabilities		4,190,993	275,528	4,466,521	3,353,846	287,066	3,640,912
Total liabilities and shareholders' funds		4,498,014	598,885	5,096,899	3,723,364	554,260	4,277,624

The Financial Statements were approved and authorised for issue by the Board of Directors on 9 August 2017 and signed on its behalf by:



Jeremy Evans, for and on behalf of Nomina Plc
Director

Company registration number: 3840766

The Notes are an integral part of these Financial Statements.

A G Sadowski Underwriting Limited
Statement of Changes in Shareholders' Equity
for the year ended 31 December 2016

	Note	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2015		200	-	760,495	760,695
Total comprehensive income for the year:					
Profit/(loss) for the financial year		-	-	148,143	148,143
Other comprehensive income for the year		-	-	8,116	8,116
Total comprehensive income for the year		-	-	156,259	156,259
Transactions with owners:					
Dividends paid	16,20	-	-	(280,242)	(280,242)
Proceeds from issue of shares	15	-	-	-	-
Total transactions with owners		-	-	(280,242)	(280,242)
At 31 December 2015		200	-	636,512	636,712
At 1 January 2016		200	-	636,512	636,712
Total comprehensive income for the year:					
Profit/(loss) for the financial year		-	-	104,043	104,043
Other comprehensive income for the year		-	-	27,554	27,554
Total comprehensive income for the year		-	-	131,597	131,597
Transactions with owners:					
Dividends paid	16,20	-	-	(137,931)	(137,931)
Proceeds from issue of shares	15	-	-	-	-
Total transactions with owners		-	-	(137,931)	(137,931)
At 31 December 2016		200	-	630,178	630,378

The Notes are an integral part of these Financial Statements.

A G Sadowski Underwriting Limited

Statement of Cash Flows for the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit/(loss) before tax	139,227	169,403
Deduction of (profit)/loss attributed to syndicate transactions	(158,946)	(222,534)
Distribution/(collection) of closed year result from/(to) syndicates	255,460	230,741
Profit/(loss) excluding syndicate transactions	235,741	177,610
Adjustments for:		
(Increase)/decrease in debtors	(76,588)	(30,710)
Increase/(decrease) in creditors	(28,674)	38,325
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	31,613	27,156
Investment income	(21,485)	(29,347)
Realised/unrealised (gains)/losses on investments	1	(1)
Income tax paid	(24,512)	(9,044)
Net cash inflow/(outflow) from operating activities	116,096	173,989
Cash flows from investing activities		
Investment income	21,485	29,347
Purchase of syndicate capacity	(30,162)	(42,047)
Proceeds from sale of syndicate capacity	-	-
Purchase of investments	-	-
Proceeds from sale of investments	-	-
Net cash inflow/(outflow) from investing activities	(8,677)	(12,700)
Cash flows from financing activities		
Equity dividends paid	(137,931)	(280,242)
Issue of shares	-	-
Net cash inflow/(outflow) from financing activities	(137,931)	(280,242)
Net increase/(decrease) in cash and cash equivalents	(30,512)	(118,953)
Cash and cash equivalents at beginning of year	33,145	152,098
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of year	2,633	33,145
Cash and cash equivalents comprise:		
Cash at bank and in hand	2,633	33,145
Other financial investments	-	-
Cash and cash equivalents	2,633	33,145

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

The Notes are an integral part of these Financial Statements.

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2016

1. General information

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

2. Accounting policies

Basis of preparation

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

Transition to FRS 102 and FRS 103

The Financial Statements for the year ended 31 December 2015 were the first Financial Statements that complied with FRS 102 and FRS 103. The date of transition was 1 January 2014 and the comparative figures in the 2015 Financial Statements were restated accordingly. The transition has resulted in a small number of changes in accounting policies to those used previously.

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 the preparation of the Financial Statements

Basis of accounting

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation through profit and loss of certain financial instruments held at fair value through profit or loss.

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

Notes to the Financial Statements (continued) for the year ended 31 December 2016

2. 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

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

v. Claims incurred and reinsurers' share

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

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

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

Accordingly the two most critical assumptions made by each syndicate's managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

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

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

vi. Unexpired risks provision

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

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

2. 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.

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

2. Accounting policies (continued)

xi. Financial assets and financial liabilities

Classification:

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

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

Recognition:

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

Initial measurement:

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

Subsequent measurement:

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

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

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

De-recognition of financial assets and liabilities:

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

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

Fair value measurement:

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

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

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

Impairment of financial instruments measured at amortised cost or cost:

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

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

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

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

2. Accounting policies (continued)

xi. Financial assets and financial liabilities (continued)

Offsetting:

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

xii. Investment return

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

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

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

xiii. Basis of currency translation

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

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

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

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

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

Reinsurance at corporate level

Where considered applicable by the Directors, the Company may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2 (iv) and (v) above.

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.

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

2. Accounting policies (continued)

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

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

Cash and cash equivalents and Statement of Cash Flows

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

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

Share capital

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

Dividend distributions to shareholders

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

3. Key accounting judgements and estimation uncertainties

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 4.

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

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

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

3. Key accounting judgements and estimation uncertainties (continued)

Purchased syndicate capacity:

Estimating value in use:

Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity.

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

Assessing indicators of impairment:

In assessing whether there have been any indicators of impairment assets, the Directors consider both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Recoverability of receivables:

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

4. Risk management

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

Risk background

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

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

The 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. The Company also mitigates its insurance risks by participating across several syndicates as detailed in Note 23.

Impact of Brexit vote:

The Brexit vote will have an impact on various risk factors, including currency risks. The Lloyd's market is in the process of developing a strategy for dealing with Brexit and the Company will monitor these developments and identify whether it needs to modify its participation in the Lloyd's market.

The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities and at a corporate company level, as required by FRS 103. Note 7 provides further analysis of sensitivities to reserving and underwriting risks.

A G Sadowski Underwriting Limited
Notes to the Financial Statements (continued)
for the year ended 31 December 2016

4. Risk management (continued)

Syndicate risks

i. Liquidity risk

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

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

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

2016	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£	£	£	£	£	£
Claims outstanding	(6,284)	886,806	992,213	424,113	434,970	2,731,818

2015	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£	£	£	£	£	£
Claims outstanding	22,188	700,527	750,726	367,894	366,227	2,207,562

ii. Credit risk

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

2016	AAA	AA	A	BBB or lower	Not rated	Total
	£	£	£	£	£	£
Financial investments	379,366	665,659	688,892	330,400	189,293	2,253,610
Deposits with ceding undertakings	-	-	-	-	187	187
Reinsurers share of claims outstanding	3,592	99,520	321,812	6,964	18,868	450,756
Reinsurance debtors	4,637	4,806	10,887	988	1,565	22,883
Cash at bank and in hand	-	15,988	91,323	10,431	1	117,743
	387,595	785,973	1,112,914	348,783	209,914	2,845,179

2015	AAA	AA	A	BBB or lower	Not rated	Total
	£	£	£	£	£	£
Financial investments	367,452	583,347	598,287	256,417	119,718	1,925,221
Deposits with ceding undertakings	-	-	-	-	157	157
Reinsurers share of claims outstanding	13,221	90,163	212,442	2,823	12,585	331,234
Reinsurance debtors	43,028	125,867	55,604	425	333	225,257
Cash at bank and in hand	32,346	3,775	51,029	5,297	-	92,447
	456,047	803,152	917,362	264,962	132,793	2,574,316

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

4. Risk management (continued)

Syndicate risks (continued)

ii. Credit risk (continued)

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

2016	Neither past due nor impaired £	Past due but not impaired			Impaired £	Total £
		Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £		
Financial investments	2,253,610	-	-	-	-	2,253,610
Deposits with ceding undertakings	187	-	-	-	-	187
Reinsurers share of claims outstanding	450,756	15,988	-	-	-	466,744
Reinsurance debtors	22,883	6,163	220	561	455	30,282
Cash at bank and in hand	117,743	-	-	-	-	117,743
Insurance and other debtors	1,287,857	22,497	9,541	15,719	(14)	1,335,600
	4,133,036	44,648	9,761	16,280	441	4,204,166

2015	Neither past due nor impaired £	Past due but not impaired			Impaired £	Total £
		Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £		
Financial investments	1,925,221	-	-	-	-	1,925,221
Deposits with ceding undertakings	157	-	-	-	-	157
Reinsurers share of claims outstanding	331,234	460	1	-	(332)	331,363
Reinsurance debtors	225,257	29,701	1,123	319	284	256,684
Cash at bank and in hand	92,447	-	-	-	-	92,447
Insurance and other debtors	512,070	14,055	4,055	6,526	(180)	536,526
	3,086,386	44,216	5,179	6,845	(228)	3,142,398

iii. Interest rate and equity price risk

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

iv. Currency risk

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

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

2016	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	619,352	2,971,154	245,166	400,656	261,686	4,498,014
Total liabilities	(885,117)	(2,627,024)	(198,933)	(276,384)	(203,535)	(4,190,993)
Surplus/(deficiency) of assets	(265,765)	344,130	46,233	124,272	58,151	307,021

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

4. Risk management (continued)

Syndicate risks (continued)

iv. Currency risk (continued)

2015	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
Total assets	756,796	2,451,725	195,369	216,011	103,463	3,723,364
Total liabilities	(882,881)	(2,099,692)	(161,983)	(140,292)	(68,998)	(3,353,846)
Surplus/(deficiency) of assets	(126,085)	352,033	33,386	75,719	34,465	369,518

The impact of a 5% change in exchange rates between GBP and other currencies would be £28,639 on shareholders' funds (2015: £24,780).

Company risks

i. Investment, Credit and Liquidity risks

The 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, credit risk, interest rate risk and currency risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the 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 deposits. The Company does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

ii. Currency risks

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

In addition, the Company is also subject to currency fluctuations in respect of any financial investments and Funds at Lloyd's shown in the Corporate column of the Balance Sheet and as set out in Notes 13 and 14 respectively.

iii. 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.

iv. Operational risks

As there are relatively few transactions actually undertaken by the Company there are only limited systems and operational 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.

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

5. Class of business

2016	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
Direct insurance						
Accident and health	82,761	81,184	(40,202)	(39,372)	(1,840)	(230)
Motor – third party liability	11,049	11,167	(6,719)	(4,090)	(243)	115
Motor – other classes	57,288	50,336	(37,501)	(18,572)	2,928	(2,809)
Marine, aviation and transport	155,601	160,374	(87,077)	(66,748)	(5,294)	1,255
Fire and other damage to property	473,318	455,348	(206,202)	(161,307)	(64,386)	23,453
Third party liability	432,622	385,444	(261,612)	(149,571)	19,835	(5,904)
Credit and suretyship	27,080	25,637	(12,860)	(7,859)	(3,007)	1,911
Legal expenses	3,300	3,170	(1,898)	(1,756)	(1)	(485)
Assistance	-	-	-	-	-	-
Miscellaneous	6,143	5,808	(2,418)	(2,550)	(455)	385
Total direct	1,249,162	1,178,468	(656,489)	(451,825)	(52,463)	17,691
Reinsurance inwards	594,854	561,343	(262,450)	(167,506)	(114,944)	16,443
Total	1,844,016	1,739,811	(918,939)	(619,331)	(167,407)	34,134
2015	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Net operating expenses £	Reinsurance balance £	Total £
Direct insurance						
Accident and health	74,315	72,720	(34,035)	(34,868)	(3,410)	407
Motor – third party liability	10,365	9,711	(6,811)	(3,912)	715	(297)
Motor – other classes	41,091	35,742	(25,106)	(10,781)	(231)	(376)
Marine, aviation and transport	157,888	163,104	(60,365)	(67,508)	(17,167)	18,064
Fire and other damage to property	397,624	390,911	(138,376)	(146,678)	(63,612)	42,245
Third party liability	329,199	301,914	(172,896)	(117,532)	(10,747)	739
Credit and suretyship	25,810	30,180	(13,207)	(12,415)	(3,964)	594
Legal expenses	3,675	4,786	(1,750)	(2,521)	(57)	458
Assistance	-	-	-	-	-	-
Miscellaneous	7,581	5,890	(2,651)	(2,549)	(636)	54
Total direct	1,047,548	1,014,958	(455,197)	(398,764)	(99,109)	61,888
Reinsurance inwards	456,139	463,561	(124,949)	(144,171)	(86,888)	107,553
Total	1,503,687	1,478,519	(580,146)	(542,935)	(185,997)	169,441

6. Geographical analysis

	2016 £	2015 £
Direct gross premium written in:		
United Kingdom	1,248,626	936,656
Other EU Member States	19	5,703
Rest of the World	517	105,189
	1,249,162	1,047,548

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

7. Technical provisions

Movement in claims outstanding	2016		2015	2015	
	Gross £	Reinsurance £		Gross £	Reinsurance £
At 1 January	2,207,562	331,363	1,876,199	2,182,808	361,020
Movement of reserves	225,902	98,633	127,269	(64,934)	(46,058)
Other movements	298,354	36,748	261,606	89,688	16,401
At 31 December	<u>2,731,818</u>	<u>466,744</u>	<u>2,265,074</u>	<u>2,207,562</u>	<u>331,363</u>

Movement in unearned premiums	2016		2015	2015	
	Gross £	Reinsurance £		Gross £	Reinsurance £
At 1 January	702,234	94,691	607,543	650,816	60,691
Movement of reserves	104,205	25,099	79,106	25,168	12,324
Other movements	71,071	14,307	56,764	26,250	21,676
At 31 December	<u>877,510</u>	<u>134,097</u>	<u>743,413</u>	<u>702,234</u>	<u>94,691</u>

Movement in deferred acquisition costs	2016	2015
	Net £	Net £
At 1 January	182,948	171,171
Movement in deferred acquisition costs	21,571	6,010
Other movements	11,798	5,767
At 31 December	<u>216,317</u>	<u>182,948</u>

Included within other movements are foreign exchange movements and the effect of the 2013 and prior years' technical provisions being reinsured to close into the 2014 year of account (2015: 2012 and prior years' technical provisions being reinsured to close into the 2013 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account.

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

7. Technical provisions (continued)

Assumptions, changes in assumptions and sensitivity

As described in Note 4 the majority of the risks to the Company's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Company's role in managing these risks, in conjunction with the Company's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

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

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

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

There have been no changes to these assumptions in 2016.

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

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £68,842 (2015: £60,992);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £136,591 (2015: £110,378),
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £113,254 (2015: £93,810).

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

The historical gross and net claims development is as follows:

Claims development - Gross

	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
Underwriting pure year				
2012	629,944	912,795	899,912	126,765
2013	452,410	776,835	770,179	106,849
2014	483,183	818,379	845,094	-
2015	474,276	881,955		
2016	635,759	-		

Claims development - Net

	After 12 months £	After 24 months £	After 36 months £	Profit/(loss) on RITC received £
Underwriting pure year				
2012	520,076	770,356	769,318	114,455
2013	392,121	682,069	666,282	113,727
2014	412,914	717,251	736,468	-
2015	411,639	760,066		
2016	498,874	-		

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

8. Net operating expenses	2016	2015
	£	£
Acquisition costs	417,471	358,893
Change in deferred acquisition costs	(21,571)	(6,010)
Administrative expenses	223,431	190,163
Loss/(profit) on exchange	-	(111)
	<u>619,331</u>	<u>542,935</u>
9. Investment return	2016	2015
	£	£
Investment income	38,176	33,592
Dividend income	1,506	2,206
Interest on cash at bank	1,179	1,054
Other interest and similar income	17,566	15,375
Realised gains on investments	18,219	24,184
Investment income	<u>76,646</u>	<u>76,411</u>
Investment management expenses	(2,793)	(2,352)
Realised losses on investments	(20,994)	(19,107)
Investment expenses and charges	<u>(23,787)</u>	<u>(21,459)</u>
Unrealised gains and losses, net	56,106	(13,501)
	<u>108,965</u>	<u>41,451</u>

Analysed as follows:

	Investments at fair value through profit or loss £	Investments available for sale £	2016 Total £	Investments at fair value through profit or loss £	Investments available for sale £	2015 Total £
Realised gains and losses	(2,775)	-	(2,775)	5,088	(11)	5,077
Unrealised gains and losses	56,106	-	56,106	(13,490)	(11)	(13,501)
Other relevant income	-	-	-	-	-	-
	<u>53,331</u>	<u>-</u>	<u>53,331</u>	<u>(8,402)</u>	<u>(22)</u>	<u>(8,424)</u>
Interest and similar income, net of expenses			55,634			49,875
			<u>108,965</u>			<u>41,451</u>

A G Sadowski Underwriting Limited
Notes to the Financial Statements (continued)
for the year ended 31 December 2016

10. Profit/(loss) before taxation	2016	2015
	£	£
This is stated after charging.		
Key management personnel remuneration	-	-
Amortisation of syndicate capacity	31,613	27,156
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-
The Company has no employees		

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 (2015: £74)

11. Taxation	2016	2015
	£	£
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	61,309	20,198
Adjustment in respect of previous years	-	(3,859)
Foreign tax	4,313	1,242
Total current tax	65,622	17,581
Deferred tax.		
Origination and reversal of timing differences	(30,438)	9,876
Change in tax rate	-	(6,197)
Total deferred tax	(30,438)	3,679
Tax on profit/(loss)	35,184	21,260

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% (2015: 20.25%). The differences are explained below:

Profit/(loss) before tax	139,227	169,403
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	27,845	34,304
Effects of:		
Adjustment in respect of previous years	-	(3,859)
Group relief claimed	-	-
Income not taxable	-	-
Permanent differences	2,422	2,511
Foreign tax	4,313	1,242
Rate change and other adjustments	604	(12,938)
Tax on charge/(credit) for the year	35,184	21,260

The results of the Company's participation on the 2014, 2015 and 2016 years of account and the calendar year movement on 2013 and prior run-offs will not be assessed to tax until the year ended 31 December 2017, 2018 and 2019 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.

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

12. Intangible assets	2016	2015
Purchased syndicate capacity	£	£
Cost		
At 1 January	226,095	184,048
Additions	30,162	42,047
Disposals	-	-
At 31 December	<u>256,257</u>	<u>226,095</u>
Amortisation		
At 1 January	142,713	115,557
Provided during the year	31,613	27,156
Disposals	-	-
At 31 December	<u>174,326</u>	<u>142,713</u>
Net book value		
At 31 December 2016 / 2015	<u>81,931</u>	<u>83,382</u>
At 31 December 2015 / 2014	<u>83,382</u>	<u>68,491</u>

13. Financial investments

The Company early adopted as of 1 January 2016 the amendments of FRS 102 made in March 2016 and effective for accounting periods beginning on or after 1 January 2017.

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

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

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

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

Financial investments Syndicate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
2016						
Shares and other variable yield securities and units in unit trusts	70,763	260,452	2	331,217	-	331,217
Debt securities and other fixed income securities	660,664	1,193,761	-	1,854,425	-	1,854,425
Participation in investment pools	13,140	15,337	18,477	46,954	-	46,954
Loans and deposits with credit institutions	9,754	7,983	312	18,049	-	18,049
Derivatives	1,233	1,715	-	2,948	-	2,948
Other investments	-	-	17	17	-	17
Financial assets classified as held for sale	-	-	-	-	-	-
Fair value	<u>755,554</u>	<u>1,479,248</u>	<u>18,808</u>	<u>2,253,610</u>	<u>-</u>	<u>2,253,610</u>
Cost				<u>2,241,842</u>	<u>-</u>	<u>2,241,842</u>

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

13. Financial investments (continued)

Financial investments Syndicate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
2015						
Shares and other variable yield securities and units in unit trusts	70,124	194,916	15,441	280,481	-	280,481
Debt securities and other fixed income securities	611,767	634,565	238,949	1,485,281	-	1,485,281
Participation in investment pools	5,225	8,950	17,179	31,354	-	31,354
Loans and deposits with credit institutions	91,543	19,298	16,562	127,403	-	127,403
Derivatives	56	-	617	673	-	673
Other investments	-	-	29	29	-	29
Financial assets classified as held for sale	-	-	-	-	-	-
Fair value	778,715	857,729	288,777	1,925,221	-	1,925,221
						Total £
Cost				1,929,863	-	1,929,863
Financial investments Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
2016						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Fair value	-	-	-	-	-	-
						Total £
Cost				-	-	-
Financial investments Corporate	Financial investments held at fair value through profit or loss				Held at amortised cost £	Total £
	Level 1 £	Level 2 £	Level 3 £	Total £		
2015						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
Fair value	-	-	-	-	-	-
						Total £
Cost				-	-	-

Included within the Corporate figures above are financial investments denominated in non-Sterling currency. The impact of a 5% change in exchange rates between GBP and other currencies would be £nil on shareholders' funds (2015: £nil).

A G Sadowski Underwriting Limited
Notes to the Financial Statements (continued)
for the year ended 31 December 2016

14. Other debtors

	2016			2015		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Proprietors' loan accounts	-	-	-	-	-	-
Funds at Lloyd's	-	514,320	514,320	-	437,731	437,731
Deferred tax asset (Note 17)	-	-	-	-	-	-
Other	241,985	1	241,986	189,958	2	189,960
	<u>241,985</u>	<u>514,321</u>	<u>756,306</u>	<u>189,958</u>	<u>437,733</u>	<u>627,691</u>

Funds at Lloyd's ("FAL") 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 retains the rights to the economic benefit of these assets. The Company has entered into a Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission, and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting. The Company's underwriting is supported by assets made available to it by the shareholders of the Company.

Where FAL is comprised of financial investments, to meet Lloyd's requirements these investments will usually be the equivalent of Level 1 as defined in Note 13. FAL are held mainly either in Sterling or US dollar denominations and therefore are potentially exposed to the currency risk of fluctuation between the Sterling and US dollar exchange rate. The maximum exposure to a 5% movement in the Sterling and USD exchange rate will be £25,716 (2015: £21,887).

15. Share capital

Allotted, called-up and fully paid

	2016		2015	
	Issued	Value £	Issued	Value £
Ordinary £1 shares	200	200	200	200

16. Profit and loss account

	2016			2015		
	Syndicate participation £	Corporate £	Total £	Syndicate participation £	Corporate £	Total £
Retained profit/(loss) brought forward	369,518	266,994	636,512	367,705	392,790	760,495
Reallocate distribution	(255,460)	255,460	-	(230,741)	230,741	-
Profit/(loss) and other comprehensive income for the financial year	192,963	(61,366)	131,597	232,554	(76,295)	156,259
Equity dividends	-	(137,931)	(137,931)	-	(280,242)	(280,242)
Retained profit/(loss) carried forward	<u>307,021</u>	<u>323,157</u>	<u>630,178</u>	<u>369,518</u>	<u>266,994</u>	<u>636,512</u>

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

16. Profit and loss account (continued)

The result for each underwriting year of account is generated over a three year period. These Financial Statements, which cover the period from 1 January 2016 to 31 December 2016, show movements in the first twelve months of the 2016 year of account, the second twelve months of the 2015 year of account and the final twelve months of the 2014 year of account.

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

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

	2016	2015
	£	£
Underwriting year of account (cumulative):		
2013 after 36 months	-	254,872
2014 after 36 months / 24 months	295,977	123,558
2015 after 24 months / 12 months	100,508	(8,912)
2016 after 12 months	(89,464)	-
	307,021	369,518

17. Deferred taxation assets/(liabilities)

	2016	2015
	£	£
Opening balance	(129,532)	(123,949)
Profit and loss account (charge)/credit	30,438	(3,679)
Other comprehensive income (charge)/credit	(6,463)	(1,904)
Closing balance	(105,557)	(129,532)

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within Other debtors (Note 14).

18. Other creditors including taxation and social security

	2016			2015		
	Syndicate participation	Corporate	Total	Syndicate participation	Corporate	Total
	£	£	£	£	£	£
Corporation tax	-	61,309	61,309	-	20,198	20,198
Proprietors' loan accounts	-	24,289	24,289	-	34,924	34,924
Third party funds	-	-	-	-	-	-
Other creditors	254,908	-	254,908	177,440	-	177,440
Amount due to group undertakings	-	-	-	-	-	-
	254,908	85,598	340,506	177,440	55,122	232,562

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

19. Financial liabilities

The Company early adopted as of 1 January 2016 the amendments of FRS 102 made in March 2016 and effective for accounting periods beginning on or after 1 January 2017.

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

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

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

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

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2016	£	£	£	£	£	£
Borrowings	-	-	-	-	-	-
Derivative liabilities	890	359	-	1,249	-	1,249
Financial liabilities classified as held for sale	-	-	-	-	-	-
Fair value	890	359	-	1,249	-	1,249

Financial liabilities Syndicate	Financial liabilities held at fair value through profit or loss				Held at amortised cost	Total
	Level 1	Level 2	Level 3	Total		
2015	£	£	£	£	£	£
Borrowings	-	-	-	-	-	-
Derivative liabilities	122	-	876	998	-	998
Financial liabilities classified as held for sale	-	-	-	-	-	-
Fair value	122	-	876	998	-	998

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

Financial liabilities - Corporate

All corporate financial liabilities are measured at amortised cost.

20. Dividends

	2016	2015
	£	£
Equity dividends declared and paid	137,931	280,242

A G Sadowski Underwriting Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

21. Related party transactions

Nomina plc, a Director of the Company, provides administration services to the Company. Nomina plc charged a management fee of £2,900 (2015: £2,900) to cover all the costs of basic administration of the Company.

22. Ultimate controlling party

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

23. 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	2017 Allocated capacity £	2016 Allocated capacity £	2015 Allocated capacity £	2014 Allocated capacity £
33	Hiscox Syndicates Limited	201,250	175,000	175,000	158,362
386	QBE Underwriting Limited	66,066	73,470	63,470	74,358
510	Tokio Marine Kiln Syndicates Limited	330,187	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	160,394	110,316	98,497	83,592
727	S A Meacock & Company Limited	108,739	108,739	108,739	108,739
958	Canopus Managing Agents Limited	-	-	62,768	59,375
1176	Chaucer Syndicates Limited	23,684	22,105	20,000	20,000
1729	Asta Managing Agency Limited	45,333	40,800	34,000	34,000
1910	Asta Managing Agency Limited	-	45,874	-	-
2010	Cathedral Underwriting Limited	98,027	98,027	98,027	112,031
2014	Pembroke Managing Agency Limited	85,000	78,000	60,000	60,000
2525	Asta Managing Agency Limited	56,156	56,156	47,424	47,424
2689	Asta Managing Agency Limited	75,000	-	-	-
2791	Managing Agency Partners Limited	194,301	194,301	194,301	220,149
2988	Brit Syndicates Limited	104,190	-	-	-
4444	Canopus Managing Agents Limited	66,161	66,161	-	-
5886	Asta Managing Agency Limited	50,096	-	-	-
6103	Managing Agency Partners Limited	8,688	7,602	6,788	16,856
6104	Hiscox Syndicates Limited	21,469	21,469	25,000	35,000
6105	Ark Syndicate Management Limited	-	-	25,000	25,000
6107	Beazley Furlonge Limited	38,313	25,000	25,000	25,000
6111	Catlin Underwriting Agencies Limited	-	37,121	33,446	33,970
6117	Asta Managing Agency Limited	130,000	68,787	50,735	76,851
7216	Members' Agents Pooling Arrangement	86,162	73,658	-	-
7217	Members' Agents Pooling Arrangement	24,825	23,584	22,343	19,861