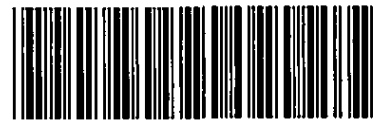


Company registration number: 3840766

A G Sadowski Underwriting Limited

Report and financial statements
31 December 2011

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A G Sadowski Underwriting Limited

Contents:

Company information	2
Report of the directors	3
Report of the auditors	7
Profit and loss account - technical account	8
Profit and loss account - non-technical account	9
Balance sheet	10
Cash flow statement	12
Accounting policies	13
Notes to the financial statements	18

A G Sadowski Underwriting Limited

Company information

Directors

A G Sadowski
K M Sadowski
Nomina Plc

Company Secretary

Hampden Legal Plc

Registered Office

85, Gracechurch Street
London
EC3V 0AA

Auditors

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 2011

Principal Activities, Business Review and Future Developments

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to trade in 2012 and the Directors expect this year's result to be profitable.

The financial statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2009, 2010 and 2011 years of account, as well as any prior run-off years. The 2009 year closed at 31 December 2011 with a result of £334,662 (2008: £206,885). The 2010 and 2011 open underwriting accounts will normally close at 31 December 2012 and 2013.

Results and Dividends

The results for the year are set out on pages 8 to 9 of the Financial Statements. Dividends totalling £- were paid in the year (2010: £282,423).

Key Performance Indicators

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

	2011	2010
Capacity (youngest underwriting year)	1,614,391	1,707,062
Gross premium written as a % of capacity	88.6%	87.5%
Underwriting profit of latest closed year		
as a % of capacity	21.8%	13.3%
Run-off years of account movement	(1,486)	11,058

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.

Risk Management

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. This Company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates.

A G Sadowski Underwriting Limited

Report of the Directors (continued)

Syndicate Risks

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

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

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.

Regulatory Risks

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

A G Sadowski Underwriting Limited

Report of the Directors (continued)

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.

Directors

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

A G Sadowski
K M Sadowski
Nomina Plc

Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which 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 year, in accordance with United Kingdom Accounting Standards and applicable law (UK and Generally Accepted Accounting Practice). 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
- 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. 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. The Directors are responsible for ensuring that the Report of the Directors is prepared in accordance with company law in the United Kingdom.

Auditors

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

A G Sadowski Underwriting Limited

Report of the Directors (continued)

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

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Approved by the Board on 9 August 2012
and signed on its behalf by

A handwritten signature in black ink that reads "Hampden Legal Plc". The signature is written in a cursive, flowing style.

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 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements.

Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 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 Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

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 Littlejohn LLP
Statutory auditor
9 August 2012

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 2011

	Note	2011 £	2010 £
Premiums Written			
Gross premiums written	1	1,430,933	1,493,199
Outward reinsurance premiums		(255,051)	(264,431)
Net Premiums Written		1,175,882	1,228,768
Change in the provision for Unearned premiums			
Gross Provision		17,775	57,572
Reinsurers' share		(2,172)	(11,753)
Earned Premiums, Net of Reinsurance		1,191,485	1,274,587
Allocated Investment Return Transferred from the Non-Technical Account		36,268	61,325
Other technical income, net of reinsurance		-	696
Claims Paid			
Gross Amount		(823,714)	(815,854)
Reinsurers' share		145,337	136,892
Net claims paid		(678,377)	(678,962)
Change in Provision for Claims			
Gross amount		(233,708)	(33,991)
Reinsurers' share		84,952	(4,053)
Change in net provision for claims		(148,756)	(38,044)
Claims Incurred, Net of Reinsurance		(827,133)	(717,006)
Changes in other technical provisions, net of reinsurance			
Net operating expenses	3	(437,989)	(456,788)
Other technical charges, net of reinsurance		-	-
Balance on the Technical Account for General Business		(37,369)	162,814

The accounting policies and notes on pages 13 to 25 form part of these Financial Statements

A G Sadowski Underwriting Limited

Profit and loss account Non - technical account for the year ended 31 December 2011

	Note	2011 £	2010 £
Balance on Technical Account for General Business		(37,369)	162,814
Investment income	4	68,170	93,852
Unrealised gains on investments		17,774	15,312
Investment expenses and charges	5	(21,163)	(24,117)
Unrealised losses on investments		(27,338)	(22,812)
Allocated investment return transferred to the general business technical account		(36,268)	(61,325)
Other income		12,528	17,295
Other charges		(15,636)	4,321
Profit/(loss) on ordinary activities before taxation	6	(39,302)	185,340
Tax on profit/(loss) on ordinary activities	7	8,116	(39,768)
Profit/(loss) for the financial year	14	(31,186)	145,572

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 on pages 13 to 25 form part of these Financial Statements

A G Sadowski Underwriting Limited

Balance sheet as at 31 December 2011

		31 December 2011			31 December 2010		
Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total	
	£	£	£	£	£	£	
Assets							
Intangible assets	9	-	32,207	32,207	-	6,333	6,333
Investments							
Financial investments	10	1,909,339	-	1,909,339	2,006,884	-	2,006,884
Deposits with ceding undertakings		887	-	887	828	-	828
		1,910,226	-	1,910,226	2,007,712	-	2,007,712
Reinsurers' share of technical provisions							
Provision for unearned premiums		68,887	-	68,887	70,787	-	70,787
Claims outstanding		523,813	-	523,813	479,203	-	479,203
Other technical provisions		-	-	-	-	-	-
		592,700	-	592,700	549,990	-	549,990
Debtors							
Arising out of direct insurance operations		311,502	-	311,502	371,453	-	371,453
Arising out of reinsurance operations		450,773	-	450,773	469,410	-	469,410
Other debtors	11	165,691	364,047	529,738	206,797	223,476	430,273
		927,966	364,047	1,292,013	1,047,660	223,476	1,271,136
Other assets							
Cash at bank and in hand		105,791	84,490	190,281	142,050	94,874	236,924
Other		202,168	-	202,168	191,826	-	191,826
		307,959	84,490	392,449	333,876	94,874	428,750
Prepayments and accrued income							
Accrued interest		6,464	-	6,464	3,814	-	3,814
Deferred acquisitions costs		135,922	-	135,922	138,209	-	138,209
Other prepayments and accrued income		9,843	-	9,843	5,705	-	5,705
		152,229	-	152,229	147,728	-	147,728
Total assets		3,891,080	480,744	4,371,824	4,086,966	324,683	4,411,649

The accounting policies and notes on pages 13 to 25 form part of these Financial Statements

A G Sadowski Underwriting Limited

Balance sheet as at 31 December 2011

	Note	31 December 2011			31 December 2010		
		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	196,838	232,843	429,681	421,217	39,650	460,867
Shareholders' funds – attributable to equity interests							
	14	196,838	233,043	429,881	421,217	39,850	461,067
Technical provisions							
Provision for unearned premiums		565,937	-	565,937	583,960	-	583,960
Claims outstanding – gross amount		2,774,940	-	2,774,940	2,578,584	-	2,578,584
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	65,663	65,663	-	105,253	105,253
Other		-	-	-	-	-	-
Deposit received from reinsurers							
		580	-	580	921	-	921
Creditors							
Arising out of direct insurance operations		72,427	-	72,427	113,310	-	113,310
Arising out of reinsurance operations		183,940	-	183,940	223,833	-	223,833
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	169,090	31,163	200,253	207,403	45,030	252,433
		3,766,914	96,826	3,863,740	3,708,011	150,283	3,858,294
Accruals and deferred income							
		(72,672)	150,875	78,203	(42,262)	134,550	92,288
Total liabilities							
		3,891,080	480,744	4,371,824	4,086,966	324,683	4,411,649

Approved and authorised for issue by the Board of Directors on 9 August 2012
and signed on its behalf by

Nomina plc

Director
Nomina plc

Company registration number 3840766

The accounting policies and notes on pages 13 to 25 form part of these Financial Statements

A G Sadowski Underwriting Limited

Cash flow statement for the year ended 31 December 2011

	Note	2011 £	2010 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17	49,952	319,987
Returns on investments and servicing of finance			
		-	-
Capital expenditure			
Purchase of syndicate capacity		(30,223)	(1,619)
Proceeds from sale of syndicate capacity		12,637	17,319
Taxation			
Corporation and overseas taxes (paid)/refunded		(42,750)	(77,984)
Equity dividends paid			
		-	(282,423)
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17	<u>(10,384)</u>	<u>(24,720)</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	17	(10,384)	(24,720)
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows		<u>(10,384)</u>	<u>(24,720)</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 on pages 13 to 25 form part of these Financial Statements

A G Sadowski Underwriting Limited

Accounting Policies for the year ended 31 December 2011

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.

A G Sadowski Underwriting Limited

Accounting Policies for the year ended 31 December 2011

General Business

i Premiums

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

ii Unearned Premiums

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

iii Deferred Acquisition Costs

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

iv Reinsurance Premiums

Reinsurance premium costs are allocated by the Managing Agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

v Claims Incurred and Reinsurers' Share

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

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

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

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

A G Sadowski Underwriting Limited

Accounting Policies for the year ended 31 December 2011

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

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

vi Unexpired Risks Provision

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

vii Closed Years of Account

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

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

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

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

viii Run-off Years of Account

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

A G Sadowski Underwriting Limited

Accounting Policies for the year ended 31 December 2011

ix Net Operating Expenses (including Acquisition Costs)

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

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

x Distribution of Profits and Collection of Losses

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

xi Investments

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

xii Investment Return

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

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

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

xiii Basis of Currency Translation

Syndicates maintain separate funds in Sterling, United States dollars, Canadian dollars and Euros

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

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

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

xiv Debtors/Creditors Arising from Insurance/Reinsurance Operations

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility, no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate

A G Sadowski Underwriting Limited

Accounting Policies for the year ended 31 December 2011

Taxation

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

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

Deferred Taxation

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

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

Deferred tax assets and liabilities have not been discounted.

Intangible Assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on syndicates' underwriting years are included within intangible fixed assets and amortised over a 5 year period beginning in the year following the purchase of the syndicate participation.

Cash Flow Statement

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

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

1. Class of Business

2011	Gross Written Premiums £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	61,910	58,387	(33,800)	(23,704)	(3,254)	(2,371)
Motor – third party liability	6,057	6,317	(3,479)	(2,213)	(258)	367
Motor – other classes	77,072	80,256	(65,583)	(28,435)	6,495	(7,267)
Marine, aviation and transport	189,105	188,693	(72,832)	(57,865)	(11,865)	46,131
Fire and other damage to property	311,542	314,863	(176,975)	(111,753)	(28,702)	(2,567)
Third party liability	282,662	277,482	(160,425)	(109,170)	(11,641)	(3,754)
Credit and suretyship	28,242	25,841	(9,625)	(6,641)	(3,025)	6,550
Legal expenses	4,159	3,262	(988)	(2,036)	(150)	88
Assistance	-	-	-	-	-	-
Miscellaneous	2,678	2,893	(1,290)	(1,986)	(54)	(437)
Total direct	963,427	957,994	(524,997)	(343,803)	(52,454)	36,740
Reinsurance	467,506	490,714	(532,425)	(94,186)	25,520	(110,377)
Total	1,430,933	1,448,708	(1,057,422)	(437,989)	(26,934)	(73,637)
2010						
Direct Insurance						
Accident and health	57,396	57,629	(28,275)	(24,771)	(3,070)	1,513
Motor – third party liability	7,437	6,540	(4,426)	(2,049)	198	263
Motor – other classes	78,870	78,719	(110,489)	(27,413)	(641)	(59,824)
Marine, aviation and transport	172,682	177,410	(83,876)	(51,598)	(11,515)	30,421
Fire and other damage to property	322,421	341,793	(157,379)	(119,512)	(42,372)	22,530
Third party liability	294,638	289,456	(162,916)	(91,241)	(1,973)	33,326
Credit and suretyship	25,677	24,172	(8,266)	(8,026)	(4,505)	3,375
Legal expenses	2,612	2,298	(1,144)	(817)	(89)	248
Assistance	-	-	-	-	-	-
Miscellaneous	2,140	2,634	(1,371)	(1,450)	20	(167)
Total direct	963,873	980,651	(558,142)	(326,877)	(63,947)	31,685
Reinsurance	529,326	570,120	(291,703)	(129,911)	(79,398)	69,108
Total	1,493,199	1,550,771	(849,845)	(456,788)	(143,345)	100,793

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

2. Geographical Analysis	2011	2010
	£	£
Direct Gross Premium Written in:		
United Kingdom	950,617	929,614
Other EU Member States	1,033	6,557
Rest of the World	11,777	27,702
	963,427	963,873
3. Net Operating Expenses	2011	2010
	£	£
Acquisition costs	305,711	307,383
Change in deferred acquisition costs	584	15,205
Administrative expenses	133,831	158,841
Loss/(Profit) on exchange	(2,137)	(24,641)
	437,989	456,788
4. Investment Income	2011	2010
	£	£
Income from investments	56,611	70,866
Gains on the realisation of investments	10,921	22,076
Bank deposit interest	638	910
	68,170	93,852
5. Investment Expenses and Charges	2011	2010
	£	£
Investment management expenses, including interest	2,464	2,961
Losses on the realisation of investments	18,699	21,156
	21,163	24,117
6. Profit/(Loss) on Ordinary Activities before Taxation	2011	2010
	£	£
This is stated after charging		
Directors remuneration	-	-
Amortisation of syndicate capacity	4,221	3,753
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-
The Company has no employees		

The auditors, 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 £95 (2010 £95)

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

7. Taxation	2011	2010
	£	£
Analysis of Charge in Period		
Current tax		
UK corporation tax on profit/(loss) of the period	21,798	50,919
Adjustment in respect of previous period	1,604	(12,107)
	<u>23,402</u>	<u>38,812</u>
Foreign tax	8,072	1,746
Total current tax	31,474	40,558
Deferred tax		
Origination and reversal of timing differences	(44,246)	(6,371)
Change in tax rate	4,656	5,581
	<u>(8,116)</u>	<u>39,768</u>

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.25% (2010 21.00%). The differences are explained below

Profit/(loss) on ordinary activities before tax	(39,302)	185,340
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2010 21.00%)	(7,959)	38,921
Effects of		
Underwriting results subject to timing differences for taxation	35,237	10,588
Utilisation of tax losses	-	-
Foreign tax	8,072	1,379
Other corporation computation adjustments	(5,474)	1,777
Marginal rates of taxation and prior period adjustment	1,598	(12,107)
Current tax charge for the period	<u>31,474</u>	<u>40,558</u>

The results of the Company's participation on the 2009, 2010 and 2011 years of account and the calendar year movement on 2008 and prior run-offs, will not be assessed to tax until the year ended 31 December 2012, 2013 and 2014 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	2011	2010
	£	£
Equity dividends declared and paid	-	282,423

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

9. Intangible Assets	2011	2010
	£	£
Purchased syndicate capacity		
Cost		
At 01 January 2011	71,658	72,816
Additions	30,223	1,619
Disposals	(1,560)	(2,777)
At 31 December 2011	<u>100,321</u>	<u>71,658</u>
Amortisation		
At 01 January 2011	65,325	64,325
Provided during the year	4,221	3,753
Disposals	(1,432)	(2,753)
At 31 December 2011	<u>68,114</u>	<u>65,325</u>
Net Book Value		
At 31 December 2011	<u>32,207</u>	<u>6,333</u>
At 31 December 2010	<u>6,333</u>	<u>8,491</u>

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

10. Investments

Other Financial Investments - Syndicate

	2011		2010	
	Market Value £	Cost £	Market Value £	Cost £
Shares and other variable yield securities and units in unit trusts	257,447	255,896	260,334	240,820
Debt securities and other fixed income securities	1,574,561	1,589,212	1,660,862	1,670,074
Participation in investment pools	44,095	43,479	48,955	45,774
Loans secured by mortgages	16,608	16,721	16,684	16,863
Other loans	12,458	12,380	10,760	10,760
Deposits with credit institutions	4,116	4,116	9,154	9,154
Other	54	198	135	465
	<u>1,909,339</u>	<u>1,922,002</u>	<u>2,006,884</u>	<u>1,993,910</u>
Listed investments included within the above	<u>1,876,103</u>	<u>1,888,587</u>	<u>1,970,151</u>	<u>1,956,668</u>

Other Financial Investments - Corporate

Shares and other variable yield securities	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Listed investments included within the above	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

11. Other Debtors

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Funds at Lloyd's	-	352,437	352,437	-	223,457	223,457
Other	165,691	11,610	177,301	206,797	19	206,816
	<u>165,691</u>	<u>364,047</u>	<u>529,738</u>	<u>206,797</u>	<u>223,476</u>	<u>430,273</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.

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

12. Called-up Share Capital

	2011 Allotted, called-up and fully paid	2010 Allotted, called-up and fully paid
Ordinary £1 Shares	200	200

13. Profit and Loss Account

	2011		2010			
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	421,217	39,650	460,867	504,955	92,763	597,718
Reallocate distribution	(206 885)	206 885	-	(284,314)	284,314	-
Profit/(loss) for the financial year	(17,494)	(13,692)	(31,186)	200,576	(55,004)	145,572
Equity dividends	-	-	-	-	(282,423)	(282 423)
Retained profit/(loss) carried forward	196 838	232 843	429,681	421,217	39,650	460,867

14. Reconciliation of Movements in Shareholders' Funds

	2011 £	2010 £
Opening shareholders funds	461,067	597,918
Profit/(loss) for the financial year	(31,186)	145,572
Equity dividends	-	(282,423)
Proceeds from issue of shares	-	-
Closing shareholders' funds	429,881	461,067

15. Deferred Taxation

	2011 £	2010 £
Opening balance	105,253	106,043
Profit and loss account charge	(39,590)	(790)
Closing balance	65,663	105,253

The deferred tax balance consists of timing differences relating to the taxation of underwriting results

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

16. Other Creditors including Taxation and Social Security

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	19,797	19,797	-	31,073	31,073
Proprietors' loan accounts	-	308	308	-	9,249	9,249
Third Party Funds	-	-	-	-	-	-
Other creditors	169,090	11,058	180,148	207,403	4,708	212,111
Amount due to group undertakings	-	-	-	-	-	-
	<u>169,090</u>	<u>31,163</u>	<u>200,253</u>	<u>207,403</u>	<u>45,030</u>	<u>252,433</u>

17. (a) Reconciliation of Operating Profit to Net Cash Inflow/(Outflow) from Operating Activities

	2011 £	2010 £
Profit or loss on ordinary activities before tax	(39,302)	185,340
(Profit)/loss attributable to syndicate transactions	224,379	83,738
Profit or loss – excluding syndicate transactions	<u>185,077</u>	<u>269,078</u>
(Increase)/decrease in debtors	(140,571)	(1,204)
Increase/(decrease) in creditors	13,734	65,655
(Profit)/loss on disposal of intangible assets	(12,508)	(17,295)
Amortisation of syndicate capacity	4,220	3,753
Impairment of syndicate capacity	-	-
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	<u>49,952</u>	<u>319,987</u>

(b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2011 £	Cashflow £	Changes to Market Value £	At 31 December 2011 £
Cash	94,874	(10,384)	-	84,490
Other financial investments	-	-	-	-
	<u>94,874</u>	<u>(10,384)</u>	<u>-</u>	<u>84,490</u>

A G Sadowski Underwriting Limited

Notes to the Financial Statements for the year ended 31 December 2011

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 (2010 £2,625) 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	2011 Allocated Capacity £	2010 Allocated Capacity £	2009 Allocated capacity £	2008 Allocated Capacity £
33	Hiscox Syndicates Limited	106,206	118,006	88,505	82,605
218	Equity Syndicate Management Limited	56,119	56,119	52,204	48,562
318	Beaufort Underwriting Agency Limited	-	-	81,250	81,250
386	QBE Underwriting Limited	50,000	68,972	64,228	64,228
510	R J Kiln & Co Limited	265,999	265,999	182,149	170,000
557	R J Kiln & Co Limited	25,090	50,000	50,000	50,000
570	Atrium Underwriters Limited	86,715	86,715	75,001	75,001
609	Atrium Underwriters Limited	144,779	144,779	105,168	113,442
727	S A Meacock & Company Limited	105,270	105,270	97,139	97,139
958	Omega Underwriting Agents Limited	121,603	121,603	155,078	155,078
2010	Cathedral Underwriting Limited	104,976	104,976	89,977	89,977
2525	Whittington Capital Management Limited	42,913	42,913	42,913	42,913
2526	Whittington Capital Management Limited	79,105	50,335	50,335	50,335
2791	Managing Agency Partners Limited	193,027	186,573	150,741	117,526
6101	Argenta Syndicate Management Limited	-	-	-	122,259
6103	Managing Agency Partners Limited	15,000	35,000	37,229	36,473
6104	Hiscox Syndicates Limited	25,000	50,000	61,036	61,036
6105	Ark Syndicate Management Limited	16,156	-	-	-
6106	Amlin Underwriting Limited	30,000	41,445	41,445	-
6107	Beazley Furlonge Limited	25,000	45,000	-	-
7066	Members' Agents Pooling Arrangement	81,254	84,950	-	-
7117	Members' Agents Pooling Arrangement	-	-	70,906	75,246
7208	Members' Agents Pooling Arrangement	20,365	22,384	19,433	22,000
7217	Members' Agents Pooling Arrangement	19,814	26,023	21,979	-