

Company registration number: 3592542

Upton Underwriting Limited

Report and financial statements 31 December 2007

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Upton Underwriting Limited

Company information

Director

Mr J E Upton

Company Secretary

Argenta Secretariat Limited

Registered Office

Fountain House
130 Fenchurch Street
London EC3M 5DJ

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Accountants

Axiom Consulting Limited
Lloyds Chambers
1 Portsoken Street
London E1 8DF

Upton Underwriting Limited

Report of the Director

The Director submits his Report together with the Financial Statements of the Company for the year ended 31 December 2007

Principal Activities and Business Review

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The company continues to underwrite for the 2008 year of account.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2005, 2006 and 2007 years of account, as well as any 2004 and prior run-off years. The 2005 year closed at 31 December 2007 with a result of £11,951 (2004 - £188,669). The 2006 and 2007 open underwriting account will normally close at 31 December 2008 and 2009.

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

Results and Dividends

The results for the year are set out on pages 7 to 8 of the Financial Statements. Dividends totalling £- were paid in the year (2006 - £-).

Upton Underwriting Limited

Report of the Director (continued)

Financial risk management objectives and policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the Company.

Key Performance Indicators

The director monitors the performance of the Company by reference to the following key performance indicators:

	2007	2006
Capacity (youngest underwriting year)	2,214,185	2,516,141
Gross premium written as a % of capacity	92.9%	105.8%
Underwriting profit of latest closed year		
as a % of capacity	0.6%	10.8%
Run-off years of account movement	12,514	-
Combined ratio	84.9%	85.5%

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

Directors

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

Mr J E Upton

Upton Underwriting Limited

Report of the Director (continued)

Statement of Director's Responsibilities

Company law requires the Director to prepare Financial Statements for each financial period which give a true and fair view of the affairs of the Company and of the profit or loss of the Company for that period. In preparing those Financial Statements, the Director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 director is responsible for keeping proper accounting records which 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 1985. He is 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.

Auditors

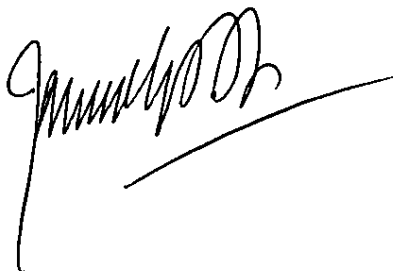
The Company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386 (1) of the Companies Act 1985. Therefore, the auditors, Mazars LLP, will be deemed to be reappointed for each succeeding financial year.

In the case of each person who is a Director at the time this report is approved, the following applies:

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

Approved by the Board on *8th May* 2008
and signed on its behalf by

Director



Upton Underwriting Limited

Independent Auditors' report

Independent auditors' report to the members of Upton Underwriting Limited

We have audited the financial statements of Upton Underwriting Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the Company's members in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to it in an auditors' 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

As described in the Statement of Director's Responsibilities the Company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Director's Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the Company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatement.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

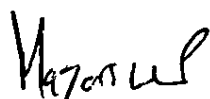
Upton Underwriting Limited

Independent Auditors' report (continued)


Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements



Mazars LLP
Chartered Accountants
and Registered Auditors
Tower Bridge House
St Katharine's Way
London
E1W 1DD

 2008

Upton Underwriting Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2007

	Note	2007 £	2006 £
Premiums Written			
Gross premiums written	1	2,056,768	2,660,962
Outward reinsurance premiums	1	(326,541)	(470,143)
Net Premiums Written		<u>1,730,227</u>	<u>2,190,819</u>
Change in the provision for Unearned premiums			
Gross Provision		177,301	(169,047)
Reinsurers' share		(42,221)	29,536
Earned Premiums, Net of Reinsurance		<u>1,865,307</u>	<u>2,051,308</u>
Allocated Investment Return Transferred from the Non-Technical Account		181,507	130,155
Other technical income, net of reinsurance		433	-
Claims Paid			
Gross Amount	1	(1,264,509)	(1,663,869)
Reinsurers' share	1	314,770	665,365
Net claims paid		<u>(949,739)</u>	<u>(998,504)</u>
Change in Provision for Claims			
Gross amount	1	306,916	399,299
Reinsurers' share	1	(258,832)	(455,963)
Change in net provision for claims		<u>48,084</u>	<u>(56,664)</u>
Claims Incurred, Net of Reinsurance		<u>(901,655)</u>	<u>(1,055,168)</u>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	2	(682,315)	(697,769)
Other technical charges, net of reinsurance		-	-
Balance on the Technical Account for General Business		<u>463,277</u>	<u>428,526</u>

The accounting policies and notes on pages 12 to 24 form part of these Financial Statements

Upton Underwriting Limited

Profit and loss account

Non - technical account

For the year ended 31 December 2007

	Note	2007 £	2006 £
Balance on Technical Account for General Business		463,277	428,526
Investment income	3	202,015	152,996
Unrealised gains on investments		41,439	17,437
Investment expenses and charges	4	(39,419)	(19,293)
Unrealised losses on investments		(18,384)	(7,946)
Allocated investment return transferred to the general business technical account		(181,507)	(130,155)
Other income		32,733	90,953
Other charges		(53,198)	(90,510)
Profit/(loss) on ordinary activities before taxation	5	446,956	442,008
Tax on profit/(loss) on ordinary activities	6	(418)	-
Profit/(loss) for the financial year	13	446,538	442,008

The Company has no recognised gains or losses other than the profit or loss for the period

All amounts relate to continuing operations

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments the balance sheet is deemed not to be a material departure from the historical cost basis of accounting Accordingly, a separate note of historical cost profits and losses is not given

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

Upton Underwriting Limited

Balance sheet

As at 31 December 2007

		31 December 2007			31 December 2006		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	8	-	18,251	18,251	-	22,646	22,646
Investments							
Financial investments	9	3,098,526	113,877	3,212,403	2,583,923	25,780	2,609,703
Deposits with ceding undertakings		1,765	-	1,765	1,448	-	1,448
		3,100,291	113,877	3,214,168	2,585,371	25,780	2,611,151
Reinsurers' share of technical provisions							
Provision for unearned premiums		-	-	-	118,606	-	118,606
Claims outstanding		860,557	-	860,557	1,008,751	-	1,008,751
Other technical provisions		-	-	-	-	-	-
		860,557	-	860,557	1,127,357	-	1,127,357
Debtors							
Arising out of direct insurance operations		400,200	-	400,200	528,914	-	528,914
Arising out of reinsurance operations		438,469	-	438,469	365,672	-	365,672
Other debtors	10	299,248	176,224	475,472	170,410	92,360	262,770
		1,137,917	176,224	1,314,141	1,064,996	92,360	1,157,356
Other assets							
Cash at bank and in hand		304,015	3,623	307,638	526,731	221,124	747,855
Other		192,821	-	192,821	4,026	-	4,026
		496,836	3,623	500,459	530,757	221,124	751,881
Prepayments and accrued income							
Accrued interest		16,303	1,110	17,413	12,328	2,982	15,310
Deferred acquisitions costs		208,516	-	208,516	237,812	-	237,812
Other prepayments and accrued income		7,763	-	7,763	11,060	-	11,060
		232,582	1,110	233,692	261,200	2,982	264,182
Total assets		5,828,183	313,085	6,141,268	5,569,681	364,892	5,934,573

The accounting policies and notes on pages 12 to 24 form part of these Financial Statements

Upton Underwriting Limited

Balance sheet

As at 31 December 2007

		31 December 2007			31 December 2006		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	12	-	100	100	-	100	100
Share premium account		-	-	-	-	-	-
Profit and loss account	13	443,258	(659,664)	(216,406)	131,853	(794,797)	(662,944)
Shareholders' funds – attributable to equity interests							
	14	443,258	(659,564)	(216,306)	131,853	(794,697)	(662,844)
Technical provisions							
Provision for unearned premiums		865,955	-	865,955	1,049,320	-	1,049,320
Claims outstanding – gross amount		3,789,623	-	3,789,623	3,492,680	-	3,492,680
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		6,670	-	6,670	22,260	-	22,260
Creditors							
Arising out of direct insurance operations		155,191	-	155,191	122,965	-	122,965
Arising out of reinsurance operations		158,710	-	158,710	176,500	-	176,500
Amounts owed to credit Institutions		292	-	292	20,222	-	20,222
Other creditors including taxation and social security	16	492,439	864,705	1,357,144	540,243	1,159,589	1,699,832
		5,468,880	864,705	6,333,585	5,424,190	1,159,589	6,583,779
Accruals and deferred income		(83,955)	107,944	23,989	13,638	-	13,638
Total liabilities		5,828,183	313,085	6,141,268	5,569,681	364,892	5,934,573

Approved by the Board of Directors on 8th May 2008
and signed on its behalf by

Director

The accounting policies and notes on pages 12 to 24 form part of these Financial Statements

Upton Underwriting Limited

Cash flow statement

For the year ended 31 December 2007

	Note	2007 £	2006 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17(a)	(116,761)	118,266
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of syndicate capacity		(8,048)	(1,720)
Proceeds from sale of syndicate capacity		-	103,427
Taxation			
Corporation and overseas taxes (paid)/refunded		(418)	-
Equity dividends paid		-	-
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>(125,227)</u>	<u>219,973</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		(217,501)	199,770
Purchase of financial investments		92,274	20,203
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>(125,227)</u>	<u>219,973</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 12 to 24 form part of these Financial Statements.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

Basis of preparation of financial statements

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of and Schedule 9A to, the Companies Act 1985 ("the Act") and with the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006)

Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act has required the Company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates")

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 and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate assets are held subject to trust deeds for the benefit of the Company's insurance creditors

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims

Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate members level results.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

Accounting policies

i Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments

ii Going concern

As at 31 December 2007 the company had net liabilities of £216,306 (2006 £662,844) The director considers the company to be a going concern and has prepared the financial statements on that basis The company is continuing to underwrite at Lloyd's for the 2008 year of account

iii Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax Gross premiums written may include "reinsurance to close" premiums receivable (see (vii) below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see (vii) below) Premiums written by a Syndicate may also include the reinsurance of other syndicates on which the Company participates No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate

iv Claims incurred

Claims incurred include the costs of claims handling expenses Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

Accounting policies (continued)

v Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions as regard 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 for current business are fair reflections of the likely level of ultimate claims to be incurred. The director considers the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. 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 amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

vi Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

vii Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of (a) a premium, and (b) either

- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business), or
- (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the managing agent has a duty to ensure both sets of members are treated equitably.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

Accounting policies (continued)

vii Reinsurance to close (continued)

and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

viii Investments

Syndicate Where investments represent the Company's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Other Listed investments held directly by the Company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the Company are stated at cost less provision for any permanent diminution in value.

ix Investment return

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

Accounting policies (continued)

x Net operating expenses

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

xi Foreign currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

xii Syndicate participation rights

Where the Company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years.

xiii Taxation

The Company is taxed on its share of the underwriting results declared by 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 (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

xiv Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

1. Class of Business

2007	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	48,724	47,722	(21,381)	(19,248)	(1,742)	5,351
Motor – third party liability	6,079	6,332	(3,432)	(1,846)	(524)	530
Motor – other classes	249,088	223,904	(158,546)	(63,277)	(6,402)	(4,321)
Marine, aviation and transport	226,233	246,128	(90,690)	(69,454)	(51,292)	34,692
Fire and other damage to property	500,819	565,584	(233,410)	(202,513)	(64,391)	65,270
Third party liability	299,153	382,978	(160,719)	(123,271)	(38,768)	60,220
Credit and suretyship	24,252	25,580	(4,609)	(4,843)	(3,780)	12,348
Legal expenses	1,232	1,291	(615)	(413)	(250)	13
Assistance	-	-	-	-	-	-
Miscellaneous	10,348	9,513	(13,429)	(4,136)	(378)	(8,430)
	1,365,928	1,509,032	(686,831)	(489,001)	(167,527)	165,673
Reinsurance	690,840	725,037	(270,762)	(193,314)	(145,297)	115,664
Total	2,056,768	2,234,069	(957,593)	(682,315)	(312,824)	281,337
2006						
Direct Insurance						
Accident and health	50,070	47,942	(19,461)	(2,177)	28	26,332
Motor – third party liability	7,998	7,117	(3,764)	(1,891)	603	2,065
Motor – other classes	220,548	208,078	(130,852)	(59,626)	(13,272)	4,328
Marine, aviation and transport	286,627	263,402	(109,214)	(76,169)	(43,343)	34,676
Fire and other damage to property	620,724	548,131	(244,631)	(171,232)	(52,980)	79,288
Third party liability	514,446	495,873	(279,220)	(142,476)	(34,524)	39,653
Credit and suretyship	26,947	27,216	(5,519)	(7,583)	225	14,339
Legal expenses	1,134	1,023	352	(308)	77	1,144
Assistance	-	-	-	-	-	-
Miscellaneous	7,324	6,618	(2,703)	(2,080)	6,234	8,069
	1,735,818	1,605,400	(795,012)	(463,542)	(136,952)	209,894
Reinsurance	925,144	886,515	(469,558)	(215,227)	(94,253)	107,477
Total	2,660,962	2,491,915	(1,264,570)	(697,769)	(231,205)	317,371

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25 Segmental Reporting

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

2. Net Operating Expenses	2007	2006
	£	£
Acquisition costs	483,199	560,839
Change in deferred acquisition costs	29,035	(47,361)
Administrative expenses	66,205	78,755
Reinsurance commissions and profit participations	(20,011)	(7,688)
Personal expenses	123,887	113,224
	682,315	697,769
3. Investment Income	2007	2006
	£	£
Income from investments	143,277	131,567
Gains on the realisation of investments	52,526	11,084
Bank deposit interest	6,212	10,345
	202,015	152,996
4. Investment Expenses and Charges	2007	2006
	£	£
Investment management expenses, including interest	2,557	2,610
Losses on the realisation of investments	36,862	16,683
	39,419	19,293
5. Profit/(Loss) on Ordinary Activities before Taxation	2007	2006
	£	£
Operating profit is stated after charging		
Director's remuneration	-	-
Fees payable to the Company's auditor for		
- the audit of the Company's annual accounts	288	650
- tax services	287	825
Amortisation of syndicate capacity	12,443	18,282
(Profit)/loss on disposal of intangible fixed assets	-	(90,953)
(Profit)/loss on exchange	(25,349)	21,388

The Company has no employees and no staff costs are met by the Company

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

6. Taxation

Analysis of Charge in Period

Current tax

UK corporation tax on profit/(loss) of the period

Adjustment in respect of previous period

Foreign tax

Total current tax

Deferred tax

Origination and reversal of timing differences

	2007 £	2006 £
	-	-
	-	-
	-	-
	418	-
	418	-
	-	-
	418	-

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 19.75% (2006 - 19.00%) The differences are explained below.

Profit/(loss) on ordinary activities before tax

Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2006 - 19.00%)

Effects of

Underwriting results subject to timing differences for taxation

Utilisation of tax losses

Foreign tax

Expenses not deductible for tax purposes

Other corporation computation adjustments

Marginal rates of taxation and prior period adjustment

Current tax charge for the period

	446,956	442,008
	88,274	83,982
	(52,408)	-
	(30,785)	(83,982)
	335	-
	(5,823)	-
	825	-
	-	-
	418	-

The results of the Company's participation on the 2005, 2006 and 2007 years of account and the calendar year movement on 2004 and prior run-offs, will not be assessed to tax until the year ended 31 December 2008, 2009 and 2010 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

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

7. Dividends

2007 £	2006 £
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2007 interim dividend paid	-	-
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8. Intangible Assets

2007 £	2006 £
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Purchased syndicate capacity

Cost

At 1 January 2007	85,370	113,428
Additions	8,048	1,720
Disposals	-	(29,778)

At 31 December 2007	93,418	85,370
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Amortisation

At 1 January 2007	62,724	61,746
Provided during the year	12,443	18,282
Disposals	-	(17,304)

At 31 December 2007	75,167	62,724
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Net Book Value

At 31 December 2007	18,251	22,646
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At 31 December 2006	22,646	51,682
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Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

9. Investments

Other Financial Investments - Syndicate

	2007		2006	
	Market Value £	Cost £	Market Value £	Cost £
Shares and other variable yield securities and units in unit trusts	335,266	314,602	301,810	292,499
Debt securities and other fixed income securities	2,535,852	2,479,554	2,122,324	2,121,748
Participation in investment pools	38,922	28,142	17,086	16,751
Loans secured by mortgages	23,225	23,155	9,021	8,996
Other loans	22,349	22,275	44,280	44,243
Deposits with credit institutions	133,567	133,341	74,019	74,176
Other	9,345	9,267	15,383	156,444
	<u>3,098,526</u>	<u>3,010,336</u>	<u>2,583,923</u>	<u>2,714,857</u>
Listed investments included within the above	2,910,040	2,822,298	2,441,220	2,430,998

10. Other Debtors

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	299,248	176,224	475,472	170,410	92,360	262,770
	<u>299,248</u>	<u>176,224</u>	<u>475,472</u>	<u>170,410</u>	<u>92,360</u>	<u>262,770</u>

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

11. Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	1,044	1,044	-	119,370	119,370
Investments	-	110,842	110,842	-	22,955	22,955
	-	111,886	111,886	-	142,325	142,325

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.

12. Called-up Share Capital

	2007 Authorised	2007 Allotted, called-up and fully paid	2006 Authorised	2006 Allotted, called-up and fully paid
Ordinary £1 shares	100	100	100	100

13. Profit and Loss Account

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	131,853	(794,797)	(662,944)	(275,161)	(829,791)	(1,104,952)
Reallocate distribution	(187,604)	187,604	-	(6,838)	6,838	-
Profit/(loss) for the financial year	499,009	(52,471)	446,538	413,852	28,156	442,008
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	443,258	(659,664)	(216,406)	131,853	(794,797)	(662,944)

14. Reconciliation of Movements in Shareholders' Funds

	2007 £	2006 £
Opening shareholders' funds	(662,844)	(1,104,852)
Profit/(loss) for the financial year	446,538	442,008
Equity dividends	-	-
Proceeds from issue of shares	-	-
Closing shareholders' funds	(216,306)	(662,844)

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

15. Provision for other risks and charges

Deferred Taxation	2007 £	2006 £
Opening balance	-	-
Profit and loss account charge	-	-
Closing balance	-	-

16. Other Creditors including Taxation and Social Security

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	-	-
Proprietors' loan accounts	-	151,822	151,822	-	150,775	150,775
Third Party Funds	-	674,931	674,931	-	876,961	876,961
Other creditors	492,439	37,952	530,391	540,243	131,853	672,096
Amount due to group undertakings	-	-	-	-	-	-
	492,439	864,705	1,357,144	540,243	1,159,589	1,699,832

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2007

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

	2007 £	2006 £
Profit or loss on ordinary activities before tax	446,956	442,008
(Profit)/loss attributable to syndicate transactions	(311,405)	(131,853)
Profit or loss – excluding syndicate transactions	135,551	310,155
(Increase)/decrease in debtors	(81,992)	(62,540)
Increase/(decrease) in creditors	(186,940)	(53,982)
(Profit)/loss on disposal of intangible assets	-	(90,953)
Amortisation of syndicate capacity	12,443	18,282
Impairment of syndicate capacity	-	-
Realised/unrealised (gains)/losses on investments	4,177	(2,696)
Net cash inflow/(outflow) from operating activities	(116,761)	118,266

(b) Movement in cash, portfolio investments and financing

	At 1 January 2007 £	Cashflow £	Changes to Market Value £	At 31 December 2007 £
Cash	221,124	(217,501)	-	3,623
Other financial investments	25,780	92,274	(4,177)	113,877
	246,904	(125,227)	(4,177)	117,500

18. Related party disclosure

The company's underwriting is supported by the assets of, or guarantees made interavailable to it, by Mr J E Upton

19. Ultimate Controlling Party

The company is controlled by Mr J E Upton who holds 85% of the issued £100 ordinary share capital.