

Company registration number: 3592542

Upton Underwriting Limited

Report and financial statements 31 December 2008

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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 2008.

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 2009 year of account.

The financial statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2006, 2007 and 2008 years of account, as well as any 2005 and prior run-off years. The 2006 year closed at 31 December 2008 with a result of £515,090 (2005 - £(315,691)). The 2007 and 2008 open underwriting account will normally close at 31 December 2009 and 2010.

Results and Dividends

The results for the year are set out on pages 6 to 7 of the Financial Statements. Dividends totalling £- were paid in the year (2007 - £-).

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:

	2008	2007
Capacity (youngest underwriting year)	£ 2,217,494	£ 2,214,185
Gross premium written as a % of capacity	100.9%	92.9%
Underwriting profit of latest closed year:		
as a % of capacity	20.5%	-15.1%
Run-off years of account movement	£ 12,582	£ 12,514
Combined ratio	99.0%	84.9%

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

Directors

The Director who served at any time during the year was 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

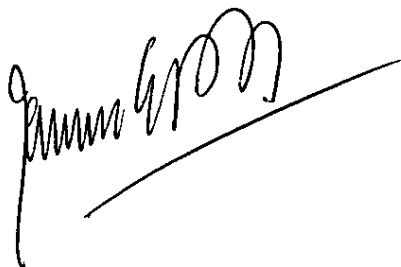
Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

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 3rd June 2009
and signed on its behalf by

Director



Upton Underwriting Limited

Independent Auditors' report

Independent auditors' report to the member of Upton Underwriting Limited

We have audited the financial statements of Upton Underwriting Limited for the year ended 31 December 2008 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 member 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 member 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 member, 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.

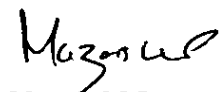
Upton Underwriting Limited

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 2008 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

9 June 2009

Upton Underwriting Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2008

	Note	2008 £	2007 £
Premiums written			
Gross premiums written	1	2,238,535	2,056,768
Outward reinsurance premiums	1	(345,939)	(326,541)
Net premiums written		1,892,596	1,730,227
Change in the provision for unearned premiums			
Gross provision		(56,698)	177,301
Reinsurers' share		10,163	(42,221)
Earned premiums, net of reinsurance		1,846,061	1,865,307
Allocated investment return transferred from the non-technical account		98,464	181,507
Other technical income, net of reinsurance		(1,301)	433
Claims paid			
Gross amount	1	(1,379,264)	(1,264,509)
Reinsurers' share	1	239,872	314,770
Net claims paid		(1,139,392)	(949,739)
Change in provision for claims			
Gross amount	1	(55,005)	306,916
Reinsurers' share	1	37,800	(258,832)
Change in net provision for claims		(17,205)	48,084
Claims incurred, net of reinsurance		(1,156,597)	(901,655)
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	2	(670,382)	(682,315)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		116,245	463,277

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements.

Upton Underwriting Limited

Profit and loss account

Non - technical account

For the year ended 31 December 2008

	Note	2008 £	2007 £
Balance on technical account for general business		116,245	463,277
Investment income	3	238,459	202,015
Unrealised gains on investments		43,055	41,439
Investment expenses and charges	4	(79,437)	(39,419)
Unrealised losses on investments		(129,787)	(18,384)
Allocated investment return transferred to the general business technical account		(98,464)	(181,507)
Other income		6,500	32,733
Other charges		147,420	(53,198)
Profit/(loss) on ordinary activities before taxation	5	243,991	446,956
Tax on profit/(loss) on ordinary activities	6	(706)	(418)
Profit/(loss) for the financial year	13	243,285	446,538

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 in 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 11 to 22 form part of these Financial Statements.

Upton Underwriting Limited

Balance sheet

As at 31 December 2008

		31 December 2008			31 December 2007		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	8	-	7,171	7,171	-	18,251	18,251
Investments							
Financial investments	9	3,593,425	61,995	3,655,420	3,098,526	113,877	3,212,403
Deposits with ceding undertakings		2,205	-	2,205	1,765	-	1,765
		3,595,630	61,995	3,657,625	3,100,291	113,877	3,214,168
Reinsurers' share of technical provisions							
Provision for unearned premiums		95,198	-	95,198	-	-	-
Claims outstanding		1,019,969	-	1,019,969	860,557	-	860,557
Other technical provisions		-	-	-	-	-	-
		1,115,167	-	1,115,167	860,557	-	860,557
Debtors							
Arising out of direct insurance operations		575,549	-	575,549	400,200	-	400,200
Arising out of reinsurance operations		723,644	-	723,644	438,469	-	438,469
Other debtors	10	214,120	287	214,407	299,248	176,224	475,472
		1,513,313	287	1,513,600	1,137,917	176,224	1,314,141
Other assets							
Cash at bank and in hand		286,758	27,680	314,438	304,015	3,623	307,638
Other		240,470	-	240,470	192,821	-	192,821
		527,228	27,680	554,908	496,836	3,623	500,459
Prepayments and accrued income							
Accrued interest		14,852	-	14,852	16,303	1,110	17,413
Deferred acquisitions costs		254,152	-	254,152	208,516	-	208,516
Other prepayments and accrued income		11,905	-	11,905	7,763	-	7,763
		280,909	-	280,909	232,582	1,110	233,692
Total assets		7,032,247	97,133	7,129,380	5,828,183	313,085	6,141,268

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements.

Upton Underwriting Limited

Balance sheet As at 31 December 2008

		31 December 2008			31 December 2007		
	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	836,323	(809,444)	26,879	443,258	(659,664)	(216,406)
Shareholders' funds – attributable to equity interests							
	14	836,323	(809,344)	26,979	443,258	(659,564)	(216,306)
Technical provisions							
Provision for unearned premiums		1,039,822	-	1,039,822	865,955	-	865,955
Claims outstanding – gross amount		4,759,631	-	4,759,631	3,789,623	-	3,789,623
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	-	-	-	-	-
Other		365	-	365	-	-	-
Deposit received from reinsurers							
		17,225	-	17,225	6,670	-	6,670
Creditors							
Arising out of direct insurance operations		126,387	-	126,387	155,191	-	155,191
Arising out of reinsurance operations		268,433	-	268,433	158,710	-	158,710
Amounts owed to credit institutions		429	-	429	292	-	292
Other creditors including taxation and social security	16	261,952	619,449	881,401	492,439	864,705	1,357,144
		6,474,244	619,449	7,093,693	5,468,880	864,705	6,333,585
Accruals and deferred income							
		(278,320)	287,028	8,708	(83,955)	107,944	23,989
Total liabilities							
		7,032,247	97,133	7,129,380	5,828,183	313,085	6,141,268

Approved by the Board of Directors on 3rd June 2009
and signed on its behalf by:

Director

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements.

Upton Underwriting Limited

Cash flow statement For the year ended 31 December 2008

	Note	2008 £	2007 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17(a)	7,674	(116,761)
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of syndicate capacity		(370)	(8,048)
Proceeds from sale of syndicate capacity		-	-
Taxation			
Corporation and overseas taxes (paid)/refunded		(706)	(418)
Equity dividends paid		-	-
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>6,598</u>	<u>(125,227)</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		24,057	(217,501)
Purchase of financial investments		1,480	92,274
Sale of financial investments		(18,939)	-
Net investment of cash flows	17(b)	<u>6,598</u>	<u>(125,227)</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 11 to 22 form part of these Financial Statements.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

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's 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 2008

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 2008 the company had net assets of £26,979 (2007: net liabilities of £216,306). 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 2009 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.

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.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

Accounting policies (continued)

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: (1) a premium; and (2) 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 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.

Corporate: 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.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2008

Accounting policies (continued)

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.

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 2008

1. Class of Business

2008	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	77,607	67,092	(22,889)	(39,040)	(607)	4,556
Motor – third party liability	5,292	6,705	(5,654)	(2,614)	(140)	(1,703)
Motor – other classes	232,185	244,077	(179,773)	(95,813)	1,577	(29,932)
Marine, aviation and transport	280,149	270,843	(226,084)	(86,809)	19,164	(22,886)
Fire and other damage to property	519,489	497,503	(354,757)	(183,044)	(17,493)	(57,791)
Third party liability	313,272	315,653	(177,865)	(104,443)	2,362	35,707
Credit and suretyship	29,465	26,613	(7,990)	(11,255)	(3,292)	4,076
Legal expenses	1,477	1,297	(923)	(271)	(223)	(120)
Assistance	-	-	-	-	-	-
Miscellaneous	12,019	10,724	(4,255)	(6,539)	-	(70)
	1,470,955	1,440,507	(980,190)	(529,828)	1,348	(68,163)
Reinsurance	767,580	741,330	(454,079)	(140,554)	(59,452)	87,245
Total	2,238,535	2,181,837	(1,434,269)	(670,382)	(58,104)	19,082

2007						
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

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 2008

2. Net Operating Expenses	2008	2007
	£	£
Acquisition costs	526,967	483,199
Change in deferred acquisition costs	(21,334)	29,035
Administrative expenses	80,865	66,205
Reinsurance commissions and profit participations	(23,187)	(20,011)
Personal expenses	107,071	123,887
	<hr/> 670,382	<hr/> 682,315
3. Investment Income	2008	2007
	£	£
Income from investments	141,323	143,277
Gains on the realisation of investments	93,082	52,526
Bank deposit interest	4,054	6,212
	<hr/> 238,459	<hr/> 202,015
4. Investment Expenses and Charges	2008	2007
	£	£
Investment management expenses, including interest	3,094	2,557
Losses on the realisation of investments	76,343	36,862
	<hr/> 79,437	<hr/> 39,419
5. Profit/(Loss) on Ordinary Activities before Taxation	2008	2007
	£	£
Operating profit/(loss) is stated after charging:		
Director's remuneration	-	-
Amortisation of syndicate capacity	11,450	12,443
(Profit)/loss on disposal of intangible fixed assets	-	-
(Profit)/loss on exchange	(239,316)	(25,349)

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

The fees payable to the Company's auditor for audit and taxation services are included in the fees payable to the Members' Agent.

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

6. Taxation

	2008 £	2007 £
Analysis of charge in period		
Current tax:		
UK corporation tax on profit/(loss) of the period	-	-
Adjustment in respect of previous period	-	-
	-	-
Foreign tax	706	418
Total current tax	706	418
Deferred tax		
Origination and reversal of timing differences	-	-
	706	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 20.75% (2007 - 19.75%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	243,991	446,956
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2007 – 19.75%)	50,628	88,274
Effects of:		
Underwriting results subject to timing differences for taxation	(22,415)	(52,491)
Utilisation of tax losses	-	(30,785)
Foreign tax	561	418
Expenses not deductible for tax purposes	(62,517)	(5,823)
Other corporation computation adjustments	-	825
Marginal rates of taxation and prior period adjustment	34,449	-
Current tax charge for the period	706	418

The results of the Company's participation on the 2006, 2007 and 2008 years of account and the calendar year movement on 2005 and prior run-offs, will not be assessed to tax until the year ended 31 December 2009, 2010 and 2011 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.

7. Dividends

	2008 £	2007 £
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid	-	-

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

8. Intangible Assets	2008	2007
	£	£
Purchased syndicate capacity		
Cost		
At 1 January 2008	93,418	85,370
Additions	370	8,048
Disposals	-	-
At 31 December 2008	<u>93,788</u>	<u>93,418</u>
Amortisation		
At 1 January 2008	75,167	62,724
Provided during the year	11,450	12,443
Disposals	-	-
At 31 December 2008	<u>86,617</u>	<u>75,167</u>
Net Book Value		
At 31 December 2008	7,171	18,251
At 31 December 2007	<u>18,251</u>	<u>22,646</u>

9. Investments

Other financial investments - Syndicate

	2008	2008	2007	2007
	Market	Cost	Market	Cost
	Value	£	Value	£
	£	£	£	£
Shares and other variable yield securities and units in unit trusts	480,699	505,896	335,266	314,602
Debt securities and other fixed income securities	2,943,314	2,962,824	2,535,852	2,479,554
Participation in investment pools	67,643	73,534	38,922	28,142
Loans secured by mortgages	22,899	26,389	23,225	23,155
Other loans	10,100	10,086	22,349	22,275
Deposits with credit institutions	63,187	63,326	133,567	133,341
Other	5,583	9,901	9,345	9,267
	<u>3,593,425</u>	<u>3,651,956</u>	<u>3,098,526</u>	<u>3,010,336</u>
Listed investments included within the above	3,491,656	3,542,254	2,910,040	2,822,298

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

10. Other Debtors

	2008			2007		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	214,120	287	214,407	299,248	176,224	475,472
	<u>214,120</u>	<u>287</u>	<u>214,407</u>	<u>299,248</u>	<u>176,224</u>	<u>475,472</u>

11. Funds at Lloyd's

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

	2008			2007		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	18,899	18,899	-	1,044	1,044
Investments	-	61,995	61,995	-	110,842	110,842
	<u>-</u>	<u>80,894</u>	<u>80,894</u>	<u>-</u>	<u>111,886</u>	<u>111,886</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.

12. Called-up Share Capital

	2008 Authorised	2008 Allotted, called-up and fully paid	2007 Authorised	2007 Allotted, called-up and fully paid
Ordinary £1 shares	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

13. Profit and Loss Account

	2008			2007		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	443,258	(659,664)	(216,406)	131,853	(794,797)	(662,944)
Reallocate distribution	(24,468)	24,468	-	(187,604)	187,604	-
Profit/(loss) for the financial year	417,533	(174,248)	243,285	499,009	(52,471)	446,538
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	836,323	(809,444)	26,879	443,258	(659,664)	(216,406)

14. Reconciliation of Movements in Shareholders' Funds

	2008 £	2007 £
Opening shareholders' funds	(216,306)	(662,844)
Profit/(loss) for the financial year	243,285	446,538
Equity dividends	-	-
Proceeds from issue of shares	-	-
Closing shareholders' funds	26,979	(216,306)

15. Provision for Other Risks and Charges

Deferred Taxation	2008 £	2007 £
Opening balance	-	-
Profit and loss account charge	-	-
Closing balance	-	-

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

16. Other Creditors including Taxation and Social Security

	2008			2007		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	-	-
Director's loan accounts	-	151,822	151,822	-	151,822	151,822
Third party funds	-	467,627	467,627	-	674,931	674,931
Other creditors	261,952	-	261,952	492,439	37,952	530,391
Amount due to group undertakings	-	-	-	-	-	-
	261,952	619,449	881,401	492,439	864,705	1,357,144

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

	2008 £	2007 £
Profit/(loss) on ordinary activities before tax	243,991	446,956
(Profit)/loss attributable to syndicate transactions	(393,065)	(311,405)
Profit/(loss) – excluding syndicate transactions	(149,074)	135,551
(Increase)/decrease in debtors	177,047	(81,992)
Increase/(decrease) in creditors	(66,172)	(186,940)
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	11,450	12,443
Impairment of syndicate capacity	-	-
Realised/unrealised (gains)/losses on investments	34,423	4,177
Net cash inflow/(outflow) from operating activities	7,674	(116,761)

(b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2008 £	Cashflow £	Changes to Market Value £	At 31 December 2008 £
Cash	3,623	24,057	-	27,680
Other financial investments	113,877	(17,673)	(34,209)	61,995
	117,500	6,384	(34,209)	89,675

Upton Underwriting Limited

Notes to the Financial Statements For the year ended 31 December 2008

18. Related Party Disclosure

The Company's underwriting is supported by the assets of, or guarantees made inter-available 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.