

Company registration number: 3592542

Upton Underwriting Limited

**Report and financial statements
31 December 2016**

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Upton Underwriting Limited

Company information

Directors	Mr A C Malcolmson Mr J W D Upton
Company Secretary	Argenta Secretariat Limited
Registered Office	5 th Floor 70 Gracechurch Street London EC3V 0XL
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Accountants	Argenta Tax & Corporate Services Limited 5 th Floor 70 Gracechurch Street London EC3V 0XL

Upton Underwriting Limited

Strategic Report

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

Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2014, 2015 and 2016 years of account, as well as any 2013 and prior run-off years. The 2014 year closed at 31 December 2016 with a result of £259,312 (2013 - £277,169). The 2015 and 2016 open underwriting accounts will normally close at 31 December 2017 and 2018 respectively.

Results and Dividends

The results for the year are set out on pages 7 to 8 of the financial statements. Dividends totalling £Nil were paid in the year (2015 - £262,000).

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

	2016	2015
Capacity (youngest underwriting year)	£ 2,189,158	£ 2,129,897
Gross premium written as a % of capacity	92.7%	85.6%
Underwriting profit of latest closed year:		
as a % of capacity	12.1%	13.7%
Run-off years of account movement	£ -	£ -
Combined ratio	97.4%	89.6%

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

Approved by the Board on 26-9 2017
and signed on its behalf by:


A.C. MALCOLMSON
Director

Upton Underwriting Limited

Report of the Directors

The Directors submit their Report together with the audited financial statements of the Company for the year ended 31 December 2016.

Principal Activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2017 year of account.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors

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

Mr A C Malcolmson

Mr J W D Upton (Appointed 13 September 2016)

Mr J E Upton (Deceased 5 June 2016, Resigned 5 June 2016)

Upton Underwriting Limited

Report of the Directors (continued)

Auditors

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

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 Directors 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 26-9-2017
and signed on its behalf by:



A.C. MALCOLMSON

Director

Upton Underwriting Limited

Independent Auditor's report

Independent auditor's report to the members of Upton Underwriting Limited

We have audited the financial statements of Upton Underwriting Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of the Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 (APB's) Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit/(loss) 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 the other matter prescribed by the Companies Act 2006

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

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

Upton Underwriting Limited

Independent Auditor's report (continued)

Matters on which we are required to report by exception

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

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.



Amanda Barker (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

29 September 2017

Upton Underwriting Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2016

	Note	2016 £	2015 £
Premiums written			
Gross premiums written	1	2,028,997	1,823,144
Outward reinsurance premiums	1	(360,249)	(301,555)
Net premiums written		1,668,748	1,521,589
Change in the provision for unearned premiums			
Gross provision	1	(34,856)	(89,163)
Reinsurers' share	1	20,043	7,509
Earned premiums, net of reinsurance		1,653,935	1,439,935
Allocated investment return transferred from the non-technical account		42,751	18,816
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(913,079)	(823,336)
Reinsurers' share	1	94,236	169,454
Net claims paid		(818,843)	(653,882)
Change in provision for claims			
Gross amount	1	(224,483)	40,458
Reinsurers' share	1	125,098	(58,937)
Change in net provision for claims		(99,385)	(18,479)
Claims incurred, net of reinsurance		(918,228)	(672,361)
Changes in other technical provisions, net of reinsurance		(5,263)	7,430
Net operating expenses	1, 2	(692,990)	(617,330)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		80,205	176,490

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Upton Underwriting Limited

Profit and loss account

Non - technical account

For the year ended 31 December 2016

	Note	2016 £	2015 £
Balance on technical account for general business		80,205	176,490
Investment income	3	75,385	10,912
Allocated investment return transferred to the general business technical account		(42,751)	(18,816)
Other income		307,691	-
Other charges		(9,682)	(102,404)
Profit/(loss) on ordinary activities before taxation	4	410,848	66,182
Tax on profit/(loss) on ordinary activities	5	(83,815)	(9,712)
Profit/(loss) for the financial year		327,033	56,470
Other comprehensive income/(expenditure)		17,668	6,488
Total comprehensive income/(expenditure)	10	344,701	62,958

All amounts relate to continuing operations.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Upton Underwriting Limited

Balance sheet

As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	819	819	-	3,765	3,765
Investments							
Financial investments	7	2,466,353	169,635	2,635,988	2,200,026	145,714	2,345,740
Deposits with ceding undertakings		140	-	140	163	-	163
		2,466,493	169,635	2,636,128	2,200,189	145,714	2,345,903
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	126,827	-	126,827	92,246	-	92,246
Claims outstanding	8	590,280	-	590,280	394,606	-	394,606
Other technical provisions		3,993	-	3,993	7,430	-	7,430
		721,100	-	721,100	494,282	-	494,282
Debtors							
Arising out of direct insurance operations		434,805	-	434,805	365,504	-	365,504
Arising out of reinsurance operations		556,985	-	556,985	531,345	-	531,345
Other debtors	7	287,411	22,508	309,919	275,298	30,095	305,393
		1,279,201	22,508	1,301,709	1,172,147	30,095	1,202,242
Other assets							
Cash at bank and in hand		129,711	535,177	664,888	80,507	16,373	96,880
Other		183,054	-	183,054	142,855	-	142,855
		312,765	535,177	847,942	223,362	16,373	239,735
Prepayments and accrued income							
Accrued interest		7,337	-	7,337	6,056	-	6,056
Deferred acquisitions costs	8	269,665	-	269,665	228,391	-	228,391
Other prepayments and accrued income		14,021	-	14,021	12,357	-	12,357
		291,023	-	291,023	246,804	-	246,804
Total assets		5,070,582	728,139	5,798,721	4,336,784	195,947	4,532,731

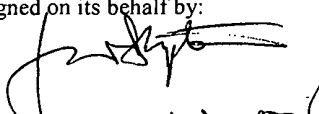
The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Upton Underwriting Limited

Balance sheet As at 31 December 2016

		31 December 2016			31 December 2015		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	9	-	100	100	-	100	100
Capital redemption		-	-	-	-	-	-
Capital contribution		-	-	-	-	-	-
Share premium account		-	-	-	-	-	-
Profit and loss account	10	189,883	480,721	670,604	324,062	1,841	325,903
Shareholders' funds – attributable to equity interests		189,883	480,821	670,704	324,062	1,941	326,003
Technical provisions							
Provision for unearned premiums	8	1,027,685	-	1,027,685	881,146	-	881,146
Claims outstanding	8	3,231,019	-	3,231,019	2,636,378	-	2,636,378
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	11	-	99,854	99,854	-	134,911	134,911
Other		-	-	-	-	-	-
Deposit received from reinsurers							
		263	-	263	196	-	196
Creditors							
Arising out of direct insurance operations		61,621	-	61,621	56,538	-	56,538
Arising out of reinsurance operations		267,772	-	267,772	217,069	-	217,069
Amounts owed to credit institutions		-	-	-	6,115	-	6,115
Other creditors including taxation and social security	7	262,100	110,225	372,325	210,860	-	210,860
		4,850,460	210,079	5,060,539	4,008,302	134,911	4,143,213
Accruals and deferred income							
		30,239	37,239	67,478	4,420	59,095	63,515
Total liabilities							
		5,070,582	728,139	5,798,721	4,336,784	195,947	4,532,731

Approved and authorised for issue by the Board of Directors on 26-9-2017
and signed on its behalf by:


A.C. MALCOLMSON
Director

Company registration number: 3592542

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Upton Underwriting Limited

Statement of changes in equity For the year ended 31 December 2016

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	100	-	-	524,945	-	525,045
Profit/(loss) for the year	-	-	-	56,470	-	56,470
Other comprehensive income	-	-	-	6,488	-	6,488
Total comprehensive income	-	-	-	62,958	-	62,958
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	(262,000)	-	(262,000)
As at 31 December 2015	100	-	-	325,903	-	326,003
Profit/(loss) for the year	-	-	-	327,033	-	327,033
Other comprehensive income	-	-	-	17,668	-	17,668
Total comprehensive income	-	-	-	344,701	-	344,701
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2016	100	-	-	670,604	-	670,704

Called-up share capital represents the nominal value of shares that have been issued.

Capital redemption reserve records the nominal value of shares repurchased by the Company.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

The profit and loss account represents cumulative profits and losses of the Company.

Capital contribution reserve relates to contributions to the equity capital of the Company.

The accounting policies and notes on pages 13 to 37 form part of these Financial Statements.

Upton Underwriting Limited

Cash flow statement

For the year ended 31 December 2016

	2016 £	2015 £
Operating activities		
Profit/(loss) on ordinary activities before tax	410,848	72,670
(Profit)/loss attributable to syndicate transactions	151,847	97,613
Profit/(loss) - excluding syndicate transactions	562,695	170,283
Adjusted for:		
(Increase)/decrease in debtors	7,587	36,297
Increase/(decrease) in creditors	(21,856)	(3,243)
(Profit)/loss on disposal of intangible assets	(262,572)	-
Amortisation of syndicate capacity	312	1,038
Realised/unrealised (gains)/losses on investments	(23,921)	17,886
Investment income	(8,713)	(9,982)
Corporation and overseas taxes (paid)/refunded	(8,647)	(2,050)
Net cash inflow/(outflow) from operating activities	244,885	210,229
Investing activities		
Investment income	8,713	9,982
Purchase of syndicate capacity	-	-
Proceeds from sale of syndicate capacity	265,206	-
Purchase of financial investments	-	-
Proceeds from sale of financial investments	-	-
Net cash (outflow)/inflow from investing activities	273,919	9,982
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	(262,000)
Net cash (outflow)/inflow from financing activities	-	(262,000)
Net cash increase/(decrease) in cash and cash equivalents	518,804	(41,789)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	16,373	58,162
Cash and cash equivalents at the end of the year	535,177	16,373
Consisting of:		
Cash at bank and in hand	535,177	16,373
Cash equivalents	-	-
	535,177	16,373

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 37 form part of these Financial Statements.

Upton Underwriting Limited

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

Basis of preparation of financial statements

General information

The Company is a limited company incorporated in the United Kingdom.

The financial statements have been presented in Pounds Sterling ("Sterling") as this is the Company's functional currency, being the primary economic environment in which the Company operates.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*, FRS103 *Insurance Contracts* and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410"). These financial statements have been prepared under the historical costs convention as modified for certain financial instruments held at fair value.

Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates") in aggregation with the transactions undertaken by the Company at entity level ("the Corporate").

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.

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 member level results.

Upton Underwriting Limited

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

Accounting policies

i Going concern

These financial statements have been prepared on a going concern basis.

ii 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 vi below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vi 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 inter - Syndicate 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.

iii 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.

iv 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 with regards to 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 Directors consider 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.

v 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 2016

Accounting policies (continued)

vi 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.

vii Financial instruments

The Company has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* in full.

The Company holds both basic and non-basic financial instruments. The Company's financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables and investments in a variety of basic and non-basic financial instruments, through both the Corporate and through the Syndicates.

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

Basic financial instruments (except for non-puttable ordinary and non-convertible preference shares) are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment in the case of financial assets. Amounts that are receivable/payable within one year are measured at the undiscounted amount of the cash expected to be received/settled.

Upton Underwriting Limited

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

Accounting policies (continued)

vii Financial instruments (continued)

Where a financial instrument constitutes a financing transaction, it is initially measured at the present value of the future payments, discounted at a market rate of interest, and subsequently measured at amortised cost using the effective interest rate method.

All other financial instruments are measured at fair value through profit or loss, except for investments in equity instruments that are not publicly traded, and whose fair value cannot otherwise be measured reliably, which are measured at cost less impairment.

At the end of each reporting year, the Company assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the profit and loss.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

Interest income is recognised as it accrues using the effective interest rate method.

Dividend income receivable is recognised when the rights to receive the distributions have been established.

viii Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivates are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

ix Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability.

x Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if there is a currently enforceable legal right to offset the recognised amounts; and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Upton Underwriting Limited

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

Accounting policies (continued)

xi 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.

xii 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, except for non-monetary assets and liabilities arising out of insurance contracts which are treated as monetary items in accordance with FRS 103 *Insurance Contracts* ("FRS 103"). Exchange differences arising on translation to the functional currency are dealt with in the profit and loss account.

xiii Intangible assets

Intangible assets include purchased rights to participate on Syndicates. The purchase cost is capitalised and amortised on a straight line basis over the useful life of the rights which is five years.

xiv Insurance contracts – product classification

Insurance contracts are those contracts when the Company (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholder. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

xv 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.

xvi Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Upton Underwriting Limited

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

Accounting policies (continued)

xvi Deferred taxation (continued)

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

xvii Critical accounting judgements and key sources of estimated uncertainty

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

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate. The critical accounting judgements and key sources of estimation uncertainty set out below therefore relate to those made by the Directors in respect of the Corporate only, and do not include estimates and judgements made in respect of the Syndicates.

Critical accounting judgements

The critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating value in use

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

Recoverability of receivables

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

Determining the useful life of purchased syndicate capacity

The Directors have assessed the useful life of syndicate capacity to be five years. This is on the basis that the Directors consider this to be the life over which value is created from the investment made.

Upton Underwriting Limited

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

1. Class of Business

2016	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	79,176	80,260	(38,780)	(37,320)	(1,816)	2,344
Motor – third party liability	7,999	8,786	(5,083)	(3,028)	(198)	477
Motor – other classes	227,072	219,454	(230,399)	(69,116)	61,020	(19,041)
Marine, aviation and transport	207,020	210,507	(117,400)	(89,667)	(11,310)	(7,870)
Fire and other damage to property	506,442	503,285	(243,043)	(177,797)	(60,311)	22,134
Third party liability	380,147	352,766	(219,111)	(131,273)	(7,832)	(5,450)
Credit and suretyship	25,438	23,320	(10,116)	(7,718)	(2,379)	3,107
Legal expenses	2,702	2,784	(1,947)	(1,474)	7	(630)
Assistance	-	-	-	-	-	-
Miscellaneous	5,616	6,997	(4,094)	(2,034)	20	889
	1,441,612	1,408,159	(869,973)	(519,427)	(22,799)	(4,040)
Reinsurance	587,385	585,982	(267,589)	(173,563)	(98,073)	46,757
Total	2,028,997	1,994,141	(1,137,562)	(692,990)	(120,872)	42,717

2015	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	76,460	71,626	(31,149)	(33,758)	(4,147)	2,572
Motor – third party liability	8,222	7,162	(5,281)	(2,721)	469	(371)
Motor – other classes	208,953	198,276	(141,224)	(61,361)	(3,279)	(7,588)
Marine, aviation and transport	197,836	185,300	(67,625)	(82,225)	(19,005)	16,445
Fire and other damage to property	452,043	433,290	(167,030)	(159,368)	(69,058)	37,834
Third party liability	320,315	302,979	(198,979)	(114,136)	2,370	(7,766)
Credit and suretyship	23,904	24,769	(13,538)	(7,183)	(2,450)	1,598
Legal expenses	3,368	4,306	(1,529)	(2,217)	(70)	490
Assistance	-	-	-	-	-	-
Miscellaneous	8,945	8,885	(5,158)	(2,558)	(20)	1,149
	1,300,046	1,236,593	(631,513)	(465,527)	(95,190)	44,363
Reinsurance	523,098	497,388	(151,365)	(151,803)	(88,339)	105,881
Total	1,823,144	1,733,981	(782,878)	(617,330)	(183,529)	150,244

All insurance business is underwritten in the United Kingdom in the Lloyd's insurance market. Consequently all insurance contracts are deemed to be concluded in the United Kingdom.

Upton Underwriting Limited

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

2. Net Operating Expenses

	2016 £	2015 £
Acquisition costs	559,570	511,256
Change in deferred acquisition costs	(10,898)	(26,995)
Administrative expenses	113,894	99,357
Reinsurance commissions and profit participations	(44,156)	(39,271)
Personal expenses	74,580	72,983
	<u>692,990</u>	<u>617,330</u>

3. Investment Income

	2016 £	2015 £
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	59,680	53,995
Realised gains and losses	(9,949)	(11,800)
Unrealised gains and losses	28,502	(28,933)
Other	-	-
	<u>78,233</u>	<u>13,262</u>
Financial instruments held at amortised cost:		
Interest	104	44
Other	-	-
	<u>104</u>	<u>44</u>
Investment management expenses, including interest	(2,952)	(2,394)
	<u>(2,952)</u>	<u>(2,394)</u>
	<u>75,385</u>	<u>10,912</u>

4. Profit/(Loss) on Ordinary Activities before Taxation

	2016 £	2015 £
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	3,000
Amortisation of syndicate capacity	312	1,038
(Profit)/loss on disposal of intangible fixed assets	(262,572)	-
(Profit)/loss on exchange	(81,503)	(3,530)

The Company has one employee and staff costs of £13,114 are met by the Company.

The Directors are considered to be the key management personnel of the Company.

The fees payable to the Company's auditor for audit 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 2016

5. Taxation	2016 £	2015 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	118,353	-
Adjustment in respect of previous period	-	-
	<u>118,353</u>	<u>-</u>
Foreign tax	519	2,050
	<u>118,872</u>	<u>2,050</u>
Total current tax		
	118,872	2,050
Deferred tax:		
Origination and reversal of timing differences	(42,137)	2,732
Change in tax rate	7,080	4,930
	<u>83,815</u>	<u>9,712</u>
Total tax		
	83,815	9,712
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 20.00% (2015 - 20.00%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	<u>410,848</u>	<u>72,670</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.00%)	82,170	14,534
Effects of:		
Change in deferred tax rate	7,080	4,930
Deferred tax asset previously unrecognised	-	-
Foreign tax	415	1,640
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	(1,722)	(1,988)
Marginal rates of taxation and prior period adjustment	<u>(4,128)</u>	<u>(9,404)</u>
Total tax charge/(credit) for the period	<u>83,815</u>	<u>9,712</u>

The results of the Company's participation on the 2014, 2015 and 2016 years of account and any calendar year movement on 2013 and prior run-offs, will not be assessed to tax until the year ended 31 December 2017, 2018 and 2019 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

The current UK corporation tax rate is 20%. The rate will be reduced to 19% from 1 April 2017 and to 17% from 1 April 2020. The effect of these reductions are reflected in the recognised deferred tax liability/(asset).

Upton Underwriting Limited

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

6. Intangible Assets	2016	2015
	£	£
Purchased Syndicate Capacity		
Cost		
At 1 January 2016	162,776	174,516
Additions	-	-
Disposals	(62,072)	(11,740)
At 31 December 2016	100,704	162,776
Amortisation		
At 1 January 2016	159,011	169,713
Additions	312	1,038
Disposals	(59,438)	(11,740)
At 31 December 2016	99,885	159,011
Net Book Value		
At 31 December 2016	819	3,765
At 31 December 2015	3,765	4,803
7. Financial Instruments and Financial Risk Management		
7.1 Financial Investments		
Other financial investments – Syndicate participation		
	2016	2015
	Market Value	Market Value
	£	£
Shares and other variable yield securities and units in unit trusts	399,951	27,454
Debt securities and other fixed income securities	1,980,806	1,846,847
Participation in investment pools	53,212	29,600
Loans with credit institutions	3,288	4,717
Derivative financial instruments	3,751	1,299
Other investments	7,046	-
Deposits with credit institutions	9,645	11,047
Other	8,654	279,062
	<u>2,466,353</u>	<u>2,200,026</u>
Other financial investments – Corporate		
Shares and other variable yield securities and units in unit trusts	169,635	145,714
Debt securities and other fixed income securities	-	-
Other investments	-	-
	<u>169,635</u>	<u>145,714</u>

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.2 Other Debtors

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	287,411	22,508	309,919	275,298	30,095	305,393
	287,411	22,508	309,919	275,298	30,095	305,393

7.3 Funds at Lloyd's

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

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	405	405	-	362	362
Investments	-	169,635	169,635	-	145,714	145,714
	-	170,040	170,040	-	146,076	146,076

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 Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the Syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

7.4 Other Creditors including Taxation and Social Security

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	110,225	110,225	-	-	-
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	262,100	-	262,100	210,860	-	210,860
Amount due to group undertakings	-	-	-	-	-	-
	262,100	110,225	372,325	210,860	-	210,860

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments

The tables below set out the Company's financial instruments by classification.

Other financial investments – Syndicate participation

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	2,466,353	-	2,466,353	2,337,288	-	2,337,288
Deposits with ceding undertakings	-	140	140	-	163	163
Insurance debtors	-	434,805	434,805	-	365,504	365,504
Reinsurance debtors	-	556,985	556,985	-	531,345	531,345
Other debtors	-	287,411	287,411	-	275,298	275,298
Cash at bank and in hand	-	129,711	129,711	-	80,507	80,507
Other assets	183,054	-	183,054	-	-	-
	2,649,407	1,409,052	4,058,459	2,337,288	1,252,817	3,590,105
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	462	-	462	-	-	-
Insurance creditors	-	61,621	61,621	-	56,538	56,538
Reinsurance creditors	-	267,772	267,772	-	217,069	217,069
Amounts owed to credit institutions	-	-	-	-	6,115	6,115
Other creditors	-	-	-	-	-	-
	462	329,393	329,855	-	279,722	279,722

Other financial investments – Corporate

	2016			2015		
	At fair value through profit or loss £	At amortised cost £	Total £	At fair value through profit or loss £	At amortised cost £	Total £
Financial assets						
Investments	169,635	-	169,635	145,714	-	145,714
Other debtors	-	22,508	22,508	-	30,095	30,095
Cash at bank and in hand	-	535,177	535,177	-	16,373	16,373
Other assets	-	-	-	-	-	-
	169,635	557,685	727,320	145,714	46,468	192,182
Financial liabilities						
Other creditors	-	110,225	110,225	-	-	-
	-	110,225	110,225	-	-	-

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.5 Classification of Financial Instruments (continued)

The table below sets out details of the Company's derivative financial instruments.

	2016		2015	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	117,266	3,742	51,751	1,190
Interest rate future contracts	13,817	(16)	31,892	23
Foreign exchange options	-	-	-	-
Equity options	-	-	1,311	29
Foreign exchange contract for difference	25,733	(322)	2,565	56
Other	1,937	347	-	-
	<u>158,753</u>	<u>3,751</u>	<u>87,519</u>	<u>1,298</u>

7.6 Financial Instruments held at fair value through profit or loss

The assets and liabilities carried at fair value through profit or loss have been categorised between the three levels of the fair value hierarchy that reflects the observability and significance of inputs used when establishing the fair value. The categorisation of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Level (a) in the fair value hierarchy consists of assets and liabilities valued using unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis.

Level (b) in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. Instead the price of a recent transaction for an identical asset or liability is used, provided that there has not been a significant change in economic circumstances or a significant lapse of time since the recent transaction.

Level (c) in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices in active markets or in a recent transaction. These assets and liabilities are measured using a valuation technique to estimate what the transaction price would have been in an arm's length transaction.

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

The tables below set out Company's financial instruments held at fair value through profit or loss by level of hierarchy.

Other financial investments – Syndicate participation

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	126,544	273,248	159	399,951	-	399,951
Debt securities and other fixed income securities	683,283	1,297,523	-	1,980,806	-	1,980,806
Participation in investment pools	22,268	14,409	16,535	53,212	-	53,212
Loans and deposits with credit institutions	9,624	10,355	-	19,979	-	19,979
Overseas deposits	56,409	127,890	5,630	189,929	-	189,929
Derivatives	145	3,606	-	3,751	-	3,751
Other investments	-	-	19	19	-	19
Financial assets classified as held for sale	-	-	-	-	-	-
	898,273	1,727,031	22,343	2,647,647	-	2,647,647
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	59	403	-	462	-	462
Financial liabilities classified as held for sale	-	-	-	-	-	-
	59	403	-	462	-	462

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

Other financial investments – Syndicate participation (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	64,925	191,412	50,179	306,516	-	306,516
Debt securities and other fixed income securities	776,124	613,319	457,404	1,846,847	-	1,846,847
Participation in investment pools	5,707	8,431	15,461	29,599	-	29,599
Loans and deposits with credit institutions	37,061	(41,185)	7,244	3,120	-	3,120
Overseas deposits	72,068	72,567	5,238	149,873	-	149,873
Derivatives	41	-	1,258	1,299	-	1,299
Other investments	-	-	33	33	-	33
Financial assets classified as held for sale	-	-	-	-	-	-
	955,926	844,544	536,817	2,337,287	-	2,337,287
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	80	-	1,920	2,000	-	2,000
Financial liabilities classified as held for sale	-	-	-	-	-	-
	80	-	1,920	2,000	-	2,000

Other financial investments – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2016						
Financial assets						
Shares and other variable yield securities and units in unit trusts	169,635	-	-	169,635	-	169,635
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	169,635	-	-	169,635	-	169,635

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.6 Financial Instruments held at fair value through profit or loss (continued)

Other financial investments – Corporate (continued)

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2015						
Financial assets						
Shares and other variable yield securities and units in unit trusts	145,714	-	-	145,714	-	145,714
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	<u>145,714</u>	<u>-</u>	<u>-</u>	<u>145,714</u>	<u>-</u>	<u>145,714</u>

7.7 Financial Risk Management

The Company is a financial institution and therefore provides the following disclosures in respect of the financial instruments it holds.

The Company is exposed to the following financial risks in the course of its operating and financing activities:

- Credit risk
- Liquidity risk
- Interest rate risk
- Equity price risk; and
- Foreign exchange risk

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate, including those in respect of financial risk management. The following qualitative risk management disclosures made by the Directors therefore relate to the Corporate only. The quantitative disclosures are made in respect of both the Corporate and the Syndicates.

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Credit risk

Credit risk is the risk that a counterparty to the Company's financial instruments will cause a loss to the Company through failure to perform its obligations. The key areas of exposure to credit risk for the Company result through its reinsurance programme, investments, bank deposits and policyholder receivables.

The Company manages credit risk at the Corporate level by ensuring that investments and cash and cash equivalent deposits are placed only with highly rated credit institutions. At the Corporate level the Company did not hold any collateral as security against its receivables, or have any other credit enhancements at the reporting dates.

The carrying amount of the Company's financial assets represents the Company's maximum exposure to credit risk.

The tables below show the credit quality of financial assets that are neither past due nor impaired.

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2016						
Shares and other variable yield securities and units in unit trusts	74,734	41,461	116,110	20,766	146,880	399,951
Debt securities and other fixed income securities	413,934	544,305	660,092	335,607	26,868	1,980,806
Participation in investment pools	15,473	18,232	4,056	246	15,205	53,212
Loans secured with credit institutions	3,199	7,135	-	-	-	10,334
Deposits with credit institutions	-	2,076	7,569	-	-	9,645
Overseas deposits	102,966	47,954	14,629	16,477	7,903	189,929
Derivative investments	-	-	2	143	3,606	3,751
Other investments	-	-	-	-	19	19
Deposits with ceding undertakings	-	-	-	-	140	140
Reinsurers share of claims outstanding	9,239	126,492	420,941	9,990	23,618	590,280
Reinsurance debtors	4,647	10,782	12,517	1,537	2,417	31,900
Cash at bank and in hand	41	(5,420)	99,296	35,732	62	129,711
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	624,233	793,017	1,335,212	420,498	226,718	3,399,678

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	AAA £	AA £	A £	BBB or lower £	Not rated £	Total £
2015						
Shares and other variable yield securities and units in unit trusts	61,371	26,208	94,536	22,576	101,824	306,515
Debt securities and other fixed income securities	416,912	537,022	588,108	287,335	17,470	1,846,847
Participation in investment pools	5,599	3,663	1,093	83	19,162	29,600
Loans secured with credit institutions	4,104	110	503	-	-	4,717
Deposits with credit institutions	-	384	2,420	-	-	2,804
Overseas deposits	84,346	34,093	21,318	9,708	249	149,714
Derivative investments	-	-	7	30	1,262	1,299
Other investments	-	-	-	-	33	33
Deposits with ceding undertakings	-	-	-	-	163	163
Reinsurers share of claims outstanding	8,469	115,815	248,527	4,016	17,435	394,262
Reinsurance debtors	1,131	215,370	74,257	486	374	291,618
Cash at bank and in hand	32,412	2,399	35,454	10,243	-	80,508
Insurance debtors	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-
	614,344	935,064	1,066,223	334,477	157,972	3,108,080

The tables below show the ageing and impairment of financial assets by class of instruments.

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2016						
Shares and other variable yield securities and units in unit trusts	399,951	-	-	-	-	399,951
Debt securities and other fixed income securities	1,980,806	-	-	-	-	1,980,806
Participation in investment pools	53,212	-	-	-	-	53,212
Loans secured with credit institutions	10,334	-	-	-	-	10,334
Deposits with credit institutions	9,645	-	-	-	-	9,645
Overseas deposits	189,929	-	-	-	-	189,929
Derivative investments	3,751	-	-	-	-	3,751
Other investments	19	-	-	-	-	19
Deposits with ceding undertakings	140	-	-	-	-	140
Reinsurers share of claims outstanding	590,280	-	-	-	-	590,280
Reinsurance debtors	21,183	9,309	73	1,083	252	31,900
Cash at bank and in hand	129,711	-	-	-	-	129,711
Insurance debtors	389,817	27,849	5,424	12,427	(712)	434,805
Other debtors	1,174,598	1,331	59	456	-	1,176,444
	4,953,376	38,489	5,556	13,966	(460)	5,010,927

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	Neither due nor impaired £	Less than 6 months £	Between 6 months and 1 year £	Greater than 1 year £	Impaired £	Total past due or impaired £
2015						
Shares and other variable yield securities and units in unit trusts	306,515	-	-	-	1	306,516
Debt securities and other fixed income securities	1,846,847	-	-	-	-	1,846,847
Participation in investment pools	29,600	-	-	-	-	29,600
Loans secured with credit institutions	4,717	-	-	-	-	4,717
Deposits with credit institutions	2,804	-	-	-	-	2,804
Overseas deposits	149,713	-	-	-	-	149,713
Derivative investments	1,299	-	-	-	-	1,299
Other investments	33	-	-	-	-	33
Deposits with ceding undertakings	163	-	-	-	-	163
Reinsurers share of claims outstanding	394,262	1,196	2	1	(854)	394,607
Reinsurance debtors	291,618	57,996	427	941	135	351,117
Cash at bank and in hand	80,507	-	-	-	-	80,507
Insurance debtors	418,558	26,738	4,717	4,895	(557)	454,351
Other debtors	144,443	-	-	287	-	144,730
	3,671,079	85,930	5,146	6,124	(1,275)	3,767,004

At the Corporate level the Company is not exposed to significant credit risk. Consequently a sensitivity analysis for credit risk has not been presented for the Corporate.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

At the Corporate level the Company manages liquidity by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date of which the Company can be required to pay.

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2016						
Derivative financial instruments	-	462	-	-	-	462
Deposits received from reinsurers	-	263	-	-	-	263
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	992,102	1,160,346	499,919	578,652	3,231,019
Creditors	3,180	350,119	90,335	10,446	1,972	456,052
Other	-	-	-	-	-	-
	3,180	1,342,946	1,250,681	510,365	580,624	3,687,796

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

Syndicate participation	No stated maturity £	Less than 1 year £	1 to 3 years £	3 to 5 years £	Greater than 5 years £	Total £
2015						
Derivative financial instruments	-	2,083	-	-	-	2,083
Deposits received from reinsurers	-	196	-	-	-	196
Provisions for other risks and charges	-	-	-	-	-	-
Claims outstanding	-	812,377	897,847	441,753	470,328	2,622,305
Creditors	12,363	260,934	72,428	2,041	-	347,766
Other	1,966	-	-	-	-	1,966
	14,329	1,075,590	970,275	443,794	470,328	2,974,316

At the Corporate level the Company is not exposed to significant liquidity risk. Consequently a maturity profile has not been presented for the Corporate.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company is exposed to the risk of interest rate fluctuations in respect of cash and cash equivalents and other interest bearing securities.

At the Corporate level the Company manages interest rate risk by maintaining an appropriate mix between fixed and floating rate financial instruments.

The table below shows the impact of changes in interest rates on the profit or loss for the period and on the equity of the Company.

Syndicate participation	2016 £	2015 £
Impact of 50 basis point increase on profit or loss	(21,482)	(11,971)
Impact of 50 basis point decrease on profit or loss	20,731	10,642
Impact of 50 basis point increase on equity	(21,482)	(12,342)
Impact of 50 basis point decrease on equity	20,731	11,018

At the Corporate level the Company is not exposed to significant cash flow interest rate risk as all of the financial instruments attract fixed rates of interest. Consequently a sensitivity analysis for interest rate risk has not been presented for the Corporate.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

The Company is exposed to equity price risk in respect of its equity investments.

At the Corporate level the Company manages equity price risk by maintaining an appropriate mix between equity and debt financial instruments, and by spreading the risk on equity investments across a portfolio of investments.

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

The table below shows the impact of changes in equity prices on the profit or loss for the period and on the equity of the Company.

Syndicate participation

	2016 £	2015 £
Impact on profit or loss of 5% increase in Stock Market Prices	1,617	599
Impact on profit or loss of 5% decrease in Stock Market Prices	(1,609)	(619)
Impact on equity of 5% increase in Stock Market Prices	1,617	599
Impact on equity of 5% decrease in Stock Market Prices	(1,609)	(619)

At the Corporate level the Company is not exposed to significant cash flow equity price risk. Consequently a sensitivity analysis for equity price risk has not been presented for the Corporate.

Currency risk

The Company holds both assets and liabilities denominated in currencies other than Sterling, its functional currency. It is therefore exposed to currency risk as the value of the foreign currency assets and liabilities will fluctuate in line with changes in foreign exchange rates.

At the Corporate level the Company manages currency risk by ensuring that exchange rate exposures are managed within approved policy parameters.

The table below considers financial assets and financial liabilities denominated in the currencies of the Company's principal foreign exchange exposures in aggregate.

Net assets and liabilities

	Syndicate Participation £	2016 Corporate £	Syndicate Participation £	2015 Corporate £
Sterling	(466,920)	364,630	(181,582)	(3,669)
United States Dollar	259,150	115,372	345,118	1,845
Euro	98,090	-	8,972	-
Canadian Dollar	250,855	-	96,605	-
Australian Dollar	40,225	-	10,121	-
Japanese Yen	(4,415)	-	(4,597)	-
Other	870	-	(8,310)	-

Upton Underwriting Limited

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

7. Financial Instruments and Financial Risk Management (continued)

7.7 Financial Risk Management (continued)

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate 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. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing currency risk arising from assets and liabilities are only presented for the Corporate in these financial statements.

The Company's assets are primarily Funds at Lloyd's to support its underwriting. These are held in various currencies but are all either listed investments or cash. As such, any exchange movement would be accounted for in the profit and loss.

	Corporate Profit and loss			
	31 December 2016		31 December 2015	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of sterling exchange movement by 10%				
United States Dollar	10,488	(12,819)	168	(205)
Euro	-	-	-	-
Canadian Dollar	-	-	-	-
Australian Dollar	-	-	-	-
Japanese Yen	-	-	-	-
Other	-	-	-	-

7.8 Capital Management

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Standard Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR "to ultimate"). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Each Syndicate member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares.

Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR "to ultimate".

Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR "to ultimate".

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency I figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the solvency capital requirement of the Syndicate, since this has been previously calculated using Solvency II principles.

The Funds at Lloyd's represent the capital which allows the Company to participate on the Syndicates. Refer to Note 7.3 for further information.

Upton Underwriting Limited

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

8. Insurance Contracts

The following reconciliation shows the movement in the provision for claims outstanding during the year.

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	2,636,378	394,606	2,241,772	2,778,515	464,992	2,313,523
Movements in the year	224,483	125,098	99,385	(38,745)	(58,937)	20,192
Exchange differences	370,158	70,576	299,582	(103,392)	(11,449)	(91,943)
At 31 December	3,231,019	590,280	2,640,739	2,636,378	394,606	2,241,772

The following reconciliation shows the movement in the provision for unearned premium during the year.

	2016			2015		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	881,146	92,246	788,900	773,381	55,841	717,540
Movements in the year	34,856	20,043	14,813	89,163	7,509	81,654
Exchange differences	111,683	14,538	97,145	18,602	28,896	(10,294)
At 31 December	1,027,685	126,827	900,858	881,146	92,246	788,900

The following reconciliation shows the movement in deferred acquisition costs during the year.

	2016 £	2015 £
At 1 January	228,391	203,991
Movements in the year	10,898	26,995
Exchange differences	30,376	(2,595)
At 31 December	269,665	228,391

8.1 Risks arising from Insurance Contracts

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate 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. As such, disclosures in respect of the assumptions and judgements made, and the objectives, policies and processes for managing risk arising from insurance contracts, are not presented in these financial statements.

Upton Underwriting Limited

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

9. Called-up Share Capital

Issued and fully paid

	At 1 January	Issued during the year	Redeemed during the year	At 31 December
Par value per share				
Ordinary £1 shares	100	-	-	100
Total	100	-	-	100

The Ordinary £1 shares each hold one voting right. There are no restrictions on the distribution of dividends and the repayments of capital.

10. Profit and Loss Account

	2016			2015		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	324,062	1,841	325,903	421,675	103,270	524,945
Reallocate distribution	(277,169)	277,169	-	(284,229)	284,229	-
Profit/(loss) for the financial year	142,990	201,711	344,701	186,616	(123,658)	62,958
Equity dividends	-	-	-	-	(262,000)	(262,000)
Retained profit/(loss) carried forward	189,883	480,721	670,604	324,062	1,841	325,903

Upton Underwriting Limited

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

11. Deferred Tax

					2016
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	64,567	(8,402)	81,808	(3,062)	134,911
Movement in the year	(27,841)	8,402	(15,677)	59	(35,057)
At 31 December	36,726	-	66,131	(3,003)	99,854

					2015
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	85,552	(28,783)	73,488	(3,009)	127,248
Movement in the year	(20,985)	20,381	8,320	(53)	7,663
At 31 December	64,567	(8,402)	81,808	(3,062)	134,911

The unused tax losses carried forward at the Balance Sheet date are £Nil. Unused tax losses are expected to be recoverable against the future profits of the Company and have no expiry date.

The deferred tax balance consists of timing differences relating to the taxation of underwriting results. Deferred tax assets are shown within other debtors (Note 7.2).

12. Related Party Disclosure

During the year the Directors made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £(15,000) (2015: £(15,000)).

Any related party loans and balances do not attract interest and are repayable on demand.

13. Ultimate Controlling Party

The Company is controlled by the Estate of Mr J E Upton (Deceased) who holds 85% of the issued £100 ordinary share capital.