

Company registration number: 3592542

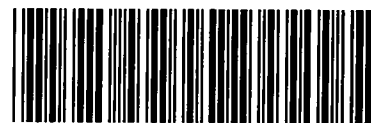
# Upton Underwriting Limited

## Report and financial statements 31 December 2013

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# **Upton Underwriting Limited**

## **Company information**

### **Directors**

Mr J E Upton  
Mr A C Malcolmson

### **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**

Argenta Tax & Corporate Services Limited  
Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

# Upton Underwriting Limited

## Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2013.

### 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 2011, 2012 and 2013 years of account, as well as any 2010 and prior run-off years. The 2011 year closed at 31 December 2013 with a result of £140,320 (2010 - £35,209). The 2012 and 2013 open underwriting accounts will normally close at 31 December 2014 and 2015 respectively.

### Results

The results for the year are set out on pages 7 to 8 of the financial statements.

### Key Performance Indicators

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

	2013	2012
Capacity (youngest underwriting year)	£ 2,024,328	£ 2,117,279
Gross premium written as a % of capacity	87.1%	95.8%
Underwriting profit of latest closed year:		
as a % of capacity	5.9%	1.5%
Run-off years of account movement	£ -	£ -
Combined ratio	80.7%	87.6%

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

Approved by the Board on 20<sup>th</sup> June 2014  
and signed on its behalf by

J E UPTON

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 2013.

### **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 2014 year of account.

### **Dividends**

Dividends totalling £Nil were paid in the year (2012 - £Nil).

### **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.

### **Directors**

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

Mr J E Upton  
Mr A C Malcolmson

# Upton Underwriting Limited

## Report of the Directors (continued)

### 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.

### 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  
and signed on its behalf by

*20<sup>th</sup> June* 2014

*[Signature]*  
J E UPTON

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 2013 which comprise the Profit and Loss Account, the Balance Sheet, 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).

### **Respective responsibilities of the Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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](http://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 2013 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 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.


# **Upton Underwriting Limited**

## **Independent Auditor's report (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

  
**Markham Grice (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

25 June 2014

# Upton Underwriting Limited

## Profit and loss account

### Technical account – general business

For the year ended 31 December 2013

	Note	2013 £	2012 £
<b>Premiums written</b>			
Gross premiums written	1	1,762,393	2,027,902
Outward reinsurance premiums	1	(310,974)	(340,788)
<b>Net premiums written</b>		<u>1,451,419</u>	<u>1,687,114</u>
<b>Change in the provision for unearned premiums</b>			
Gross provision	1	45,323	69,069
Reinsurers' share	1	5,222	(2,810)
<b>Earned premiums, net of reinsurance</b>		<u>1,501,964</u>	<u>1,753,373</u>
<b>Allocated investment return transferred from the non-technical account</b>		33,428	76,009
Other technical income, net of reinsurance		-	-
<b>Claims paid</b>			
Gross amount	1	(1,100,096)	(1,127,634)
Reinsurers' share	1	203,174	211,223
<b>Net claims paid</b>		<u>(896,922)</u>	<u>(916,411)</u>
<b>Change in provision for claims</b>			
Gross amount	1	354,962	(44,195)
Reinsurers' share	1	(106,693)	25,680
<b>Change in net provision for claims</b>		<u>248,269</u>	<u>(18,515)</u>
<b>Claims incurred, net of reinsurance</b>		(648,653)	(934,926)
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(563,601)	(601,073)
Other technical charges, net of reinsurance		-	-
<b>Balance on the technical account for general business</b>		<u>323,138</u>	<u>293,383</u>

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.



# Upton Underwriting Limited

## Profit and loss account Non - technical account For the year ended 31 December 2013

	Note	2013 £	2012 £
<b>Balance on technical account for general business</b>		323,138	293,383
Investment income	3	75,272	85,450
Unrealised gains on investments		50,899	65,260
Investment expenses and charges	4	(29,585)	(23,405)
Unrealised losses on investments		(26,255)	(24,584)
Allocated investment return transferred to the general business technical account		(33,428)	(76,009)
Other income		750	(1,125)
Other charges		(156,332)	(183,238)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	204,459	135,732
Tax on profit/(loss) on ordinary activities	6	(35,960)	(24,465)
<b>Profit/(loss) for the financial year</b>	13	168,499	111,267

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

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 12 to 23 form part of these Financial Statements.

# Upton Underwriting Limited

## Balance sheet As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	8	-	5,494	5,494	-	24,029	24,029
<b>Investments</b>							
Financial investments	9	2,224,473	220,736	2,445,209	2,236,011	191,220	2,427,231
Deposits with ceding undertakings		705	-	705	627	-	627
		2,225,178	220,736	2,445,914	2,236,638	191,220	2,427,858
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums		86,583	-	86,583	81,695	-	81,695
Claims outstanding		563,952	-	563,952	656,774	-	656,774
Other technical provisions		-	-	-	-	-	-
		650,535	-	650,535	738,469	-	738,469
<b>Debtors</b>							
Arising out of direct insurance operations		296,771	-	296,771	393,389	-	393,389
Arising out of reinsurance operations		596,044	-	596,044	615,088	-	615,088
Other debtors	10	194,309	15,583	209,892	289,873	25,220	315,093
		1,087,124	15,583	1,102,707	1,298,350	25,220	1,323,570
<b>Other assets</b>							
Cash at bank and in hand		133,206	23,539	156,745	106,656	207,095	313,751
Other		243,673	-	243,673	256,723	-	256,723
		376,879	23,539	400,418	363,379	207,095	570,474
<b>Prepayments and accrued income</b>							
Accrued interest		5,939	-	5,939	6,696	-	6,696
Deferred acquisitions costs		189,169	-	189,169	194,157	-	194,157
Other prepayments and accrued income		8,118	-	8,118	5,768	-	5,768
		203,226	-	203,226	206,621	-	206,621
<b>Total assets</b>		4,542,942	265,352	4,808,294	4,843,457	447,564	5,291,021

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

# Upton Underwriting Limited

## Balance sheet

As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	12	-	100	100	-	100	100
Share premium account		-	-	-	-	-	-
Profit and loss account	13	288,257	105,152	393,409	46,275	178,635	224,910
<b>Shareholders' funds – attributable to equity interests</b>							
	14	288,257	105,252	393,509	46,275	178,735	225,010
<b>Technical provisions</b>							
Provision for unearned premiums		752,987	-	752,987	802,367	-	802,367
Claims outstanding – gross amount		3,051,136	-	3,051,136	3,433,621	-	3,433,621
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks and charges</b>							
Deferred taxation	15	-	100,827	100,827	-	59,826	59,826
Other		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>		559	-	559	506	-	506
<b>Creditors</b>							
Arising out of direct insurance operations		36,946	-	36,946	63,747	-	63,747
Arising out of reinsurance operations		247,958	-	247,958	261,962	-	261,962
Amounts owed to credit institutions		1,743	-	1,743	-	-	-
Other creditors including taxation and social security	16	164,690	4,780	169,470	241,521	163,685	405,206
		4,256,019	105,607	4,361,626	4,803,724	223,511	5,027,235
<b>Accruals and deferred income</b>		(1,334)	54,493	53,159	(6,542)	45,318	38,776
<b>Total liabilities</b>		4,542,942	265,352	4,808,294	4,843,457	447,564	5,291,021

Approved and authorised for issue by the Board of Directors on 20<sup>th</sup> June 2014  
and signed on its behalf by:

J E UPTON

Director

Company registration number: 3592542

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

# Upton Underwriting Limited

## Cash flow statement For the year ended 31 December 2013

	Note	2013 £	2012 £
<b>Operating activities</b>			
Net cash inflow/(outflow) from operating activities	17(a)	(179,624)	188,276
<b>Returns on investments and servicing of finance</b>		-	-
<b>Capital expenditure</b>			
Purchase of Syndicate capacity		(400)	-
Proceeds from sale of Syndicate capacity		750	474
<b>Taxation</b>			
Corporation and overseas taxes (paid)/refunded		(2,907)	(1,589)
<b>Equity dividends paid</b>		-	-
<b>Financing</b>			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>(182,181)</u>	<u>187,161</u>
<b>Cash flows were invested as follows:</b>			
Increase/(decrease) in cash holdings		(183,556)	187,161
Purchase of financial investments		1,375	-
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>(182,181)</u>	<u>187,161</u>

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

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

# **Upton Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2013**

### **Basis of preparation of financial statements**

#### **Basis of preparation**

The financial statements have been prepared in accordance with the provisions of Schedule 3 to SI 2008/410 and with the Statement of Recommended 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 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").

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 member level results.

# **Upton Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2013**

### **Accounting policies**

#### **i Accounting convention**

The financial statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments.

#### **ii Going concern**

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

#### **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 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.

#### **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 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.

#### **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 2013**

### **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 2013**

### **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. No amortisation is charged in the year of purchase.

#### **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 2013

### 1. Class of Business

2013	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	69,127	68,826	(30,695)	(27,380)	(2,694)	8,057
Motor – third party liability	6,810	4,790	(2,996)	(1,856)	114	52
Motor – other classes	145,955	151,343	(118,496)	(52,886)	8,583	(11,456)
Marine, aviation and transport	208,407	224,710	(84,353)	(72,597)	(26,534)	41,226
Fire and other damage to property	408,538	418,248	(156,635)	(139,266)	(73,860)	48,487
Third party liability	270,645	261,868	(161,618)	(98,675)	9,466	11,041
Credit and suretyship	22,266	25,771	371	(8,051)	(3,562)	14,529
Legal expenses	4,863	4,776	(1,657)	(2,362)	(519)	238
Assistance	-	-	-	-	-	-
Miscellaneous	4,721	5,066	(2,478)	(2,035)	(30)	523
	1,141,332	1,165,398	(558,557)	(405,108)	(89,036)	112,697
<b>Reinsurance</b>	621,061	642,318	(186,577)	(158,493)	(120,235)	177,013
<b>Total</b>	<b>1,762,393</b>	<b>1,807,716</b>	<b>(745,134)</b>	<b>(563,601)</b>	<b>(209,271)</b>	<b>289,710</b>

2012	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	72,940	67,661	(35,121)	(27,203)	(3,181)	2,156
Motor – third party liability	2,312	3,198	1,439	(1,128)	(142)	3,367
Motor – other classes	158,218	188,455	(147,552)	(59,638)	13,106	(5,629)
Marine, aviation and transport	233,433	253,267	(114,096)	(78,380)	1,503	62,294
Fire and other damage to property	472,261	509,882	(296,734)	(165,936)	(36,904)	10,308
Third party liability	275,300	272,106	(125,156)	(92,399)	(8,679)	45,872
Credit and suretyship	27,914	27,385	(9,361)	(9,310)	(932)	7,782
Legal expenses	4,828	3,901	(1,887)	(1,932)	-	82
Assistance	-	-	-	-	-	-
Miscellaneous	7,487	8,536	(3,047)	(4,679)	(8)	802
	1,254,693	1,334,391	(731,515)	(440,605)	(35,237)	127,034
<b>Reinsurance</b>	773,209	762,580	(440,314)	(160,468)	(71,458)	90,340
<b>Total</b>	<b>2,027,902</b>	<b>2,096,971</b>	<b>(1,171,829)</b>	<b>(601,073)</b>	<b>(106,695)</b>	<b>217,374</b>

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 2013

<b>2. Net Operating Expenses</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Acquisition costs	443,398	477,100
Change in deferred acquisition costs	2,821	12,014
Administrative expenses	74,875	70,196
Reinsurance commissions and profit participations	(27,384)	(26,797)
Personal expenses	69,891	68,560
	<u>563,601</u>	<u>601,073</u>
<b>3. Investment Income</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Income from investments	63,997	69,170
Gains on the realisation of investments	11,179	16,105
Bank deposit interest	96	175
	<u>75,272</u>	<u>85,450</u>
<b>4. Investment Expenses and Charges</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Investment management expenses, including interest	4,461	3,606
Losses on the realisation of investments	25,124	19,799
	<u>29,585</u>	<u>23,405</u>
<b>5. Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging:		
Directors' remuneration	6,000	9,000
Amortisation of Syndicate capacity	18,935	25,221
(Profit)/loss on disposal of intangible fixed assets	(750)	1,125
(Profit)/loss on exchange	29,000	37,780

The Company has one employee and staff costs of £58,830 are met by 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 2013

### 6. Taxation

	2013 £	2012 £
<b>Analysis of charge in year</b>		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	7,948
Adjustment in respect of previous period	(7,708)	-
	<u>(7,708)</u>	<u>7,948</u>
Foreign tax	2,667	1,589
Total current tax	<u>(5,041)</u>	<u>9,537</u>
Deferred tax		
Origination and reversal of timing differences	41,001	14,928
	<u>35,960</u>	<u>24,465</u>

#### Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2012 - 20.00%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	204,459	135,732
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2012 – 20.00%)	40,892	27,146
Effects of:		
Underwriting results subject to timing differences for taxation	(52,262)	6,582
Creation/(utilisation) of tax losses	13,636	(23,877)
Foreign tax	2,134	1,271
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	(1,733)	(1,585)
Marginal rates of taxation and prior period adjustment	(7,708)	-
Current tax charge for the period	<u>(5,041)</u>	<u>9,537</u>

The results of the Company's participation on the 2011, 2012 and 2013 years of account and any calendar year movement on 2010 and prior run-offs, will not be assessed to tax until the year ended 31 December 2014, 2015 and 2016 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

	2013 £	2012 £
<b>Amounts recognised as distributions to equity holders in the period:</b>		
Interim dividends paid	-	-

# Upton Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2013

### 8. Intangible Assets

	2013 £	2012 £
<b>Purchased Syndicate capacity</b>		
<b>Cost</b>		
At 1 January 2013	169,377	174,002
Additions	400	-
Disposals	(64)	(4,625)
At 31 December 2013	<u>169,713</u>	<u>169,377</u>
<b>Amortisation</b>		
At 1 January 2013	145,348	123,153
Provided during the year	18,935	25,221
Disposals	(64)	(3,026)
At 31 December 2013	<u>164,219</u>	<u>145,348</u>
<b>Net Book Value</b>		
At 31 December 2013	5,494	24,029
At 31 December 2012	<u>24,029</u>	<u>50,849</u>

### 9. Financial Investments

#### Other financial investments – Syndicate

	2013 Market Value £	2013 Cost £	2012 Market Value £	2012 Cost £
Shares and other variable yield securities and units in unit trusts	318,392	309,162	316,811	314,579
Debt securities and other fixed income securities	1,803,062	1,817,435	1,792,751	1,790,003
Participation in investment pools	64,980	61,250	65,342	70,957
Loans secured by mortgages	15,562	15,503	25,901	25,591
Other loans	1,233	1,233	11,131	11,128
Deposits with credit institutions	21,076	21,076	24,040	23,997
Other	168	163	35	126
	<u>2,224,473</u>	<u>2,225,822</u>	<u>2,236,011</u>	<u>2,236,381</u>

Listed investments included in the market value above

Shares and other variable yield securities and units in unit trusts	318,392	316,811
Debt securities and other fixed income securities	1,803,062	1,792,751
	<u>2,121,454</u>	<u>2,109,562</u>

# Upton Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2013

### 10. Other Debtors

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	194,309	15,583	209,892	289,873	25,220	315,093
	<u>194,309</u>	<u>15,583</u>	<u>209,892</u>	<u>289,873</u>	<u>25,220</u>	<u>315,093</u>

### 11. Funds at Lloyd's

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

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	6,981	6,981	-	8,364	8,364
Investments	-	220,736	220,736	-	191,220	191,220
	<u>-</u>	<u>227,717</u>	<u>227,717</u>	<u>-</u>	<u>199,584</u>	<u>199,584</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 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.

### 12. Called-up Share Capital

	2013	2013	2012	2012
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary £1 shares	100	100	100	100

# Upton Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2013

### 13. Profit and Loss Account

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	46,275	178,635	224,910	155,282	(41,639)	113,643
Reallocate distribution	(35,209)	35,209	-	(374,497)	374,497	-
Profit/(loss) for the financial year	277,191	(108,692)	168,499	265,490	(154,223)	111,267
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	288,257	105,152	393,409	46,275	178,635	224,910

### 14. Reconciliation of Movements in Shareholders' Funds

	2013 £	2012 £
Opening shareholders' funds	225,010	113,743
Profit/(loss) for the financial year	168,499	111,267
Equity dividends	-	-
Proceeds from issue of shares	-	-
Closing shareholders' funds	393,509	225,010

### 15. Provision for Other Risks and Charges

Deferred Taxation	2013 £	2012 £
Opening balance	59,826	44,898
Profit and loss account charge	41,001	14,928
Closing balance	100,827	59,826

# Upton Underwriting Limited

## Notes to the Financial Statements For the year ended 31 December 2013

### 16. Other Creditors including Taxation and Social Security

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	7,948	7,948
Directors' loan accounts	-	4,780	4,780	-	-	-
Third party funds	-	-	-	-	155,737	155,737
Other creditors	164,690	-	164,690	241,521	-	241,521
Amount due to group undertakings	-	-	-	-	-	-
	164,690	4,780	169,470	241,521	163,685	405,206

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

	2013 £	2012 £
Profit/(loss) on ordinary activities before tax	204,459	135,732
(Profit)/loss attributable to Syndicate transactions	(241,982)	109,007
Profit/(loss) – excluding Syndicate transactions	(37,523)	244,739
(Increase)/decrease in debtors	9,637	105,761
Increase/(decrease) in creditors	(141,782)	(169,958)
(Profit)/loss on disposal of intangible assets	(750)	1,125
Amortisation of Syndicate capacity	18,935	25,221
Realised/unrealised (gains)/losses on investments	(28,141)	(18,612)
Net cash inflow/(outflow) from operating activities	(179,624)	188,276

### (b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2013 £	Cashflow £	Changes to Market Value £	At 31 December 2013 £
Cash	207,095	(183,556)	-	23,539
Other financial investments	191,220	1,375	28,141	220,736
	398,315	(182,181)	28,141	244,275

# **Upton Underwriting Limited**

## **Notes to the Financial Statements For the year ended 31 December 2013**

### **18. 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 £4,780 ( 2012: £(25,220)).

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.