

Company Registration Number: 3592542

Upton Underwriting Limited

**Annual Report
31 December 2020**

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Upton Underwriting Limited

Company Information

Directors

Mr A C Malcolmson
Mr J W D Upton

Members' Agent

Argenta Private Capital Limited
(Regulated by the Financial Conduct Authority)

Company Secretary

Argenta Secretariat Limited

Registered Office

5th Floor, 70 Gracechurch Street
London
EC3V 0XL

Auditors

PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
London
E14 4HD

Upton Underwriting Limited

Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2020.

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 2018, 2019 and 2020 years of account, as well as any 2017 and prior run-off years. The 2018 year closed at 31 December 2020 with a result of £(45,930) (2017 - £(36,614)). The 2019 and 2020 open underwriting accounts will normally close at 31 December 2021 and 2022 respectively.

Results and Dividends

The results for the year are set out on pages 9 to 10 of the Financial Statements. Dividends totalling £Nil were paid in the year (2019 - £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.

Key Performance Indicators

	2020	2019
Capacity (youngest underwriting year)	£ 1,213,608	£ 1,201,408
Gross premium written as a % of capacity	107.8%	108.8%
Underwriting profit of latest closed year:		
as a % of capacity	-3.4%	-2.8%
Run-off years of account movement	£ -	£ 1
Combined ratio	102.5%	103.3%

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

Principal Risks and Uncertainties

Brexit

The UK left the EU on 31 January 2020 and negotiations in respect of the EU-UK Trade and Cooperation Agreement ("the Agreement") concluded on 24 December 2020, with the Agreement becoming effective from 1 January 2021. The Agreement consists of a Free Trade Agreement, a close partnership on citizens' security and an overarching governance framework. From 1 January 2021, UK financial services firms no longer have passporting rights allowing them to sell their services into the EU from their UK base without the need for additional regulatory clearances. In preparation for this, on 25 November the English High Court sanctioned a Part VII transfer of all policies insuring EEA risks from the syndicates to Lloyd's Insurance Company, Brussels. The Directors are monitoring the implications of the Part VII transfer along with general market conditions to identify whether it is appropriate to make any changes to the current strategy of the Company.

Coronavirus

The COVID-19 pandemic continues to affect the UK and global economies adversely. At the time of signing this report there are indications from the government that social restrictions which have suppressed economic activity during 2020 and 2021 are likely to be lifted in the foreseeable future. If this does happen the directors expect to see the UK and global economies return to growth in due course, but it is not possible to predict how quickly and to what degree this may happen. The priority of the directors is to remain to comply with all regulatory requirements to the fullest extent possible.

Upton Underwriting Limited Strategic Report (continued)


Section 172(1) Statement

The Directors have considered the matters set out in Section 172(1)(a) to (f) when performing their duties and comments as follows:

- a) The Company continues to operate in the Lloyd's insurance market. The majority of its activities are carried out by the syndicates on which it participates. The Company is not involved directly in the management of the syndicates' activities, as these are the responsibility of the Managing Agents.
- b) Other than the Directors the Company has no employees.
- c) The Company's only suppliers are those who provide services for the administration of the Company. The Directors ensure supplier invoices are paid on time in line with any agreed terms.
- d) The Company's operations do not by their very nature produce significant environmental emissions.
- e) The Company and the syndicates are required to operate within the guidelines and code of conduct of the Lloyd's market. Behind the Lloyd's market is the Lloyd's Corporation, an independent organisation and regulator that acts to protect and maintain the market's reputation and provides services and original research, reports and analysis to the industry's knowledge base. The Directors ensure compliance with relevant legislation and promote high standards of business conduct.
- f) The Directors work very closely with the Members of the Company to discuss all significant decisions including the level of participation on the syndicates.

More information on this can be found at www.argentagroup.com/Section172.

Approved by the Board on 21 September 2021
and signed on its behalf by:



J W D 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 2020.

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 2021 year of account.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Report of the Directors' and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 and to the date of this report were as follows:

Mr A C Malcolmson
Mr J W D Upton

Upton Underwriting Limited
Report of the Directors (continued)


Auditors

PKF Littlejohn LLP have been appointed as auditors to the Company during the year, Mazars LLP have resigned 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 21 September 2021
and signed on its behalf by:



J W D UPTON

Director

Upton Underwriting Limited

Independent Auditor's Report

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

Opinion

We have audited the Financial Statements of Upton Underwriting Limited (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Upton Underwriting Limited

Independent Auditor's Report (continued)

Opinions on other matters 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 the Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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 or the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Upton Underwriting Limited

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The procedures we have undertaken to detect irregularities, including fraud, are detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussion with management and the application of our knowledge and experience of the sector in which the company operates in. We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, Lloyd's byelaws as they relate to the company and UK taxation legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
 - discussion with management of any known, or suspected instances, of non-compliance by the company with those laws and regulations;
 - discussion with management of any, or suspected, incidence of fraud;
 - review of the financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
 - review of the minutes of the board of directors and other correspondence as we deemed appropriate; and
 - review and testing of the system of controls established by management to ensure the accuracy of the financial statements.
- We identified the risks of material misstatement of the financial statements due to fraud as being those arising from management override of controls. We have addressed this risk by performing audit procedures which included, but were not limited to, the testing of journals, reviewing material accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business that came to our attention.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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.

TCE Seaman

Thomas Seaman (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London
E14 4HD

Date: 27/09/2021

Upton Underwriting Limited
Statement of Comprehensive Income
Technical Account – general business
For the year ended 31 December 2020

	Note	2020 £	2019 £
Premiums			
Gross premiums written	1	1,308,024	1,306,879
Outward reinsurance premiums	1	(348,546)	(301,404)
Net premiums written		<u>959,478</u>	<u>1,005,475</u>
Change in the provision for unearned premiums			
Gross provision	1	398	(15,338)
Reinsurers' share	1	14,827	11,512
Earned premiums, net of reinsurance		<u>974,703</u>	<u>1,001,649</u>
Allocated investment return transferred from the non-technical account		38,177	53,611
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(804,363)	(725,887)
Reinsurers' share	1	193,103	187,721
Net claims paid		<u>(611,260)</u>	<u>(538,166)</u>
Change in provision for claims			
Gross amount	1	(87,862)	(176,558)
Reinsurers' share	1	71,890	67,480
Change in net provision for claims		<u>(15,972)</u>	<u>(109,078)</u>
Claims incurred, net of reinsurance		(627,232)	(647,244)
Changes in other technical provisions, net of reinsurance		(611)	(2,278)
Net operating expenses	1,2	(372,202)	(387,230)
Other technical charges, net of reinsurance	1	-	-
Balance on the technical account for general business		<u>12,835</u>	<u>18,508</u>

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

Upton Underwriting Limited
Statement of Comprehensive Income
Non Technical Account
For the year ended 31 December 2020

	Note	2020 £	2019 £
Balance on technical account for general business		12,835	18,508
Investment income	3	59,921	129,154
Allocated investment return transferred to the general business technical account		(38,177)	(53,611)
Other income		26,243	1,000
Other charges, including value adjustments		(5,406)	(38,435)
Profit on ordinary activities before taxation	4	<u>55,416</u>	<u>56,616</u>
Tax on profit on ordinary activities	5	(4,784)	(12,110)
Profit for the financial year		<u>50,632</u>	<u>44,506</u>
Other comprehensive income:			
Currency translation differences		(6)	9,378
Tax on other comprehensive (expenditure)/income		1	(1,629)
Total comprehensive income	10	<u>50,627</u>	<u>52,255</u>

All amounts relate to continuing operations.

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

Upton Underwriting Limited
Statement of Financial Position
As at 31 December 2020

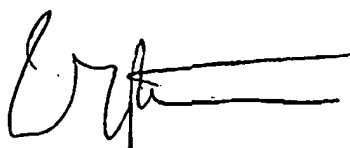
		31 December 2020			31 December 2019		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	6	-	-	-	-	-	-
Investments							
Other financial investments	7	1,303,424	615,191	1,918,615	1,280,274	567,953	1,848,227
Deposits with ceding undertakings		93	-	93	109	-	109
		1,303,517	615,191	1,918,708	1,280,383	567,953	1,848,336
Reinsurers' share of technical provisions							
Provision for unearned premiums	8	117,969	-	117,969	107,433	-	107,433
Claims outstanding	8	652,088	-	652,088	618,625	-	618,625
Other technical provisions		-	-	-	901	-	901
		770,057	-	770,057	726,959	-	726,959
Debtors							
Amounts falling due within one year	7	602,571	23,169	625,740	534,084	17,301	551,385
Amounts falling due after one year	7	67,874	-	67,874	113,689	8,398	122,087
		670,445	23,169	693,614	647,773	25,699	673,472
Other assets							
Cash at bank and in hand		66,443	208,138	274,581	60,339	266,674	327,013
Other		144,471	-	144,471	137,126	-	137,126
		210,914	208,138	419,052	197,465	266,674	464,139
Prepayments and accrued income							
Accrued interest		4,435	-	4,435	4,785	-	4,785
Deferred acquisitions costs	8	155,775	-	155,775	162,290	-	162,290
Other prepayments and accrued income		8,418	-	8,418	11,109	-	11,109
		168,628	-	168,628	178,184	-	178,184
Total assets		3,123,561	846,498	3,970,059	3,030,764	860,326	3,891,090

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

Upton Underwriting Limited
Statement of Financial Position
As at 31 December 2020

		31 December 2020			31 December 2019		
	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	(148,378)	820,319	671,941	(201,179)	822,493	621,314
Shareholders' funds – attributable to equity interests		(148,378)	820,419	672,041	(201,179)	822,593	621,414
Technical provisions							
Provision for unearned premiums	8	574,077	-	574,077	585,893	-	585,893
Claims outstanding	8	2,297,345	-	2,297,345	2,298,496	-	2,298,496
Other technical provisions		-	-	-	-	-	-
Provisions for other risks							
Deferred taxation	11	-	-	-	-	-	-
Other		1,592	-	1,592	1,649	-	1,649
Deposit received from reinsurers		1,243	-	1,243	4,941	-	4,941
Creditors							
Amounts falling due within one year	7	290,906	12,882	303,788	256,540	24,753	281,293
Amounts falling due after one year	7	75,168	-	75,168	52,537	-	52,537
		366,074	12,882	378,956	309,077	24,753	333,830
Accruals and deferred income		31,608	13,197	44,805	31,887	12,980	44,867
Total liabilities		3,123,561	846,498	3,970,059	3,030,764	860,326	3,891,090

Approved and authorised for issue by the Board of Directors on 21 September 2021
and signed on its behalf by:



J W D UPTON
Director

Company registration number: 3592542

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

Upton Underwriting Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	Called up share capital £	Capital redemption reserve £	Share premium account £	Profit and loss account £	Capital contribution reserve £	Total £
Opening balance	100	-	-	569,059	-	569,159
Profit for the year	-	-	-	44,506	-	44,506
Other comprehensive income	-	-	-	7,749	-	7,749
Total comprehensive income	-	-	-	52,255	-	52,255
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2019	100	-	-	621,314	-	621,414
Profit for the year	-	-	-	50,632	-	50,632
Other comprehensive expenditure	-	-	-	(5)	-	(5)
Total comprehensive income	-	-	-	50,627	-	50,627
Proceeds from the issue of shares	-	-	-	-	-	-
Movement in reserves	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
As at 31 December 2020	100	-	-	671,941	-	672,041

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 issued, 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 16 to 43 form part of these Financial Statements.

Upton Underwriting Limited
Statement of Cash Flows
For the year ended 31 December 2020

	2020 £	2019 £
Operating activities		
Profit on ordinary activities before tax	55,416	56,616
Profit attributable to Syndicate transactions	(52,807)	(1,972)
Profit - excluding Syndicate transactions	2,609	54,644
Adjusted for:		
Decrease in debtors	8,347	5,601
Increase/(decrease) in creditors	217	(37,039)
Loss on disposal of intangible assets	(22,884)	-
Amortisation of Syndicate capacity	-	195
Realised/unrealised losses on investments	(16,298)	(65,042)
Investment income	(12,070)	(19,983)
Corporation and overseas taxes paid	(22,470)	(31,306)
Net cash outflow from operating activities	(62,549)	(92,930)
Investing activities		
Investment income	12,070	19,983
Purchase of Syndicate capacity	-	-
Proceeds from sale of Syndicate capacity	22,884	-
Purchase of financial investments	(110,318)	(111,766)
Proceeds from sale of financial investments	79,377	125,953
Net cash inflow from investing activities	4,013	34,170
Financing activities		
Issue of shares	-	-
Share issue expenses	-	-
Capital contribution/redemption	-	-
Equity dividends paid	-	-
Net cash inflow from financing activities	-	-
Net cash decrease in cash and cash equivalents	(58,536)	(58,760)
Effect of exchange rates on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	266,674	325,434
Cash and cash equivalents at the end of the year	208,138	266,674
Consisting of:		
Cash at bank and in hand	208,138	266,674
Cash equivalents	-	-
	208,138	266,674

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 16 to 43 form part of these Financial Statements.

Upton Underwriting Limited
Analysis of Net Debt
For the year ended 31 December 2020

	At 1 January 2020 £	Cash flows £	At 31 December 2020 £
Cash at bank and in hand	266,674	(58,536)	208,138
Debt due within one year	-	-	-
Debt due after one year	-	-	-
	<u>266,674</u>	<u>(58,536)</u>	<u>208,138</u>

The accounting policies and notes on pages 16 to 43 form part of these Financial Statements.

Upton Underwriting Limited

Notes to the Financial Statements

For the year ended 31 December 2020

Basis of preparation of Financial Statements

General information

The Company is a private company limited by shares and incorporated in England, 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

The Company recognises 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 Participation"). 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 consistent with the audited annual reports to Syndicate members.

The format of the Returns is established by Lloyd's. Lloyd's collates this data at a Syndicate level analysing it into corporate member level results which reflects the relevant data in respect of all the Syndicates in which the Company participates.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

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 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.

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.

vi Deferred acquisition costs

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

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

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 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 debtors, trade and other creditors 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.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

Accounting policies (continued)

viii Financial instruments (continued)

Basic financial instruments 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. Financial instruments subsequently measured at amortised cost include cash, debtors and creditors.

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 method.

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

ix 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. Derivatives 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.

x Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Overdrafts are reported separately in creditors.

xi 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.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

Accounting policies (continued)

xii 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.

xii 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.

xiv 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 through the non-technical account in the profit and loss account.

xv 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.

xvi 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).

xvii 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.

xviii 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.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

Accounting policies (continued)

xviii Deferred taxation (continued)

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.

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.

xix 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.

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.

Impairment review

The impairment of the Syndicate Assets is performed by the Syndicate themselves. The Directors perform an impairment review when indications of impairment arise.

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 2020

1. Class of Business

2020	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	46,713	48,965	(44,357)	(18,935)	(99)	(14,426)
Motor – third party liability	4,210	4,459	(3,253)	(1,433)	20	(207)
Motor – other classes	30,665	54,793	(30,816)	(17,838)	(3,417)	2,722
Marine, aviation and transport	123,659	116,744	(73,071)	(36,632)	(564)	6,477
Fire and other damage to property	389,008	385,248	(275,276)	(116,802)	(8,865)	(15,695)
Third party liability	312,203	295,806	(187,765)	(92,197)	(18,135)	(2,291)
Credit and suretyship	34,218	35,236	(76,229)	(9,022)	19,189	(30,826)
Legal expenses	1,510	1,333	(648)	(466)	(207)	12
Assistance	-	-	-	-	-	-
Miscellaneous	30	733	(429)	(243)	-	61
	942,216	943,317	(691,844)	(293,568)	(12,078)	(54,173)
Reinsurance	365,808	365,105	(200,381)	(78,634)	(56,648)	29,442
Total	1,308,024	1,308,422	(892,225)	(372,202)	(68,726)	(24,731)

2019	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	49,909	50,441	(29,286)	(22,083)	(3,074)	(4,002)
Motor – third party liability	5,550	5,438	(3,680)	(1,761)	124	121
Motor – other classes	84,366	83,339	(47,088)	(28,430)	(3,197)	4,624
Marine, aviation and transport	103,563	101,639	(47,435)	(34,186)	(9,732)	10,286
Fire and other damage to property	394,237	379,841	(230,268)	(113,320)	(41,395)	(5,142)
Third party liability	315,442	303,927	(200,118)	(102,345)	9,718	11,182
Credit and suretyship	33,746	33,375	(21,679)	(9,675)	(768)	1,253
Legal expenses	1,457	1,325	(417)	(701)	(109)	98
Assistance	-	-	-	-	-	-
Miscellaneous	1,382	1,448	(1,194)	(542)	(3)	(291)
	989,652	960,773	(581,165)	(313,043)	(48,436)	18,129
Reinsurance	317,227	330,768	(321,280)	(74,187)	13,745	(50,954)
Total	1,306,879	1,291,541	(902,445)	(387,230)	(34,691)	(32,825)

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 2020

2. Net Operating Expenses

	2020	2019
	£	£
Acquisition costs	343,862	350,316
Change in deferred acquisition costs	3,677	(790)
Administrative expenses	55,239	65,323
Reinsurance commissions and profit participations	(56,772)	(48,112)
Personal expenses	26,196	20,493
	<u>372,202</u>	<u>387,230</u>

3. Investment Income

	2020	2019
	£	£
Financial instruments held at fair value through profit or loss:		
Interest and dividend income	40,790	50,073
Realised gains and losses	(22,859)	10,302
Unrealised gains and losses	47,527	74,307
Other	-	-
	<u>65,458</u>	<u>134,682</u>
Financial instruments held at amortised cost:		
Interest	2,218	5,351
Other	-	-
	<u>2,218</u>	<u>5,351</u>
Investment management expenses, including interest	(7,755)	(10,879)
	<u>(7,755)</u>	<u>(10,879)</u>
	<u>59,921</u>	<u>129,154</u>

4. Profit on Ordinary Activities before Taxation

	2020	2019
	£	£
Operating profit is stated after charging:		
Directors' remuneration	3,000	3,000
Amortisation of Syndicate capacity	-	195
Profit on disposal of intangible fixed assets	(22,884)	-
(Profit)/loss on exchange	(17,098)	10,712

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 auditors charge a fixed fee to Argenta Private Capital Limited of £260 for the provision of the statutory audit.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

5. Taxation	2020	2019
	£	£
a. Analysis of Charge in Year included in profit or loss		
Current tax:		
UK corporation tax on profit of the year	11,965	24,753
Adjustment in respect of previous period	(1,857)	(1,536)
	<u>10,108</u>	<u>23,217</u>
Double taxation relief	<u>-</u>	<u>-</u>
Foreign tax	<u>540</u>	<u>1,697</u>
	<u>540</u>	<u>1,697</u>
Total current tax	<u>10,648</u>	<u>24,914</u>
Deferred tax		
Origination and reversal of timing differences	(3,703)	(12,804)
Change in tax rate	(2,161)	-
Total deferred tax	<u>(5,864)</u>	<u>(12,804)</u>
Tax on profit on ordinary activities	<u>4,784</u>	<u>12,110</u>
b. Analysis of Charge in Year included in other comprehensive income		
Deferred tax		
Origination and reversal of timing differences	(1)	1,629
Effect of change in tax rate on opening liability or asset	-	-
Total deferred tax	<u>(1)</u>	<u>1,629</u>
c. Factors affecting tax charge for period		
The tax assessed for the period is different to the standard rate of corporation tax in the UK (19%). The differences are explained below:		
Profit on ordinary activities before tax	<u>55,416</u>	<u>56,616</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%)	10,529	10,757
Effects of:		
Change in deferred tax rate	(2,162)	158
Deferred tax asset unrecognised	-	-
Foreign tax	540	1,374
Expenses and income not deductible for tax purposes	(1,872)	(2,780)
Other corporation computation adjustments for Lloyds corporate members	(394)	5,766
Prior period adjustments	(1,857)	(1,536)
Other adjustments	<u>-</u>	<u>-</u>
Total tax charge for the period on ordinary activities	<u>4,784</u>	<u>12,110</u>

The results of the Company's participation on the 2018, 2019 and 2020 years of account and any calendar year movement on 2017 and prior run-offs, will not be assessed to tax until the year ended 31 December 2021, 2022 and 2023 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 corporation tax rate for the year ended 31 December 2020 was 19%. The Corporation Tax rate of 19% was enacted with effect from 1 April 2017 and the Finance Act 2016 legislated the UK Corporation Tax rate to decrease to 17% from 1 April 2020. However, on the 17th March 2020, using the Provisional Collection of Taxes Act 1968, the UK Government cancelled the proposed drop in Corporation Tax rate to 17%.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

6.	Intangible Assets	Total £
	Purchased Syndicate Capacity	
	Cost	
	At 1 January 2020	93,084
	Additions	-
	Disposals	(4,179)
	At 31 December 2020	88,905
	Amortisation	
	At 1 January 2020	93,084
	Charge	-
	Disposals	(4,179)
	At 31 December 2020	88,905
	Net Book Value	
	At 31 December 2020	-
	At 31 December 2019	-

7. Financial Instruments and Financial Risk Management

7.1 Financial Investments

Other financial investments – Syndicate participation

	2020 Market Value £	2020 Cost price £	2019 Market Value £	2019 Cost price £
Shares and other variable yield securities and units in unit trusts	161,025	158,939	173,250	166,591
Debt securities and other fixed income securities	1,084,990	1,072,104	1,051,802	1,051,147
Participation in investment pools	34,229	33,157	41,323	40,776
Loans with credit institutions	499	2,379	276	274
Derivative financial instruments	2,599	-	2,625	16
Other investments	9,191	9,276	2,906	2,805
Deposits with credit institutions	1,091	1,091	1,701	1,701
Other	9,800	9,696	6,391	6,406
	<u>1,303,424</u>	<u>1,286,642</u>	<u>1,280,274</u>	<u>1,269,716</u>

Other financial investments – Corporate

Shares and other variable yield securities and units in unit trusts	615,191	567,953
Debt securities and other fixed income securities	-	-
Other investments	-	-
	<u>615,191</u>	<u>567,953</u>

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

7. Financial Instruments and Financial Risk Management (continued)

7.2 Debtors

	2020			2019		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	276,742	-	276,742	271,765	-	271,765
Arising out of reinsurance operations	274,011	-	274,011	229,254	-	229,254
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	51,818	23,169	74,987	33,065	17,301	50,366
Total Amounts falling due within one year	602,571	23,169	625,740	534,084	17,301	551,385
Amounts falling due after one year:						
Arising out of direct insurance operations	4,875	-	4,875	5,217	-	5,217
Arising out of reinsurance operations	58,688	-	58,688	103,002	-	103,002
Other Debtors:						
Amounts due from group undertakings	-	-	-	-	-	-
Other	4,311	-	4,311	5,470	8,398	13,868
Total Amounts falling due after one year	67,874	-	67,874	113,689	8,398	122,087
	670,445	23,169	693,614	647,773	25,699	673,472

7.3 Funds at Lloyd's

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

	2020			2019		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	202,773	202,773	-	245,228	245,228
Investments	-	615,191	615,191	-	567,953	567,953
	-	817,964	817,964	-	813,181	813,181

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.

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

7. Financial Instruments and Financial Risk Management (continued)

7.4 Creditors

	2020		2019			
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts falling due within one year:						
Arising out of direct insurance operations	42,239	-	42,239	36,821	-	36,821
Arising out of reinsurance operations	205,235	-	205,235	179,352	-	179,352
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	12,882	12,882	-	24,753	24,753
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	43,432	-	43,432	40,367	-	40,367
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due within one year	290,906	12,882	303,788	256,540	24,753	281,293
Amounts falling due after one year:						
Arising out of direct insurance operations	163	-	163	202	-	202
Arising out of reinsurance operations	65,405	-	65,405	50,702	-	50,702
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors:						
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	9,600	-	9,600	1,633	-	1,633
Amount due to group undertakings	-	-	-	-	-	-
Total Amounts falling due after one year	75,168	-	75,168	52,537	-	52,537
	366,074	12,882	378,956	309,077	24,753	333,830

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

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

	2020			2019		
	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	1,303,424	-	1,303,424	1,279,551	723	1,280,274
Deposits with ceding undertakings	-	93	93	-	109	109
Insurance debtors	-	281,617	281,617	-	276,982	276,982
Reinsurance debtors	-	332,699	332,699	-	332,256	332,256
Other debtors	-	56,129	56,129	-	38,535	38,535
Cash at bank and in hand	-	66,443	66,443	-	60,339	60,339
Other assets	144,471	-	144,471	137,126	-	137,126
	1,447,895	736,981	2,184,876	1,416,677	708,944	2,125,621
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative financial instruments	60	-	60	13	-	13
Insurance creditors	-	42,402	42,402	-	37,023	37,023
Reinsurance creditors	-	270,640	270,640	-	230,054	230,054
Amounts owed to credit institutions	-	-	-	-	-	-
Other creditors	-	53,032	53,032	-	-	-
	60	366,074	366,134	13	267,077	267,090

Other financial investments – Corporate

	2020			2019		
	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	615,191	-	615,191	567,953	-	567,953
Other debtors	-	23,169	23,169	-	25,699	25,699
Cash at bank and in hand	-	208,138	208,138	-	266,674	266,674
Other assets	-	-	-	-	-	-
	615,191	231,307	846,498	567,953	292,373	860,326
Financial liabilities						
Other creditors	-	12,882	12,882	-	24,753	24,753
	-	12,882	12,882	-	24,753	24,753

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

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.

	2020		2019	
	Notional amount £	Fair value £	Notional amount £	Fair value £
Foreign exchange forward contracts	104,570	2,600	116,925	2,609
Interest rate future contracts	2,402	(1)	3,248	10
Foreign exchange options	-	-	-	-
Equity options	-	-	-	-
Foreign exchange contract for difference	-	-	-	-
Other	-	-	17,654	6
	106,972	2,599	137,827	2,625

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
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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 £
2020						
Financial assets						
Shares and other variable yield securities and units in unit trusts	59,851	78,999	22,175	161,025	-	161,025
Debt securities and other fixed income securities	330,416	754,574	-	1,084,990	-	1,084,990
Participation in investment pools	25,664	7,484	1,081	34,229	-	34,229
Loans and deposits with credit institutions	7,153	3,129	499	10,781	-	10,781
Overseas deposits	32,885	113,035	7,504	153,424	-	153,424
Derivatives	25	2,574	-	2,599	-	2,599
Other investments	-	-	-	-	-	-
Financial assets classified as held for sale	-	-	-	-	-	-
	455,994	959,795	31,259	1,447,048	-	1,447,048
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	60	-	-	60	-	60
Financial liabilities classified as held for sale	-	-	-	-	-	-
	60	-	-	60	-	60

Upton Underwriting Limited
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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 £
2019						
Financial assets						
Shares and other variable yield securities and units in unit trusts	109,424	54,261	9,565	173,250	-	173,250
Debt securities and other fixed income securities	348,110	703,692	-	1,051,802	-	1,051,802
Participation in investment pools	26,301	12,099	2,923	41,323	-	41,323
Loans and deposits with credit institutions	3,167	899	94	4,160	723	4,883
Overseas deposits	32,145	104,389	6,100	142,634	-	142,634
Derivatives	39	2,586	-	2,625	-	2,625
Other investments	-	6	-	6	-	6
Financial assets classified as held for sale	-	-	-	-	-	-
	519,186	877,932	18,682	1,415,800	723	1,416,523
Financial liabilities						
Borrowings	-	-	-	-	-	-
Derivative liabilities	13	-	-	13	-	13
Financial liabilities classified as held for sale	-	-	-	-	-	-
	13	-	-	13	-	13

Other financial investments – Corporate

	Level (a) £	Level (b) £	Level (c) £	Fair value total £	Held at amortised cost £	Total £
2020						
Financial assets						
Shares and other variable yield securities and units in unit trusts	615,191	-	-	615,191	-	615,191
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	615,191	-	-	615,191	-	615,191

Upton Underwriting Limited
Notes to the Financial Statements
For the year ended 31 December 2020

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 £
2019						
Financial assets						
Shares and other variable yield securities and units in unit trusts	567,953	-	-	567,953	-	567,953
Debt securities and other fixed income securities	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
	<u>567,953</u>	<u>-</u>	<u>-</u>	<u>567,953</u>	<u>-</u>	<u>567,953</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
- Currency 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
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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 £
2020						
Shares and other variable yield securities and units in unit trusts	24,927	17,207	76,895	-	41,996	161,025
Debt securities and other fixed income securities	196,707	328,517	368,954	184,002	6,810	1,084,990
Participation in investment pools	4,175	27,748	521	704	1,081	34,229
Loans secured with credit institutions	6,076	-	3,115	-	499	9,690
Deposits with credit institutions	178	-	913	-	-	1,091
Overseas deposits	82,126	35,381	10,073	17,263	8,581	153,424
Derivative investments	-	-	-	25	2,574	2,599
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	-	-	-	-	93	93
Reinsurers share of claims outstanding	31,481	133,282	430,475	15,615	41,235	652,088
Cash at bank and in hand	392	2,238	62,822	817	174	66,443
Insurance debtors	-	-	-	-	-	-
Other	-	-	-	-	-	-
	346,062	544,373	953,768	218,426	103,043	2,165,672

Upton Underwriting Limited
Notes to the Financial Statements
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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 £
2019						
Shares and other variable yield securities and units in unit trusts	30,552	14,087	81,019	8,832	38,760	173,250
Debt securities and other fixed income securities	176,373	374,004	326,420	155,189	19,816	1,051,802
Participation in investment pools	4,435	30,403	3,229	325	2,931	41,323
Loans secured with credit institutions	1,757	-	1,331	-	94	3,182
Deposits with credit institutions	-	-	1,701	-	-	1,701
Overseas deposits	77,016	30,152	10,664	16,223	8,579	142,634
Derivative investments	11	-	-	22	2,592	2,625
Other investments	-	-	-	-	6	6
Deposits with ceding undertakings	-	-	-	-	109	109
Reinsurers share of claims outstanding	36,187	95,945	443,536	1,182	41,775	618,625
Cash at bank and in hand	417	2,394	48,176	9,347	5	60,339
Insurance debtors	-	-	-	-	-	-
Other	-	-	-	-	-	-
	326,748	546,985	916,076	191,120	114,667	2,095,596

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 £
2020						
Shares and other variable yield securities and units in unit trusts	161,025	-	-	-	-	161,025
Debt securities and other fixed income securities	1,084,990	-	-	-	-	1,084,990
Participation in investment pools	34,229	-	-	-	-	34,229
Loans secured with credit institutions	9,690	-	-	-	-	9,690
Deposits with credit institutions	1,091	-	-	-	-	1,091
Overseas deposits	153,424	-	-	-	-	153,424
Derivative investments	2,599	-	-	-	-	2,599
Other investments	-	-	-	-	-	-
Deposits with ceding undertakings	93	-	-	-	-	93
Reinsurers share of claims outstanding	652,187	-	-	-	(99)	652,088
Reinsurance debtors	36,332	29,386	1,277	645	(17)	67,623
Cash at bank and in hand	66,443	-	-	-	-	66,443
Insurance debtors	254,596	16,603	6,215	4,305	(102)	281,617
Other	579,272	3,471	367	58	-	583,168
	3,035,971	49,460	7,859	5,008	(218)	3,098,080

Upton Underwriting Limited
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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 £
2019						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	173,250	-	-	-	-	173,250
Participation in investment pools	1,051,802	-	-	-	-	1,051,802
Loans secured with credit institutions	41,323	-	-	-	-	41,323
Deposits with credit institutions	3,182	-	-	-	-	3,182
Overseas deposits	1,701	-	-	-	-	1,701
Derivative investments	142,634	-	-	-	-	142,634
Other investments	2,625	-	-	-	-	2,625
Deposits with ceding undertakings	6	-	-	-	-	6
Reinsurers share of claims outstanding	109	-	-	-	-	109
Reinsurance debtors	618,756	-	-	-	(131)	618,625
Cash at bank and in hand	37,384	18,996	927	743	(3)	58,047
Insurance debtors	60,339	-	-	-	-	60,339
Other debtors	256,815	13,993	2,676	3,712	(214)	276,982
	2,389,926	32,989	3,603	4,455	(348)	2,430,625

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 £
2020						
Derivative financial instruments	-	60	-	-	-	60
Deposits received from reinsurers	-	1,243	-	-	-	1,243
Provisions for other risks and charges	-	1,592	-	-	-	1,592
Claims outstanding	-	823,838	737,563	390,156	345,788	2,297,345
Creditors	1,235	292,569	65,315	2,536	30	361,685
Other	-	(1,592)	-	-	-	(1,592)
	1,235	1,117,710	802,878	392,692	345,818	2,660,333

Upton Underwriting Limited
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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 £
2019						
Derivative financial instruments	-	13	-	-	-	13
Deposits received from reinsurers	-	4,941	-	-	-	4,941
Provisions for other risks and charges	-	1,649	-	-	-	1,649
Claims outstanding	-	781,714	786,833	369,898	360,051	2,298,496
Creditors	624	247,786	49,584	4,393	-	302,387
Other	-	(1,649)	-	-	-	(1,649)
	624	1,034,454	836,417	374,291	360,051	2,605,837

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

	2020 £	2019 £
Impact of 50 basis point increase on profit or loss	(11,912)	(12,310)
Impact of 50 basis point decrease on profit or loss	9,671	11,308
Impact of 50 basis point increase on equity	(11,912)	(12,310)
Impact of 50 basis point decrease on equity	9,671	11,308

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
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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

	2020 £	2019 £
Impact on profit or loss of 5% increase in Stock Market Prices	215	528
Impact on profit or loss of 5% decrease in Stock Market Prices	(215)	(532)
Impact on equity of 5% increase in Stock Market Prices	215	528
Impact on equity of 5% decrease in Stock Market Prices	(215)	(532)

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

		2020		2019
	Syndicate Participation £	Corporate £	Syndicate Participation £	Corporate £
Sterling	(216,914)	477,117	(347,164)	456,772
United States Dollar	(76,280)	343,302	(4,997)	365,821
Euro	38,978	-	52,276	-
Canadian Dollar	95,560	-	80,808	-
Australian Dollar	10,177	-	23,382	-
Japanese Yen	(4,218)	-	(9,144)	-
Other	(2,587)	-	2,599	-

Upton Underwriting Limited
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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 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
	£	£	£	£
Effect of Sterling exchange movement by 10%				
United States Dollar	31,209	(38,145)	33,256	(40,647)
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 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
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8. Insurance Contracts

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

	2020			2019		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	2,298,496	618,625	1,679,871	3,128,350	766,768	2,361,582
Movements in the year	87,862	71,890	15,972	161,170	67,480	93,690
Other movements	(89,013)	(38,427)	(50,586)	(991,024)	(215,623)	(775,401)
At 31 December	<u>2,297,345</u>	<u>652,088</u>	<u>1,645,257</u>	<u>2,298,496</u>	<u>618,625</u>	<u>1,679,871</u>

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

	2020			2019		
	Gross provision £	Reinsurance asset £	Net £	Gross provision £	Reinsurance asset £	Net £
At 1 January	585,893	107,433	478,460	593,120	100,130	492,990
Movements in the year	(398)	14,827	(15,225)	15,338	11,512	3,826
Other movements	(11,418)	(4,291)	(7,127)	(22,565)	(4,209)	(18,356)
At 31 December	<u>574,077</u>	<u>117,969</u>	<u>456,108</u>	<u>585,893</u>	<u>107,433</u>	<u>478,460</u>

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

	2020 £	2019 £
At 1 January	162,290	164,965
Movements in the year	(3,677)	790
Other movements	(2,838)	(3,465)
At 31 December	<u>155,775</u>	<u>162,290</u>

The other movements category includes exchange differences and the movements attributable to RITC.

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.

The development of insurance liabilities provides a measure of the managing agent's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the estimate of total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

Upton Underwriting Limited
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8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development - gross

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2012	388,591	558,886	553,520	536,032	531,626	521,269	514,506	509,484
2013	275,785	472,628	469,557	458,053	448,312	439,315	434,126	430,178
2014	262,855	470,017	498,393	483,275	493,075	488,547	490,198	
2015	253,619	500,623	535,887	526,792	527,732	527,489		
2016	299,774	615,008	647,483	656,946	659,614			
2017	572,639	876,385	936,802	940,897				
2018	470,093	858,489	932,700					
2019	433,482	783,871						
2020	423,910							
	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received				
2011 & prior			228,182					
2012	504,764	462,456	42,308	(57,202)				
2013		387,240	42,938	(48,772)				
2014		411,786	78,412	(87,744)				
2015		409,183	118,306	(64,366)				
2016		493,777	165,837	(52,094)				
2017		674,292	266,605	(56,599)				
2018		458,471	474,229					
2019		244,287	539,584					
2020		82,966	340,944					
			<u>2,297,345</u>					

Claims development - net

	At end of reporting year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later
2012	319,248	475,733	471,962	450,931	446,475	439,507	433,780	428,014
2013	237,818	416,573	410,398	402,008	393,752	386,186	381,984	378,424
2014	229,834	418,336	440,419	423,952	424,329	420,692	421,346	
2015	322,866	437,946	468,139	462,232	458,359	456,670		
2016	244,991	498,702	529,018	534,298	536,124			
2017	368,002	626,059	679,347	689,028				
2018	336,983	629,104	677,111					
2019	311,048	571,309						
2020	286,302							

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8. Insurance Contracts (continued)

8.1 Risks arising from Insurance Contracts (continued)

Claims development – net (continued)

	Eight years later	Cumulative payments to date	Estimated balance to pay	Profit/(loss) on RITC received
2011 & prior			165,192	
2012	425,724	388,056	37,668	(61,740)
2013		339,300	39,124	(61,822)
2014		360,038	61,308	(70,227)
2015		364,069	92,601	(60,842)
2016		416,181	119,943	(70,997)
2017		496,349	192,679	(64,081)
2018		347,780	329,331	
2019		197,210	374,099	
2020		52,990	233,312	
			<u>1,645,257</u>	

Sensitivity analysis

The amounts carried by the Company arising from insurance contracts are sensitive to various factors as follows:

- a 5% increase/decrease in net earned premium (with all other underwriting elements assumed to change pro-rata with premium) will increase/decrease the Company's pre-tax profit/loss by £48,735 (2019: £50,082);
- a 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Company's pre-tax profit/loss by £114,867 (2019: £114,925);
- a 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Company's pre-tax profit/loss by £82,263 (2019: £83,994).

The 5% movement has been selected to give an indication of the possible variations in the assumptions used.

9. Called-up Share Capital

Issued and fully paid	Number of shares			At 31 December
	At 1 January	Issued during the year	Redeemed during the year	
Par value per share				
100 Ordinary £1 shares	100	-	-	100
Total	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>

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

Upton Underwriting Limited
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10. Profit and Loss Account

	2020			2019		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit brought forward	(201,179)	822,493	621,314	(212,529)	781,588	569,059
Reallocate distribution	36,613	(36,613)	-	(31,369)	31,369	-
Profit for the financial year	16,188	34,439	50,627	42,719	9,536	52,255
Equity dividends	-	-	-	-	-	-
Retained profit carried forward	(148,378)	820,319	671,941	(201,179)	822,493	621,314

11. Deferred Tax

	2020				
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	(34,384)	-	24,867	(7,785)	(17,302)
Movement in year – profit and loss	6,193	-	(11,172)	(885)	(5,864)
Movement in the year - OCI	(1)	-	-	-	(1)
At 31 December	(28,192)	-	13,695	(8,670)	(23,167)

	2019				
	Syndicate Results £	Tax losses £	Claims Equalisation Reserve £	Other £	Total £
At 1 January	(36,111)	-	38,561	(8,577)	(6,127)
Movement in the year	1,727	-	(13,694)	792	(11,175)
At 31 December	(34,384)	-	24,867	(7,785)	(17,302)

The unused tax losses carried forward at the Statement of Financial Position 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).

The deferred tax expected to unwind within one year is £Nil. The deferred tax expected to unwind over one year is £23,167.

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12. Related Party Disclosure

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

13. Ultimate Controlling Party

No individual party has overall control of the Company.

14. Post Balance Sheet Event Note

There are no post balance sheet events to be disclosed.