

**LLOYD'S MARKET ASSOCIATION**



**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED**

**31 DECEMBER 2012**

**REGISTERED NUMBER 2571285**

**WEDNESDAY**



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# **LLOYD'S MARKET ASSOCIATION**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012**

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# **LLOYD'S MARKET ASSOCIATION**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Rupert Atkin	Chairman (appointed 01.02.2012)
Barnabas Hurst-Bannister	Chairman (resigned 01.02.2012)
David Gittings	Chief Executive
Simon Beale	(appointed 19.11.2012)
Andrew Brooks	(appointed 30.05.2012)
John Dunn	
Stephen Eccles	
Charles Franks	
Michael Gould	(appointed 03.09.2012)
David Harris	(resigned 21.09.2012)
Dominick Hoare	(appointed 30.05.2012)
Lawrence Holder	
David Ibeson	(resigned 30.05.2012)
Mark Johnson	(resigned 30.05.2012)
Andrew Kendrick	
Rob Littlemore	(appointed 30.05.2012)
Neil Maidment	
Tim Pembroke	(appointed 21.01.2013)
Jeremy Pinchin	(resigned 03.09.2012)
Colin Sprott	(appointed 30.05.2012)
	(resigned 05.12.2012)
Bob Stuchbery	
Michael Watson	(appointed 30.05.2012)
Stuart Willoughby	(resigned 07.03.12)
Matthew Wilson	

### **SECRETARY**

Patricia Hakong	(resigned 03.09.2012)
Kees van der Klugt	(appointed 03.09.2012)

### **REGISTERED OFFICE**

Suite 426  
One Lime Street  
London EC3M 7DQ

### **BANKERS**

National Westminster Bank Plc  
1 Princes Street  
London EC2R 8PA

### **AUDITORS**

KPMG LLP  
15 Canada Square  
London E14 5GL

# LLOYD'S MARKET ASSOCIATION

## CHAIRMAN'S STATEMENT

This is my second annual statement as Chairman of the Lloyd's Market Association (LMA).

2012 was a year of more favourable trading environment for the market although the economic and regulatory environment remained challenging. It has however continued to be another busy year for the LMA, working with the market, as a number of major issues are being addressed and resolved in the best interests of the market as a whole. The level of market support to the LMA is the strongest that it has ever been. Over 1,600 market practitioners are actively involved in the LMA's committees and 6,300 members attended events run by the LMA in 2012. The Board comprises 17 members representing over 60% of total market capacity.

We look forward to the LMA continuing to provide professional and technical support which can unify the whole market to tackle the changing business climate during the coming year.

I would like to thank David Gittings and his team, my fellow Board members and all market practitioners who provide their time, expertise and support to the various LMA Committees, Business Panels and Working Groups so that we can properly serve the market. It is a privilege to serve the market as Chairman of the LMA and a pleasure to work with a first class dedicated team of insurance industry professionals at the LMA.



Rupert Atkin  
Chairman

26 April 2013

# LLOYD'S MARKET ASSOCIATION

## CHIEF EXECUTIVE'S REPORT

2012 was a particularly busy year for the LMA as we continued to address many of the issues facing the market. With a strong level of market support, a number of these have been resolved whilst significant progress has been made on those remaining with further work planned for 2013.

The LMA Underwriting Team has continued to manage the work of the Technical Panels, Committees and Working Parties across the spectrum of underwriting classes written within the Lloyd's Market. These groups represent the interests of the underwriting community at class of business level, dealing with such diverse issues as the marine insurance sector's response to maritime piracy and the handling of international sanctions, the gathering of better data on customer supply chain data within the contingent business interruption sector and practitioner input to the various Ministry of Justice proposals on civil law reform in the UK. Alongside this work, the Team has continued to work closely with the various Directorates within Lloyd's to ensure that issues impacting on underwriting are appropriately handled, particularly in relation to class of business reviews, which in 2012 have covered casualty, political risk and terrorism. Production of wordings is a core activity, and during 2012 the LMA issued 75 wordings across all classes. Most notable among these were the revised suite of reinsurance exclusions for Nuclear and Radioactive contamination, replacing wordings which had been in use for a number of decades.

The Lloyd's Claims Transformation Programme (CTP) remained the key strategic project for our Claims teams throughout 2012. Two further claims representatives were added to the Claims Implementation Board (CIB) during the year. Additional market input and guidance is organised and co-ordinated by the LMA through the market working groups on each CTP work stream and through the LMA sector groups. Some work streams were completed during the year, such as governance, Lloyd's Claims Metrics and large loss co-ordination but other work streams will continue through 2013, such as Volume Claims Service, moving legacy claims into CTP, and the Claims Reporting Suite.

The Claims Services Review Board (CSRB) successfully completed the pricing negotiations for 2013 with XCS by achieving a 5.3% reduction against the 2012 price. The Static Review Board achieved a 12% reduction in price for those managing agents that use CTIS to review and validate their static claims. LMA assumed both the Chairman and project management roles on Electronic Claims Files (ECF) during 2012. Various enhancements were delivered through the year and a new five year contract for use of the Insurers' Market Repository (IMR) was entered into by the market. There was regular dialogue with the broking community through LIIBA during 2012 and a number of initiatives have been started where managing agent and broker interests are aligned.

Process modernisation continued apace in 2012. At the strategic level, the London Market Group (LMG) launched work to confirm that the future process model - 'Framework for the Future' - remains an accurate statement of the modernisation vision and to set out how current modernisation initiatives are contributing to the delivery of that vision. Gaps will be identified and this will form recommendations for a new programme for 2013 and beyond. The market's update and re-platforming of core processes saw the establishment of new governance to direct and manage the relationship with Xchanging and, rebranded as 'Central Services Refresh' (CSR), the project has moved into the detailed definition of business requirements and of the benefits sought from change in this area. The LMA is working with managing agents to develop input to this work.

# LLOYD'S MARKET ASSOCIATION

## CHIEF EXECUTIVE'S REPORT (continued)

Following the likelihood of increased broker use of the Qatarlyst trading platform, the LMA sought significant feedback from managing agents on what might form an acceptable basis for a joint market approach to a utility placing platform. The announcement of the sale of Qatarlyst by the Qatar Financial Centre Authority (QFCA) changed the focus of this work for a short time but the LMA's role remains to seek the most advantageous outcome for managing agents.

At a more tactical level, Electronic Accounts entered production with live transactions being processed, although the full functionality (crucially including Xchanging-provided Accounting Splits services) has yet to be implemented. Incremental increases in volumes of Electronic Endorsements continued with some months claiming record levels of messages.

Looking to 2013, the LMA's focus will be on supporting LMG in its planning and delivery of modernisation and on ensuring that managing agents' interests are promoted and protected in that developing landscape.

Towards the end of 2012, the LMA initiated an enquiry into the market's use of 'shared services', i.e. those purchased by individual managing agents on an elective basis from their choice of service providers, with a view to identifying opportunities for additional operational efficiency and cost savings. The purpose of the LMA's enquiries has been to identify the scale of market interest in the outsourcing of certain 'shared services' and to identify current service providers, in order to facilitate the availability of choice and reduced costs in commercial service options for individual managing agents.

The LMA has also been working with Lloyd's to establish a more efficient, effective and transparent business planning and capital setting process for the market. Changes were approved by the Lloyd's Franchise Board earlier this year which will result in a more integrated process for 2014 business planning and capital setting involving managing agents receiving more structured feedback throughout the new process.

The delay to the implementation of Solvency II has resulted in managing agents being allowed by the FSA to use their internal models for capital setting purposes, without having to meet all Solvency II tests and standards. This approach is seen as a stepping stone towards full Solvency II implementation and has to a large extent already been introduced by Lloyd's, working with the LMA Solvency II Committee and other interested LMA working groups, with respect to capital setting for 2013 onwards and the phased implementation of other elements of Solvency II.

Following the establishment of the Lloyd's Risk Assurance Function in early 2013 to review the Lloyd's standards, including agreeing its scope and format, and to produce an assessment framework for ensuring that these standards are met by the market, the LMA has formed a new Risk Assurance Committee chaired by John Dunn, an LMA Board member, to work with Lloyd's on this project during the coming year.

2012 also saw considerable activity on both the legal and regulatory front in the UK. On the legal side, the LMA put substantial effort into responding to the Law Commission's proposals to amend the Marine Insurance Act 1906 and to reform insurance contract law in other respects. The most important aspects of the reform programme relate to non disclosure, warranties and liability for damages for late payment of claims

# LLOYD'S MARKET ASSOCIATION

## CHIEF EXECUTIVE'S REPORT (continued)

Whilst the LMA Law Reform Committee was content with some of the Commission's proposals, in the areas mentioned we have significant concerns. This year will see feedback from the Law Commission and potentially a draft law reform Bill.

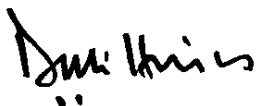
The regulatory front was dominated by the move to "twin peaks" regulation in the UK and the LMA spent considerable time dealing with the many consultations coming from the FSA and elsewhere in order to form the Prudential Regulatory Authority and Financial Conduct Authority and their respective rulebooks. The LMA Regulatory Committee is fully engaged on these matters. We also engaged with Ernst & Young in the early stages of their report for the European Commission on pools and the subscription market. The report which has now been published, has been the subject of a recent open meeting in Brussels, which the LMA attended. Other European matters included the review of the Insurance Mediation Directive, which is a continuing matter in 2013. The LMA published two sets of guidance, one jointly with Clyde & Co, relating to a "Eurozone exit" and minimising the impact of such an event on inwards and outwards (re)insurance arrangements.

The LMA Academy was formally established in 2012 with the goal of raising the profile of professional education in the Lloyd's Market. Following the appointment of a new Head of Professional Standards in July, a new dedicated Technical Executive was appointed in September. The establishment of this new team will enable the LMA Professional Standards Committee to develop a wider range of programmes that will offer individuals a thorough understanding of key insurance areas. To deliver these programmes the LMA Academy has closely aligned its work to all the Committees and Business Panels of the LMA and now focuses upon three key segments: Foundation, Technical/Practical, and Advanced. This has resulted in the delivery of lectures, workshops and modular programmes directly aligned to the educational requirements of LMA members.

The LMA Academy has continued to receive growing support from LMA Members for all its activities. It has engaged with many external professional bodies and universities in the delivery of its programmes. An Alumni has been established to engage with members and promote the fact that professional education is a continuous process. This group provides a clear focus for the establishment of a learning community in Lloyd's.

We will continue to work with Lloyd's in many of the key elements of Vision 2025 to ensure their delivery in 2013 and beyond, focussing on the key issues for the market throughout 2013, whilst providing technical and professional support to our members.

We are grateful to the 1,600 market practitioners and advisers who provide such invaluable help to our committees and working groups.



David Gittings  
Chief Executive  
26 April 2013

# **LLOYD'S MARKET ASSOCIATION**

## **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 31 December 2012 for the Lloyd's Market Association (registered number 2571285).

### **Principal activity**

The Lloyd's Market Association (LMA) is a company limited by guarantee whose members include all underwriting agents operating in the insurance market of Lloyd's, with a majority of its Board directly elected. Through the LMA, the interests of Lloyd's underwriters, managing agents and members' agents are represented wherever decisions need to be made that affect the market.

### **Business review**

In 2012, the company achieved a profit after taxation of £50,234 (2011: £19,840). The company's net current assets at 31 December 2012 of £1,068,303 (2011: £1,014,624) represented 17% (2011: 17%) of budgeted outgoings in 2013.

The Board's Key Performance Indicators are that the LMA must operate within budget and retain sufficient liquidity so as to ensure continuous solvency and the ability to respond to an unexpected or urgent challenge without recourse to a special collection of funds from its members.

It is considered that the major risk to the ongoing operation of the LMA is the possibility of members either not joining or not renewing their membership each year which would lead to a shortfall in subscription income. All managing and members' agents either renewed their membership, or in the case of newly established agencies, joined the LMA for 2011 and 2012.

### **Directors**

The company's constitution provides for a maximum of 17 directors, nine of whom are elected directly by its members. All directors who held office during the year are listed on page 1.

Messrs Eccles, Hoare, Littlemore and Pembroke are directors nominated by the Underwriting Standing Committees until the next annual general meeting and are eligible to be nominated for subsequent terms of office.

Messrs Atkin, Dunn and Gould are co-opted members of the Board.

### **Governance**

The Board reviews the services and activities of the LMA regularly to ensure that they meet the needs of members and are delivered in a cost effective manner. The Board also has a Remuneration Committee which gives independent scrutiny of the company's employment costs. Since these costs account for the majority of the LMA's total expenditure, the Board considers the governance arrangements of the company to be sufficient and appropriate.

### **Going concern**

No material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.



# LLOYD'S MARKET ASSOCIATION


## DIRECTORS' REPORT (continued)

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.



Rupert Atkin  
Chairman

26 April 2013

## **LLOYD'S MARKET ASSOCIATION**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) and applicable law (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 estimates that are reasonable and prudent; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **LLOYD'S MARKET ASSOCIATION**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LLOYD'S MARKET ASSOCIATION**

We have audited the financial statements of the Lloyd's Market Association for the year ended 31 December 2012 set out on pages 11 to 19. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

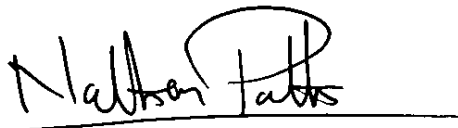
# LLOYD'S MARKET ASSOCIATION

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LLOYD'S MARKET ASSOCIATION (continued)

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

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

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



Nathan Patten (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

26 April 2013

## LLOYD'S MARKET ASSOCIATION

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

		2012 £	2011 £
	Notes		
TURNOVER	2	5,739,464	7,194,928
Administration and operating expenses		<u>(5,733,453)</u>	<u>(7,237,344)</u>
OPERATING PROFIT (LOSS)	3	6,011	(42,416)
Interest receivable and similar income	6	<u>57,952</u>	<u>67,083</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		63,963	24,667
Tax on profit on ordinary activities	7	<u>(13,729)</u>	<u>(4,827)</u>
PROFIT FOR THE FINANCIAL YEAR	13	<u>50,234</u>	<u>19,840</u>

All the amounts above are in respect of continuing operations.


The notes on pages 13 to 19 form part of the financial statements.

# LLOYD'S MARKET ASSOCIATION

## BALANCE SHEET AS AT 31 DECEMBER 2012

		2012	2012	2011	2011
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	8		47,608		51,053
<b>CURRENT ASSETS</b>					
Debtors	9	561,240		543,760	
Cash at bank and in hand		1,613,750		1,592,289	
		<u>2,174,990</u>		<u>2,136,049</u>	
<b>CREDITORS: Amounts falling due within one year</b>	10	(473,810)		(346,404)	
Accruals and deferred income	11	(629,604)		(771,868)	
Deferred taxation	12	(3,273)		(3,153)	
		<u>(1,106,687)</u>		<u>(1,121,425)</u>	
<b>NET CURRENT ASSETS</b>			1,068,303		1,014,624
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,115,911</u>		<u>1,065,677</u>
<b>CAPITAL AND RESERVES</b>					
Profit and loss account	13		<u>1,115,911</u>		<u>1,065,677</u>

The financial statements were approved by the Board of Directors on 26 April 2013 and were signed on its behalf by:



Rupert Atkin  
Chairman

The notes on pages 13 to 19 form part of the financial statements.

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2012

### 1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities. The particular accounting policies adopted by the directors are described below.

#### 1.1 Basis of accounting

The financial statements are prepared under the historical cost convention and on a going concern basis.

#### 1.2 Turnover

Subscription income from members is credited to the profit and loss account on an accruals basis. Proceeds from the sale of electronic and hardcopy publications are also included in turnover. These are credited to the profit and loss account on an accruals basis

Turnover also includes monies received from the Corporation of Lloyd's towards the funding of "Finish What We Started" (FWWS) projects during the year. This is recognised in the profit and loss account in line with the expenditure to which it relates.

#### 1.3 Tangible fixed assets

All tangible fixed assets are recorded at cost less depreciation. Depreciation is provided on all tangible fixed assets on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Computer software	3 years
Computer equipment	3 years
Office equipment	3 years
Furniture and fittings	7 years

#### 1.4 Operating and finance leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. All other leases are treated as operating leases.

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. Future instalments payable under finance leases, net of finance charges, are included in creditors - with the corresponding asset values recorded in tangible fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Payments are apportioned between the finance element which is charged to the profit and loss account and the capital element which reduces the outstanding obligation for future instalments.

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1 ACCOUNTING POLICIES (continued)

#### 1.4 Operating and finance leases (continued)

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

#### 1.5 Taxation

The charge for taxation is provided at rates of corporation tax ruling during the financial year.

Deferred tax has been recognised in full on all timing differences that have originated but not reversed by the balance sheet date and are more likely than not to reverse in the future

#### 1.6 Pensions and other post retirement benefits

Beginning 1 October 1998, the company established a new money purchase pension scheme for directors and staff on a defined contribution basis. The profit and loss account charge from this commencement date reflects the defined contribution scales and these are charged to the profit and loss account in the period in which contributions are paid. The scheme's funds are independent of the company's finances.

### 2 TURNOVER

	2012	2011
	£	£
Subscription income	5,687,347	5,141,419
Contribution in respect of FWWS projects	-	1,997,432
Other income	52,117	56,077
	<hr/>	<hr/>
	5,739,464	7,194,928
	<hr/>	<hr/>

Turnover is solely in respect of continuing activities undertaken in the United Kingdom and is stated net of value added tax.

The contribution received towards the funding of the FWWS projects of £5m was fully utilised in 2010 and 2011.



# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3 OPERATING PROFIT (LOSS)

	2012 £	2011 £
Operating profit (loss) is stated after charging:-		
Depreciation of tangible fixed assets: Owned	20,527	15,941
Operating lease rentals on land and buildings	186,941	178,710
Auditors' remuneration:-		
Audit of these financial statements	12,655	11,578
Other services relating to taxation	6,500	6,550
	<u>          </u>	<u>          </u>

### 4 STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year were:

	2012 Number	2011 Number
Administration	34	32
Director	1	1
	<u>          </u>	<u>          </u>

The aggregate payroll costs were as follows:

	2012 £	2011 £
Wages and salaries	3,377,592	2,973,711
Social security costs	439,486	386,646
Other pension costs	370,548	350,499
	<u>          </u>	<u>          </u>
	4,187,626	3,710,856
	<u>          </u>	<u>          </u>

### 5 REMUNERATION OF DIRECTORS

	2012 £	2011 £
Director's emoluments	368,000	334,325
Company contributions to money purchase pension schemes	-	11,275
	<u>          </u>	<u>          </u>
	368,000	345,600
	<u>          </u>	<u>          </u>

One of the directors in 2012 (2011 - One) listed on page 1 is a full time salaried executive of the company. Director's emoluments since 1 April 2011 include a cash allowance in lieu of company pension contributions. No other directors received any emoluments during the year.

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £	2011 £
Interest on bank deposits	57,952	67,083

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in period:

	2012 £	2011 £
<b>Current tax</b>		
UK corporation tax	13,609	5,224
<b>Total current tax (note 7 (b))</b>	<b>13,609</b>	<b>5,224</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	120	(229)
Effect of increased tax rate on opening liability	-	(168)
<b>Total deferred tax</b>	<b>120</b>	<b>(397)</b>
<b>Tax on profit on ordinary activities</b>	<b>13,729</b>	<b>4,827</b>

#### (b) Factors affecting the current tax charge:

The tax assessed for the period is higher than the small profits rate of corporation tax in the UK. The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	63,963	24,667
At 20.00% (2011: 20.25%)	12,793	4,995
Expenses not deductible for tax purposes	721	-
Depreciation in excess of capital allowances	(120)	229
Depreciation on items ineligible for capital allowances	215	-
<b>Total current tax (note 7 (a))</b>	<b>13,609</b>	<b>5,224</b>

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8 TANGIBLE FIXED ASSETS

	Computer software £	Furniture and fittings £	Computer and office equipment £	Equipment held under finance leases £	Total £
<b>Cost</b>					
At 1 January 2012	133,555	249,957	204,136	27,822	615,470
Additions	-	10,515	6,567	-	17,082
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	133,555	260,472	210,703	27,822	632,552
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 January 2012	133,555	211,702	191,338	27,822	564,417
Charge for year	-	14,133	6,394	-	20,527
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	133,555	225,835	197,732	27,822	584,944
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 December 2012	-	34,637	12,971	-	47,608
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	-	38,255	12,798	-	51,053
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### 9 DEBTORS - AMOUNTS DUE WITHIN ONE YEAR

	2012 £	2011 £
Other debtors	169,972	239,442
Prepayments and accrued income	391,268	304,318
	<hr/>	<hr/>
	561,240	543,760
	<hr/>	<hr/>

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Corporation tax	13,609	5,224
Other taxation and social security	460,201	341,180
	<u>473,810</u>	<u>346,404</u>

### 11 ACCRUALS AND DEFERRED INCOME

	2012 £	2011 £
Accruals and other deferred income	629,604	771,868
	<u>629,604</u>	<u>771,868</u>

### 12 DEFERRED TAXATION

	2012 £	2011 £
At 1 January	3,153	3,550
Charge/(credit) to the profit and loss for the year	120	(397)
	<u>3,273</u>	<u>3,153</u>

### 13 PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
At 1 January	1,065,677	1,045,837
Profit for the financial year	50,234	19,840
	<u>1,115,911</u>	<u>1,065,677</u>

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14 OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2012	2011
	£	£
Operating leases which expire:		
Between one and five years	186,941	178,710

The company entered into an agreement in August 2012 for a lease which expires in September 2017.

### 15 RELATED PARTY TRANSACTIONS

Apart from the Chief Executive, all directors are executives of LMA members. Subscription income derived during 2012 from their membership was transacted on an arm's length basis, at the same rate as any other member.

### 16 INVESTMENTS

#### The Message Exchange Limited

The company is a subscriber to The Message Exchange Limited (TMEL), a company limited by guarantee, which was incorporated on 27 August 2010. TMEL is a shared venture with the London and International Insurance Brokers' Association, the International Underwriters' Association, and the Corporation of Lloyd's. Its purpose is to manage the provision of the Exchange, which is a messaging hub that facilitates the transfer of electronic messages between brokers and insurers, utilising ACORD standards. The liability of the company is limited to £1 in the event of TMEL being wound up.

#### Placing Platform Limited

The company is a subscriber to Placing Platform Limited (PPL), a company limited by guarantee, which was incorporated on 7 January 2013. PPL is a shared venture with the London and International Insurance Brokers Association and the International Underwriters' Association. Its purpose is to advance an initiative to introduce a platform for use by brokers and insurers to support and streamline the contract formation (placing) process. The liability of the company is limited to £1 in the event of PPL being wound up.

### 17 GUARANTEE

The company is limited by the guarantees of all its members.