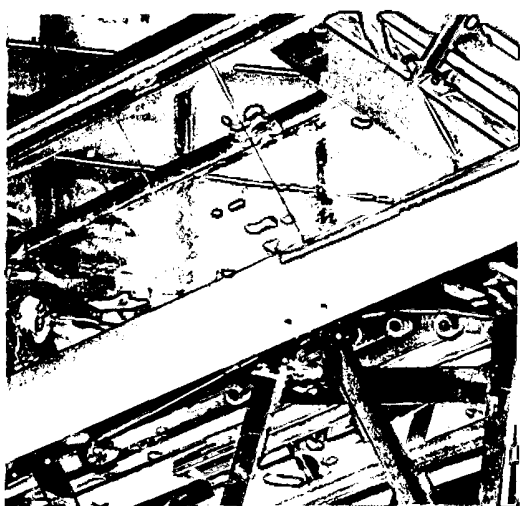
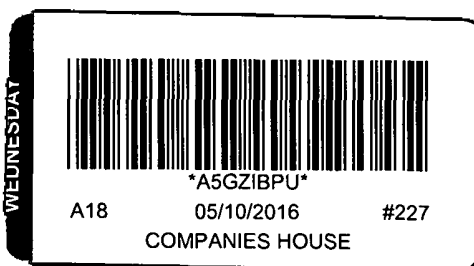




DIRECTORS' REPORT AND FINANCIAL STATEMENTS



YEAR ENDED
31 DECEMBER 2015



REGISTERED NUMBER: 2571285

LMA
INSIGHT CONSENSUS INFLUENCE

LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2015

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LLOYD'S MARKET ASSOCIATION

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Neil Maidment (Chairman)
David Gittings (Chief Executive)
Rupert Atkin
Simon Beale
Andrew Brooks
Stephen Eccles
Richard Harries (appointed 12 May 2015)
Lawrence Holder
Andrew Kendrick (resigned 22 January 2015)
Paul Lawrence (appointed 1 October 2015)
Richard Lewis
Andrew McMellin (appointed 12 May 2015)
Matthew Moore
Colin O'Farrell (appointed 12 May 2015)
Tim Pembroke (resigned 12 May 2015)
Matthew Shaw (appointed 22 January 2015)
Bob Stuchbery
Michael Watson
Matthew Wilson

SECRETARY

Stephen Morrell (appointed 19 January 2015)
Patricia Hakong (resigned 19 January 2015)

REGISTERED OFFICE

Suite 426
One Lime Street
London
EC3M 7DQ

BANKERS

National Westminster Bank Plc
1st Floor
65 Piccadilly
London
W1A 2PP

AUDITORS

KPMG LLP
15 Canada Square
London
E14 5GL

LLOYD'S MARKET ASSOCIATION

CHAIRMAN'S STATEMENT

The LMA continues to play an important role in providing technical support to the underwriting community and bringing market participants together to influence debate on market matters. Market conditions are increasingly challenging and longer-term issues such as access to business and operating efficiency demand our attention.

The LMA led, or provided support to, a number of market modernisation initiatives during 2015, in market processes including claims management reporting. These initiatives are fully aligned to the strategic direction of the London Market Target Operating Model (TOM).

During 2016, the LMA will continue to provide support to TOM following the conclusion by the new TOM Board that the focus for 2016 should be on the Placing Platform Limited, Central Services Refresh Programme (post bind submission) and Delegated Authorities, underpinned by structured data.

Following enactment of the Insurance Act 2015, new model clauses to take account of the Act have been produced by the LMA. A review of the existing clauses on the Lloyd's Wordings Repository to identify those wordings which need to be updated in the context of the Act is in progress. In addition, a significant amount of work has also been carried out by the LMA in the development of a suite of model consumer policy wordings and the publication of consumer wordings guidance to assist the market in the management of conduct risk.

On 1 January this year, the market moved to a full Solvency II regime, following significant and intensive work done over the last few years by the LMA Solvency II Committees with the Corporation, and by managing agents which culminated in the formal approval of the Lloyd's Internal Model Application by the PRA last December.

The successful completion of the evaluation phase of the Oasis Solutions Project towards the end of 2015 has demonstrated that we now have an opportunity to increase the availability of models for exposure management on the Oasis platform, and for these to be made available to the market on a shared-services basis. This should result in improved choice and pricing, greater efficiency and reduced costs.

Lastly on training and education, the LMA Academy has continued to respond well to demands for bespoke technical training and development of all sector groups in the market.

I would like to take this opportunity to thank Rupert Atkin for his excellent work as Chairman, encouraging joint services to make the market more efficient, and ensuring that the market's views are heard and properly acted upon

I am grateful to David Gittings and his team, my fellow Board members, and the market practitioners who volunteer to participate in the LMA's Committees and working groups. This provides the LMA with a solid base from which to operate confidently and effectively in its work for the benefit of the market.



Neil Maidment
Chairman
19 April 2016

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT

The LMA's main activities during 2015 included the representation of the market in the three key strategic developments for Lloyd's in international markets, market modernisation, and improving the management of the Xchanging relationship. In addition, the LMA, with the support of its various committees, panels and working groups, dealt with the following principal initiatives and issues in 2015, some of which will continue in 2016.

Underwriting

As in previous years the range of issues addressed across the Underwriting team is a reflection of the diversity of the Lloyd's market; notable activities included a review of wordings that may be affected by the Insurance Act 2015; the exercise to assist managing agents in submitting their gross aggregations by class of business, their cross-class accumulation risk methodologies and PML for cyber-attack as part of the 2016 RDS return; and a major project to assist Lloyd's in implementing multi year Binding Authority contracts.

The Underwriting team completed a review of the Lloyd's Wording Repository to identify wordings that needed to be reviewed in light of the Insurance Act 2015. This was followed by LMA business panels working through the list of flagged wordings to advise those that required amendment. The LMA has received feedback from external counsel on the first batches of wordings, as well as a suite of model stand-alone clauses. The LMA has worked to a deadline to publish new model clauses by the end of Q1 2016.

The Cyber Wordings Working Party also carried out a review of existing model exclusionary language, in order to develop a suite of new model cyber exclusions. These are designed to provide underwriting options more appropriate to the emerging cyber risk exposure.

In conjunction with Clyde & Co, the underwriting, and legal & compliance teams developed and published guidance for members on consumer wordings, and updates were provided on a quarterly basis to take account of new regulations (including the Consumer Rights Act that took effect in October 2015).

A response was given to the Government Insurance Fraud Task Force's interim report and the LMA made a series of recommendations to reduce the scope of UK insurance fraud. The LMA's response focussed on liability and motor claims fraud, and called for regulations to increase the Small Claims Track for injuries to £5,000, removing recoverable legal costs from the majority of low-value claims.

The LMA has maintained a strong influence in respect of the International Union of Marine Insurance (IUMI) activities and attended the IUMI Conference held in Berlin last September. The marine team took over secretarial responsibility for Ocean Hull and Offshore Energy, and liaison with the International Chamber of shipping (ICS) and International Group (IG) whilst remaining influential on the Political Forum.

The LMA's Aviation committee has taken a close look at the regulation of drone aircraft and has opened a dialogue with leading aviation regulatory bodies internationally. The aim is to ensure that the regulation does not create a demand for insurance covers that insurers are unable to provide. Currently, regulation of drones is unclear and lacks the major international accords that have been the backbone of global aviation regulation.

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

Claims

Write-Back has been, and remains, a key strategic initiative for both claims and the wider market. Implemented in 2015, the functionality offers real time business interaction between brokers and carriers, enhanced data, 24/7 access, removes duplication and brings a number of claims handling efficiencies. Introducing real-time messaging to claim notifications and claim responses has allowed the market and claims to make a stride forward in a period of modernisation. The LMA and the market's Electronic Claims File User Group (ECFUG) led the Write-Back project in 2014/2015, with the concept and project winning Insurance Day's Technology Initiative of the Year award and ACORD's Business Process Improvement award.

Delegated Authority was a key area of focus for the claims team due to the regulatory change being implemented by Lloyd's, PRA and FCA, along with the introduction of Solvency II. Claims is impacted on many levels, positive guidance and input has been provided by the LMA to carriers, coverholders and TPA's to ensure parties have a clear understanding of reporting requirements and data collection. The LMA has supported carriers with the introduction of reporting templates and guidelines and worked closely with Lloyd's to enhance the standard reporting process.

The Claims team was at the heart of the LMA/LIIBA U35s with successful educational events being run throughout 2015. The Claims team has worked in collaboration with the LMA Academy and the LMACC to create a flagship U.S. educational tour and will continue to work with LIIBA, U35s and key stakeholders to ensure the U35 provides a development platform and forum for the claims talent in the market.

Market modernisation was a key theme for the market in 2015. The Claims team have been very pro-active in this area with a number of initiatives being led or supported by the LMA. The focus on modernisation has allowed key claims initiatives to commence whilst being aligned to the strategic direction of the LMG Target Operating Model (TOM). Those initiatives include Binder/DA ECF enhancements, Sanctions service and Expert Management reporting which includes the markets Expert Database. The LMA has provided key support and direction, alongside our members, to both the TOM and CSRP whilst ensuring engagement with our members to raise awareness and capture the claims community's priorities and support.

Market processes

LMG's TOM programme now forms the basis of all process modernisation in the London market. From its commencement in January, managing agents' representatives and LMA executives have been closely involved in shaping the TOM components. The LMA Board has endorsed the funding of TOM through a Lloyd's market charge on managing agents and LMA has nominated senior managing agency executives to sit on the newly formed TOM Steering Board to enhance governance control of the programme.

The 'Placing Platform Limited' (PPL) initiative is a key part of TOM. Our representatives on the PPL Board have contributed to shaping the supplier contract and user terms and conditions ready for PPL's first implementation phase in 2016. Another priority has been to ensure that underwriters have a significant voice in developing and assessing the platform's functionality and in prioritising future enhancements. Reflecting managing agents' preference for a single stream of modernisation funding, the LMA has successfully argued for the costs of PPL in 2016 to be drawn from the Lloyd's modernisation charge on agents.

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

Another project now coming under the TOM programme umbrella is the Central Services Refresh Programme (CSRP). With key implementations going live in the Spring and Autumn of 2016 which will reduce the frictional cost for brokers of dealing with bureau markets, LMA's participation in negotiations with Xchanging has significantly reduced the programme cost for managing agents.

The LMA, working with our Xchanging Review Board (XRB), re-negotiated the managing agents' agreement with Xchanging Ins-Sure Services for premium and policy processing services. The new LPSO Agreement, effective from 1 January 2016, will support compliance with current legal and regulatory expectations. Under XRB, we are now streamlining governance across this and managing agents' claims services agreement. We are also developing full-time, professional outsource management support for the relationship to ensure XRB acts as a joined-up, challenging customer of XIS, able to manage service delivery, mitigate operational risk and drive value into the XIS relationship.

Capital and Risk

Lloyd's received formal approval from the Prudential Regulation Authority (PRA) for its Internal Model Application under Solvency II. This followed a significant amount of work and collective effort over the last few years by the market supported by the LMA Solvency II High Level Group and the Solvency II Committee, working closely with the Corporation on Solvency II implementation and Internal Model approval.

The OASIS Solutions Project (OSP), a joint LMA/Lloyd's project, which started in late 2014, was successfully completed in early December last year. OSP tested the concept of making a key catastrophe model (ARA Hurricane model) available on the Oasis platform on a shared-services basis. The project has demonstrated the clear benefits of Oasis as a platform which would increase choice, reduce costs and allow for better negotiation with current model providers.

A new high-level Oasis Steering Group has therefore been formed to take OSP to its next phase. The Steering Group will mainly focus on getting ARA over the line by identifying the best possible option so that the market can fully realise the benefits. Consideration will be given for other models to be introduced on the Oasis platform later this year and these will also be available to the market on a shared services basis.

In response to the growing significance of the role of the Chief Risk Officer (CRO) in the Lloyd's market, a new CRO Committee was formed to promote efficient operation and the very highest technical standards in risk management for Lloyd's managing agents. The Committee comprises around 25 CROs drawn from across the Lloyd's managing agency community. As part of its programme, the Committee will examine the evolving regulatory requirements for CROs, consider emerging and long-term risks and champion best practice. The Committee will also discuss the skills and knowledge required to fulfil the CRO role within a Lloyd's insurance business.

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

Legal and Compliance

The Insurance Act arrived on the statute book in February 2015 and will come into force in August 2016. The LMA arranged six training sessions with a panel of law firms and barristers' chambers, which were attended by over 1,000 underwriters, claims and support staff. We also produced a detailed Insurance Act Guide, which was published mid-year, and a Quick Reference Guide for underwriters, which was dropped on Boxes and also published electronically.

The Autumn saw extensive work on the Enterprise Bill which, if enacted, will amend the Insurance Act to include a new head of liability for carriers for foreseeable losses consequent on late payment of claims. An amendment to limit the time period for bringing such claims was which should assist certainty in reserving and closing the books where there is a danger of a late payment claim. In early 2016 the Bill started its journey in the House of Commons.

In relation to regulatory matters, the conduct agenda was to the forefront of our engagement with the FCA and Lloyd's. This involved not only significant work in the area of the new Lloyd's Conduct of Business Minimum Standards but also working with the LMA Underwriting team and members on the development of a suite of model wordings for consumer policies and publication of consumer wordings guidance, to assist members in the management of conduct risk.

LMA Academy

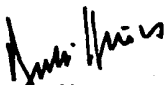
2015 proved to be the LMA Academy's most successful year to date as 7,000 market practitioners attended 50 LMA Academy events which was a 46% increase on 2014. There continues to be increasing demand for more technical training and the LMA Academy will respond to this with several bespoke programmes being developed in 2016.

The LMA Academy was assisted by the Underwriting team in delivering a comprehensive schedule of master classes including one to discuss liability issues and implications for insurers on driverless cars.

All LMA Foundation Programmes and Masterclasses continue to be CII accredited and further programmes will be put forward for accreditation in 2016.

The LMA was instrumental in securing roles for young professionals on various TOM initiatives. In 2016, we will build on the relationships we have developed with all the main young professional groups in the Lloyd's/London market, to ensure that young professionals continue to engage, influence and shape the future of the market.

Finally my thanks go to all market practitioners and advisers who sit on our committees, business panels, and working groups, for their help and support throughout the year and their invaluable commitment to working with us on these market initiatives and resolving issues for the benefit of the market as a whole.



David Gittings
Chief Executive Officer
19 April 2016

LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2015 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 2015, the company made a profit after taxation of £315,327 (2014: loss £200,495), which arose largely as a result of contributions received from the Corporation of Lloyd's and the IUA towards the costs of the Professional Management Group, formed to manage the market's contracts with Xchanging.

The company's net current assets at 31 December 2015 of £1,169,193 (2014: £841,770) represent 16% (2014: 14%) of budgeted outgoings in 2016.

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 2015 and 2016.

Directors

The company's constitution provides for a maximum of 17 directors, 12 of whom are elected directly by its members. All directors who held office during the year are listed on page 1.

Amendments to the company's Articles of Association whereby the number of elected directors was increased from 9 to 12, the category of nominated directors was removed, and the number of co-opted directors was increased to a maximum of 4, were approved by a special resolution of members at the company's Extraordinary General Meeting on 12 May 2015.

Messrs Atkin, Lawrence, Moore and O'Farrell were co-opted members of the Board.

Governance

The Board reviews the services, activities, and costs of the LMA regularly to ensure that its services and activities meet the needs of members and are delivered in a cost effective manner.

LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT (continued)

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. The financial statements have therefore been prepared on a going concern basis.

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.



Neil Maidment
Chairman

19 April 2016

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 applicable law and Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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.

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 2015 set out on pages 12 to 20. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A of FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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 9, 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 website at 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 2015 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. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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 in accordance with the small company's regime and take advantage of the small company's exemption in preparing the directors' report and take advantage of the small company's exemption from the requirement to prepare a strategic report.



Rajan Thakrar (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

19 April 2016

LLOYD'S MARKET ASSOCIATION

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
TURNOVER	3	7,289,982	6,640,191
Administrative and operating expenses		(6,949,825)	(6,873,044)
OPERATING PROFIT/(LOSS)	4	340,157	(232,853)
Interest receivable and similar income	7	14,185	21,152
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		354,342	(211,701)
Tax on profit/(loss) on ordinary activities	8	(39,015)	11,206
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	315,327	(200,495)

All the amounts above are in respect of continuing operations.

There are no recognised gains and losses for the current and prior years other than those included in the profit and loss account above and therefore no statement of other comprehensive income has been presented.

The notes on pages 14 to 20 form part of the financial statements.

LLOYD'S MARKET ASSOCIATION

BALANCE SHEET AS AT 31 DECEMBER 2015

		2015	2015	2014	2014
FIXED ASSETS					
Tangible assets	9		91,139		103,235
CURRENT ASSETS					
Debtors	10	495,230		661,701	
Cash at bank and in hand		2,581,152		2,275,706	
		<u>3,076,382</u>		<u>2,937,407</u>	
CREDITORS: Amounts falling due within one year	11	(1,475,839)		(1,492,037)	
Accruals and deferred income		(417,940)		(603,600)	
Deferred taxation	12	(13,410)		-	
		<u>(1,907,189)</u>		<u>(2,095,637)</u>	
NET CURRENT ASSETS			1,169,193		841,770
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,260,332</u>		<u>945,005</u>
CAPITAL AND RESERVES					
Profit and loss account	13		1,260,332		945,005

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS102 Section 1A - small entities.

The financial statements were approved by the Board of Directors on 19 April 2016 and were signed on its behalf by:



Neil Maidment
Chairman

The notes on pages 14 to 20 form part of the financial statements.

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2015

1 GENERAL INFORMATION

Lloyd's Market Association is a private company limited by guarantee, domiciled in England, and its registration number is 2571285. Its registered office is Suite 426, One Lime Street, London, EC3M 7DQ.

2 ACCOUNTING POLICIES

These financial statements for the year ended 31 December 2015 are the first financial statements that comply with FRS 102 Section 1A small entities. The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

Following the adoption of FRS 102 Section 1A - small entities, the amendments to the financial statements have not had a material impact on the company. The transition has not affected the company's financial position or performance in any way with the only changes being presentational and disclosure amendments.

2.1 Basis of accounting

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

2.2 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.

2.3 Intangible fixed assets

All intangible assets are recorded at cost less amortisation and accumulated impairment losses. All intangible assets have been amortised in full.

2.4 Tangible fixed assets

All tangible fixed assets are recorded at cost less amortisation and accumulated impairment losses. Amortisation 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 amortisation are as follows:

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

An assessment is made at each reporting period for any indicators of impairment and an impairment review is carried out where an indication of impairment has been identified.

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

2.5 Taxation

Current tax is the expected tax payable or recoverable on the taxable profit or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

2.6 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.

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

2.7 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.

3 TURNOVER

	2015 £	2014 £
Subscription income	6,654,998	6,591,515
Other income	634,984	48,676
	<hr/>	<hr/>
	7,289,982	6,640,191
	<hr/>	<hr/>

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 TURNOVER (continued)

Turnover is solely in respect of continuing activities undertaken in the United Kingdom and is stated net of value added tax. Other income includes contributions received amounting to £402,500 from the Corporation of Lloyd's and the IUA towards the costs of the Professional Management Group.

4 OPERATING PROFIT/(LOSS)

	2015 £	2014 £
Operating profit/ (loss) is stated after charging:-		
Amortisation of tangible fixed assets	20,202	12,069
Operating lease rentals on land and buildings	202,020	202,020
Auditors' remuneration:-		
Audit of these financial statements	13,000	13,000
Other services relating to taxation	10,000	8,000
	<u> </u>	<u> </u>

5 STAFF NUMBERS AND COSTS

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

	2015 Number	2014 Number
Administration	41	38
Director	1	1
	<u> </u>	<u> </u>

The aggregate payroll costs were as follows:

	2015 £	2014 £
Wages and salaries	3,993,524	3,750,120
Social security costs	509,206	480,343
Other pension costs	413,522	413,062
	<u> </u>	<u> </u>
	4,916,252	4,643,525
	<u> </u>	<u> </u>

6 REMUNERATION OF DIRECTORS

	2015 £	2014 £
Director's emoluments	407,700	395,600
	<u> </u>	<u> </u>

One of the directors in 2015 (2014 - One) listed on page 1 was a full time salaried executive of the company. Director's emoluments 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)

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Interest on bank deposits	14,185	21,152

8 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge in year:

	2015 £	2014 £
Current tax		
UK corporation tax	25,605	(10,701)
Total current tax (note 8 (b))	25,605	(10,701)
Deferred tax		
Origination and reversal of timing differences	13,410	(505)
Total deferred tax	13,410	(505)
Tax on profit on ordinary activities	39,015	(11,206)

(b) Factors affecting the current tax charge:

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

	2015 £	2014 £
(Loss)/Profit on ordinary activities before tax	354,342	(211,701)
At 20.00% (2014: 20.00%)	70,868	(42,340)
Expenses not deductible for tax purposes	455	158
Depreciation in excess of capital allowances	1,684	2,293
Depreciation on items ineligible for capital allowances	39	121
Brought forward losses utilised in year	(47,441)	-
Losses carried forward	-	29,571
Adjustment in respect of prior year	-	(504)
Total current tax (note 8 (a))	25,605	(10,701)

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TANGIBLE FIXED ASSETS

	Furniture and fittings £	Computer and office equipment £	Equipment held under finance leases £	Total £
Cost				
At 1 January 2015	345,572	210,703	27,822	584,097
Additions	8,106	-	-	8,106
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	353,678	210,703	27,822	592,203
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 January 2015	244,443	208,597	27,822	480,862
Charge for year	18,096	2,106	-	20,202
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	262,539	210,703	27,822	501,064
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2015	91,139	-	-	91,139
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	101,129	2,106	-	103,235
	<hr/>	<hr/>	<hr/>	<hr/>

A full impairment review has not been performed as no indicators of impairment have been identified during the year.

10 DEBTORS - AMOUNTS DUE WITHIN ONE YEAR

	2015 £	2014 £
Trade debtors	73,557	124,301
Corporation tax recoverable	13,518	13,518
Other debtors (see note below)	115,950	195,501
Prepayments and accrued income	292,205	328,381
	<hr/>	<hr/>
	495,230	661,701
	<hr/>	<hr/>

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 DEBTORS - AMOUNTS DUE WITHIN ONE YEAR (continued)

Included in other debtors, is an amount of £22,008 (2014: £71,700) due from the LMA Training & Education Trust 2006 (T&ET), to reimburse the LMA for the net costs of training courses and other events for the market. The T&ET was established in 2006 for the purposes of education, training or professional development of staff employed by LMA members.

11 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Other creditors (see note below)	984,714	1,008,880
Corporation tax	25,605	-
Other taxation and social security	465,520	483,157
	<u>1,475,839</u>	<u>1,492,037</u>

In August 2014, the LMA Claims Services Review Board, on behalf of managing agents, agreed to transfer £1,132,000 from the 2013 over collection by Xchanging Claims Services to the LMA to hold in trust for use on claims related projects for the market. During the year, £24,166 (2014: £5,666) was drawn from this fund to pay for further enhancements to the Electronic Claims Files (ECF) system. The balance of £984,714 at 31 December 2015 (2014: £1,008,880) is included in other creditors.

12 DEFERRED TAXATION

	2015 £	2014 £
At 1 January	-	505
Debit/(credit) to profit and loss for the year	13,410	(505)
	<u>13,410</u>	<u>-</u>
At 31 December	13,410	-

13 PROFIT AND LOSS ACCOUNT

	2015 £	2014 £
At 1 January	945,005	1,145,500
Profit/(Loss) for the financial year	315,327	(200,495)
	<u>1,260,332</u>	<u>945,005</u>
At 31 December	1,260,332	945,005

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 OPERATING LEASE COMMITMENTS

Commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2015	2014
	£	£
Within one year	<u>202,020</u>	<u>202,020</u>
Between one and five years	<u>151,515</u>	<u>353,535</u>

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

15 RELATED PARTY TRANSACTIONS

There were no related party transactions during 2015 outside the company's normal course of business.

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.