

LLOYD'S MARKET ASSOCIATION



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED

31 DECEMBER 2014

TUESDAY



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REGISTERED NUMBER 2571285

LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

CONTENTS	PAGE
Officers and professional advisers	1
Chairman's statement	2
Chief Executive's report	3-8
Directors' report	9-10
Statement of directors' responsibilities	11
Independent auditor's report to the members of Lloyd's Market Association	12-13
Profit and loss account	14
Balance sheet	15
Notes to the financial statements	16-22

LLOYD'S MARKET ASSOCIATION

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Rupert Atkin	Chairman
David Gittings	Chief Executive
Simon Beale	
Andrew Brooks	
John Dunn	(resigned 18.02.2014)
Stephen Eccles	
Charles Franks	(resigned 18.02.2014)
Michael Gould	(resigned 18.02.2014)
Dominick Hoare	(resigned 03.03.2014)
Lawrence Holder	
Andrew Kendrick	(resigned 22.01.2015)
Richard Lewis	(appointed 18.02.2014)
Rob Littlemore	
Matthew Moore	(appointed 15.05.2014)
Neil Maidment	
Tim Pembroke	
Matthew Shaw	(appointed 22.01.2015)
Bob Stuchbery	
Michael Watson	
Richard Watson	(appointed 15.05.2014)
Matthew Wilson	

SECRETARY

Stephen Morrell	(appointed 19.01.2015)
Patricia Hakong	(resigned 19.01.2015)

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

During my tenure as Chairman, I feel fortunate that the LMA enjoys full market support from all Lloyd's Managing and Members Agents. This manifests itself not only through membership itself but also in the support of the 2,000 market practitioners that volunteer to participate in our Committees. Consequently, the LMA Board benefits from a solid base from which it can operate confidently and effectively in its work with the Corporation, striving at all times to try and give a single market view as we work together to address the many challenges we continue to face. Working together in this way, we can and hope to continue to influence the course of future initiatives, for the benefit of the market.

The Board and I have sought to improve and increase the number of shared services available to the market. In my view, these play a vital role in binding us together as Lloyd's underwriters and the provision of these services differentiates us from others, rendering us an attractive market in which to trade. We have launched Central Credit Control services, helped Lloyd's co-ordinate Coverholder Audits to remove duplication and costs, and sponsored the Exposure Data Design Project to enable managing agents to convert their existing huge data sets for catastrophe modelling, from one format to another in a faster and more efficient way. We are also working with Lloyd's on the Oasis Solutions Project, which is testing the concept of making a key catastrophe model available to the Lloyd's market on the Oasis platform on a shared-services basis; all of these initiatives should result in improved choice and pricing.

Last November, the London Market Group (LMG) published its 'London Matters: the competitive position of the London Insurance Market' report, which clearly set out the importance of the London Market to the UK economy and identified a number of threats and opportunities to the future of the market. This has focussed the market's process modernisation work on the need to remove the so-called 'Londonisms' which are a disincentive for business to come to, or be retained in, London. More recently, the LMG has been provided with an opportunity to work with the UK Government on possible changes to tax and regulation to ensure that the UK, and the London Market remain an attractive domicile for the transaction of international insurance and reinsurance business. The LMA will continue to provide input to the LMG on this initiative.

The next twelve months will continue to be busy for the market as we enter the final phase of Solvency II implementation and become fully compliant on 1 January 2016. Work will also continue in a number of areas on 'shared services' in order to achieve greater efficiency and reduced costs.

None of the above would be possible without the dedicated work by David Gittings and his team, my fellow Board members, and the market practitioners who provide their invaluable time, expertise, and support to the LMA, and my thanks go to all of them.



Rupert Atkin
Chairman
9 April 2015

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT

2014 was another year of considerable activity for the LMA, working with the Lloyd's market on a number of projects, many of which we led with strong support from market practitioners. A summary of the main activities of the LMA in 2014 and our plans for 2015 is provided below. We will continue to represent the market in the three key strategic developments in international markets, market modernisation, and improving the management of the Xchanging relationship.

Underwriting

As ever the range of issues addressed across the Underwriting team is a reflection of the diversity of the Lloyd's market; notable activities across the team included the preparation and co-ordination of the market's response to Lloyd's on the identification and reporting of cyber exposures, and its involvement with the TRIA Working Group to assist with the lobbying in Washington.

The Marine Team co-ordinated and led the market engagement with the Home Office on the Counter Terrorism and Security Bill. The Team also participated in the all-party parliamentary enquiry into marine and cyber risks. There were meetings with NASA and the Arctic Council to help understand the safety parameters for the Northern Sea Route. There was also cross-committee working on cyber issues with a general conclusion that the exposure was not systemic in marine. The team engaged with the International Association of Classification Societies (IACS) and the Nordic Association of Marine Insurers (Cefor) on loss of ship records and with Cefor again on claims costs. The LMA continued to have a strong influence at the International Union of Marine Insurance (IUMI), participating in five committees including the policy setting and lobbying Political Forum.

Following the reauthorization of TRIA in January this year, the LMA issued updated guidance and revised model wordings to the market. The reauthorized Act effectively extended the pre-existing TRIA program for a further six years to expire on 31 December 2020, with a number of incremental changes to the program trigger, the insurer/federal co-share and mandatory recoupment arrangements coming in from 2016.

During 2014 the LMA convened a 'cross market' Cyber Wordings Working Party to review existing model exclusionary language, with a view to developing a suite of new model cyber exclusions, both 'absolute' exclusions and with limited 'write backs' to give underwriting options more appropriate to the emerging cyber risk exposure. This work continues into 2015.

Regarding UK consumer wordings, the LMA has worked with ISO which administers the Lloyd's Wordings Repository (LWR) to implement the necessary structural changes to reconfigure the database to make "consumer" wordings more clearly identified. This project will now require significant resource from the LMA during 2015 to review all existing data on the LWR.

In 2014, the LMA also advised the UK Government on how it might manage the risks arising from use of an unlicensed vaccine for treatment of the Ebola virus. The LMA also assisted the UK Government in accessing the specialist market for clinical trials insurance.

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

Claims

The Lloyd's Claims Transformation Programme (CTP) continued to be a key strategic project for the Claims team throughout 2014. Positive input and guidance provided by LMA led to a successful conclusion of the roll out of CTP to Legacy claims (i.e. claims handled under the 2006 Claims Scheme and earlier) and the removal of Claims Agreement for Followers (CAF). As a result, brokers are happier with less agreement parties in the process which in turn has assisted in reducing the turn around times of transactions.

Negotiations were satisfactorily completed with XCS in 2014 to deliver a new contractual framework and reduced pricing for processing services to the market for 2015 - 2017. The new XCS processing contract will continue to be governed by the Claims Service Review Board (CSRB) for the time being.

The creation of a central Third Party Administrator (TPA) database, with all bar one managing agent signing for the service, has been a success for 2014 which helps the due diligence and suitability process for managing agents and reduces duplication and additional effort for TPAs in supplying information. Work will continue throughout 2015 on establishing a shared audit function within the database to reduce the number and cost of on-site TPA reviews.

Market modernisation was another area of focus for the Claims team. The LMG Claims Sub-Group reviewed current processes and technology, and future requirements to enable London to remain as the market of choice for placing business. A paper was submitted to the LMG with recommendations for a further phase of detailed analysis. If agreed, work will commence in April 2015 for the remainder of the year to establish market requirements and costs.

In late 2014, the Electronic Claims File (ECF) project acquired two years of funding from the Associations Administrative Committee (AAC) to proceed with Write Back, a function that allows systems to interact with each other, reduces duplicated effort in transacting a claim as well as commencing work on a Binder solution to close the remaining gap for handling claims electronically.

Market processes

Publication of the London Market Group's 'London Matters' report focussed the market's process modernisation work on the need to prevent market processes being a disincentive for business to come to, or be retained in, London. This resulted in increasing coordination between individual initiatives behind this overall programme objective.

The LMA has continued to play a significant part in the preparation of a proposal for a utility placing platform from 'Placing Platform Limited' (PPL) to the LMA Board with input via two managing agency COOs on PPL's Board and through working groups. A proposal is expected during Q2 2015.

However, a placing platform will not meet all the risk data requirements of managing agents. LMA's Data Capture Service (DCS) addresses that gap and provides a mechanism for the straight-through processing of data by linking placing and central processing. A seven month pilot of DCS was completed successfully in August. Twenty managing agents are involved in the service as users or in testing and work continues to enhance the scope of the service and define the integration of DCS with the Central Services Refresh Programme (CSRP).

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

CSRP has now moved into build mode. The first phase of work, Post Bind Submission (PBS), is designed to implement Accord standard messages (known as EBOT and ECOT) as the medium through which brokers provide data to the bureau. The Target Operating Model has been approved by the MPC and this body continues to be actively involved in contributing to the detailed design and overseeing the implications for the market. Market testing is envisaged in the first half of 2016 with the first live submissions in the second half.

A 'Value Assurance Review' was conducted to assess the value delivered by the market's relationship with XIS. A renegotiation of managing agents' contract with XIS for premium and policy processing services is now underway and this offers the potential for cost savings as well as strengthening the contract's regulatory provisions. LMA now has a seat on the XIS Board.

A Delegated Authority Operations Committee (DAOC) was established early in 2014 which has published an Operations Plan and Process Vision. This led to market-wide acceptance that an improved operating model must be implemented to improve customer service and to address the significant regulatory reporting challenges. This model will take shape through Lloyd's work on an operating model, started early in 2015, and will provide a framework for the many currently uncoordinated initiatives underway in the market owned by many different stakeholders.

Market liaison

As part of Lloyd's Vision 2025, six countries have been identified for consideration for further Lloyd's licence development. Two working groups, under an LMA Board Executive Steering Group, have been heavily engaged with the Corporation during 2014 to assess the potential opportunity for the Lloyd's market in each country and then to consider the probable operating model in each territory under which Lloyd's might expect to have to operate. Following considerable debate on the back of information presented by Lloyd's and KPMG, each group ranked the six territories in terms of a) the value of the opportunity b) the ease and effectiveness for Lloyd's of operating model. Further work is now ongoing in 2015; to refine some of the prioritisation criteria, to better align the Lloyd's value proposition to the potential opportunities, to carry out further cost/payback analysis, and to look in greater detail at some of the operating model characteristics and their wider implications for the existing Lloyd's model.

Capital and Risk

Significant work was done by the market during 2014 to demonstrate its Solvency II readiness to Lloyd's by 1 January 2016. Work continues in 2015 with Lloyd's on the preparation of guidance for the market on the interim Solvency II requirements and the full Pillar 3 requirements which will be implemented for the 2016 year end.

The LMA Solvency II High Level Group has continued to meet regularly with Lloyd's to discuss practical and commercial implications of Solvency II proposals and issues, and assist Lloyd's with internal model approval and the implementation of Solvency II at Lloyd's in the most sensible and efficient manner.

Following the publication of the updated Lloyd's minimum standards and related guidance in July 2014, the LMA Risk Assurance Committee worked with Lloyd's to review the proposed 2015 Market Oversight Supervisory Plan, including the Market Oversight objectives, activities and thematic reviews for 2015, which was recently issued by Lloyd's.

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

With the approval of the LMA Board, the LMA Exposure Management Working Group (EMWG) led the LMA Exposure Data Design Project (EDP) to a successful conclusion in December 2014. The EDP was motivated by the highly labour intensive management of policy and exposure data for catastrophe modelling and other purposes; and the model results data. Started in June 2014, the EDP aimed to define a set of practical solutions to the organisation, maintenance, and communication of exposure and related information. This included solutions to reduce the time needed to manipulate exposure data and make the process more efficient. By defining exposure data in a consistent structure, it can be moved efficiently between business units, business partners, applications, reporting systems and models, without the need for repetitive cleansing of the data.

The EDP has shown that significant improvements can be made to processes, including interoperability between different data formats (including proprietary and standard formats); using latest technology to achieve more reliability and more automation in the process of transforming data between different formats; and using emerging technologies for the management of detailed sets of exposure and results data used by the catastrophe models.

During 2015, the EMWG will be evaluating the costs and benefits of three follow-on technical projects to develop "shared services" pilot systems to prove the viability of the EDP prototypes, and, if considered beneficial, will then invite managing agents to participate in these projects.

In late 2014, the LMA Board approved another catastrophe modelling project - the Oasis Solutions Project (OSP) - to define and deliver a major catastrophe model to the market (Applied Research Associates Inc (ARA) US wind model) which is connected and implemented on the Oasis Loss Modelling Framework platform, with the benefits of shared costs and risk. It will enable users to compare and contrast the results of the ARA model with their existing results.

The OSP has the potential to materially enhance the choice of catastrophe models and provide a basis for future discussions around shared services costing models. This should enhance competition and drive down the costs of licensing and running catastrophe models in future. The OSP is funded by Lloyd's and sponsored jointly by Lloyd's and the LMA Board, and is expected to be completed in late 2015.

Legal and Compliance

Following extensive consultation in 2013, the Law Commission released its first draft of the Insurance Bill in early January 2014. The LMA persuaded the Law Commission to make significant changes at that stage. More changes followed with involvement of HM Treasury, for example, it was acknowledged that the "damage for late payment" provisions would lead to speculative litigation, and these were removed from the Bill. Further amendments were made in the House of Lords following representations by the LMA and other stakeholders. We now have the Insurance Act 2014 (the Act), which alters, in some significant ways, the framework of the Marine Insurance Act 1906. The LMA is now working with the IUA and a panel of law firms and legal counsel on a comprehensive guidance and training programme for the underwriting community in the transitional period before the Act takes effect in August 2016.

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

The conduct regulation agenda was to the fore of the LMA Legal and Compliance team, with liaison and consultation work by the LMA in respect of Lloyd's new conduct risk minimum standards. These came into effect on 1 January 2015 but work continues with members and Lloyd's in relation to requirements for management information and how this can be collected most efficiently from coverholders, in particular, those which may have binding authorities with more than one syndicate. The LMA supports the standards on the basis that oversight by Lloyd's will decrease duplicative work by the FCA.

The LMA submitted formal responses to 11 regulatory consultations in the last year. We gave significant input to an initiative by the Foreign & Commonwealth Office (FCO), which would have enabled the UK Government to dis-apply the jurisdiction of English courts over insurance contracts in certain "sanctionable" circumstances - their proposals for "contract sanctions" would have been commercially damaging yet easily evaded and ineffective. As a result, the proposals by the FCO have been shelved.

LMA Academy

The LMA Academy delivered 45 events in 2014 which were attended by just under 4,000 delegates. The majority of our programmes were sold out and the Advanced Programme, Living with US Litigation, held in New York, was so successful that it will be repeated again in May 2015. The 2015 programme is already fully subscribed.

Three new Foundation Programmes were introduced in 2014: Claims Foundation, Risk Management and The Role of the Actuary for Non-Actuaries. The Chartered Insurance Institute (CII) confirmed in February 2015 that the LMA Academy has been successful in achieving CII Continuing Professional Development (CPD) accreditation for all of our Foundation Programmes and all five are now CII Accredited with the kite mark.

Market Talent

The LMA was instrumental in driving the Inclusion@Lloyd's diversity and inclusion best practice initiative and achieved 90% buy-in from Managing Agents. In 2015, the LMA will support the LMG on a London Market Talent & Diversity initiative that will bring together many organisations which offer educational activities to the London Market and consider how they can work together collectively to better promote the Market and its educational offering.

Young Professionals

In January 2014, the LMA began work on a new project looking at how it can best engage with, and support, young professionals throughout their careers in the Lloyd's and London market. During the course of the year, a new section was added to the LMA website which included information on all of the young professional groups in the market including a central calendar for all young professional market events. The first six-monthly newsletter, "Connections", was issued in October. In addition, a forum for the chairs of all the market groups was established and work began on increasing the number of young professionals represented on the LMA's committees and panels. In November, the first educational and networking event took place which included a presentation from Paul Jardine (Catlin Group) on his career in the market, followed by a networking session where attendees met representatives from the different young professional groups to find out what the different groups offer. In 2015, work in this area will continue in a similar vein.

LLOYD'S MARKET ASSOCIATION

CHIEF EXECUTIVE'S REPORT (continued)

In addition to our work on engagement with young professionals, efforts to reach a wider number of individuals at LMA member firms and other stakeholders in the Lloyd's and London markets resulted in a record number of visitors to the LMA website. This included a significant growth in the number of people signing up for LMA updates and newsletters. 2014 also saw our highest ever level of attendance at LMA events and courses, including those run by the LMA Academy, with over 9,500 individuals at more than 80 events.

Finally I would like to thank the 2,000 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.



David Gittings
Chief Executive Officer
9 April 2015

LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2014 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 2014, the company made a loss after taxation of £200,495 (2013: profit £29,589). This loss has arisen principally as a result of net additional costs of around £200,000 (net of all recoveries) for activities in 2014 which were not anticipated at the time the budget was approved in late 2013. These include resisting disclosure in the Lincoln Adventures litigation, and work on the Insurance Contract Law reform and the LMA Exposure Data Design Project. It is anticipated that there will be significant savings to the market as a result of the work done in these areas.

The company's net current assets at 31 December 2014 of £945,005 (2013: £1,145,500) represent 14% (2013: 17%) of budgeted outgoings in 2015.

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 2014 and 2015.

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, Littlemore and Pembroke are directors nominated by the Underwriting Standing Committees until the next annual general meeting on 12 May 2015.

Messrs Atkin, Moore and Watson (Richard) are co-opted members of the Board.

The Board has recently approved an amendment to the company's Articles of Association whereby the number of elected directors will be increased from 9 to 12, the category of nominated directors will be removed, and the number of co-opted directors will be increased from a maximum of 3 to a maximum of 4. This will be tabled for approval by a special resolution of members at the company's Extraordinary General Meeting on 12 May 2015.

LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT (continued)

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.

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.

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

9 April 2015

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 2014 set out on pages 14 to 22. 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 11, 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.

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 2014 and of its loss 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

9 April 2015

LLOYD'S MARKET ASSOCIATION

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
TURNOVER	2	6,640,191	6,269,634
Administration and operating expenses		(6,873,044)	(6,263,961)
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT	3	(232,853)	5,673
Interest receivable and similar income	6	21,152	31,849
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(211,701)	37,522
Tax on profit on ordinary activities	7	11,206	(7,933)
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	12	(200,495)	29,589
		<hr/>	<hr/>

All the amounts above are in respect of continuing operations.

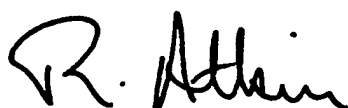
The notes on pages 16 to 22 form part of the financial statements.

LLOYD'S MARKET ASSOCIATION

BALANCE SHEET AS AT 31 DECEMBER 2014

		2014	2014	2013	2013
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	8		103,235		30,204
CURRENT ASSETS					
Debtors	9	661,701		523,783	
Cash at bank and in hand		2,275,706		1,676,630	
		<u>2,937,407</u>		<u>2,200,413</u>	
CREDITORS: Amounts falling due within one year	10	(1,492,037)		(483,509)	
Accruals and deferred income		(603,600)		(601,103)	
Deferred taxation	11	-		(505)	
		<u>(2,095,637)</u>		<u>(1,085,117)</u>	
NET CURRENT ASSETS			841,770		1,115,296
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>945,005</u>		<u>1,145,500</u>
CAPITAL AND RESERVES					
Profit and loss account	12		945,005		1,145,500

The financial statements were approved by the Board of Directors on 9 April 2015 and were signed on its behalf by:



Rupert Atkin
Chairman

The notes on pages 16 to 22 form part of the financial statements.

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

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.

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.

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

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

1.5 Taxation

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

Deferred tax is 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

	2014 £	2013 £
Subscription income	6,591,515	6,170,775
Other income	48,676	98,859
	<hr/>	<hr/>
	6,640,191	6,269,634
	<hr/>	<hr/>

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

3 OPERATING PROFIT/(LOSS)

	2014 £	2013 £
Operating profit/ (loss) is stated after charging:-		
Depreciation of tangible fixed assets: Owned	12,069	17,404
Operating lease rentals on land and buildings	202,020	202,020
Auditors' remuneration:-		
Audit of these financial statements	13,000	12,700
Other services relating to taxation	8,000	6,500
	<hr/>	<hr/>

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 STAFF NUMBERS AND COSTS

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

	2014 Number	2013 Number
Administration	38	36
Director	1	1

The aggregate payroll costs were as follows:

	2014 £	2013 £
Wages and salaries	3,750,120	3,571,059
Social security costs	480,343	466,002
Other pension costs	413,062	382,931
	<u>4,643,525</u>	<u>4,419,992</u>

5 REMUNERATION OF DIRECTORS

	2014 £	2013 £
Director's emoluments	395,600	382,500
	<u>395,600</u>	<u>382,500</u>

One of the directors in 2014 (2013 - 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.

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £	2013 £
Interest on bank deposits	21,152	31,849

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period:

	2014 £	2013 £
Current tax		
UK corporation tax	(10,701)	10,701
	<hr/>	<hr/>
Total current tax (note 7 (b))	(10,701)	10,701
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	(505)	(2,768)
	<hr/>	<hr/>
Total deferred tax	(505)	(2,768)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(11,206)	7,933
	<hr/>	<hr/>

(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:

	2014 £	2013 £
(Loss)/Profit on ordinary activities before tax	(211,701)	37,522
	<hr/>	<hr/>
At 20.00% (2013: 20.00%)	(42,340)	7,504
Expenses not deductible for tax purposes	158	247
Depreciation in excess of capital allowances	2,293	2,768
Depreciation on items ineligible for capital allowances	121	182
Losses carried forward	29,571	-
Adjustment in respect of prior year	(504)	-
	<hr/>	<hr/>
Total current tax (note 7 (a))	(10,701)	10,701
	<hr/>	<hr/>

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 £
Cost					
At 1 January 2014	133,555	260,472	210,703	27,822	632,552
Additions	-	85,100	-	-	85,100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	133,555	345,572	210,703	27,822	717,652
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2014	133,555	235,801	205,170	27,822	602,348
Charge for year	-	8,642	3,427	-	12,069
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	133,555	244,443	208,597	27,822	614,417
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2014	-	101,129	2,106	-	103,235
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	-	24,671	5,533	-	30,204
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

9 DEBTORS - AMOUNTS DUE WITHIN ONE YEAR

	2014 £	2013 £
Trade debtors	124,301	53,501
Corporation tax recoverable	13,518	-
Other debtors (see note below)	195,501	297,675
Prepayments and accrued income	328,381	172,607
	<hr/>	<hr/>
	661,701	523,783
	<hr/>	<hr/>

Included in other debtors, is an amount of £71,700 (2013: £79,454) 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.

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Other creditors (see note below)	1,008,880	-
Corporation tax	-	10,701
Other taxation and social security	483,157	472,808
	<u>1,492,037</u>	<u>483,509</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, £123,120 was drawn from this fund to pay for the audit of the claims service on behalf of the following market, and for implementing a change request to the Electronic Claims Files (ECF) system. The balance of £1,008,880 at 31 December 2014 is included in other creditors.

11 DEFERRED TAXATION

	2014 £	2013 £
At 1 January	505	3,273
Credit to profit and loss for the year	(505)	(2,768)
	<u>-</u>	<u>505</u>

12 PROFIT AND LOSS ACCOUNT

	2014 £	2013 £
At 1 January	1,145,500	1,115,911
(Loss)/profit for the financial year	(200,495)	29,589
	<u>945,005</u>	<u>1,145,500</u>

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2014	2013
	£	£
Operating leases which expire:		
Between one and five years	202,020	202,020

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

14 RELATED PARTY TRANSACTIONS

Apart from the Chief Executive, all directors are executives of LMA members. Subscription income derived during 2014 from their membership was transacted on an arm's length basis, at the same rate as any other member.

15 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.

16 GUARANTEE

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