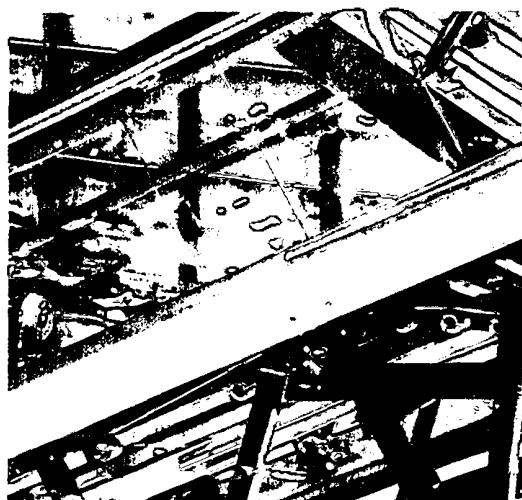
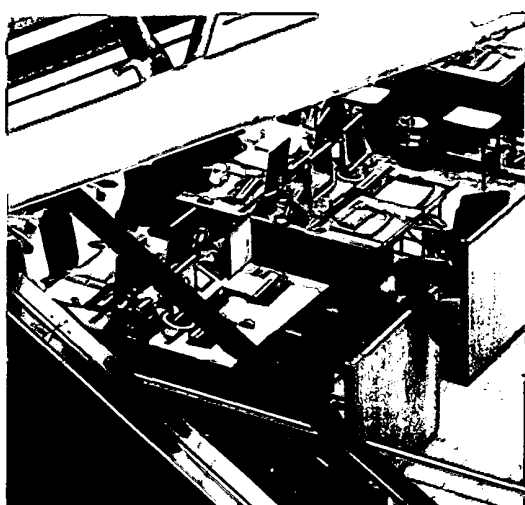




# DIRECTORS' REPORT AND FINANCIAL STATEMENTS



YEAR ENDED  
31 DECEMBER 2017



REGISTERED NUMBER: 2571285



# **LLOYD'S MARKET ASSOCIATION**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2017**

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# **LLOYD'S MARKET ASSOCIATION**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Neil Maidment (Chairman)  
David Gittings (Chief Executive)  
Andrew Brooks  
Jonathan Butcher  
Thomas Clementi (Appointed 17 January 2017)  
James Dover  
Stephen Eccles  
Richard Harries  
Lawrence Holder (Resigned 17 May 2017)  
Paul Jardine (Appointed 4 January 2017)  
Paul Lawrence  
Andrew McKee (Resigned 4 January 2017)  
Matthew Moore  
Colin O'Farrell  
Matthew Shaw  
Julian Tighe (Appointed 17 May 2017)  
Michael Watson  
Matthew Wilson

### **SECRETARY**

Stephen Morrell

### **REGISTERED OFFICE**

Suite 426  
One Lime Street  
London  
EC3M 7DQ

### **BANKERS**

National Westminster Bank Plc  
1<sup>st</sup> Floor  
65 Piccadilly  
London  
W1A 2PP

### **AUDITOR**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

# LLOYD'S MARKET ASSOCIATION

## CHAIRMAN'S STATEMENT

All of us who are involved in the market should recognise the genuine value the LMA delivers to Lloyd's managing agencies and the wider London wholesale sector. It is no secret that we face challenging times, and the LMA is the united front through which we tackle them. As a board member since 2011 and Chairman since 2015, I see first hand the scope and importance of the work of the Association. It is made possible by our strong and experienced executive, and the invaluable input of almost 2,500 market practitioners on the LMA's committees and panels, plus 150 market working groups and forums of various kinds.

From broad issues such as Brexit and modernisation to the minutia of policy wordings and sanctions, the LMA delivered again in 2017. In critical areas such as our market's profile within government and among regulators, the voice of Lloyd's has been heard through the LMA. The Association has also been effective at articulating the London market's unique proposition for international clients and the nation.

We will continue to support market modernisation, in particular PPL and the implementation of TOM into the market, to work towards the best possible Brexit outcome for Lloyd's, and to support the agenda of the London Market Group, which brings Lloyd's together with our colleagues in the company market and the broking fraternity to address issues jointly. Without the LMA, this would simply not be possible to achieve with such efficacy.

Meanwhile, the LMA has delivered some tangible market solutions which will benefit all Lloyd's agencies, and has more in store in the year ahead. David Gittings' Chief Executive statement provides details on just a few of these. The LMA has also begun to engage even more closely with market participants at all levels, beginning with detailed surveys of members' Chief Operating Officers and their Heads of Claims to help the relevant committees set their priorities for the future.

I am extremely pleased to see that support for the LMA continues to grow. Attendances at LMA events numbered more than 15,000 in 2017, up 25% over the previous year, and all managing agents continue to participate as LMA members. I would especially like to acknowledge our new relationships with Lloyd's members agencies and the MGAA, the UK's trade association for managing general agents. By communicating and cooperating, we will be well positioned to meet the challenges faced by the UK wholesale insurance sector in an even more robust fashion.

Finally, I would like to thank David Gittings and the LMA executive, my fellow Board members, and the many individuals from across the market who volunteer their precious time to provide a unique breadth and depth of expertise to support the LMA's crucial work.



Neil Maidment  
Chairman  
17 April 2018

# LLOYD'S MARKET ASSOCIATION

## CHIEF EXECUTIVE'S REPORT

Competitive operating conditions, a series of natural catastrophes in Q3 and Q4, and the UK's impending exit from the European Union presented our members with challenges on many fronts in 2017. In such times, the Lloyd's market looks to and expects the LMA to deliver tangible benefits to its membership. We saw successes on many fronts through the hard work not only of our in-house technical teams, but also the essential support and insights of the LMA's various committees and panels comprising experts from the membership who volunteer to guide and support the LMA's work.

### *Underwriting*

Cyber risks have become a major, cross-class area of focus for the market in recent years. The LMA published Cyber Risks And Exposures Model Clauses - Class Of Business Review in January 2018, the research and consultation for which was undertaken in the autumn of 2017. This report has analysed model clauses and the most commonly-used exclusions and write-backs used in all lines of business. It also provided detailed commentary on the commercial and regulatory context of insuring and managing cyber risks. This research was informative and is intended to be supportive to Members in completing their regulatory reporting. Separately, the Joint Rig Committee published their own upstream energy technical review from a cyber perspective while the Onshore Energy panel also published a risk engineering report on cyber security and safety.

In 2017 the LMA also undertook liaison with a large number of external stakeholders on behalf of the Lloyd's market, including the UK Ministry of Justice (discount rate), Royal Institute of Chartered Surveyors (on run-off liability of surveyors), the New Zealand Government (oil and gas offshore production pollution liability issues), International Maritime Organisation (IMO), the Venezuelan government (marine war), UK Centre for Connected & Autonomous Vehicles (C-CAV), UK Ministry of Defence and National Maritime Security Committee.

The LMA's wording activities have also continued apace, with 150 model wordings published in 2017. Notable areas covered included a full Public Liability & Products liability occurrence wording, Consumer Wordings Guidance (v4, including GDPR and IDD) and a Model Consortium Wording. The Marine Joint Excess of Loss Clauses were also fully updated and published in 2017 following a lengthy market consultation.

### *Claims*

Significant initiatives in 2017 support the Lloyd's market's claims performance. First is the LMA's funding of a satellite imagery and intelligence service for all Lloyd's managing agents. It enables improvements to claims processes and exposure management both before and after natural catastrophes. McKenzie Intelligence Service worked with the LMA to develop the service, which has already been proven in Lloyd's response to hurricanes Harvey, Irma, and Maria. Already 44 managing agents have signed up to the service, which helps them to assess the extent of damages and losses quickly by providing 'ground truth' intelligence such as satellite imagery and other from-site data.

The second claims initiative intends to help reduce Lloyd's spend on claims experts. The LMA's Expert Management Hub, to be developed and administered by Advent Claims, will enable managing agents to record, track, and control budget and spending in relation to claims experts. It will enhance data capture, provide intelligence around claims expense and leakage, and support performance-measurement of claims experts. It will reduce costs and deliver better service to insureds.

# LLOYD'S MARKET ASSOCIATION

## CHIEF EXECUTIVE'S REPORT (continued)

A further milestone achievement is the Single Claims Agreement, which went live on 1 February this year but reflects an enormous amount of work completed in 2017. The initiative, launched to improve client service and streamline claims agreement across the London market, was a collaborative effort of the LMA, IUA, LIIBA, and Lloyd's. Through it, non-complex claims of \$250,000 or less under policies subscribed both by company market underwriters and by Lloyd's syndicates can now be settled by the leader alone (in line with the practice within Lloyd's). This will significantly speed the claims agreement process, reduce costs, and deliver an improved service to London's customers.

The LMA is working towards further claims modernisation through the Target Operating Model. Together we aim to improve the customer experience, raise the visibility of claims, and increase the speed of settlement across our market. We are exploring existing and emerging technologies (such as robotics and artificial intelligence, for example) to make even more improvements in these areas, particularly to enhance claims service and operating efficiencies.

### ***Cost savings***

In the increasingly important areas of risk and capital modelling, the LMA surveyed managing agencies' Chief Risk Officers and senior directors to learn more about the area. We found that Lloyd's insurers spend around £20 million annually on capital-model governance and validation, but may be missing potential value-accretive benefits of this effort and expense. The LMA's Chief Risk Officers' Committee published "'V' is for value: how do insurers take back validation?", which offers four key avenues to realise this value.

It is also very much worth noting that the LMA renegotiated the market's agreement with DXC for central processing. Under the new contract, the London market will save £100 million over the next five years.

### ***Brexit***

The LMA's work surrounding this significant political development has two strands: ensuring our members can, through Lloyd's, continue to write business from EU countries, and also working with government and regulators to get the best possible outcome for our market and our customers. Good progress is being made with Lloyd's on the establishment of a Brussels subsidiary. Meanwhile the LMA has engaged with HM Treasury and Lloyd's to find solutions to the challenges of contract continuity and run-off in order to provide a robust and seamless service to our customers. We will continue discussions directly, and through Lloyd's and the London Market Group, both for a transition period and for mutually beneficial trading relationships after Brexit.

### ***PPL***

Jointly with other market bodies through the London Market Group, the LMA recommended major improvements to PPL, the market's new electronic placing support system. After collecting and collating feedback from existing and potential users of PPL, Release 2C went live in October, notably adding facilities and subjectivities to the platform. A major extension was implemented in November, when property and casualty business was added.

# **LLOYD'S MARKET ASSOCIATION**

## **CHIEF EXECUTIVE'S REPORT (continued)**

Lloyd's has now mandated the use of electronic placing systems. The LMA supports this position, and made five recommendations which our members saw as crucial to the success of such a step. Lloyd's is actively progressing our ideas, which include broker submissions on the PPL platform, greater and more comprehensive availability of structured data, and simplification of the process for amending contract wordings. We now have statements of brokers' commitment to the PPL initiative, and, for our members, financial incentives to use the system.

### ***LMA Academy***

The LMA Academy, the Association's learning and development division, has moved from strength to strength. Participation is greater than ever, with more than 7,000 attendances at LMA Academy events over the course of the year, a record high. The Academy won the Investing in the Profession Category at the British Insurance Awards, and laid the groundwork for further expansion in 2018, including the launch of five new programmes, and a significant geographical extension of the Academy around the world to support Lloyd's overseas hubs. The demand for technical training grows year on year and the Academy ran 48 events in 2017. We are pleased to be the leaders in the delivery of bespoke technical training for the managing agency community.

### ***Regulatory environment***

The LMA legal and compliance team had two main activities in 2017. The LMA has led the UK insurance industry's work on the General Data Protection Regulation - the GDPR - which comes into force in 2018. The Association was successful in obtaining an important amendment to the UK's Data Protection Bill which introduces a new legal ground for data processing by the insurance sector. Meanwhile, with the IUA, LIIBA, and BIBA, we published "London Market: Core Uses Information Notice". It is designed to provide data subjects with a consistent explanation of how their personal data is processed by the various insurance market participants for core activities that take place throughout the insurance lifecycle.

Regarding the Financial Conduct Authority's review of commercial insurance broking, the LMA responded to the Terms of Reference with a submission which focused on the importance of transparency in remuneration arrangements. Our work on this ongoing issue will continue as the review progresses.

Early in the year the LMA's legal and non-marine teams called for major changes to the way the UK's Personal Injury Discount Rate is set, after what is commonly known as the 'Ogden Rate' was adjusted by the Lord Chancellor. In response to a Ministry of Justice (MoJ) consultation, the LMA suggested that a model portfolio should be agreed by a suitable panel of experts and published for transparency, and that a discount rate based on that portfolio be reviewed periodically to reflect material changes in the yield. On 20 March 2018, the MoJ confirmed that they will introduce major reforms - along the lines suggested by the LMA - to the rate-setting process in the Civil Liability Bill. Changes to the discount rate itself are not expected until mid-2019.

# LLOYD'S MARKET ASSOCIATION

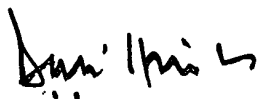
## CHIEF EXECUTIVE'S REPORT (continued)

### *Membership*

The LMA's scope expanded in 2017, when we formed a Members' Agents Committee to represent the interests and priorities of providers and advisors of third party capital at Lloyd's. The primary role of this new committee will be to provide expert input, guidance, and assistance on issues affecting the members' agent community, including high level policy, operational issues, and other concerns raised by members' agents, third party capital providers, Lloyd's, or external parties. The Committee met for the first time in June, and welcomed the participation of representatives from all three Lloyd's members' agencies: Alpha, Argenta and Hampden. Graham White, Non-Executive Director of Argenta Holdings, was selected as inaugural Chairman.

Earlier in the year the LMA forged new ties with the UK's Managing General Agents' Association (MGAA), which represents underwriters accepting business under delegated authority agreements. A new communications framework aims to improve information sharing and communications between LMA members and the coverholders accepting business on their behalf, as well as with third-party administrators handling their claims. The initiative will reduce unnecessary duplication of effort and costs both for coverholders and for managing agents.

All of these achievements are the result of a great deal of coordinated effort by many hundreds of individuals. My sincere thanks go to all the market practitioners and advisers who sit on our Board and on our committees, business panels, and working groups. Their help and support throughout the year, their invaluable commitment to working with us on market initiatives, and their efforts to address and resolve market issues are of great benefit to the market as a whole.



David Gittings  
Chief Executive Officer  
17 April 2018



# **LLOYD'S MARKET ASSOCIATION**

## **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 31 December 2017 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 2017, the company made a profit after taxation of £199,321 (2016: profit £236,200).

The company's net current assets at 31 December 2017 of £1,639,819 (2016: £1,424,536) represent 18% (2016: 20%) of budgeted outgoings in 2018.

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 2017 and 2018.

### **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.

Messrs 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.

### **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.

# 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 auditor is 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 auditor is 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

17 April 2018

# **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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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**

### **Opinion**

We have audited the financial statements of Lloyd's Market Association ("the company") for the year ended 31 December 2017, which comprise the Profit and Loss Account, the Balance Sheet and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; 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**

Under the Companies Act 2006 we are required 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 companies regime and take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## LLOYD'S MARKET ASSOCIATION

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

#### The purpose of our audit work and to whom we owe our responsibilities

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.



**Rajan Thakrar (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London E14 5GL

17 April 2018

# LLOYD'S MARKET ASSOCIATION

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
TURNOVER	3	7,877,372	7,579,168
Administrative and operating expenses		(7,632,618)	(7,299,052)
OPERATING PROFIT	4	244,754	280,116
Interest receivable and similar income	7	6,869	15,070
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		251,623	295,186
Tax on profit on ordinary activities	8	(52,302)	(58,986)
PROFIT FOR THE FINANCIAL YEAR	13	199,321	236,200

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 15 to 22 form part of the financial statements.

# LLOYD'S MARKET ASSOCIATION

## BALANCE SHEET AS AT 31 DECEMBER 2017

		2017 £	2017 £	2016 £	2016 £
FIXED ASSETS					
Tangible assets	9		56,034		71,996
CURRENT ASSETS					
Debtors	10	730,614		501,721	
Deferred taxation	12	13,756		-	
Cash at bank and in hand		3,058,980		3,158,346	
		<u>3,803,350</u>		<u>3,660,067</u>	
CREDITORS: Amounts falling due within one year	11	(1,647,863)		(1,655,055)	
Accruals and deferred income		(515,668)		(570,580)	
Deferred taxation	12	-		(9,896)	
		<u>(2,163,531)</u>		<u>(2,235,531)</u>	
NET CURRENT ASSETS			1,639,819		1,424,536
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,695,853</u>		<u>1,496,532</u>
CAPITAL AND RESERVES					
Profit and loss account	13		<u>1,695,853</u>		<u>1,496,532</u>

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 17 April 2018 and were signed on its behalf by:



Neil Maidment  
Chairman

The notes on pages 15 to 22 form part of the financial statements.



# **LLOYD'S MARKET ASSOCIATION**

## **NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2017**

### **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**

The company's financial statements have been prepared in accordance with the financial reporting standard 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 2017 and the comparative information presented in these financial statements for the year ended 31 December 2016.

#### **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 Tangible fixed assets**

All tangible fixed assets are recorded at cost less depreciation and accumulated impairment losses. 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 equipment	3 years
Office equipment	3 years
Furniture and fittings	7 years

Computer equipment and Office equipment has been depreciated in full.

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)**

#### **2.4 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.

#### **2.5 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.

#### **2.6 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.

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3 TURNOVER

	2017	2016
	£	£
Subscription income	7,271,682	7,037,667
Other income	605,690	541,501
	<u>7,877,372</u>	<u>7,579,168</u>

Turnover is solely in respect of continuing activities undertaken in the United Kingdom and is stated net of value added tax. Other income includes £378,546 (2016: £0) of monies collected by LPSO Limited over and above the budget agreed by the Associations' Administrative Committee to meet the cost of enhancements to the Insurance Market Repository and contributions received amounting to £150,000 (2016: £250,000) from the Corporation of Lloyd's towards the costs of the Professional Management Group.

### 4 OPERATING PROFIT

	2017	2016
	£	£
Operating profit is stated after charging:-		
Depreciation of tangible fixed assets	15,962	20,421
Operating lease rentals on land and buildings	151,515	202,020
Contribution to the LMA Training & Education Trust Fund	-	75,000
Auditor's remuneration:-		
Audit of these financial statements	10,500	10,500
Other services relating to taxation	8,330	10,000
	<u>185,307</u>	<u>307,941</u>

In 2017, the company made a contribution to the LMA Training & Education Trust Fund of £NIL (2016: £75,000) for the funding of future training events and seminars.

### 5 STAFF NUMBERS AND COSTS

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

	2017	2016
	Number	Number
Administration	41	42
Director	1	1
	<u>42</u>	<u>43</u>

The aggregate payroll costs were as follows:

	2017	2016
	£	£
Wages and salaries	4,334,480	4,120,316
Social security costs	530,235	515,795
Other pension costs	396,589	449,020
	<u>5,261,304</u>	<u>5,085,131</u>

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6 REMUNERATION OF DIRECTORS

	2017	2016
	£	£
Director's emoluments	343,320	418,180

One of the directors in 2017 (2016: 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.

### 7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Interest on bank deposits	6,869	15,070

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2017	2016
	£	£
<b>Current tax</b>		
UK corporation tax	75,954	62,500
Total current tax (note 8 (b))	75,954	62,500
<b>Deferred tax</b>		
Origination and reversal of timing differences	(23,652)	(2,769)
Effect of tax rate change on Opening Balance	-	(745)
Total deferred tax	(23,652)	(3,514)
Tax on profit on ordinary activities	52,302	58,986

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

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

The tax assessed for the year is higher (2016: higher) than the small profits rate of corporation tax in the UK. The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>251,623</u>	<u>295,186</u>
At 19.25% (2016: 20.00%)	48,429	59,037
Fixed asset differences	268	
Expenses not deductible for tax purposes	479	205
Depreciation in excess of capital allowances	2,622	3,258
Short term timing differences	24,156	-
	<hr/>	<hr/>
Total current tax (note 8 (a))	<u>75,954</u>	<u>62,500</u>

### 9 TANGIBLE FIXED ASSETS

	Furniture and fittings £	Computer and office equipment £	Equipment held under finance leases £	Total £
<b>Cost</b>				
At 1 January 2017	354,956	210,703	27,822	593,481
Additions in year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	354,956	210,703	27,822	593,481
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2017	282,960	210,703	27,822	521,485
Charge for year	15,962	-	-	15,962
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	298,922	210,703	27,822	537,447
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2017	56,034	-	-	56,034
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	71,996	-	-	71,996
	<hr/>	<hr/>	<hr/>	<hr/>

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9 TANGIBLE FIXED ASSETS (continued)

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

	2017	2016
	£	£
Trade debtors	519,314	115,240
Other debtors	137,770	93,552
Prepayments and accrued income	73,530	292,929
	<u>730,614</u>	<u>501,721</u>

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

	2017	2016
	£	£
Other creditors (see note below)	1,068,160	988,510
Corporation tax	75,954	62,577
Other taxation and social security	503,749	603,968
	<u>1,647,863</u>	<u>1,655,055</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, £119,308 (2016: £89,269) was drawn from this fund to pay for further enhancements to the Electronic Claims Files (ECF) system. The balance of £776,137 at 31 December 2017 (2016: £895,445) is included in other creditors.

Included within Other creditors, is an amount of £148,373 (2016: £93,065) due to the LMA Training & Education Trust 2006 (T&ET). 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)

### 12 DEFERRED TAXATION

	2017	2016
	£	£
At 1 January	(9,896)	(13,410)
Credit/(debit) to profit and loss for the year	23,652	3,514
	<hr/>	<hr/>
At 31 December	13,756	(9,896)
	<hr/>	<hr/>

### 13 PROFIT AND LOSS ACCOUNT

	2017	2016
	£	£
At 1 January	1,496,532	1,260,332
Profit for the financial year	199,321	236,200
	<hr/>	<hr/>
At 31 December	1,695,853	1,496,532
	<hr/>	<hr/>

### 14 OPERATING LEASE COMMITMENTS

Commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2017	2016
	£	£
Within one year	=	<u>151,515</u>
Between one and five years	=	=

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

### 15 RELATED PARTY TRANSACTIONS

There were no related party transactions during 2017 outside the company's normal course of business.

# LLOYD'S MARKET ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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.

#### London Market Operations and Strategic Sourcing Limited

The company is a subscriber to London Market Operations and Strategic Sourcing Limited (LMOSS), a company limited by guarantee, which was incorporated on 7 March 2018. LMOSS is a shared venture with the International Underwriters' Association and the Corporation of Lloyd's. Its purpose is to create a centralised capability to manage the sourcing life-cycle of a number of Market Services supplied by third party technology and business process service firms. 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.