



# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED  
31 DECEMBER 2016



REGISTERED NUMBER: 2571285

# LLOYD'S MARKET ASSOCIATION

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2016

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## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Neil Maidment (Chairman)  
David Gittings (Chief Executive)  
Rupert Atkin (Resigned 18 May 2016)  
Simon Beale (Resigned 1 February 2016)  
Andrew Brooks  
Jonathan Butcher (Appointed 18 May 2016)  
James Dover (Appointed 18 May 2016)  
Stephen Eccles  
Richard Harries  
Lawrence Holder  
Paul Lawrence  
Richard Lewis (Resigned 21 March 2016)  
Andrew McKee (Appointed 18 May 2016)  
Andrew McMellin (Resigned 31 December 2016)  
Matthew Moore  
Colin O'Farrell  
Matthew Shaw  
Bob Stuchbery (Resigned 18 May 2016)  
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

### **AUDITORS**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## CHAIRMAN'S STATEMENT

During the past year, the LMA has continued to provide technical support to the underwriting community against the background of increasingly challenging market conditions, to work on behalf of our members with the Corporation to resolve some of the issues facing Lloyd's and in particular to influence the course of modernisation initiatives.

It is an honour to be chairing a Board of insurance industry leaders who offer a broad range of expertise and represent almost 60% (over £17bn) of overall market capacity. The Board was consulted by Lloyd's on a wide range of issues, including their 2017 budget and long-term strategy.

In the past 12 months LMA and Lloyd's have also continued to progress the OASIS initiative. A deal was secured with US Hurricane model provider Applied Research Associates (ARA) to make available their Hurloss model. Ten managing agents have signed up to access it via the OASIS platform, ahead of the platform and models eventually becoming available to the global insurance market. The realisation of OASIS exposure management and catastrophe modelling solutions on a shared services basis will deliver important tangible benefits to LMA's members.

Key to the market's modernisation agenda is the electronic placement solution PPL, which went live in July of last year. We are in a strong position in that the principle of electronic placement is now supported by carriers and brokers alike and that PPL presents us with a once-in-a-generation opportunity to deliver a solution.

In relation to Brexit, the LMA worked with Lloyd's to determine the most operationally and cost efficient location for the market to maintain access to business in EU countries post-Brexit. Lloyd's has now announced Brussels as the location of the subsidiary company. The LMA is also represented on the London Market Group (LMG) working party to provide input to the UK's negotiating objectives for withdrawal from the EU.

While focus around retaining business in the EU post-Brexit is important, we must not allow this to distract us from the wider promotion of Lloyd's as the world's leading insurance and reinsurance market. The LMA continues to support the LMG's agenda of marketing London internationally as the largest global hub for commercial and specialty risk and selling it's ability to deliver solutions for risks in almost every territory around the world.

I would like to thank David Gittings and the LMA executive, my fellow Board members and the 2,000 market practitioners who volunteer their invaluable time and provide a unique breadth and depth of expertise to support the LMA's wide range of committees, panels and working groups.

Neil Maidment, Chairman  
20 April 2017

## CHIEF EXECUTIVE'S REPORT

The LMA's main priority over the past 12 months has been to deliver tangible benefits to its members from a range of existing initiatives, including supporting the electronic placing platform (PPL) and the OASIS catastrophe loss modelling platform. Reviewing the Lloyd's business planning timetable, Lloyd's budgets for 2017, Lloyd's long term strategy and their plans for Brexit also featured prominently, as did regulation and supporting the LMA Academy (the LMA's learning and development arm).

The LMA undertook a survey of all managing agents to gather a collective market view of the Lloyd's 2016 Capital and Business Planning process, along with suggested areas for improvement. We submitted a 10 point synopsis of the key messages to Lloyd's PMD and we are pleased that they have responded positively.

A key initiative of TOM, and one of the most significant opportunities for the market in recent years, is the roll-out of PPL. It presents a once-in-a-generation opportunity to modernise the way risks are placed at Lloyd's and we are working hard with the market to give it every opportunity to succeed.

In addition, the LMA's technical teams, with the support of its various committees and panels, dealt with a substantial number of other market issues. These are summarised below.

### Underwriting and Claims

Regarding the Insurance Act 2015, the LMA reviewed all wordings and clauses in the Lloyd's Wordings repository affected by the Act. We also published a suite of eight model 'Enterprise Act' clauses relating to damages for late payment of claims, along with accompanying Guidance. In 2016, 244 new sets of wordings were published.

Cyber remains one of the most complex and critical risks handled at Lloyd's. LMA contributed to Lloyd's technical class of business review and approach to cyber-attack scenarios.

Regarding delegated underwriting, the LMA has been engaging with a number of stakeholders, including the MGAA and Lloyd's, to examine how market access and efficiencies can be improved for coverholders. This will form an important part of promoting the London market as an attractive place for delegated authority business.

The LMA, IUA, LIIBA and Lloyd's have now agreed a plan to deliver a single claims agreement model, with work underway to build the necessary framework. The Single Claims Agreement model will drive improvements in both efficiency and customer service to London market claims handling.

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

The Claims team worked with the LMA Academy to deliver a tour for young claims practitioners to Dallas and Los Angeles. The team will continue to work with LIIBA, U35s and key stakeholders to ensure the U35 Claims Group provides a development platform for claims talent in the market.

### **Market operations and modernisation**

The TOM programme leads process modernisation in the London market. The LMA participates on the TOM Steering Board and continues to offer its technical expertise in shaping the TOM delivery.

Terrorism and FinPro classes were the first to use the PPL platform in 2016. Prior to go-live, the LMA organised a number of training workshops for underwriters to assist the roll-out. Marine went live in March of this year and a practitioner group has been created to represent the voice of marine underwriters.

Another project under the TOM is the Central Services Refresh Programme (CSRP). The LMA is providing input to the current phase of CSRP which is focused on developing back-office processes, free of any negative 'Londonisms' which may act as a disincentive for business to be brought to London.

The LMA is continuing to lead on negotiations with CSC on the market's core services agreements and CSC's role in providing those services in the future

### **The London Market Group**

Working with the LMG to deliver key aspects of its agenda remains a priority. We are represented on the LMG's Brexit working group, which continues to lobby for access to the single market through mutual market access arrangements and is seeking equivalence under Solvency II. It was recently announced that Lloyd's will be setting up a subsidiary company in Brussels, in advance of the UK's exit from the EU.

### **Legal and Compliance**

In October, the LMA and IUA published updated editions of their main Guide to the Insurance Act 2015 and Quick Reference Guide for Underwriters, which included the late payment of insurance claims provisions now enacted as part of the Enterprise Act 2016. The Enterprise Act 2016 will amend the Insurance Act 2015 by introducing a new

## CHIEF EXECUTIVE'S REPORT (continued)

statutory implied term that claims will be paid in a reasonable time. The new provisions take effect on 4 May 2017, a year after the Enterprise Act was passed.

In the third quarter of 2016, we set up a focus group to address the EU's new General Data Protection Regulation. The group includes the IUA, LIIBA, BIBA, ABI, BIPAR, managing agents, and insurer and broker representatives. The Focus Group is working to produce guidance for the market on how its participants can comply with relevant elements of the new regulation in an efficient and effective manner.

### Finance and Risk

The LMA continued to work with Lloyd's and OASIS in 2016 to deliver some major breakthroughs in the development of exposure management and catastrophe modelling solutions for the market on a shared services basis and we are now in a position where our members can derive tangible benefits from the platform. A deal was secured with US Hurricane model provider Applied Research Associates (ARA) to make available their Hurloss model. Ten managing agents have signed up to access this model via the OASIS platform.

In late 2016, the LMA's Chief Risk Officers' Committee published guidance on Own Risk & Solvency Assessment (ORSA) reports. The LMA's guide examines how these reports can be structured in a way that will provide Board members with high-level information to inform risk and capital discussions and decisions, and also provide the level of detail required by the regulator.

We also published guidance on uncertainty in CAT models. As the sophistication of catastrophe models grows, so does the level of uncertainty inherent in the models. This guide provides an invaluable tool for LMA members and the insurance market generally in understanding this uncertainty.

We supported and part-funded a Hiscox-led exercise that asked "How would the world's pre-eminent insurance market respond in a worst-case scenario catastrophe?". The resulting White Paper provided insights following a unique industry-led 'dry run' simulation of a US\$200bn catastrophic loss event.

## CHIEF EXECUTIVE'S REPORT (continued)

### LMA Academy

2016 was another busy year for the LMA Academy. We received more than 8,000 registrations for the 59 masterclasses and programmes we ran, which was a 15% increase on 2015. There continues to be a huge appetite for technical insurance training in the Lloyd's market, which the LMA Academy continues to lead the way in satisfying.

The Academy also worked in partnership with Lloyd's to deliver Learning Week 2016 - a combination of learning and development sessions including personal development, leadership/management and technical training. The initiative achieved a high level of market participation, with over 2,000 individuals attending events. We will be partnering with Lloyd's again to deliver Learning Week 2017.

The LMA Academy was shortlisted for the 'Investing in the Profession' Award at the 2016 British Insurance Awards. We plan to enter again this year. All LMA Foundation Programmes and Masterclasses continue to be CII accredited.

My thanks go to all market practitioners and advisers who sit on the Board, 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  
20 April 2017



## **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 31 December 2016 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 2016, the company made a profit after taxation of £236,200 (2015: profit £315,327). The company's budget for 2016 was prepared to generate a small surplus after tax. In the event, the surplus was greater than expected largely due to employment costs being less than budget for the year.

The company's net current assets at 31 December 2016 of £1,424,536 (2015: £1,169,193) represent 20% (2015: 17%) of budgeted outgoings in 2017.

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 2016 and 2017.

### **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.

## **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. 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  
20 April 2017

## 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.

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

# 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 2016 set out on pages 12 to 21. 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](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

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

### 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.

### 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

20 April 2017

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
TURNOVER	3	7,579,168	7,289,982
Administrative and operating expenses		(7,299,052)	(6,949,825)
OPERATING PROFIT	4	280,116	340,157
Interest receivable and similar income	7	15,070	14,185
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		295,186	354,342
Tax on profit on ordinary activities	8	(58,986)	(39,015)
PROFIT FOR THE FINANCIAL YEAR	13	236,200	315,327

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 21 form part of the financial statements.

## BALANCE SHEET AS AT 31 DECEMBER 2016

		2016 £	2016 £	2015 £	2015 £
<b>FIXED ASSETS</b>					
Tangible assets	9		71,996		91,139
<b>CURRENT ASSETS</b>					
Debtors	10	501,721		495,230	
Cash at bank and in hand		3,158,345		2,581,152	
		<u>3,660,067</u>		<u>3,076,382</u>	
<b>CREDITORS: Amounts falling due within one year</b>					
	11	(1,655,055)		(1,475,839)	
Accruals and deferred income		(570,580)		(417,940)	
Deferred taxation	12	(9,896)		(13,410)	
		<u>(2,235,531)</u>		<u>(1,907,189)</u>	
<b>NET CURRENT ASSETS</b>			<u>1,424,536</u>		<u>1,169,193</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,496,532</u>		<u>1,260,332</u>
<b>CAPITAL AND RESERVES</b>					
Profit and loss account	13		<u>1,496,532</u>		<u>1,260,332</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 20 April 2017 and were signed on its behalf by:

Neil Maidment  
Chairman

The notes on pages 14 to 21 form part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2016

### 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 2016 and the comparative information presented in these financial statements for the year ended 31 December 2015.

#### 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

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.



## **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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3 TURNOVER

	2016	2015
	£	£
Subscription income	7,037,667	6,654,998
Other income	541,501	634,984
	<u>7,579,168</u>	<u>7,289,982</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 contributions received amounting to £250,568 (2015: £402,500) from the Corporation of Lloyd's towards the costs of the Professional Management Group.

### 4 OPERATING PROFIT

	2016	2015
	£	£
Operating profit is stated after charging:-		
Depreciation of tangible fixed assets	20,421	20,202
Operating lease rentals on land and buildings	202,020	202,020
Contribution to the LMA Training & Education Trust Fund	75,000	-
Auditor's remuneration:-		
Audit of these financial statements	10,500	13,000
Other services relating to taxation	10,000	10,000
	<u>227,941</u>	<u>245,222</u>

In 2016, the company made a contribution the LMA Training & Education Trust Fund of £75,000 (2015: £nil) for the funding of future events and seminars to be organised by the trust. These events will be for the benefit of, and open to, all members.

### 5 STAFF NUMBERS AND COSTS

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

	2016	2015
	Number	Number
Administration	42	41
Director	1	1
	<u>43</u>	<u>42</u>

The aggregate payroll costs were as follows:

	2016	2015
	£	£
Wages and salaries	4,120,316	3,993,524
Social security costs	515,795	509,206
Other pension costs	449,020	413,522
	<u>5,085,131</u>	<u>4,916,252</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 REMUNERATION OF DIRECTORS

	2016 £	2015 £
Director's emoluments	418,180	407,700

One of the directors in 2016 (2015: 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

	2016 £	2015 £
Interest on bank deposits	15,070	14,185

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year:

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax	62,500	25,605
Total current tax (note 8 (b))	62,500	25,605
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,769)	13,410
Effect of tax rate change on Opening Balance	(745)	-
Total deferred tax	(3,514)	13,410
Tax on profit on ordinary activities	58,986	39,015

## 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 (2015: lower) than the small profits rate of corporation tax in the UK. The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>295,186</u>	<u>354,342</u>
At 20.00% (2015: 20.00%)	59,037	70,868
Expenses not deductible for tax purposes	205	455
Depreciation in excess of capital allowances	3,258	1,684
Depreciation on items ineligible for capital allowances	-	39
Brought forward losses utilised in year	-	(47,441)
	<hr/>	<hr/>
Total current tax (note 8 (a))	<u>62,500</u>	<u>25,605</u>

### 9 TANGIBLE FIXED ASSETS

	Furniture and fittings £	Computer and office equipment £	Equipment held under finance leases £	Total £
<b>Cost</b>				
At 1 January 2016	353,678	210,703	27,822	592,203
Additions in year	1,278	-	-	1,278
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	354,956	210,703	27,822	593,481
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2016	262,539	210,703	27,822	501,064
Charge for year	20,421	-	-	20,421
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	282,960	210,703	27,822	521,485
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2016	71,996	-	-	71,996
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	91,139	-	-	91,139
	<hr/>	<hr/>	<hr/>	<hr/>

## 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.

Computer equipment and Office equipment has been depreciated in full.

### 10 DEBTORS - AMOUNTS DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade debtors	115,240	73,557
Corporation tax recoverable	-	13,518
Other debtors (see note below)	93,552	115,950
Prepayments and accrued income	292,929	292,205
	<u>501,721</u>	<u>495,230</u>

Included in other debtors, is an amount of NIL (2015: £22,008) 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

	2016	2015
	£	£
Other creditors (see note below)	988,510	984,714
Corporation tax	62,577	25,605
Other taxation and social security	603,968	465,520
	<u>1,655,055</u>	<u>1,475,839</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, £89,269 (2015: £24,166) was drawn from this fund to pay for further enhancements to the Electronic Claims Files (ECF) system. The balance of £895,445 at 31 December 2016 (2015: £984,714) is included in other creditors.

Included within Other creditors, is an amount of £93,065 (2015: NIL) due to the LMA Training & Education Trust 2006 (T&ET).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12 DEFERRED TAXATION

	2016 £	2015 £
At 1 January	13,410	-
(Credit)/debit to profit and loss for the year	(3,514)	13,410
	<hr/>	<hr/>
At 31 December	9,896	13,410
	<hr/> <hr/>	<hr/> <hr/>

### 13 PROFIT AND LOSS ACCOUNT

	2016 £	2015 £
At 1 January	1,260,332	945,005
Profit for the financial year	236,200	315,327
	<hr/>	<hr/>
At 31 December	1,496,532	1,260,332
	<hr/> <hr/>	<hr/> <hr/>

### 14 OPERATING LEASE COMMITMENTS

Commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2016 £	2015 £
Within one year	<u>151,515</u>	<u>202,020</u>
Between one and five years	=	<u>151,515</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 2016 outside the company's normal course of business.

## 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.

### 17 GUARANTEE

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