



Company Registration No. 02731799

U M Association Limited

Report and Financial Statements

31 July 2018



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U M Association Limited

Report and financial statements 2018

Officers and professional advisers

Directors

A Guest
P Cusition
H Punchihewa
M Davies
C Pike
J Lacey
S Holt
A Keeble

Company Secretary

H Nagra

Registered Office

5 St. Helen's Place
London
EC3A 6AB

Auditors

Moore Stephens LLP
Registered Auditors
London, United Kingdom

Bankers

Coutts & Co

Legal advisors

Simmons & Simmons

Strategic Report

Business Review

We continue to focus on providing bespoke protection and services to our members - something we have been doing since 1992, celebrating our 25-year anniversary during the year. Since 1992, we have dealt with over 23,000 claims and paid out over £200m. Our sole focus is to ensure that we have the right products and services to our members, and respond to their evolving and emerging needs.

Base rating was again maintained, demonstrating our ability to offer stable and consistent pricing to our members:

We have again this year seen significant growth in our income, and further growth in membership. During the year, we declared a rebate of 10% of general contributions and 5% of terrorism contributions. Since 1992, we have returned almost £30m of contributions to our members.

We have contained cost increases and the mutual continues to absorb the cost of Insurance Premium Tax costs, which have now increased to 12%. We believe it is only a matter of time before the level of this tax increases.

The Key operational risks facing the Association have been identified and are considered to be frequency of catastrophe claims, insurance market consolidation and regulatory changes together with investment volatility. They are being actively monitored and a robust risk management process is in place, which include maintaining a robust insurance protection programme with 'A' rated insurers, and close monitoring of the Association's diverse investment portfolio assisted by external advisors.

Members Contributions are the principal income to the Association and our strategy for targeted growth has resulted in significant increased income of 10% due to membership growth to £23.8m (2017: £21.6m).

The trend in the commercial insurance arena continues to be one of rising operating costs resulting in numbers as high as 40% of premiums received being consumed by operating costs and increasing broker commissions, while pressure on top line income increases. By contrast the total operating expense ratio of the mutual remains at 14%. This is a market leading metric and a clear demonstration of the value we deliver on behalf of our members

All of these benefits for our members and achievements of the mutual have been developed against a background of rising exposure, risks that are more complex and the rising costs of claims. However, claims continue to be contained within our retention with fewer large property claims this year

After returning £2.3m of contributions this year to members, member's funds have increased from £34.7m to £35.3m and net current assets have increased from £21.4m to £24.2m. Our cash and investments remain very strong at £58.9m (2017: £58.4m). This position continues to reflect the commitment to providing value to members whilst maintaining financial strength and stability.

At the end of 2017, our Chief Executive Susan Wilkinson retired having been with UMAL since its inception in 1992. On behalf of the members and directors, I want to formally recognise the contribution she has made over 25 years in establishing and maintaining the Mutual and leaving it in such a solid and secure position.

Her successor is Paul Cusition who joined us on 1st January. Paul has had a long career in the Commercial Insurance sector and after a period of transition and handover with Susan, he has already settled into his new role with extensive plans to improve still further the benefits to members and growing the membership.

U M Association Limited

Strategic Report (continued)

Key Performance Indicators	2018	2017
	£m	£m
Contributions receivable	23.5	21.2
Commissions	0.3	0.4
Administrative expenses	3.4	3.1
Operating deficit	(0.2)	(1.6)
Surplus/(deficit) for the year	0.6	(0.5)
Members' funds	35.3	34.7
Return to members	2.3	3.1
Investments, cash and short term deposits	58.9	58.4
Net current assets	24.2	21.4

Our investment strategy, guided by the investment committee and external advisers, continues to monitor returns that reflect the wider environment. The Association has a portfolio of investment assets designed to generate risk-controlled returns. Net positive cash flows over the period have allowed us to purchase further investments and to increase our short-term cash balances. In addition, positive movements in the market place contributed to overall unrealised market valuation gains on the Association's investments.

The Financial Statements consist of the Association, its subsidiary HMSL and its quasi-subsiary, Windward Insurance PCC Ltd – UMAL's Cell (I) registered in Guernsey.

Hasilwood Management Services Ltd (HMSL), our wholly owned subsidiary, provides a valuable service to the mutual and its members avoiding the need for members to engage external for-profit intermediaries. Income, in the form of commissions payable to HMSL by insurers in relation to insurance placements, has increased this year in-line with the expansion in UMAL member numbers. Included in this income are administration charges in respect of mutual management services provided to both UMAL and UMSR.

Windward Insurance PCC Ltd – UMAL's Cell (I) gives UMAL access to the (re) insurance markets and provides continuing cover as an integral part of UMAL's insurance placements.

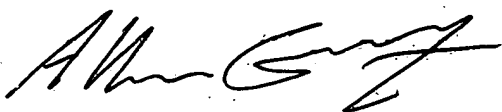
Technical excellence of staff is a key contributor to our on-going success and periodically elements of the skills sets are externally reviewed to ensure resources are appropriate as the business grows and develops.

We continue to demonstrate the value of the mutual to both existing and prospective members, most specifically the savings and benefits of mutual membership. Dialogue and discussion with the individual institutions and sector purchasing consortia offer promising opportunities for us in the coming indemnity years.

I am able to assure Members that, through the Board's annual reviews of its own effectiveness, governance and risk management issues are being addressed in an appropriate way. The Board's Governance Committees met regularly during the year.

The support of our Members who we thank for their loyalty and ongoing support remains a cornerstone of the mutual concept. The UMAL Directors and staff welcome this engagement with us to continue to build our market share based upon an overall 'best value' offering.

Approved by the Board of Directors and signed on behalf of the Board by



Allan Guest
Chairman

U M Association Limited

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 July 2018.

Status of the Company

U M Association Limited is a private company limited by guarantee registered under the Companies Act 2006. The registration number is 02731799.

Principal activity

The principal activity of the Association is the provision of discretionary indemnities on a mutual basis.

The principal activity of the Association's subsidiary, Hasilwood Management Services Limited, is that of an insurance intermediary and mutual management service provider.

The principal activity of the Association's quasi-subsiidiary, Windward Insurance PCC Limited - UMAL Cell (I), is that of the underwriting of general insurance for UMAL.

Likely future developments in the business of the group

The board seeks controlled and structured growth to preserve its high servicing levels and allow the mutual to respond to needs and opportunities that arise in this specialist changing sector.

Approaches to participate in the mutual are scrutinised and evaluated and are followed up where advantageous to both the mutual as a whole and existing members.

Events since the end of the financial year

There have been no significant events affecting the group which have occurred since the end of the financial year.

Business review

The results for the year and the state of the Group's affairs are set out in the attached financial statements.

Financial instruments

The Group activities give rise to trade debtors and trade creditors. The main risks identified with using these are the management of cash flow and exposure to interest rate fluctuations.

Directors

The Directors who served during the year and their attendance at Board meetings is given below. Directors are required to retire by rotation. None of the Directors had a personal interest in the Group during the year.

Name	Number of Board Meetings Attended	Possible number of Board Meeting Attendances
A Guest	5	5
P Cusition (Appointed 1 January 2018)	4	4
H Punchihewa	3	5
M Davies *	5	5
A Holmes (Resigned 31 October 2017)	1	1
C Pike	4	5
S Wilkinson (Resigned 31 December 2017)	1	1
J Lacey *	4	5
S Holt *	5	5
A Keeble *	5	5
J Bertolini (Resigned 4 May 2018)	0	4

* denotes member of the Audit Committee

U M Association Limited

Directors' Report (continued)

Directors Insurance

The Group maintains insurance policies on behalf of all its officers under Sections 232 and 233 of Chapter 7 of the Companies Act 2006 against liabilities in relation to the Association.

Going concern

After making inquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

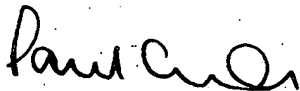
Independent Auditors

Moore Stephens LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Company Secretary

Harry Nagra served as company secretary during the year and to the date of this report.

Approved by the Board of Directors and signed on behalf of the Board:



Paul Cusition
Director

18 October 2018

U.M Association Limited

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, 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 the Directors have elected to prepare the financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (Issued in September 2015). 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 Group and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of U M Association Limited

Opinion

We have audited the financial statements of U M Association Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor's report to the members of U M Association Limited

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of U M Association Limited

Use of our report

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.



8 November 2018

Rupert Livingstone, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street

London

EC1A 4AB

U M Association Limited

Consolidated statement of comprehensive income and expenditure
Year ended 31 July 2018

	Notes	2018 £	2017 £
Turnover	2,3	23,810,352	21,574,515
Insurance related costs		(20,603,451)	(19,964,294)
Gross surplus		<u>3,206,901</u>	<u>1,610,221</u>
Administrative expenses		(3,405,607)	(3,183,453)
Operating (deficit)	4	<u>(198,706)</u>	<u>(1,573,232)</u>
Investment income	8	865,806	1,295,207
Surplus/(deficit) on ordinary activities before taxation		<u>667,100</u>	<u>(278,025)</u>
Tax on surplus/(deficit) on ordinary activities	9	(117,014)	(223,933)
Surplus/(deficit) on ordinary activities and total comprehensive income for the financial year		<u><u>550,086</u></u>	<u><u>(501,958)</u></u>

All amounts relate to continuing operations.

All comprehensive income is included in the statement of income above and is wholly attributable to the members.

The accompanying notes 1 to 22 form an integral part of these financial statements.

U M Association Limited

**Consolidated statement of financial position
Year ended 31 July 2018**

	Notes	2018 £	2017 £
Fixed assets			
Intangible fixed assets		-	1
Tangible fixed assets	10	264,228	17,130
Investments	11	21,666,021	21,461,366
Total fixed assets		21,930,249	21,478,497
Current assets			
Debtors	12	4,289,992	3,218,719
Cash at bank and short-term deposits	13	37,200,248	36,903,818
Total current assets		41,490,240	40,122,537
Creditors: amounts falling due within one year	14	(17,322,675)	(18,686,441)
Net current assets		24,167,565	21,436,096
Total assets less current liabilities		46,097,814	42,914,593
Provisions for liabilities			
Other provisions	15	(10,831,309)	(8,198,174)
Net assets		35,266,505	34,716,419
Reserves			
General closed years' reserves	16	94,420	94,420
General open years' reserves	16	35,172,085	34,621,999
Members' funds		35,266,505	34,716,419

The accompanying notes 1 to 22 form an integral part of these financial statements.

The financial statements of U M Association Limited, registered number 02731799 were approved by the Board of Directors and signed on its behalf on 18 October 2018.



Allan Guest
Director

18 October 2018

U M Association Limited


Company statement of financial position

As at 31 July 2018

	Notes	2018 £	2017 £
Fixed assets			
Investments	11	31,916,448	31,480,598
Current assets			
Debtors	12		
Amounts falling due within one year		11,430,024	9,831,606
Amounts falling due after one year		20,000	320,000
		11,450,024	10,151,606
Cash at bank and short term deposits	13	19,529,770	19,478,479
		30,979,794	29,630,085
Creditors: amounts falling due within one year	14	(17,740,253)	(18,443,481)
Net current assets		13,239,541	11,186,604
Total assets less current liabilities		45,155,989	42,667,202
Provisions for liabilities			
Other provisions	15	(9,986,523)	(8,030,651)
Net assets		35,169,466	34,636,551
Reserves			
General closed years' reserves	16	94,420	94,420
General open years' reserves	16	35,075,046	34,542,131
Members' funds		35,169,466	34,636,551

The accompanying notes 1 to 22 form an integral part of these financial statements.

The financial statements of U M Association Limited, registered number 02731799 were approved by the Board of Directors and signed on its behalf on 18 October 2018.



Allan Guest
Director

18 October 2018

Consolidated statement of cash flows
Year ended 31 July 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
(Loss) for the financial year		(198,706)	(1,573,232)
Adjustments for:			
Depreciation of tangible assets		62,929	34,749
(Increase)/decrease in trade and other debtors		(1,071,273)	1,750,014
(Decrease)/increase in trade and other creditors		(1,295,205)	1,766,708
Increase in provisions		2,633,135	298,742
(Revaluation)/impairment of investments		35,062	(400,116)
Cash from operations		165,942	1,876,865
Income tax paid		(185,574)	(169,351)
Net cash generated from operating activities		(19,632)	1,707,514
Cash flows from investing activities			
Purchase of fixed asset investments	11	(239,717)	(1,180,653)
Purchase of tangible assets	10	(311,192)	(17,836)
Disposal of fixed assets		1,165	-
Interest received	8	865,806	1,295,207
Net cash generated from investing activities		316,062	96,718
Net increase in cash and cash equivalents		296,430	1,804,232
Cash and cash equivalents at the beginning of the year		36,903,818	35,099,586
Cash and cash equivalents at the end of the year	13	37,200,248	36,903,818

The accompanying notes 1 to 22 form an integral part of these financial statements.

U M Association Limited

Statements of changes in equity Year ended 31 July 2018

Consolidated statement of changes in equity

	General closed year reserves £	General open year reserves £	Total £
At 1 August 2016	94,420	35,123,957	35,218,377
(Deficit) for the year	-	(501,958)	(501,958)
At 31 July 2017	94,420	34,621,999	34,716,419
Surplus for the year	-	550,086	550,086
At 31 July 2018	94,420	35,172,085	35,266,505

Company statement of changes in equity

	General closed year reserves £	General open year reserves £	Total £
At 1 August 2016	94,420	35,078,551	35,172,971
(Deficit) for the year	-	(536,420)	(536,420)
At 31 July 2017	94,420	34,542,131	34,636,551
Surplus for the year	-	532,915	532,915
At 31 July 2018	94,420	35,075,046	35,169,466

The accompanying notes 1 to 22 form an integral part of these financial statements.

Notes to the financial statements

Year ended 31 July 2018

1. General Information

The Association is a United Kingdom private company limited by guarantee and is both incorporated and domiciled in England and Wales, registration number 02731799. Its registered office address is 5 St. Helen's Place, London, EC3A 6AB.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. These policies have been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principle accounting policies that have been applied consistently by the Association to all periods presented in these financial statements are set out below.

Basis of consolidation

The consolidated statement of comprehensive income and expenditure and consolidated statement of financial position include the financial statements of the Association and its subsidiaries, including its quasi-subsiary undertaking Windward Insurance PCC Limited - UMAL Cell (I), "the Cell", made up to 31 July 2018. Intra-group transactions are eliminated fully on consolidation.

The Association has taken advantage of the exemptions contained within section 408 of the Companies Act 2006 not to present its own statement of comprehensive income and expenditure.

Going concern

After reviewing the Association's forecasts and projections, the Directors have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

Turnover represents contributions from members relating to the year, and the value of services supplied by the group net of value added tax, and commission from insurers. Contributions from members is recognised by reference to the period to which the contribution relates. For annual contributions this is generally the same as the financial year. Turnover from the rendering of services is recognised on inception of the contract.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write-off the cost of the fixed asset, less their estimated residual value, over their expected useful lives on the following annual bases:

Leasehold land and buildings	- Over the life of the lease
Computer hardware	- 33% straight line
Fixture, fittings and equipment	- 25% straight line
Computer software	- 50% straight line

Investments

Investments in Group undertakings are stated at cost less provision for diminution in value. Other long term investments are carried at fair value through profit and loss using quoted market prices at the reporting date.

Notes to the financial statements

Year ended 31 July 2018

2. Significant accounting policies (continued)

Pensions

The Association operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Association to the fund in respect of the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Reserve fund

The transfer to or from the reserve fund is determined using the funds basis of accounting. Under the funds basis, contributions net of excess insurance, claims, expenses, investment income and taxation for each open year are allocated to each indemnity year beginning 1 August, the results of which are determined when the indemnity year is closed. Indemnity years are closed at the discretion of the board. Deficiencies on open years and movements on closed indemnity years are accounted for as soon as they are anticipated.

Claims provisions

Claims are recognised upon notification at the approval of the Board. Provision is also included for incurred but not reported claims at the year end at the discretion of the Board. Details of the provision are included at note 16.

The level of the incurred but not reported claims provision at the statement of financial position date has been established on the basis of information which is currently available to the Association, including the costs of settling known claims. The Association takes all reasonable steps to ensure it has appropriate information regarding potential claims exposure. Whilst the Board is of the opinion that the required level of provisioning is fairly stated at the statement of financial position date, due to the inherent uncertainty in estimating claims provisions, it is likely that the final outcome will prove to be different from the original liability estimated. Accordingly, a degree of caution is exercised when estimating the level of claims provision required where uncertainty exists.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

Critical accounting judgements and key sources of estimation uncertainty

Presentation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include valuation of investments and claims provisions, both described above.

Financial assets – classified as basic financial instruments

Trade and other debtors

Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount of the amount expected to be receivable, net of any impairment.

Notes to the financial statements

Year ended 31 July 2018

2. Significant accounting policies (continued)

At the end of each reporting year, the Association assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments

Trade and other creditors

Trade and other creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

3. Turnover

	2018	2017
	£	£
Contributions from members	23,477,406	21,205,647
Commissions	332,946	368,868
	<u>23,810,352</u>	<u>21,574,515</u>

The total turnover of the Group for the year has been derived from its principal activities undertaken in the United Kingdom.

4. Surplus/(deficit) on ordinary activities before taxation

	2018	2017
	£	£
The surplus/(deficit) on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets owned by the group	62,929	34,749
Auditor's remuneration	57,858	99,120
Pension costs	81,947	82,833
Operating lease rentals – land and buildings	<u>291,394</u>	<u>216,569</u>

U M Association Limited

Notes to the financial statements Year ended 31 July 2018

4. Surplus/(deficit) on ordinary activities before taxation (continued)

	2018 £	2017 £
Auditor's remuneration comprised:		
Fees payable for the audit of the Association's annual accounts	42,351	47,590
Tax compliance services	9,257	6,890
Other non audit services	6,250	44,640
	<u>57,858</u>	<u>99,120</u>

5. Leasing Commitments

The future minimum lease payments under operating leases are as follows:

Land and Buildings	2018 £	2017 £
Within one year	221,145	248,255
In two to five years	884,580	883,777
In over five years	<u>867,010</u>	<u>1,086,309</u>

6. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	1,482,616	1,364,058
Social security costs	188,027	178,243
Other pension costs	81,947	82,833
	<u>1,752,590</u>	<u>1,625,134</u>

The average monthly number of employees, including the executive director, during the year was as follows:

	2018 No.	2017 No.
Claims	5	5
Finance	3	3
Administration	5	4
Non Claims	5	5
	<u>18</u>	<u>17</u>

7. Directors' remuneration

	2018 £	2017 £
Emoluments	<u>529,300</u>	<u>482,407</u>
Pension contributions to money purchase pension schemes	<u>-</u>	<u>-</u>

Notes to the financial statements
Year ended 31 July 2018

7. Directors' remuneration (continued)

During the year there were no retirement benefits accruing to any of the directors (2017: none) in respect of money purchase pension schemes.

The highest paid director received remuneration of £206,667 (2017: £329,750).

Included within emoluments above are amounts paid to employing institutions for directors' services of £23,325 (2017: £33,947).

The above amounts include sums paid in respect of both executive and non-executive directors' services.

8. Investment income

	2018	2017
	£	£
Bank and deposit interest	14,711	17,501
Other investment income	831,762	827,992
Change in fair value of investments	19,333	449,714
	<u>865,806</u>	<u>1,295,207</u>

9. Taxation

	2018	2017
	£	£
UK corporation tax charge for the year	<u>117,014</u>	<u>223,933</u>

Factors affecting the tax charge for the year

The tax is assessed for the year at 19.0% (2017: 19.7%)

	2018	2017
	£	£
Group surplus/(deficit) on ordinary activities before tax	<u>667,100</u>	<u>(278,025)</u>
Surplus/(deficit) at the Association's tax rate 19.0% (2017: 19.7%)	126,748	(54,676)
Non taxable mutual operations	4,801	274,053
Capital allowances in excess of depreciation	(21,560)	3,326
Adjustment for disallowable fees	704	1,040
Loss relief	20,238	-
Adjustments to tax charge in respect of previous periods	<u>(13,917)</u>	<u>190</u>
Current tax charge	<u>117,014</u>	<u>223,933</u>

In accordance with accounting standards, no deferred tax is recognised on the unremitted surplus of the quasi-subsidiary as detailed in note 12 to the financial statements.

Notes to the financial statements
Year ended 31 July 2018

10. Tangible fixed assets

Group	Leasehold land and buildings £	Computer hardware £	Fixtures, fittings and equipment £	Computer software £	Total £
Cost					
At 1 August 2017	14,421	53,954	6,163	16,832	91,370
Additions	198,872	11,774	100,546	-	311,192
Disposals	(14,421)	-	(2,727)	-	(17,148)
At 31 July 2018	198,872	65,728	103,982	16,832	385,414
Accumulated depreciation					
At 1 August 2017	14,421	44,231	4,471	11,117	74,240
Disposals	(14,421)	-	(1,562)	-	(15,983)
Charge for period	19,888	11,875	25,451	5,715	62,929
At 31 July 2018	19,888	56,106	28,360	16,832	121,186
Net book value					
At 31 July 2018	178,984	9,622	75,622	-	264,228
At 31 July 2017	-	9,723	1,692	5,715	17,130

11. Fixed asset investments

Total fixed asset investments comprise:

	Group		Association	
	2018 £	2017 £	2018 £	2017 £
Interests in subsidiaries	-	-	10,250,427	10,019,232
Other fixed asset investments	21,666,021	21,461,366	21,666,021	21,461,366
	21,666,021	21,461,366	31,916,448	31,480,598

Interests in subsidiaries

	Country	Percentage shareholding	Description
Hasilwood Management Services Limited 400,000 ordinary shares of £1 (2017 – 100 shares)	United Kingdom	100%	Insurance intermediary
Windward Insurance PCC Limited – UMAL Cell (I) (incorporated in Guernsey) 5 (2017:5) cellular shares of £1	Guernsey	100%	Provision of Insurance

The Association's rights to participate in Windward Insurance PCC Limited – UMAL Cell(I) are limited to the activity of the Cell only.

U M Association Limited

Notes to the financial statements Year ended 31 July 2018

11. Fixed asset investments (continued)

Windward Insurance PCC Limited has a financial year end of 31 March. UMAL Cell (I) is an individual cell within Windward Insurance PCC Limited and therefore it is not practicable for the financial year end of this cell to coincide with that of the Association. The results of UMAL Cell (I) which are consolidated into these financial statements are based on management accounts prepared for the twelve months to 31 July 2018.

Group:		Long- term deposits & investments £	Total £
Cost			
At 1 August 2017		20,850,259	20,850,259
Additions		239,717	239,717
At 31 July 2018		21,089,976	21,089,976
Valuation adjustment			
At 1 August 2017		611,107	611,107
Movement in valuation in year		(35,062)	(35,062)
At 31 July 2018		576,045	576,045
Net book amount at 31 July 2018		21,666,021	21,666,021
Net book amount at 31 July 2017		21,461,366	21,461,366

Association	Shares in subsidiary undertakings £	Long-term deposits & investments £	Total £
Cost			
At 1 August 2017	19,100,100	20,850,259	39,950,359
Additions	399,900	239,717	639,617
At 31 July 2018	19,500,000	21,089,976	40,589,976
Valuation adjustment			
At 1 August 2017	(9,080,868)	611,107	(8,469,761)
Movement in cost/valuation in year	(168,705)	(35,062)	(203,767)
At 31 July 2018	(9,249,573)	576,045	(8,673,528)
Net book value			
At 31 July 2018	10,250,427	21,666,021	31,916,448
At 31 July 2017	10,019,232	21,461,366	31,480,598

Long term deposits and investments comprise holdings in publicly traded investment funds and are valued at quoted market prices at the reporting date.

Notes to the financial statements
Year ended 31 July 2018

12. Debtors

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Due within one year				
Trade debtors	120,312	102,304	57,229	13,205
Amounts owed by group undertakings	-	-	7,082,106	6,910,126
Other debtors	1,047,675	1,069,609	998,051	1,042,471
Social security and other taxes	5,211	-	-	-
Corporation tax	15,712	-	-	-
Prepayments and accrued income	3,101,082	2,046,806	3,312,638	2,185,804
	<u>4,289,992</u>	<u>3,218,719</u>	<u>11,450,024</u>	<u>10,151,606</u>

	Association	
	2018	2017
	£	£
Amounts falling due after more than one year included above are:		
Amounts owed by group undertakings	<u>20,000</u>	<u>320,000</u>

13. Cash and cash equivalents

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Balances with banks	1,881,482	7,842,462	1,068,273	7,077,304
Short term Cash funds	<u>35,318,766</u>	<u>29,061,356</u>	<u>18,461,497</u>	<u>12,401,175</u>
	<u>37,200,248</u>	<u>36,903,818</u>	<u>19,529,770</u>	<u>19,478,479</u>

At 31 July 2018, the Group had £250,000 (2017: £6,440,000) on deposit, access to which is restricted in accordance with the terms attaching to irrevocable standby letters of credit in favour of QBE Insurance (Europe) Limited. At 31 July 2018 the Group had a further deposit of £3,000,000 in a Security Interest Agreement in favour of QBE Insurance (Europe) Limited, which was increased to £6,500,000 on 1 August 2018.

14. Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	14,039,665	14,882,459	14,630,160	14,693,978
Corporation tax	67,751	136,311	67,751	122,394
Amounts due to group undertakings	-	-	104,459	98,107
Social security and other taxes	102,134	85,188	102,134	83,651
Other creditors	2,583,812	2,918,827	2,477,619	2,845,538
Accruals and deferred income	<u>529,313</u>	<u>663,656</u>	<u>358,130</u>	<u>599,813</u>
	<u>17,322,675</u>	<u>18,686,441</u>	<u>17,740,253</u>	<u>18,443,481</u>

Trade creditors comprise claims case estimates which have been notified but which were not settled at the year end.

Notes to the financial statements
Year ended 31 July 2018

15. Provisions

Group	IBNR £	Dilapidations £	Total £
At 1 August 2017	8,106,190	91,984	8,198,174
Provisions charged during the year	3,818,870	12,369	3,831,239
Utilised/released during the year	(1,106,120)	(91,984)	(1,198,104)
At 31 July 2018	<u>10,818,940</u>	<u>12,369</u>	<u>10,831,309</u>
Association	IBNR £	Dilapidations £	Total £
At 1 August 2017	7,946,462	84,187	8,030,649
Provisions charged during the year	3,818,870	11,321	3,830,191
Utilised/released during the year	(1,790,130)	(84,187)	(1,874,317)
At 31 July 2018	<u>9,975,202</u>	<u>11,321</u>	<u>9,986,523</u>

The IBNR provision is in respect of claims incurred but not reported.

The dilapidation provision utilised was in respect of leasehold premises at Hasilwood House, 60 Bishopsgate, London, the lease for which terminated shortly after the start of the year. Further provisions are now being made on the new leasehold premises at 5 St Helen's Place, London.

16. Reserves

General closed year reserves represent reserves in respect of those years for which the indemnity year is closed.

General open year reserves represent reserves for all open indemnity years.

The cumulative surplus after tax on the Part 1(B) Terrorism included in above reserves is £7,310,341.

17. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £81,947 (2017: £82,833).

18. Company status and members' limited liability

U M Association Limited is a private Association limited by guarantee. In accordance with the Association's Articles of Association, each member's liability in the event of the Association being wound up is restricted to no more than £100.

19. Related party transactions

The Association has no share capital and is controlled by the members who are also the receivers of discretionary indemnity. The resulting transactions are consequently deemed to be between related parties but these are the only transactions between the Association and the members.

The Board is made up of 8 directors, 6 of whom represent the members of the Association. There is 1 executive director. Other than those transactions with directors set out in note 7, and those relating to the provision of discretionary indemnity, there are no other transactions or balances that require disclosure.

20. Related party transactions (continued)

At 31 July 2017 there was a loan in place to Hasilwood Management Services Limited of £300,000 repayable within 5 years (2016: £Nil). On 21 December 2017 shares in Hasilwood Management Services Limited with an aggregate nominal value of £399,900 were acquired in return for the settlement of the 5 year loan of £300,000, settlement of a further loan of £39,900 plus £60,000 in cash.

At 31 July 2018 there was a subordinated loan in place to Hasilwood Management Services Limited of £20,000 (2017: £20,000).

The Association receives a guarantee from U. M. Association (Special Risks) Limited ("UMSR") to meet liabilities which the Association may incur in respect of terrorism covers provided to its members. The value of the guarantee shall not exceed £2.5 million in any indemnity year. UMSR is considered to be a related party.

The Association acts as a guarantor of Hasilwood Management Services Ltd. ("HMSL", a wholly owned subsidiary) in respect of an operating lease entered into by HMSL in relation to the premises occupied by both companies. The guarantee covers the leasing commitments (see note 5 above) together with associated costs such as service charges.

21. Control

Control is vested in the individual members of the Association. No individual member has overall control.

22. Financial risks

Credit risk

The financial instrument which most crucially subjects the Association to credit risk is bank balances. The Association manages this risk by maintaining investment practices that restrict placement of bank balances and investments solely to financial institutions considered to be secure and creditworthy. In addition, there is a risk that third party debtors do not settle amounts due. The Association seeks to minimise this risk by maintaining robust credit control and collection practices.

Liquidity risk

The Association manages its cash closely to ensure it has sufficient liquid resources to finance operations on a day to day basis. Projected future cash requirements are closely monitored and banks used by the Association to hold cash periodically reviewed.

Interest rate risk

The Association's operations are subject to the risk of interest rate fluctuations on interest bearing cash deposits. The Association seeks to mitigate this risk by constantly reviewing its investment strategy.

Insurances

The Association considers that it carries sufficient insurance cover to mitigate most losses it might reasonably encounter in the course of business or claims likely to be brought against it. However, the Directors are mindful of the fact that no insurance cover can ever be purchased that will offer complete protection against all possible claims that might arise.