Liberty Managing Agency Limited

Annual Report and Financial Statements

31 December 2019

Registered number 3003606

Contents

Directors and Administration

Directors

Keith Nicholson	Chairman & Independent Non-Executive Director
Matthew Moore	President & Managing Director
Philip Hobbs	Deputy Managing Director
Nigel Davenport	Group Non-Executive Director
Graham Brady	Executive Director
Jane Warren	Executive Director
Steven McMurray	Executive Director
Christopher Hanks	Independent Non-Executive Director
Richard Reid	Independent Non-Executive Director

Company Secretary

Gina Tighe

Registered Office

20 Fenchurch Street
London
EC3M 3AW

Company Registration Number

3003606

Registered Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Strategic Report

The Directors present the Strategic Report for the year ended 31 December 2019.

Review of the Business

Principal Activities

Liberty Managing Agency Limited is a limited liability company incorporated in England. The principal activity of Liberty Managing Agency Limited ('The Agency' or 'Managing Agent') is acting as a Lloyd's managing agent for Liberty Syndicate 4472 ('the Syndicate'). The Managing Agent charges a fee, and where appropriate, a profit commission, to the Member of the Syndicate in respect of its role as managing agent.

The Agency, in its capacity as a Lloyd's managing agent, incurred expenses in connection with management and administration services provided to associated entities during the year. It recharged these expenses, along with a management fee to the Syndicate, to Liberty Specialty Services Limited ('LSSL'), which is a coverholder for the Syndicate and other related companies.

It is wholly owned by Liberty Mutual Group Incorporated, a diversified global insurer. The group offers a wide range of insurance products and services to meet the needs of individuals, families and businesses through strategic business units ("SBU") and operating units. The Company is part of the Liberty Specialty Markets ('LSM') operating unit, which is part of the Global Risk Solutions business unit ('GRS').

Key Financial Indicators

The key financial and other performance indicators during the year were as follows:

	2019 $000	**2018 $000**
Profit before taxation for the year	15,188	7,103
Minimum net assets surplus (per Lloyd's requirements)	37,302	34,359
Net current assets surplus (per Lloyd's requirements)	27,621	4,588

	2019 $000	**2018 $000**
Turnover: expenses recharged	19,632	18,712
Turnover: managing agent's fee	16,206	20,807

Turnover decreased by $3.7m in the current year. This was primarily due to a reduction in the Managing agent's fees from 2% to 1% with effect from the 2018 year of account, resulting in a $4.6m decrease which was offset by an increase in recharges to LSSL

Profit before tax has increased by $8.1m in the current year. This increase is primarily due to a reduction in administrative expenses driven by the transfer of the German Branch to Liberty Specialty Markets Europe S.a.r.l. ('LSME') and a revised LSM expense allocation model, following recent organisational changes. The Agency continues to meet Lloyd's solvency requirements for managing agents.

Strategic Report (continued)

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Agency arise from two sources:

1. The Agency is dependent on other members of the group, principally the Syndicate, for its turnover in terms of the management fee and the reimbursement of recharged expenses. As such, risks that are inherent to the operation of other group members also impact the Agency. These are outlined in the financial statements of each entity, copies of which can be obtained from the registered office of this Agency.
2. Risks resulting from its own activities. The activities of the Agency itself give rise to certain risks which are outlined below.

The principal risks and uncertainties facing the Agency are grouped as intrinsic, operational or other risks. Intrinsic risk incorporates the principal risks faced by the Agency and includes market risk, credit risk and liquidity risk. Other risk includes group risk and strategic risk.

The objective of the Agency's risk management activities is to enable it to engage with risks in a controlled fashion that is consistent with the Board's appetite and its available capital capacity while retaining the ability to implement its long term business plans.

Intrinsic Risk

Credit Risk

Credit risk is the risk of financial change in value due to actual credit losses deviating from expected credit losses due to the failure of another party to meet its contractual debt obligations. The principal source of credit risk arises from the inability of counterparties to meet their contractual obligations if they become due.

Credit risk is mitigated through controls encompassing due diligence and continued monitoring to ensure the appropriate selection of counterparties and Board risk appetites to prevent inappropriate credit risk concentrations.

Liquidity Risk

Liquidity risk is the probability of loss arising from situations where the Agency either has insufficient cash to meet its financial obligations or is required to sell assets below their fair value to meet cash demands.

Liquidity risk is mitigated through the use of asset-liability modelling and through the maintenance of a diversified and appropriately liquid portfolio of assets.

Market Risk

Market risk is the risk of fluctuations in net asset value due to the volatility or level of financial variables impacting primarily the value of fixed income securities and private equity funds and other assets and liabilities. The principal causes of market risk for the Company is Currency risk, the risk of fluctuations in net asset value due to changes in the level and volatility of currency exchange rates and mismatches between the assets and liabilities principally on inter-company accounts.

Operational Risk

Operational risk is the risk of loss to the Agency resulting from the inadequate or failed internal processes, people and systems, or from external events. Operational risk is mitigated through the use of the three lines of defence model in conjunction with a system of documented, monitored and tested internal controls.

Strategic Report (continued)

Other Risks

Group Risk

Group risk is the risk of loss to the Agency arising from its membership of both Liberty Mutual Group and Liberty Specialty Markets.

Group risk is mitigated through the monitoring of Liberty Mutual Group's financial strength and business strategy developments. In addition, the chairman of any committee reviewing risk information ensures that due attention is given to each legal entity within Liberty Specialty Markets, even in times of stress to one entity.

Strategic Risk

Strategic risk is the risk of loss to the Agency arising from key business decisions, improper implementation of decisions or lack of responsiveness to industry changes.

Strategic risk is mitigated through the development and implementation of the Syndicate's strategy and through controls relating to the development of new business opportunities.

The main matter of strategic importance to the Company is its relationship with the Syndicate which is expected to continue in line with the Group's overall underwriting strategy.

Pension Scheme

The Agency operates a defined benefit pension scheme for certain staff members, which closed to future accrual in July 2012. Reported results may be adversely affected by changes in pension costs and funding requirements due to lower than expected investment returns, changes in demographics and higher life expectancy. These risks are continually monitored by the independent scheme actuaries to determine an appropriate funding approach and an asset allocation strategy designed to reduce and diversify the risk inherent in the investment portfolios. Refer to note 11 in the notes to the financial statement for more information on the defined benefit pension scheme.

Solvency Risk

The Agency is required by Lloyd's to maintain set levels of solvency and report them on a quarterly basis. This is managed through regular monitoring and planning of the required solvency levels based on changing business operations and regulatory requirements. Where appropriate, the Agency actively coordinates these plans with its parent entities at Liberty Mutual Group.

Significant events during the reporting period and up to the date of the report

Brexit

On 23 June 2016, through a referendum, the UK voted to leave the EU and on 29 March 2017, Article 50 of the Lisbon Treaty was triggered by the UK Government commencing the process of formal negotiation between the UK and the EU on the UK's exit. On 31 January 2020 the UK left the EU. As a result, there will be a transitional period, due to run to 31 December 2020, during which the UK will no longer be a member of the EU but will still be subject to EU rules and remain a member of the Customs Union. During the transition period, the UK and EU will negotiate the rules to be applied to future trading and other relationships.

Strategic Report (continued)

Significant events during the reporting period and up to the date of the report (continued)

Brexit (continued)

In response to Brexit, and specifically the loss of access to the Single Market which enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all EU member states on a cross-border basis, Lloyd's set up a dedicated European subsidiary during 2018.

Lloyd's new insurance company based in Brussels (Lloyd's Insurance Company S.A.), authorised and regulated by the National Bank of Belgium, has been set up to enable Lloyd's underwriters to continue to access risks located in EEA countries.

Liberty Managing Agency Limited is authorised to underwrite EU risks on behalf of Lloyd's Brussels, and those risks are in turn reinsured by Syndicate 4472. In addition, Liberty Specialty Markets has established an intermediary coverholder, Liberty Specialty Markets Europe S.a.r.l. (LSME) in Luxembourg, which acts on behalf of Syndicate 4472.

In furtherance to LSM's Brexit Strategy, the company transferred its Germany branch to LSME on 1 May 2019 and the France branch has been transferred to a new company on 1 April 2020 ("LSME 2"). This is expected to support LSM's plans to grow its operations in Europe.

COVID-19

The Coronavirus pandemic has been treated as an event under the entity's Business Continuity Plan, requiring oversight by a Crisis Management Team ("CMT") with effect from 24 February 2020 with all staff currently working from home ("WFH") since Tuesday 17 March 2020.

The Agency's Management Committee and relevant teams are in continued contact with each other through the use of technology and also through regularly-scheduled calls. This is in common with the approach being taken by teams across LSM. Following various WFH testing exercises, we are confident our systems and processes are in place to ensure that we continue to deliver a high level of service and responsiveness to brokers, clients and regulators.

WFH may pose a number of challenges to staff across LSM, some of which will be unanticipated at this stage, and LSM is committed to ensuring that staff across the business receive adequate support and guidance in maintaining their personal health and well-being.

As management, we will continue to monitor all the above with the priority to protect our staff and their family members, and to ensure consistency with government guidelines.

Strategic Report (continued)

Section 172 of the Companies Act 2006

S.172(1) of the Companies Act 2006 ("S.172") sets out a series of matters to which the Directors must have regard in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes having regard to other stakeholders. These matters are:

a.) the likely consequences of any decision in the long term,
b.) the interests of the Company's employees,
c.) the need to foster the Company's business relationships with key stakeholders,
d.) the impact of the Company's operations on the community and the environment,
e.) the desirability of the Company maintaining a reputation for high standards of business conduct, and
f.) the need to act fairly as between members of the Company.

The Directors of the Company consider, both individually and together, that they have acted in accordance with their duties under S.172 as set out above.

The Board considers the Company's key stakeholders to comprise its ultimate parent company Liberty Mutual Holding Company Inc. (the "Parent"), the Syndicate and Lloyd's of London through which it operates and manages the Syndicate, and applicable regulators. It further considers policyholders, its suppliers, the environment and the community in which it operates to be key stakeholders. The Company's staff are seconded to it by Specialty Markets Limited, and the Company considers such staff to be key stakeholders.

The Board engages with its Parent in accordance with S172 and in a way that is proportionate for a company of its size and complexity. The main matter of strategic importance to the Company is its relationship with the Syndicate which is expected to continue in line with the Group's overall underwriting strategy. This includes responsibility for approving the key strategic decisions and the annual business plan of the Syndicate. These actions are principally aimed at delivering a sustainable and profitable outcome for the company's key stakeholder groups and the Member of the Syndicate.

The operations of the Company are also conducted in accordance with Lloyd's Minimum Standards which are aimed at delivering fair outcomes for customers, maintaining high standards of conduct and enhancing the reputation of the Lloyd's market, as well as PRA and FCA requirements. The Board is required, annually, to formally attest to meeting the current Lloyd's Minimum Standard requirements. A constructive and open relationship is maintained all with regulators and a programme of regular meetings is in place between the directors and our UK regulators.

The Directors are committed to their responsibility to ensure that the Company's operations comply with applicable environmental laws and regulations, as well as health and safety standards and practices in the work place and as such, monitor and ensure ongoing compliance with the effective frameworks and processes that have been put in place. They are committed to their role in overseeing the environmental risks within the Group's overall business strategy and risk appetite. The Board also reviews the actions taken to prevent modern slavery and associated practices in any part of the supply chain and approves a Modern Slavery Statement each year.

By order of the Board

DocuSigned by:
Steve McMurray
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Steve McMurray
Executive Director
20 May 2020

Company registration number: 3003606

Directors' Report

The Directors present their Annual Report and the audited financial statements of Liberty Managing Agency Limited for the year ended 31 December 2019.

Directors and Directors' interests

The current Directors are listed on page 2. Directors who held office between 1 January 2019 and the date of signing the financial statements were:

Keith Nicholson	Chairman & Independent Non-Executive Director	Appointed 15 September 2011
Matthew Moore	President & Managing Director	Appointed 1 April 2009
Philip Hobbs	Deputy Managing Director	Appointed 11 December 2017
Nigel Davenport	Group-Executive Director	Appointed 10 December 2018
Christopher Hanks	Independent Non-Executive Director	Appointed 31 October 2013
Richard Reid	Independent Non-Executive Director	Appointed 19 June 2013
Graham Brady	Executive Director	Appointed 27 February 2019
Steven McMurray	Executive Director	Appointed 1 October 2019
Jane Warren	Executive Director	Appointed 11 June 2019

According to the Register of Directors' Interests, no Director has any beneficial interest in the issued share capital of the Agency or related companies at any time during the year.

Company Secretary

Gina Tighe was appointed as Company Secretary on 5 December 2019. Prior to her appointment this position was vacant.

Results and Dividends for the Year

The profit after taxation for the year amounted to $21.5m (2018: $4.9m). The Agency paid a dividend of $2m to its immediate parent company Liberty UK and Europe Holdings during 2019 (2018: $100m).

Significant events during the reporting period and up to the date of the report

These events have been disclosed on page 5 and 6 of the Strategic Report.

Going Concern

The Directors are satisfied that the Agency has adequate resources to continue in business for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing the Strategic Report, Directors' Report and financial statements. In preparing the going concern assessment, management have considered the impact that the outbreak of COVID-19 has had on worldwide economic activity and how it might impact the financial position of the Agency.

Subsequent Events

In response to the COVID-19 global pandemic, the Group announced that all LSM offices' employees, apart from Hong Kong and Singapore, were to mandatorily work from home from Tuesday 17 March 2020 until further notice and that all business air, rail and bus travel was restricted across the globe also until further notice. The Group continues to monitor the evolving situation and the health and safety of all Group Employees remains the priority.

Directors’ Report continued

Future Developments

The Agency will continue to manage Syndicate 4472 (‘the Syndicate’) and to provide administration services for other related entities.

As part of Liberty Specialty Markets, the Syndicate will continue to transact general insurance and reinsurance business via the Lloyd’s underwriting platform. The Syndicate will continue to adjust the levels of business written to maintain the desired return on risk; this will include adjusting levels of premium income written in different classes, while monitoring risk rigorously with a fully integrated planning, pricing and risk monitoring process and an effective reinsurance programme to protect capital in line with the Board’s risk appetite.

Charitable Contributions

In 2019 there were donations of $27,719 made to various charities (2018: $12,203).

Disabled Employees

The Agency gives full consideration to applications for employment from disabled persons where the candidate’s particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion as outlined in the Agency’s Equal Opportunities Policy.

Where existing employees become disabled, it is the Agency’s policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training and any adjustments to working conditions to achieve this aim.

Statement of Disclosure of Information to Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires of fellow Directors and the Agency’s auditor, each Director has taken all the steps that he is obliged to take as Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of Auditors

Ernst & Young LLP are deemed to be reappointed in accordance with an elective resolution made under Section 485 of the Companies Act 2006. Consequently, the Company has dispensed with the requirement to hold an Annual General Meeting and re-appoint the auditors. Ernst & Young LLP have expressed their willingness to continue in the office and have been invited to do so.

By order of the Board

DocuSigned by:
Steve McMurray
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Steve McMurray
Executive Director
20 May 2020
Company registration number: 3003606

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Agency and of the profit or loss of the Agency for that period.

In preparing these financial statements, the Directors are required to:

1) select suitable accounting policies and then apply them consistently;

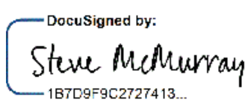
2) make judgements and accounting estimates that are reasonable and prudent;

3) state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

4) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Agency will continue in business.

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

By order of the Board



Steve McMurray
Executive Director
20 May 2020
Company registration number: 3003606

Independent Auditor’s Report to the members of Liberty Managing Agency Limited

Opinion

We have audited the financial statements of Liberty Managing Agency Limited for the year ended 31 December 2019 which comprise of the Income Statement, the Statement of Comprehensive Income, the Statement of changes in Equity, the Statement of Financial Position and the related notes 1 to 16, 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 company’s affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the company 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 other 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 opinion.

Emphasis of Matter

We draw attention to Note 16 of the financial statements, which describes the economic disruption the company is facing as a result of COVID-19 which may impact the company’s performance. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to 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 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.

Independent Auditor's Report to the members of Liberty Managing Agency Limited (continued)

for the year ended 31 December 2019

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

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 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditor's Report to the members of Liberty Managing Agency Limited (continued)

for the year ended 31 December 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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 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 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 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 financial statements.

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

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

Ernst + Young LLP

Robert Bruce (Partner)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 May 2020

Income Statement

For the year ended 31 December 2019

	Notes	2019 $000	2018 $000
Turnover	**2**	35,838	39,518
Administrative expenses	**3,4**	(22,979)	(34,565)
Other operating income		2,001	2,307
Operating profit		**14,860**	**7,260**
Profit on ordinary activities before interest and tax		**14,860**	**7,260**
Interest receivable and similar income		866	494
Interest payable and similar charges		(4)	(157)
(Loss)/profit on foreign exchange translation		(534)	(494)
Profit on ordinary activities before tax		**15,188**	**7,103**
Tax on profit on ordinary activities	**6**	6,314	(2,155)
Profit on ordinary activities after tax		**21,502**	**4,948**

All the amounts above are in respect of continuing operations.

The notes on pages 18 to 34 form part of these accounts.

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 $000	2018 $000
Profit on ordinary activities after tax		21,502	4,948
Pension scheme - actuarial gain, net of tax	**11**	704	516
Total recognised gains relating to the year		**22,206**	**5,464**

The notes on pages 18 to 34 form part of these accounts.

Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Called up Share Capital $000	Capital contribution	Profit & Loss Account $000	Total shareholder's capital $000
2019					
As at 1 January		630	3,980	32,296	**36,906**
Profit on ordinary activities after tax		-	-	21,502	**21,502**
Pension scheme - actuarial gain, net of tax	**11**	-	-	704	**704**
Dividend		-	-	(1,982)	**(1,982)**
As at 31 December		**630**	**3,980**	**52,520**	**57,130**

	Notes	Called up Share Capital $000	Capital contribution	Profit & Loss Account $000	Total shareholder's capital $000
2018					
As at 1 January		630	3,980	126,832	**131,442**
Profit on ordinary activities after tax		-	-	4,948	**4,948**
Pension scheme - actuarial gain, net of tax	**11**	-	-	516	**516**
Dividend		-	-	(100,000)	**(100,000)**
As at 31 December		**630**	**3,980**	**32,296**	**36,906**

The notes on pages 18 to 34 form part of these accounts.

Statement of Financial Position

As at 31 December 2019

	Notes	2019 $000	2018 $000
Fixed assets			
Tangible fixed assets	**7**	16,534	18,946
Pension surplus	**11**	8,367	6,764
Current assets			
Debtors - amounts falling due within one year	**8**	126,872	102,104
Cash at bank and in hand		35,495	45,724
Other debtors		225	182
		162,592	148,010
Total assets		**187,493**	**173,720**
Current liabilities			
Deferred tax liability	**6**	(658)	(577)
Creditors - amounts falling due within one year	**9**	(129,705)	(136,237)
Net current assets		**32,229**	**11,196**
Net assets		**57,130**	**36,906**
Capital and reserves			
Called up share capital	**10**	630	630
Capital contribution		3,980	3,980
Profit and loss account		52,520	32,296
Total equity		**57,130**	**36,906**

The notes on pages 18 to 34 form part of these accounts.

These financial statements were approved by the board of directors and were signed on its behalf by:

DocuSigned by:

Steve McMurray

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Steve McMurray
Executive Director
20 May 2020
Company registration number: 3003606

Notes to the Financial Statements
For the year ended 31 December 2019

1. Accounting Policies

1.1. Statement of compliance

Liberty Managing Agency Limited is a limited liability company incorporated in England. The registered office is 20 Fenchurch Street EC3M 3AW. The financial statements cover those of the individual entity and are prepared as at, and for the year ended, 31 December 2019.

The financial statements have been prepared in compliance with FRS 102, being the applicable UK GAAP accounting standards, and in accordance with the Companies Act 2006.

The financial statements have been prepared under the historical cost convention except for the defined benefit pension obligation which is measured under the projected unit credit method.

1.2. Basis of preparation

The financial statements are prepared in United States Dollar which is the presentation and functional currency of the Agency and rounded to the nearest $'000.

The Directors are satisfied that the Agency has adequate resources to continue in business for the foreseeable future. The financial statements have been prepared on a going concern basis. In preparing the going concern assessment as described in the Directors' Report, management have considered the impact that the outbreak of COVID-19 has had on worldwide economic activity and how it might impact the financial position of the Agency. Please refer to Note 16 for further details.

The Agency has taken advantage of the exemption, under paragraph 1.12(b) of FRS 102, from preparing a statement of cash flows on the basis that it is a qualifying entity and its parent company, Liberty International Holdings Incorporated, includes the company's cash flows in its consolidated financial statements.

1.3. Judgements and key sources of estimation uncertainty

1.3.1. Defined benefit pension scheme

The cost of the defined benefit pension plan is determined using an actuarial valuation. The principal assumptions used by the independent qualified actuaries to calculate the defined benefit obligation under FRS 102 are detailed in note 11. As at 31 December 2019 the value of this obligation is $31.8m. Post-retirement mortality assumptions are based on the SAPS light base tables. These assumptions are then combined with an allowance for future mortality improvements in line with the CMI 2014 projection factors allowing for a long-term rate of future improvements of 1.25% per annum. For a pensioner aged 65 at the year end, the assumptions are that they will live on average for a further 23.7 years if they are male and for a further 24.8 years if they are female.

There are no future salary increases as the scheme closed to future accrual on 1 July 2012, with active members of the scheme becoming deferred pensioners in the scheme from 2 July 2012.

1.4. Significant accounting policies

1.4.1. Cash and Cash Equivalents

The Agency has applied Part 1 General Rules and Formats of Schedule 2 to the Regulations as per FRS 102.7.20A whereby cash on the balance sheet includes only cash and balances at central banks and loans and advances to banks repayable on demand.

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.2 Financial Liabilities

The Agency's financial liabilities consist of intercompany balances, corporation tax and other accruals. All financial liabilities are recognised initially at fair value. Intercompany balances are repayable on demand and are typically settled within one year. Intercompany balances are subsequently measured at amortised cost using the effective interest method should they remain unsettled over a year. A financial liability is derecognised when the obligation under the liability is discharged or expires.

1.4.3 Turnover

Turnover represents the amount of expenses recharged by the Agency to LSSL as well as other group undertakings. Turnover also includes managing Agents fees and a profit commission charged to the Syndicate. The managing Agents fees are based on the underwriting capacity of the Syndicate, established annually by Lloyd's. A profit commission is charged at a rate of 17.5% of the profit on a year of account basis (subject to the operation of a deficit clause) as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

1.4.4 Administrative expenses

Administrative expenses represent the expenses incurred by the Agency.

1.4.5 Fixed assets

Expenditure on leasehold improvements, computer hardware and software, fixtures, fittings and office equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets at rates calculated to write off the costs, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

• Leasehold improvements	Remaining lease term
• Software	3 years
• Computer Equipment	3 to 5 years
• Fixture, fittings and office equipment	Lower of term of lease and 10 years

Depreciation is included within administrative expenses.

The carrying values of the tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.6 Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals under operating leases are charged to the profit and loss account in equal annual instalments over the period of the lease.

1.4.7 Pension Benefits

FRS 102 was derived from the IFRS for SMEs (International Financial Reporting Standard for Small and Medium Sized Entities) and the provisions for pensions reporting are therefore similar to those required under the revised version of the International Accounting Standard IAS 19 ("IAS19R"), which became effective for accounting periods beginning on or after 1 January 2013.

Therefore, where FRS 102 is silent on the accounting treatment to be adopted, disclosures have been prepared on the basis of what is required under IAS19R.

Defined Benefit Pension Scheme

A defined benefit plan defines the pension benefit that the employee will receive on retirement. The company operated a defined benefit plan for certain employees but this scheme closed to future accrual on 1 July 2012, with active members of the scheme becoming deferred pensioners in the Scheme from 2 July 2012.

The Scheme is administered by a separate board of Trustees which is legally separate from the Agency. The Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the Scheme, employees are entitled to annual pensions on retirement at age 65 of one-sixtieth of final pensionable salary for each year of service. Pensionable salary is defined as basic salary less the Basic State Pension. Benefits are also payable on death and following other events such as withdrawing from active service.

The asset recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets as at the reporting date.

The present value of the defined benefit obligation is calculated using the projected unit credit method. The company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that have terms approximating the estimated period of the future payments (discount rate).

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as ‘remeasurement of net defined benefit liability (asset)’.

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.7 Pension Benefits (continued)

The cost of the defined benefit plan is recognised in profit or loss as employee costs and it comprises;

- Increase in pension benefit liability arising from employee service during the period; and
- The cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as ‘finance expense’.

Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

Where, at the reporting date, the present value of defined benefit obligation is less than the fair value of the plan assets, the plan has a surplus. FRS 102 allows the Agency to recognise a surplus on its balance sheet, provided that it is able to recover the surplus either through reduced contributions in the future or through refunds from the Scheme. There is no requirement for these refunds to have been agreed before the balance sheet date and therefore surpluses may be recognised so long as there is a theoretical route by which an entity can recover the surplus, either through reduced contributions in the future or through refunds from the scheme. Variations arising from actuarial surpluses are spread over the average remaining service lives of members to the extent that the resulting credit does not exceed the regular cost.

The pension scheme balance is recognised gross of any related deferred tax balance, with the related deferred tax item included in the wider deferred tax assets and liabilities.

Defined contribution pension plans

Employees joining on or after 1 January 2002 became members of the Agency defined contribution pension schemes. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense in the profit or loss account in the period in which they become payable. The assets of the plan are held separately from the company in independently administered funds.

1.4.8 Foreign Currencies

The Agency’s functional currency and presentational currency is United States Dollar. FRS 102 requires the Agency to assess its functional currency periodically in line with the guidance in the standard. The Agency’s relationship, with and dependency on, the Syndicate is a key factor in the determination of the functional currency of the Agency. The fee charged to the Syndicate is principally in USD. The Agency is entitled to receive commission on the profits of the Syndicate from the 2014 year of account onwards.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions, or an appropriate average rate. Monetary assets and liabilities (which include unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined. Exchange differences are recorded in the non-technical account.

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.9 Financial Assets

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments: recognition and measurement (as adopted for use in the EU) to account for all of its financial instruments.

Financial assets represent cash, amounts due from group undertakings for services and prepayments and accrued income. Intercompany receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. At the end of each reporting period the intercompany receivables are assessed for objective evidence of impairment. If impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cashflows discounted at the asset's original effective interest. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1.4.10 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is recognised either in other comprehensive income or directly in equity as appropriate.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax liabilities are measured at the amount of corporate income tax expected to be paid to or recovered from taxation authorities in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences 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.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and that are expected to apply to the reversal of the timing difference.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting Policies (continued)

1.4. Significant accounting policies (continued)

1.4.11 Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

2. Turnover

	2019 $000	2018 $000
Managing agent's fee	16,206	20,807
Managing agent's profit commission	-	-
Expenses recharged to associated entities	19,632	18,711
	35,838	**39,518**

Turnover is attributable to the Agency's principal activity as a Lloyd's managing agent and arises from the UK and France, as follows:

	2019 $000	2018 $000
UK	20,030	19,606
France	15,808	13,176
Germany	-	6,736
	35,838	**39,518**

Notes to the Financial Statements (continued)
For the year ended 31 December 2019

3. Net operating expenses

Administrative expenses include the following:

	2019 $000	2018 $000
Auditor's remuneration - audit of the financial statements (Note 5)	24	24
Directors' remuneration costs retained by the Agency	1,389	1,347
Directors' pension - defined contribution scheme (included above)	77	88
Depreciation of fixed assets (Note 7)	4,712	4,747
Operating lease rentals - land and buildings	8,250	8,125

4. Staff costs and Directors' Remuneration

4.1. Staff costs

All UK staff are employed by Liberty Specialty Markets Limited (LSML), an affiliated company. All European staff are employed by the Managing Agent. The following amounts were incurred by the Agency for the staff employed directly and the staff seconded from LSML.

	2019 $000	2018 $000
Wages and salaries	6,533	13,278
Social security costs	1,659	2,969
Employee pension costs	291	1,126
	8,483	**17,373**

Costs relating to Directors are separately disclosed and as such have not been included in the staff costs note.

The average number of employees seconded to or employed by the Agency during the year was as follows:

	2019 Number	2018 Number
Underwriting	123	106
Claims	23	33
Administration and finance	193	223
	339	**362**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

4. Staff costs and Directors' Remuneration (continued)

4.2 Directors' emoluments

	2019 Number	2018 Number
Number of Directors who are members of a defined contribution pension scheme	5	2

The total directors' emoluments in 2019 was $1,389k (2018: $1,347k). The cost retained by the Agency in respect of emoluments for the highest paid Director was $333k (2018: $478k). Included within this amount are pension contributions of $77k (2018: $88k).

5. Auditors' Remuneration

	2019 $000	2018 $000
Auditor's remuneration - audit of the financial statements	24	24

6. Taxation

6.1 Tax on profit on ordinary activities

	2019 $000	2018 $000
Current taxation:		
UK corporation tax at 19% (2018: 19.00%) - current year	3,465	1,852
UK corporation tax - adjustments in respect of prior years	(12,870)	1,445
UK corporation tax	**(9,405)**	**3,297**
Foreign taxation - current year	3,282	670
Foreign taxation - adjustments in respect of prior years	223	(247)
Foreign tax	3,505	423
Total current taxation	**(5,900)**	**3,720**

During the year it was determined that free Group relief would be given from Liberty UK and Europe Holdings entity("LUEH") and Wausau Insurance Company Ltd for the 2016 Group relief of $6.6m and from LUEH for the 2017 Group relief of $6.4m. This is included in the adjustment in respect of prior years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6 Taxation (continued)

6.1 Tax on profit on ordinary activities (continued)

The tax expense is made up as follows:

	2019 $000	2018 $000
Deferred taxation		
Fixed asset timing differences	(827)	(751)
Pensions costs timing differences	76	50
French profit share timing differences	181	(183)
Impact of future changes in tax rates	87	-
Adjustments in respect of prior years	69	(682)
Total deferred taxation	**(414)**	**(1,566)**
Tax on profit on ordinary activities	**(6,314)**	**2,154**

Tax (income) / expense included in other comprehensive income.

	2019 $000	2018 $000
Deferred tax:		
Actuarial gains / (losses) on defined benefit pension scheme	380	278

6.2 Factors affecting the tax expense for the year

	2019 $000	2018 $000
Profit on ordinary activities before tax	**15,188**	**7,103**
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19.00%)	2,886	1,350
Income not taxable for tax purposes	(3)	(116)
Expenses not deductible for tax purposes	37	154
Deferred tax at rates other than the standard rate for the year	29	53
Impact of future changes in tax rates	87	-
Higher tax rates on overseas earnings	144	268
UK corporation tax (over-) / under provided in previous years	(12,870)	1,445
Foreign tax under / (over-) provided in previous years	223	(247)
Deferred tax under / (over-) provided in previous years	69	(682)
Prior year French profit share adjustment	-	(70)
Deferred tax not provided on French profit share expense	200	-
Foreign tax arising on German branch result arising LSME	1,062	-
Foreign tax arising on transfer of German branch to LSME	1,822	-
Tax expense for the year	**(6,314)**	**2,155**

Notes to the Financial Statements (continued)
For the year ended 31 December 2019

6 Taxation (continued)

6.2 Factors affecting the tax expense for the year (continued)

Deferred tax assets and liabilities are recognised at the substantively enacted rate, for the respective jurisdictions, at the balance sheet date. A reduction in the UK corporation rate from 20% to 19% took effect from 1 April 2017.

The enacted UK corporation tax rate was set to reduce from 19% to 17% from 1 April 2020. The Finance Bill 2020, which was substantively enacted on 17 March 2020, included the cancellation of this future reduction. As this rate change was substantively enacted after the end of the reporting period, deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. The impact of the corporation tax rate change on the closing deferred tax balance is GBP 267k.

There will be reductions to the French corporate tax rate to 28% from 1 January 2020. The deferred tax balance at 31 December 2019 reflects these enacted tax rates, where relevant. There has been no material impact to the deferred tax balances as a result of these rate changes.

6.3 Deferred Tax

The deferred tax assets included in the statement of financial position is as follows:

	2019 $000	2018 $000
Decelerated capital allowances	2,270	1,599
French profit sharing timing difference	-	185
Deferred tax asset / liability at end of year	**2,270**	**1,784**

The deferred tax liability included in the statement of financial position is as follows:

	2019 $000	2018 $000
Defined benefit pension scheme surplus	(2,928)	(2,361)
Deferred tax asset / (liability) at end of year	**(2,928)**	**(2,361)**

	2019 $000	2018 $000
Deferred tax (liability) at start of year	(577)	(1,958)
Deferred tax income for the year	570	884
Effect of changes in tax rates	(87)	-
Deferred tax (over-) / under-provided in previous years	(69)	682
Deferred tax (expense) in other comprehensive income	(380)	(278)
Foreign Exchange Movement	(115)	93
Deferred tax asset / (liability) at end of year	**(658)**	**(577)**

6 Taxation (continued)

6.3 Deferred tax (continued)

Regarding the deferred tax asset in relation to the decelerated capital allowances and the deferred tax liability in relation to the defined benefit pension scheme surplus, it too uncertain to predict when these will reverse and therefore the amount expected to unwind over the 12 month period following the balance sheet date is unknown.

7. Tangible assets

	Leasehold improvements $000	Furniture & fixtures $000	Computer hardware $000	Computer software $000	Total $000
Cost:					
As at 1 January 2019	9,549	4,037	8,098	16,347	38,031
Additions	195	-	1,031	1,097	2,323
Disposals	(250)	(252)	-	-	(502)
As at 31 December 2019	9,494	3,785	9,129	17,444	39,852
Depreciation:					
As at 1 January 2019	2,480	1,437	5,607	9,561	19,085
Provided during the year	583	443	1,088	2,598	4,712
Disposals	(250)	(229)	-	-	(479)
As at 31 December 2019	2,813	1,651	6,695	12,159	23,318
Net book value at 31 December 2019	6,681	2,134	2,434	5,285	16,534
Net book value at 1 January 2019	7,069	2,600	2,491	6,786	18,946

8. Debtors - amounts falling due within one year

	2019 $000	2018 $000
Amounts due from group undertakings	125,004	100,370
Prepayments and accrued income	1,868	1,734
	126,872	**102,104**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9. Creditors - amounts falling due within one year

	2019 $000	2018 $000
Corporation tax	12,353	13,530
Amounts owed to group undertakings	105,563	93,984
Accruals	11,789	28,723
	129,705	**136,237**

10. Called up share capital

	2019 $000	2018 $000
Issued, fully paid and allotted		
400,000 ordinary shares of £1 each	630	630

11. Pension schemes

The company and the Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Scheme. By investing in assets such as swaps and fixed interest and index-linked gilts, which perform in line with the liabilities of the Scheme, the Scheme is protected against both a fall in long term interest rates and inflation being higher than expected.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 July 2016 and showed a deficit of £1,991k. The Agency and fellow employer subsidiaries paid a deficit contribution of £2,030k in July 2017 which were intended to make good this shortfall. The next funding valuation is currently underway, with results due no later than 1 October 2020, at which progress towards full-funding will be reviewed.

The preliminary results of the latest funding valuation at 1 July 2019 have been adjusted to the new balance sheet date, taking account of experience over the period since 1 July 2019, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation was measured using the projected unit credit method. As mentioned above, the detailed review and update of the funding valuation is due no later than 1 October 2020.

No allowance has been made for administration expenses (including PPF levies). These are met directly by the Agency and fellow employer subsidiaries and are allowed for elsewhere in those Agency's accounts.

Assumptions

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 102 are set out below:

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. Pension schemes (continued)

Main financial assumptions

At 31 December	2019 % p.a.	2018 % p.a.
RPI inflation	2.9	3.3
CPI inflation	1.9	2.2
Rate of general long-term increase in salaries	N/A	N/A
Pension increase (fixed 3%)	3.0	3.0
Pension increase (fixed 5%)	5.0	5.0
Pension increase (LP15)	2.8	3.2
Discount rate for scheme liabilities	2.0	3.2

The post-retirement mortality assumptions are based on the SAPS Light base tables. This assumption is then combined with an allowance for future mortality improvements in line with the CMI 2014 projection factors allowing for a long-term rate of future improvements of 1.25% per annum.

For a pensioner aged 65 at the year end, the assumptions are that they will live on average for a further 23.7 years if they are male and for a further 24.8 years if they are female.

Asset allocation

The fair value of the assets in the scheme were:

Value at 31 December	2019 $000	2018 $000
UK equities & Alternatives	17,150	18,401
Liability hedging	(1,672)	(3,352)
Corporate bonds	6,093	2,216
Fixed interest gilts	3,794	3,472
Index-linked gilts	2,487	4,326
Property	1,588	1,524
Cash/net current assets	10,776	3,077
Total	**40,216**	**29,664**

Reconciliation of funded status to balance sheet

Value at 31 December	2019 $000	2018 $000
Fair value of scheme assets	40,216	29,664
Present value of funded defined benefit obligations	(31,849)	(22,900)
Asset recognised in the balance sheet	**8,367**	**6,764**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. Pension schemes (continued)

Breakdown of amounts recognised in profit and loss

	2019 $000	2018 $000
Operating cost – service costs	-	-
Financing cost		
- Interest on net defined benefit liability/(asset)	(217)	(144)
Pension expense recognised in profit and loss	**(217)**	**(144)**

Breakdown of amounts recognised in other comprehensive income

	2019 $000	2018 $000
Return on plan assets (in excess of) / below that recognised in net interest	(8,458)	2,816
Actuarial losses / (gains) due to changes in actuarial assumptions	4,690	(2,893)
Actuarial (gains) due to changes in demographic assumptions	(66)	(784)
Actuarial losses due to liability experience	2,750	67
Gross of tax amount recognised in other comprehensive income	**(1,084)**	**(794)**
Deferred tax on defined benefit pension plan	380	278
Total (gains) recognised in other comprehensive income	**(704)**	**(516)**

Changes in the present value of the defined benefit obligation

	2019 $000	2018 $000
Opening defined benefit obligation	22,900	28,434
Interest expense on defined benefit obligation	755	660
Actuarial losses / (gains) on liabilities	7,655	(3,610)
Net benefits paid out	(382)	(1,320)
Re-translation of opening balance	921	(1,264)
Closing defined benefit obligation	**31,849**	**22,900**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. Pension schemes (continued)

Changes in the fair value of scheme assets

	2019 $000	2018 $000
Opening fair value of scheme assets	29,664	34,500
Interest income on scheme assets	980	804
Remeasurement gains/(losses) on scheme assets	8,780	(2,816)
Net benefits paid out	(382)	(1,320)
Re-translation of opening balance	1,174	(1,504)
Closing fair value of assets	**40,216**	**29,664**

Actual return on Scheme assets

	2019 $000	2018 $000
Interest income on scheme assets	980	804
Remeasurement gain/(loss) on scheme assets	8,780	(2,816)
Surplus/(deficit) in the scheme	**9,760**	**(2,012)**

12. Operating Lease commitments

The Agency leases various office spaces under non-cancellable operating leases. The leases are of varying length and have varying clauses, terms and rights attached to them.

The Agency is committed to make the following payments during the next year in respect of non-cancellable operating leases:

	2019 $000	2018 $000
Not later than one year	8,285	8,024
Later than one year and not later than five years	30,629	28,058
Later than five years	47,547	54,505
	86,461	**90,587**

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. Related party transactions

During the year the Agency re-charged $5.7m of operating lease costs to associated entities and external parties (2018: $6.4m) for their use of the office space under the non-cancellable operating leases.

As a qualifying entity, the Agency has elected to take advantage of the exemption from the requirements of FRS 102 Section 33 Related Party Transactions paragraph 7.

During the year the Agency entered into transactions in the ordinary course of business with other related parties. Trading balances outstanding at 31 December are as follows:

Related party transactions	Amounts owed from related party $000	Amounts owed to related party $000
Entities with a close relationship with the Company		
2019	125,004	105,563
2018	100,370	93,984

Syndicate 4472 (the Syndicate) is a Lloyd's syndicate managed by Liberty Managing Agency Limited (LMAL), a company registered within England and Wales that operates under the LSM umbrella. During the year, the Agency charged the Syndicate $16.2m (2018: $20.8m) in Agency fees for its services. The Agency did not charge the Syndicate any profit commission in 2019 (2018: $Nil).

14. Ultimate parent company

The ultimate parent company is Liberty Mutual Holding Company Inc. of Boston, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A. a company incorporated in the United States of America. The smallest higher group of companies for which group accounts are drawn up and of which this agency is a member of is Liberty International Holdings LLC.

Copies of the group accounts of Liberty International Holdings Incorporated and Liberty Mutual Holding Company Inc. of Boston are available from the company's office, 175 Berkeley Street, Boston, Massachusetts 02117, U.S.A.

15. Restructuring

On 1 May 2019 Liberty Managing Agency Ltd ("LMAL") transferred the business of their German branch to Liberty Specialty Markets Europe SARL ("LSME"). This transaction was done in consideration for the issue of new shares in LSME which were then distributed through a $2m Dividend to the Agency's immediate parent Liberty UK and Europe Holdings entity.

The Agency transferred its French branch to LSME2 on 1 April 2020 in line with overall LSM Brexit strategy. This transaction was done in consideration for the issue of new shares in LSME2 which were then distributed through a €4k dividend to the Agency's immediate parent LUEH.

These transactions were accounted for using the principles of merger accounting as they were both business combination transactions under common control.

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

16. Post-reporting date event

Covid 19

In the period since the year end, COVID-19 has arisen as a risk. The Coronavirus pandemic has been treated as an event under the entity's Business Continuity Plan, requiring oversight by a Crisis Management Team ("CMT") with effect from 24th February 2020 with all staff currently working from home ("WFH") since Tuesday 17 March 2020.

The Agency's Management Committee and teams are in continued contact with each other through the use of technology and also through regularly-scheduled calls. This is in common with the approach being taken by teams across LSM. Following various WFH testing exercises, The Board are confident that systems and processes are in place to ensure that we continue to deliver a high level of service and responsiveness to brokers, clients and regulators.

WFH may pose a number of challenges to staff across LSM, some of which will be unanticipated at this stage, and LSM is committed to ensuring that staff across the business receive adequate support and guidance in maintaining their personal health and well-being.

Management will continue to monitor all the above with the priority to protect staff and their family members, and to ensure consistency with government guidelines.

Turnover represents the amount of expenses recharged by the Agency to LSSL as well as other group undertakings. Turnover also includes managing Agents fees and a profit commission charged to the Syndicate. The managing Agents fees are based on the underwriting capacity of the Syndicate, established annually by Lloyd's. A profit commission is charged at a rate of 17.5% of the profit on a year of account basis (subject to the operation of a deficit clause) as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

The underwriting capacity of the Syndicate is not currently expected to change. Therefore, the Managing Agents fees will not be impacted. Capacity may change in the future with a consequent impact to Managing Agents fees, although it is too early to establish the impact to profitability of the Syndicate and associated profit commission receivable.

A significant amount of uncertainty remains around the premiums and claims exposure of the Syndicate. There is potential that in future years, growth expectations are limited. This is currently under review as part of the 2021 planning cycle. However, the Directors do not currently believe that this will materially impact on the performance of the Agency in the next 12 months.

Branch Transfers

Please refer to Note 15 of financial statements which describes the transfer of the French Branch to LSME2.