

PAMIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2015

Company No. 2418817

PAMIA LIMITED

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PAMIA LIMITED

DIRECTORS, MANAGEMENT AND PROFESSIONAL ADVISERS

DIRECTORS OF PAMIA LIMITED

* A.R. Findlay (Chairman)	Reddie & Grose LLP
* D.A. Gill (Deputy Chairman)	W. P. Thompson
J.G. Leeming (Deputy Chairman)	J A Kemp
T. Copsey	Kilburn & Strode LLP
R. Gardner	Dehns
I. Gill (Appointed 4 March 2015)	A.A.Thornton & Co
A. C. Hayes	Boult Wade Tennant
K. Hodgkinson	Marks & Clerk
P. Howard	Carpmaels & Ransford
* J. Jappy	Gill Jennings & Every
B.R. Lucas	Lucas & Co.
M. Lunt	Harrison Goddard Foote
D. A. McCarthy	MacLachlan & Donaldson
C. Murphy	Venner Shipley LLP
J.B. Pennant	D. Young & Co.
S. Storer	Stevens Hewlett & Perkins
*C. H. Watkins	Secerna LLP
*K.Young (Appointed 4 March 2015)	Murgitroyd

* Members of the Audit and Risk Committee

SECRETARY

K. Halpenny

MANAGERS

Thomas Miller Professional Indemnity, 90 Fenchurch Street, London, EC3M 4ST

Directors of Thomas Miller Professional Indemnity

R.Cunningham

R.A.A.Harnal

A.Mee

A.Salim

INVESTMENT MANAGERS

Thomas Miller Investment Limited, 90 Fenchurch Street, London, EC3M 4ST

INSURANCE CONSULTANTS

Willis Limited, The Willis Building, 51 Lime Street, London, EC3M 7DQ.

AUDITORS

PKF Littlejohn LLP, 1 Westferry Circus, Canary Wharf, London, E14 4HD.

PAMIA LIMITED

CHAIRMANS REPORT

I am pleased to present my fifth Chairman's Report.

In the year to 31st May 2015 PAMIA recorded a surplus of £1.560m, compared to a deficit of £0.463m in the previous year. This surplus was achieved despite PAMIA having reduced premium rates by 10% for the 2014 Policy Year and having increased the deferral for members purchasing cover of £2m or more. The main reasons for this strong result were increased investment income and lower claims payments.

The surplus took the reserves held by PAMIA in excess of the minimum amount required by regulators to £9.533m. PAMIA's Business Plan sets a target range for these reserves of between £5m and £7.75m. PAMIA's policy on free reserves will be reviewed towards the end of this year as part of its final preparations for the implementation of the new Solvency 2 regulatory regime.

In the year to 31 May 2015 PAMIA benefited from investment income of 4.72%. Investment returns were enhanced partly as a result of changes to the structure of PAMIA's investment portfolio following the Investment Committee's triennial review of the Investment Policy, which enabled PAMIA to hold a higher level of long-term growth assets such as equities and absolute return funds. Strategic decisions by the Investment Manager also contributed, for example under-weighting of the euro against the US dollar. PAMIA has generated a positive investment return in each of the 25 years since it was established. Full credit is due to the Investment Committee and Investment Manager for this achievement.

Net claims paid in the financial year fell substantially following two years of high claim payments. Gross payments were £0.466m in 2015 compared to £2.74m in 2014 and £3.34m in 2013. The good result on claims was helped by the successful defence of an action in the High Court and the subsequent recovery of most of the legal costs paid by PAMIA from the unsuccessful claimant. The underlying claims experience remains stable, with notifications running at about 400 a year and most claims being settled for modest amounts without the need for litigation.

In the year to 31 May 2015 premium income fell by about 3.5%. Lower premium rates were offset by strong growth in the total fee income declared by members. Reinsurance premiums increased slightly as a result of PAMIA securing enhanced cover from the reinsurers.

The Board is continuing to review and improve PAMIA's governance as part of its preparations for complying with Solvency 2. Our final planning includes a Board training day in September 2015. Excellent progress is being made and PAMIA should comfortably meet the implementation deadline of 1 January 2016.

Much of PAMIA's success rests on the work of its Committees, details of which are provided elsewhere in the Directors' Report and Financial Statements. All the Committee members and Directors give up a considerable amount of time on a purely voluntary basis for the benefit of the membership as a whole and I wish to take this opportunity to thank all of them for their commitment.

I would also like to thank the Managers for their continuously excellent work for PAMIA including this year in particular achieving two good settlements which saved us significant potential payments.

Alice Findlay
Chairman
22 July 2015



PAMIA LIMITED

STRATEGIC REPORT

The Directors have pleasure in presenting the Strategic report for the year ended 31 May 2015.

Review of the year

The Company continued to provide professional indemnity insurance for patent and trademark practices. The surplus arising out of the year's operations after tax was £1,559,519 (2014: deficit £462,770) and this was transferred to reserves. The reserves now amount to £19,393,613, which is made up of free reserves of £13,018,046 and gross claim reserves of £6,375,567. The comparative figure for 2014 is £18,562,512 which is made up of free reserves of £11,458,527 and gross claim reserves of £7,103,985.

These reserves have been retained to meet claims and the solvency requirement under the Financial Services and Markets Act 2000. The Directors anticipate no significant changes in the Company's future activities.

Financial Results

The figures in the table below are taken from the Directors' Report and Financial Statements for the year ending 31 May 2015, which will be submitted to the membership for approval at the Annual General Meeting which will be held on 9 March 2016.

The Income and Expenditure Account (on page 15) and the Balance Sheet (on page 16), together with the notes to the Financial Statements, set out the Company's financial position in detail. The following table compares key financial information for the year-end.

	2015	2014
	£'000	£'000
Premium Written	2,801	3,018
Reinsurance Premium	(1,169)	(1,138)
Net claims	(131)	(1,775)
Operating expenses	(637)	(638)
Surplus/(deficit) on technical account	864	(533)
Investment Income	857	58
Surplus/(deficit) on ordinary activities before tax	1,721	(475)
Tax	(162)	12
Surplus/(deficit) for the financial year	1,559	(463)
Free reserves at year end	13,018	11,459

Investments

PAMIA requires its investment portfolio to be invested in a manner which assists it in maintaining its financial strength by preserving capital to meet its liabilities and delivering positive investment returns over the medium term to subsidise premiums. The investment return for the year under review was 4.72% (2014: 0.53%)

STRATEGIC REPORT (CONTINUED)

Investments (continued)

PAMIA's assets are divided between a Short Term Fund, a Capital Fund and a Growth Fund.

The purpose of the Short Term Fund is to provide liquidity to meet PAMIA's projected operating cash flow requirements over the period of 12 months from 1 August each year.

The purpose of the Capital Fund is to cover PAMIA's claims liabilities and regulatory capital requirements. In this context, "claims liabilities" does not include the run-off claims handling reserve.

The purpose of the Growth Fund is to hold free reserves for investment in riskier assets to generate positive returns over the medium term.

The amount to be held in each of the Short Term Fund and the Capital Fund shall be decided annually by the Board on the recommendation of the Investment Committee at the last scheduled Board meeting before 1 August. The balance of PAMIA's assets shall be invested in the Growth Fund. The currency allocation for the Capital Fund is reviewed at least once every three years.

The Company has 58% its holdings in UK, US and European bonds, 23% is in equities, 10% in Alternative investments and 9% in cash equivalents

Capital resources for regulatory purposes at £13.018m, exceeds its required regulatory capital of £3.485m by £9.533m.

Risk Management

The Company is exposed to financial risk through its assets and liabilities. The Company's appetite for, and management of, risk is set by the Board of Directors who have put policies and procedures in place in order to manage these risks.

The Company is primarily focused on the identification and management of potential risks, which fall into five key categories:

1. Market risk - incorporating investment risk, interest rate risk and currency rate risk
2. Insurance risk - incorporating underwriting and reserving risk
3. Credit risk - being the risk that a counterparty is unable to pay amounts in full when due
4. Liquidity risk - being the risk that cash may not be available to pay obligations as they fall due
5. Capital Risk - being the risk that there is not enough capital to meet regulatory requirements.

STRATEGIC REPORT (CONTINUED)

Market Risk

Market risk is the risk of changes in the financial markets affecting the value of the Company's investments. It is managed by the Company's investment policy, which is monitored by means of reports from the Investment Managers to the members of the Investment Committee who in turn report to the Board.

The Company's investment portfolio is allocated between fixed interest securities and investments in collective investment schemes. The holding of the fixed interest securities is designed to mitigate the Company's exposure to the fluctuations in the Equity markets.

The fixed interest securities held are actively traded and the instruments held at the year-end had a variety of differing terms and coupon rates.

£'000s	Maturity/Term		
	<1 year	>1 yr <2 yr	>2yr <3 yr
Total			
9,441	985	6,412	2,043
Coupon	3.5- 4.875%	0.375-4.0%	1.000 – 1.25%

A 1% fall/increase in the market value of fixed interest securities would decrease/increase the Company's surplus for the year ended 31 May 2015 by £94k.

A 1% fall/increase in the market value of the Company's holdings in Equities and Alternative of £8.584m would decrease/increase the Company's results by £86k.

Currency Risk

A proportion of the Company's investment portfolio is denominated in US\$. The sterling equivalent of US\$ denominated balance is detailed below:

	2015	2014
	£	£
Fixed interest	2,079,621	966,335
Alternatives	2,125,833	1,861,009
Equities	454,194	962,263
	<u>4,659,648</u>	<u>3,789,607</u>

A 1% decrease/increase in the rate of exchange between US dollar and sterling would decrease/increase the Company's result by £47k.

STRATEGIC REPORT (CONTINUED)

Market Risk (continued)

A proportion of the Company's investment portfolio is denominated in Euros. The sterling equivalent of Euro denominated balance is detailed below:

	2015	2014
	£	£
Fixed interest	970,486	1,435,803

A 1% decrease/increase in the rate of exchange between Euro and sterling would decrease/increase the Company's result by £10k.

To mitigate the impact of fluctuating exchange rates the Company acquires forward currency contracts, the balance of which is disclosed in note 11 of the financial statements.

Insurance Risk

Insurance Risk is the risk associated with claims on the Company. Exposure is mitigated by a strategy of risk transfer through the Company's reinsurance programme, as well as holding adequate claims reserves.

£'000s	Policies Written During				
	2015	2014	2013	2012 prior	Total
Bfwd reserve	-	2,936	1,618	2,226	6,780
Payments	(348)	(129)	(60)	71	(466)
Reinsurance recoveries	-	-	-	(69)	(69)
Reserve movement	2,893	(945)	(223)	(1,594)	131
Balance cfwd	2,545	1,862	1,335	634	6,376

A 1% increase/decrease in the booked insurance technical provisions would increase/decrease reported surplus by £64k.

Reinsurance risk is the risk of the Company's reinsurers being unable to meet their obligations. This risk is mitigated by placing reinsurance only with A- rated reinsurance companies. The reinsurer debtor at year end amounted to £nil (2014: £265,418).

Credit Risk

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Company. Debtor exposure is mitigated because it is widely spread across the membership. This exposure is monitored by means of reports from the Managers to the Board.

PAMIA LIMITED

STRATEGIC REPORT (CONTINUED)

Market Risk (continued)

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Company maintains holdings in short term deposits to ensure that sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

Capital Risk

The Directors have overall responsibility for managing the Company's capital base with the principal objective of maintaining sufficient capital to satisfy regulatory requirements. PAMIA Limited is registered by the Prudential Regulation Authority and is subject to its regulatory requirements.

PAMIA LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and financial statements for the year ended 31 May 2015.

The Company provides mutual insurance for patent and trademark practices against risks arising from professional negligence.

The Company has appointed Thomas Miller Professional Indemnity as sole managers to manage its business affairs and operations and has appointed Thomas Miller Investment Ltd to manage the Company's investment portfolio. Both Thomas Miller Professional Indemnity and Thomas Miller Investment Ltd are owned by Thomas Miller Holdings Limited.

The Company has no employees.

The Board of Directors have effected a Directors' and Officers' Liability Insurance Policy to indemnify the Directors or Officers of the Company against loss arising from any claim made against them jointly or severally by reason of any wrongful act in their capacity as Director or Officer of the Company. The insurance also covers the Company's loss when it is required or permitted to indemnify the Directors or Officers pursuant to the law, Common or Statutory, or the Articles of Association. The cost of the insurance is met by the Company and is detailed in note 7 to the Financial Statements.

Directors

The Directors of the Association are shown on page 1.

In accordance with Clause 54 of the Articles of Association, J.Jappy, J.Leeming, B.Lucas, D.McCarthy and J.Pennant retire by rotation at the forthcoming Annual General Meeting to be held on Wednesday 2 March 2016 and, being eligible, offer themselves for re-appointment.

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Some of the Directors are nominated by members. From time to time the Company will enter into settlements of claims bought by members who have nominated Directors. Such Directors exclude themselves from discussion and decision relating to such claims including the settlement thereof.

All Directors are required to declare whether they have any interest other than as Directors in any of the business set out in the Agenda at every Board and Committee meeting.

PAMIA LIMITED

DIRECTORS' REPORT (CONTINUED)

Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent.

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

Meetings of the Directors

During the 2014 Policy Year the Directors held three formal meetings on 23 July 2014, 25 November 2014 and 4 March 2015.

They also maintained contact with the Managers between meetings, in order to fulfil the general and specific responsibilities entrusted to them by the Members under the Associations Articles and Rules. The items considered and reported at the three meetings included:

Audit: The auditors' report on the 2014 financial statements and the annual return to the Prudential Regulatory Authority (PRA) for the year ending 31 May 2014 were approved by the Board at the Annual General Meeting held on 4 March 2015.

Claims: Approval of year-end claims reserves. Review of claims and notifications received in the year

Directors: Re-appointment of Directors and renewal of Directors and Officers liability insurance.

Finances: Financial forecasts and financial reports for the year. Review of internal audit and Business Plans.

Investments: Approving limits for the short term fund, capital fund and growth fund, approving investment benchmarks and class of assets that can be held.

PAMIA LIMITED

DIRECTORS' REPORT (CONTINUED)

Underwriting: 2014 renewal report, underwriting report, closure of 2007 Policy Year, reinsurance arrangements for the 2014 Policy Year and rates and terms of cover for the 2014 Policy Year.

Regulatory: The following policies have been reviewed and updated as part of the Company's Solvency II implementation plan:

1. Conflicts of Interest Policy.
2. Nominations Policy
3. Fit & Proper Policy
4. Regulatory Compliance Policy
5. Outsourcing Policy
6. Underwriting Policy
7. Investment Policy and Investment Mandate.

Approved PAMIA Individual Capital Assessment (ICA) report to send to the regulators.

Other Matters: Approval of Business Risk Assessment, Terms of reference for Investments, Risk Appetite statements and Management Fee.

Board Committees

The Board has delegated specific authority to a number of committees. The Board is informed of the main issues discussed, as all minutes of the meetings of the committees are included in the Board's agenda papers.

The Audit & Risk Committee comprising David Gill (Chairman), Alice Findlay, John Jappy, Charlotte Watkins and Keith Young assist the Board in recommending the approval of the Financial Statements, and year end claims reserves. The Committee ensures that the Company complies and meets all legal and regulatory requirements. It is also responsible for assessing the Business Risk of the Company. It is also responsible for the appointment of internal and external audit appointments and to provide a clear channel of communication between the Board and the auditors. The Committee met on three occasions in the course of the year.

The Investment Committee comprising Rebecca Gardner (Chairman), David Gill, Mark Lunt and Sarah Storer assist the Board in reviewing in detail the performance of PAMIA's investments and make recommendations to the Board in respect of the Investment Policy and other investment related issues. The Committee met on three occasions in the course of the year.

The Claims Committee comprising Brian Lucas (Chairman) Tim Copsey, Ian Gill, Paul Howard, John Jappy, John Leeming, Colm Murphy and Jeremy Pennant assist the Board in reviewing in detail PAMIA's claim reserves and claims reserves policy. The Committee met on three occasions in the course of the year.

The Rating & Reinsurance Committee comprising John Leeming (Chairman) Alice Findlay, Rebecca Gardner, Keith Hodkinson, John Leeming, Denis McCarthy and Chris Rees (Consultant) assist the Board in reviewing in detail the rating system of the Company and to make annual recommendations to the Board in respect of the rating to be applied to the next policy year. The Committee also reviews PAMIA's reinsurance programme. The Committee met on three occasions in the course of the year.

PAMIA LIMITED

DIRECTORS' REPORT (CONTINUED)

Board Committees (continued)

The Rules and Cover Committee. comprising Mark Lunt (Chairman), Alice Findlay, Adrian Hayes and John Leeming help determine the entry requirements for PAMIA membership and reviewing terms of cover offered to members. The Committee met on two occasions in the course of the year.

The Nominations Committee comprising Sarah Storer (Chairman), Alice Findlay, David Gill and John Leeming advise the Board on the appointment and retention of Directors and Consultants and assist the Managers in providing guidance to Directors on their responsibilities. The Committee met on one occasion in the course of the year.

The Management Committee comprising Alice Findlay (Chairman), David Gill and John Leeming are responsible for formulating the company's business strategy and agreeing the Management Fee. They meet with the Managers before each Board meeting to discuss the items included in the Board agenda. The Committee met on three occasions in the course of the year.

Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors. A resolution for their re-appointment and to authorise the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board



A. R. Findlay
Chairman

22 July 2015

PAMIA LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Members will be held at the Chartered Institute of Patent Attorneys, 95 Chancery Lane, London, WC2A 1DT on 9 March 2016 at 5.00pm for the following purposes:

- To receive the Directors' Report and Financial Statements for the year ended 31 May 2015 and if they are approved to adopt them;
- to appoint Directors; and
- to appoint auditors and authorise the Directors to fix their remuneration.

By order of the Board


K. Halpenny
Secretary

Date: 22 July 2015

Note: (i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A person so appointed must be a member of the Association. The instrument appointing a proxy shall be deposited with the Secretary not less than 48 hours before the meeting.

Note: (ii) An agenda booklet for the Annual General Meeting setting out the resolutions and containing the minutes of the last Annual General Meeting will be sent to all members prior to the meeting together with a form of proxy.

PAMIA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAMIA LIMITED

We have audited the Financial Statements of PAMIA Limited for the year ended 31 May 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2015 and of its surplus 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

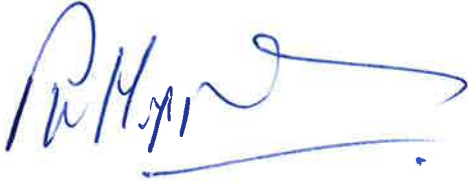
PAMIA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAMIA LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Paul Hopper (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

22 July 2015

PAMIA LIMITED
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 May 2015

	Note	2015 £	2014 £
TECHNICAL ACCOUNT			
Earned premiums, net of reinsurance			
Advance Call		3,460,856	3,633,370
Premium deferral	3	(659,681)	(614,979)
Gross premium written		2,801,175	3,018,391
Outward reinsurance premiums		(1,169,274)	(1,138,146)
		<u>1,631,901</u>	<u>1,880,245</u>
Change in gross provision for unearned premiums		210	242
Change in provision for unearned premiums, reinsurers' share		(32)	(64)
Change in net provision for unearned premiums		178	178
Earned premium net of reinsurance		<u>1,632,079</u>	<u>1,880,423</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(465,517)	(2,740,821)
Reinsurers' share		(69,477)	1,075,408
Net claims paid	5	(534,994)	(1,665,413)
Change in provision for claims –net amount	6	404,351	(109,387)
Claims incurred, net of reinsurance		(130,643)	(1,774,800)
Net operating expenses	7	(637,545)	(638,466)
Balance on technical account	A	863,891	(532,843)
NON-TECHNICAL ACCOUNT			
Investment income	8	1,433,364	299,259
Unrealised losses on investments		(518,727)	(194,039)
Investment expenses and charges	9	(57,277)	(47,149)
	B	857,360	58,071
Surplus/(deficit) on ordinary activities before tax	A+B	1,721,251	(474,772)
Tax on ordinary activities	10	(161,732)	12,002
Surplus/(deficit) on ordinary activities after tax		1,559,519	(462,770)
Surplus at 1 June 2014		11,458,527	11,921,297
Surplus at 31 May 2015		<u>13,018,046</u>	<u>11,458,527</u>

All amounts derive from continuing operations. There are no recognised gains or losses other than the surplus on ordinary activities after tax for the current and preceding financial periods.

The notes on pages 18 to 27 form an integral part of these financial statements.

PAMIA LIMITED

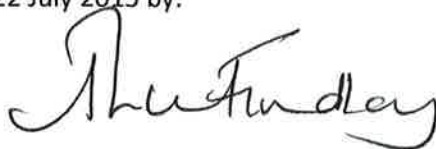
Company number 2418817

**BALANCE SHEET
As at 31 May 2015**

	Note	2015	2014
ASSETS			
Investments			
Other financial investments	11	20,867,895	18,357,026
Reinsurers' share of technical provision			
Claims outstanding	6	-	324,067
Other assets			
Cash at bank		240,494	899,811
Debtors arising out of direct insurance operation		7,534	4,926
Debtors arising out of reinsurance operations		-	265,418
Prepayments and accrued income			
Accrued interest		66,026	66,292
Other prepayments and accrued income		654	654
		<u>21,182,603</u>	<u>19,918,194</u>
LIABILITIES AND RESERVES			
Reserves			
Income and expenditure account		13,018,046	11,458,527
Technical provision			
Provision for unearned premiums			
Gross amount		43	285
Reinsurance amount		(11)	(75)
		32	210
Claims outstanding			
Gross amount	6	<u>6,375,567</u>	<u>7,103,985</u>
		<u>6,375,567</u>	<u>7,104,195</u>
Creditors			
Creditors arising out of reinsurance operations		1,945	-
Other creditors including tax	12	<u>425,898</u>	<u>259,757</u>
		427,843	259,757
Accruals and deferred income			
	13	<u>1,361,115</u>	<u>1,095,715</u>
		<u>21,182,603</u>	<u>19,918,194</u>

These financial statements were approved by the Board of Directors and were signed on its behalf on 22 July 2015 by:

Chairman:
A.Findlay



Director:
D.A.Gill



Signed on behalf of the Managers:

R A A Harnal
Thomas Miller Professional Indemnity



The notes on pages 18 to 27 form an integral part of these financial statements.

PAMIA LIMITED
CASH FLOW STATEMENT
For the year ended 31 May 2015

Reconciliation from Surplus on ordinary activities before tax to net cash inflow from operating activities

	Note	2015 £	2014 £
Surplus on operating activities before tax		1,721,251	(474,772)
Investment return		(914,637)	(105,220)
Investment expenses		57,277	47,149
Decrease in debtors		262,810	95,839
Increase/(decrease) in creditors		271,754	(48,422)
(Decrease)/increase in provision for claims		(404,351)	109,387
Decrease in net provision for unearned premiums		(178)	(178)
Net cash inflow/(outflow) from operating activities	14	<u>993,926</u>	<u>(376,217)</u>

CASHFLOW STATEMENT

Net cash inflow/(outflow) from operating activities	14	993,926	(376,217)
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Returns on investments and servicing finance

Investment return		1,433,500	310,077
Investment expenses	9	<u>(57,277)</u>	<u>(47,149)</u>
		<u>1,376,223</u>	<u>262,928</u>

Taxation

Corporation tax paid		-	(46,816)
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Net inflow/(outflow) into cash, deposits and investments in the year	15,16	<u>2,370,149</u>	<u>(160,105)</u>
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CASHFLOWS WERE INVESTED AS FOLLOWS:

		£	£
Decrease in cash	16	(659,317)	(462,917)
Net portfolio investment		-	-
(Disposal)/purchase of fixed income securities	16	(1,193,579)	17,408
Purchase/(disposal) of units in unit trusts	16	<u>4,223,045</u>	<u>285,404</u>
	15,16	<u>2,370,149</u>	<u>(160,105)</u>

The notes on pages 18 to 27 form an integral part of these financial statements.

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The Company is incorporated in England and Wales as a company limited by guarantee and not having any share capital. It is authorised by the Prudential Regulation Authority to conduct insurance business on the mutual principle and there is, accordingly, no profit and loss account.

In pursuance of its business and in accordance with its Memorandum, Articles of Association and its Rules, the Association has the right to make unlimited calls on its Members to meet its liabilities. No specific provision has been made in the financial statements for any such calls unless and until the Directors decide that any such calls shall be made.

In the event of the winding up of the Company, after its liabilities have been satisfied, the remaining assets shall be distributed to the Members as set out in the Articles of Association.

2. Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006, applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments and comply with the guidance on Accounting for Insurance Business as revised by the Association of British Insurers in December 2006. The particular accounting policies adopted are described below.

Going Concern

The Directors have assessed the position of the Company and are of the opinion that the Company has adequate resources to meet its insurance and other liabilities as they fall due for payment. The Company has maintained a margin over the minimum regulatory capital requirements in both this and prior years, and on the basis of the information currently available, there are no indications that the position will change. Therefore, the directors have reasonable expectation that the Company will be able to continue in operational existence as a going concern for the foreseeable future.

(a) Basis of accounting for underwriting transactions

All business is accounted for on an annual basis.

(b) Premiums

The gross premium written is the total receivable for contracts incepting during the accounting period together with any premium adjustments relating to prior periods. It also includes provisions for bad debts, deferred calls and return premiums.

The provision for unearned premiums comprises the element of gross premiums written, which is estimated to be earned in the following or subsequent financial years.

This has been calculated on a policy-by-policy basis.

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct business.

(c) Claims

The claims provision in the Balance Sheet represents:

- (i) Estimated claims as at 31 May 2015.
- (ii) An additional amount to provide against adverse development on estimated claims and reported circumstances as at 31 May 2015; and
- (iii) A provision for the Managers' future claims handling costs in respect of (i) and (ii).

Claims incurred in the Income and Expenditure account include:

- (i) Claims and costs paid during the period;
- (ii) The claims handling costs of the Managers; and
- (iii) The movement in the claims provision.

And are stated net of applicable reinsurance recoveries.

The uncertainty inherent in the process of estimating outstanding claims reserves are such that in the normal course of events unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that presently estimated. Having regard to this uncertainty and in light of the information presently available, in the opinion of the Directors the provision for outstanding claims is fairly stated.

(d) Investment income

This comprises gains and losses on investments and income received during the year adjusted in respect of interest receivable at the year-end.

Realised gains or losses represent the difference between net sales proceeds and purchase price or, in the case of investments valued at amortised cost, the latest carrying value.

Unrealised gains and losses on investments represent the difference between the current value of investments at the balance sheet date and their purchase price. The movement in unrealised investment gains/losses includes an adjustment for previously recognised unrealised gains/losses on investments disposed of in the accounting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

(e) Taxation

Tax is charged on investment income & gains on investment. Unrealised gains and losses as a result of movements in the market value of unit trusts are accounted for through the Non-Technical Account. A taxation charge or credit does not arise until the accounting period in which the unit trusts are sold.

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future at rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the liability to, or relief from, tax is expected to arise in the foreseeable future. Deferred tax assets and liabilities are not discounted.

(f) Investments

Investments including forward currency contracts are shown at market value. Unrealised investment gains and losses are taken to the non-technical account. Investments are designated at fair value through the income and expenditure account on initial recognition

(g) Net operating expenses

The management fee allocated to acquisition costs has been interpreted as the cost of underwriting, processing renewals, premium adjustments and credit control. Administrative expenses include regulatory compliance, the preparation of accounts and general management.

3. Premium deferral

The Directors decided that all Members should continue to be entitled to deferral of premium. Those Members purchasing cover of less than £2,000,000, who were already committed, would be entitled to a 15% deferral of the advance call (net of brokerage) for the 2014/15 policy year, increasing to 20% for those Members purchasing cover of £2,000,000 or more.

In the event of a policy year going into deficit and any additional funds being required, any deferred call made for that year would be recovered by the Company before any supplementary call were to be levied.

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management fee

The Companies Act 2006 and Association of British Insurers (Statement of Recommended Practice) requires the management fee paid to Thomas Miller Professional Indemnity to be apportioned between the different management functions. This fee has to be allocated to acquisition costs, which in the case of PAMIA Limited has been interpreted by the Directors and Managers as the cost of underwriting, processing renewals, premium adjustments and credit control; claims handling costs; investment management expenses and administration expenses which include regulatory compliance, the preparation of accounts and general management.

In order to comply with this requirement, the Managers have made an apportionment.

The apportionment of management costs under the required headings is as follows:

	2015	2014
	£	£
Acquisition costs (note 7)	348,718	333,391
Claims handling costs (note 5)	332,094	315,025
Administrative expenses (note 7)	179,510	170,284
Investment management costs (note 9)	53,852	51,085
	<u>914,174</u>	<u>869,785</u>

5. Claims incurred net of reinsurance

	2015	2014
	£	£
Claims	919,975	1,726,115
Third party recovery	(705,151)	(57,487)
Legal costs and expenses	(81,401)	757,168
Management fee (note 4)	332,094	315,025
Reinsurance recoveries	69,477	(1,075,408)
	<u>534,994</u>	<u>1,665,413</u>

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Change in the provision for claims – gross and net amount

	As at 31 May 2015	As at 1 June 2014	Movement
		£	£
Gross claims outstanding	6,375,567	7,103,985	(728,418)
Reinsurers' share of claims outstanding	-	(324,067)	324,067
Movement in net provision for claims	<u>6,375,567</u>	<u>6,779,918</u>	<u>(404,351)</u>

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular case and the ultimate cost of claims. The estimates for outstanding claims are based on the best estimates and judgment of the Managers of the final cost of individual cases. These estimates are as reliable as possible given the details of the cases and taking into account all the current information. However, the final outcome of individual cases may prove to be significantly different to the estimates made at the balance sheet date. The estimates are reviewed regularly. The gross provision for claims includes allowances for adverse development and the Managers' claims handling costs (see note 2c).

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2014/2015 policy year.

7. Net operating expenses

	2015	2014
	£	£
Acquisition costs		
Management fee (note 4)	348,718	333,391
Brokerage	21,943	41,887
	<u>370,661</u>	<u>375,278</u>
Administration expenses		
Directors' and Officers' liability insurance	3,911	3,911
PRA Insurance fee	5,606	7,545
Auditors' remuneration – audit of financial statements	19,727	21,000
Auditors' remuneration for taxation services	5,473	5,520
Meeting expenses	18,017	11,301
Printing and Board Packs	15,500	-
Professional fees	19,140	43,627
Management fee (note 4)	179,510	170,284
	<u>266,884</u>	<u>263,188</u>
	<u>637,545</u>	<u>638,466</u>

There were no Directors' emoluments paid or payable during the year (2014-£Nil).

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. (i) Investment income

	2015	2014
	£	£
Interest on listed investments	176,827	229,590
(Loss)/gain on foreign exchange	(36,461)	(64,235)
Bank deposit interest	132,963	45,303
	<u>273,329</u>	<u>210,658</u>
Gains on realisation of investments	1,160,035	88,601
	<u>1,433,364</u>	<u>299,259</u>

(ii) Net gains arising from financial instruments valued at fair value through income and expenditure account

	2015	2014
	£	£
Interest on listed investments	176,827	229,590
Gains on realisation of investments	1,160,035	88,601
Unrealised gains/(losses) on investments	(518,727)	(194,039)
Investment expenses	(57,277)	(47,149)
	<u>760,858</u>	<u>77,003</u>

9. Investment expenses and charges

	2015	2014
	£	£
Investment management costs (note 4)	53,852	51,085
Bank, custodial and other charges	3,425	(3,936)
	<u>57,277</u>	<u>47,149</u>

10. Taxation

- (i). By virtue of its mutual status, the Association is not liable to tax on its insurance operations. It is liable to tax on its investment income and net gains. The charge in the income and expenditure account represents:

Income and expenditure account	2015	2014
	£	£
UK corporation tax at 20.83% (2014-20%)	215,876	-
Adjustments in respect of prior years	(8,052)	(19)
Total current tax (note 10(ii))	<u>207,824</u>	<u>(19)</u>
Deferred tax movement	(46,092)	(11,983)
Total tax charge	<u>161,732</u>	<u>(12,002)</u>

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Taxation (continued)

(ii). The tax assessed for the period is higher than the main companies standard rate of corporation tax in the UK 20% for 2015 (2014: 20%). The differences are explained below:

	2015	2014
	£	£
Surplus on ordinary activities before tax	<u>1,721,251</u>	<u>(474,772)</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.83% (2014: 20%)	358,537	(94,954)
Effects of:		
Non-taxable mutual insurance operations	(179,918)	106,569
Non-taxable unrealised losses/(gains) and income on investments	(148,399)	(51,387)
Disallowable expenses	5,965	4,715
Capital gains net of losses and indexation allowance	180,648	26,795
Unrelieved tax losses arising in the period	(956)	8,262
Prior year adjustments	(8,052)	(19)
Current tax charge (note 10(i))	<u>207,824</u>	<u>(19)</u>

(iii). **Balance sheet**

	2015	2014
	£	£
Taxation creditor		
Taxation creditor brought forward	-	46,835
Prior year adjustment	(8,052)	(19)
Payment of corporation tax	-	(46,816)
	<u>(8,052)</u>	<u>-</u>
UK corporation tax	215,876	-
Taxation creditor (note 12)	<u>207,824</u>	<u>-</u>

	2015	2014
	£	£
Deferred Tax		
Deferred tax liability brought forward	195,428	207,411
Effect of change to tax rate of opening balances	-	-
Charge/credit for the year	(46,092)	(11,983)
Deferred tax movement	(46,092)	(11,983)
Deferred tax liability carried forward	<u>149,336</u>	<u>195,428</u>

Deferred tax liabilities are provided on equity investments, which are taxable on a realisations basis and are provided based on the Corporation Tax charge that would arise if realised at current market values at the year-end date.

Capital losses realised are provided against the deferred tax liability to the extent that they do not exceed realised gains.

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Other financial investments

	Market Value 2015 £	Market Value 2014 £	Cost 2015 £	Cost 2014 £
Other financial investments comprise:				
Equities	9,366,130	6,100,715	8,873,953	4,650,908
Alternative	2,125,833	1,861,009	1,710,576	1,710,576
Fixed interest securities	9,374,595	10,394,095	9,414,060	10,607,639
Forward FX contracts	1,337	1,207	1,337	1,207
	<u>20,867,895</u>	<u>18,357,026</u>	<u>19,999,926</u>	<u>16,970,330</u>

	Market Value 2015 £	Market Value 2014 £	Cost 2015 £	Cost 2014 £
Equities	5,948,004	4,279,539	5,478,966	2,829,732
UCITS - cash	3,418,126	1,821,176	3,394,987	1,821,176
	<u>9,366,130</u>	<u>6,100,715</u>	<u>8,873,953</u>	<u>4,650,908</u>

All fixed income securities are listed on a recognised stock exchange.

Undertakings for Collective Investment in Transferable Securities (UCITS) are funds held for the short term.

The fair value of forward currency contracts represents the year-end market value. The value of these contracts will fluctuate as a result of movements in the rates of currency exchange.

12. Other creditors including tax

	2015 £	2014 £
Insurance premium tax	68,738	64,329
Corporation tax (note 10(iii))	207,824	-
Deferred tax provision	149,336	195,428
	<u>425,898</u>	<u>259,757</u>

Insurance premium tax ("IPT") includes insurance premium taxes due to other EU countries in addition to UK IPT due.

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Accruals and deferred income

	2015	2014
	£	£
Management fee	207,137	201,104
Accrued expenses	41,887	26,281
Premiums received in advance	1,112,091	868,330
	<u>1,361,115</u>	<u>1,095,715</u>

14. Net cash flow from operating activities

	2015	2014
	£	£
Operating activities		
Premiums received from members	3,042,329	2,981,041
Reinsurance paid	(1,167,328)	(1,145,018)
Claims paid	(465,517)	(2,740,821)
Reinsurance recoveries	195,941	1,173,714
Other operating cash payments	(611,497)	(645,133)
Net cash flow from operating activities	<u>993,928</u>	<u>(376,217)</u>

15. Movement in opening and closing portfolio investments

	2015	2014
	£	£
Net cash flow for period (note 16)	(659,317)	(462,917)
Portfolio investments	3,029,466	302,812
Movement arising from cash flows (note 16)	2,370,149	(160,105)
Movement in investment valuations (note 16)	(518,597)	(192,862)
Movement for the year	1,851,552	(352,967)
Portfolio investments at 1 June	19,256,837	19,609,804
Portfolio investments at 31 May	<u>21,108,389</u>	<u>19,256,837</u>

PAMIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Movement in cash, deposits and investments in the year

	At 1 June 2014	Cash flow	Changes to market value	At 31 May 2015
	£	£	£	£
Cash at bank	899,811	(659,317)	-	240,494
Fixed interest securities	10,394,095	(1,193,579)	174,079	9,374,595
Alternatives	1,861,009	-	264,824	2,125,833
Equities	6,100,715	4,223,045	(957,630)	9,366,130
Forward exchange contracts	1,207	-	130	1,337
	<u>19,256,837</u>	<u>2,370,149</u>	<u>(518,597)</u>	<u>21,108,389</u>

The comparative figures for last year were:

	At 1 June 2013	Cash flow	Changes to market value	At 31 May 2014
	£	£	£	£
Cash at bank	1,362,728	(462,917)	-	899,811
Fixed interest securities	10,620,646	61,570	(288,121)	10,394,095
Alternatives	1,945,405	(44,162)	(40,234)	1,861,009
Equities	5,680,995	285,404	134,316	6,100,715
Forward exchange contracts	30	-	1,177	1,207
	<u>19,609,804</u>	<u>(160,105)</u>	<u>(192,862)</u>	<u>19,256,837</u>

17. Location and nature of business

All operations are direct professional indemnity insurance written within the United Kingdom. All business is classified as third party liability business.

PAMIA LIMITED

COMPANY INFORMATION

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