PAMIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016

Company No. 2418817

PAMIA LIMITED

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PAMIA LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Members will be held at the Mercure Brigstow Hotel, 5-7 Welsh Back, Bristol, BS1 4SP on 30 November 2016 at 5.30pm for the following purposes:

- To receive the Directors' Report and Financial Statements for the year ended 31 May 2016 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: 27 July 2016

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 Company. 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

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.P. Cunningham		Thomas Miller Professional Indemnity
R. Gardner		Dehns
I. Gill		A.A.Thornton & Co
R.A.A.Harnal		Thomas Miller Professional Indemnity
A. C. Hayes		Boult Wade Tennant
K. Hodkinson	(retiring 30 November 2016)	Marks & Clerk
P. Howard	(retired 30 June 2016)	Carpmaels & Ransford
* J. Jappy		Gill Jennings & Every
B.R. Lucas		Lucas & Co.
M. Lunt		Harrison Goddard Foote
D. A. McCarthy		MacLachlan & Donaldson
C. Murphy	(retired 30 June 2016)	Venner Shipley LLP
J.B. Pennant		D. Young & Co.
S. Storer		Stevens Hewlett & Perkins
*C. H. Watkins		Secerna LLP
*K.Young		Murgitroyd

* Members of the Audit and Risk Committee

PAMIA LIMITED

CHAIRMANS REPORT

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

In the year to 31st May 2016 PAMIA recorded a surplus of £0.977m, compared to a surplus of £1.560m in the previous year. The main reason for this result was a change in the method of calculation of claims reserves which reduced the outstanding claims reserves; this was partially offset by a small loss on investments.

The surplus increases the free reserves to £13.996m. Free reserves for capital regulatory purposes were £13.067, £8.546m in excess of PAMIA's regulatory capital requirement of £4.521m. PAMIA's business plan is to hold reserves between of £5m to £7.75m over its regulatory capital. At the yearend the surplus was £0.796m over the top end of the target range, primarily due to change in accounting for claims reserves required by the new Solvency II regime. To bring the reserves back to within the target range, the Board reduced rates and increased the deferral given to members at the 2016 renewal.

In the year to 31 May 2016 PAMIA recorded a loss of 0.72% on its investments. The result was a reasonable one in a difficult year for growth when assets such as equities, lost £0.472m in value. These losses were partly offset by good returns from our bond portfolio, which produced a surplus of about £0.310m. We will be undertaking our triennial review of PAMIA's investment policy during the course of the current financial year.

Gross claims paid in the year to 31 May 2016 increased from £0.84m to £1m. During the course of the financial year we settled six claims, including one which was being litigated in the USA. The overall claims experience remains stable, with the rate of new notifications in line with past experience.

In the year to 31 May 2016 premium income net of reinsurance fell by 12%. The reduction in premium income was largely the result of the Board's decision not to offer to renew one member's insurance with PAMIA, because the risk presented by the member was not consistent with PAMIA's risk appetite.

PAMIA is now subject to a new regulatory regime, Solvency II. The process of ensuring we were in a position to be compliant with the new regulatory requirements took four years, and a huge amount of effort from everyone on the Board and, particularly at the Managers. We have made significant changes to our governance, with a particular focus on our risk management framework, which puts us in a good position to rise to the challenges we will face in the future.

One obvious challenge will be helping members to deal with the consequences of the UK's vote to leave the European Union. As the consequences becomes clearer and the ways in which firms structure their operations changes, we will work to make sure that as far as possible we continue to be able to offer insurance to our members for all of their IP services.

Looking further afield, PAMIA has been approached by the Intellectual Property Institute of Canada to consider extending membership eligibility to patent and trade mark attorneys in Canada. We have formed a Canada Committee to examine the possibility of insuring the Canadian profession. Our initial work suggests that the risk presented by that profession is compatible with the PAMIA membership. If the Board does decide that it would be beneficial to PAMIA to offer to insure the Canadian profession, a proposal will be put to members who will make the final decision in a general meeting.

CHAIRMANS REPORT (continued)

Finally, two long-serving Directors, Colm Murphy and Paul Howard, both of whom served with distinction on the Claims Committee stood down from the PAMIA Board on 30 June, Paul because of retirement from practice and Colm because he joined a US law firm and ceased to be eligible to be a Director. Also, Keith Hodkinson, who has served on the Rating & Reinsurance Committee and Canada Committee, will be standing down at the AGM, following his retirement from practice. Being a Director of PAMIA is a demanding, voluntary role and I wish to thank each of them for their hard work and dedication to ensuring that PAMIA continues to provide strong protection for our profession. We are fortunate that four excellent candidates are seeking to be elected to the Board at the AGM.

Alice Findlay

Alice Findlay
Chairman
27 July 2016

STRATEGIC REPORT

The Directors have pleasure in presenting the Strategic report for the year ended 31 May 2016.

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 £0.977m (2015- £1.560m) and this was transferred to reserves. The reserves now amount to £18.596m which is made up of free reserves of £13.995m and gross claim reserves of £4.601m. The comparative figure for 2015 was £19.394m which was made up of free reserves of £13.018m and gross claim reserves of £6.376m.

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 2016, which will be submitted to the membership for approval at the Annual General Meeting which will be held on 30 November 2016.

The Income and Expenditure Account (on page 13) and the Statement of Financial Position (on page 14), 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.

	2016 £'000	2015 £'000
Premium Written	2,393	2,801
Reinsurance Premium	(985)	(1,169)
Net claims	473	(131)
Operating expenses	(645)	(637)
Surplus) on technical account	1,234	864
Investment Income	(218)	857
Surplus) on ordinary activities before tax	1,015	1,721
Tax	(38)	(162)
Surplus for the financial year	977	1,559
Free reserves at year end	13,995	13,018

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 a negative return of (0.72%) (2015 positive return of +4.72%)

STRATEGIC REPORT (CONTINUED)

Investments (continued)

PAMIA's assets are divided between a Short Term Fund, a Capital Fund and a Growth Fund. The breakdown is shown below:

	31 May 2016	31 May 2015
	£	£
Short Term Fund	455,725	2,407,950
Capital fund	10,310,597	9,713,046
Growth Fund	8,254,743	8,812,925
Market value (including accrued interest)	19,021,025	20,933,921

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 54% of its holdings in UK, US and European bonds, 26% is in equities, 15% in alternative investments and 5% in cash equivalents.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and financial statements for the year ended 31 May 2016.

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 Company are shown on page 1.

In accordance with Clause 54 of the Articles of Association, D.A.Gill, T.Copsey, A.R.Findlay, and M.Lunt retire by rotation at the forthcoming Annual General Meeting to be held on Wednesday 30 November 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.

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 2015 Policy Year the Directors held three formal meetings on 22 July 2015, 24 November 2015 and 16 March 2016.

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 2015 financial statements and the annual return to the Prudential Regulatory Authority (PRA) for the year ending 31 May 2015 were approved by the Board at the 22 July 2015 meeting..

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. Approval of new Investment Management Agreement

DIRECTORS' REPORT (CONTINUED)

Underwriting: 2015 renewal report, underwriting report, closure of 2008 Policy Year, reinsurance arrangements for the 2015 Policy Year and rates and terms of cover for the 2015 Policy Year.

Regulatory: The following policies have been reviewed and updated as part of Solvency II:

1. ORSA Policy.
2. Reserving Policy.
3. Outsourcing Policy.
4. Fit & Proper Policy.
5. Risk Management Framework.
6. Actuarial Terms of Reference.
7. Rules & Terms of Cover.

Approved PAMIA Own Risk and Solvency Assessment (ORSA).

Other Matters: Approval of Business Risk Assessment, Risk Appetite statements, approval of new Management Agreement 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 and the Chairman of each Committee makes a report at the Board meeting immediately following a Committee meeting.

The Audit & Risk Committee comprising David Gill (Chairman), Alice Findlay, John Jappy, Charlotte Watkins and Keith Young, assists 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 responsible for assessing the Business Risk of the Company. It is also responsible for internal and external audit appointments and to provide a clear channel of communication between the Board and the auditors. The Committee met on four occasions in the course of the year.

The Investment Committee comprising Rebecca Gardner (Chairman), David Gill, Mark Lunt and Sarah Storer, assists the Board in reviewing in detail the performance of PAMIA's investments and make recommendations to the Board in respect of the Investment Policy, Investment Mandate 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, assists the Board in reviewing in detail PAMIA's notification and claims on an anonymised basis and making recommendations to the Managers as steps that might be taken to resolve them satisfactorily. The Committee met on three occasions in the course of the year.

DIRECTORS' REPORT (CONTINUED)

Board Committees (continued)

The Rating & Reinsurance Committee comprising John Leeming (Chairman) Alice Findlay, Rebecca Gardner, Keith Hodkinson, and Denis McCarthy, assists 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 one occasion in the course of the year.

The Rules and Cover Committee comprising Mark Lunt (Chairman),Alice Findlay, Adrian Hayes and John Leeming, helps 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, advises 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 two occasions in the course of the year.

The Management Committee comprising Alice Findlay (Chairman), David Gill and John Leeming is responsible for formulating the Company's business strategy and agreeing the Management Fee. It meets 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

A. R. Findlay
Chairman

27 July 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAMIA LIMITED

We have audited the Financial Statements of PAMIA Limited for the year ended 31 May 2016 which comprise the Income and Expenditure Account, the Statement of Financial Position, 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 2016 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.

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

27 July 2016

PAMIA LIMITED

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 May 2016

	Note	2016	2015
TECHNICAL ACCOUNT		£	£
Earned premiums, net of reinsurance			
Advance Call		2,963,177	3,460,856
Premium deferral	5	(570,045)	(659,681)
Gross premium written		2,393,132	2,801,175
Outward reinsurance premiums	6	(985,000)	(1,169,274)
		1,408,132	1,631,901
Change in gross provision for unearned premiums		(2,707)	210
Change in provision for unearned premiums, reinsurers' share		662	(32)
Change in net provision for unearned premiums		(2,045)	178
Earned premium net of reinsurance		1,406,087	1,632,079
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	7	(1,301,883)	465,517)
Reinsurers' share		-	(69,477)
Net claims paid		(1,301,883)	(534,994)
Change in provision for claims –net amount	7	1,774,764	404,351
Claims incurred, net of reinsurance		472,881	(130,643)
Net operating expenses	9	(645,325)	(637,545)
Balance on technical account	**A**	1,233,643	863,891
NON-TECHNICAL ACCOUNT			
Investment income	10	604,719	1,433,364
Unrealised losses on investments	10	(763,325)	(518,727)
Investment expenses and charges	10	(59,875)	(57,277)
	B	(218,481)	857,360
Surplus on ordinary activities before tax	**A+B**	1,015,162	1,721,251
Tax on ordinary activities	11	(37,835)	(161,732)
Surpluson ordinary activities after tax		977,327	1,559,519
Surplus at 1 June		13,018,046	11,458,527
Surplus at 31 May		13,995,373	13,018,046

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 16 to 35 form an integral part of these financial statements.

PAMIA LIMITED

Company number 2418817

STATEMENT OF FINANCIAL POSITION
As at 31 May 2016

	Note	2016	2015
ASSETS		£	£
Investments			
Other financial investments	12	18,962,432	20,867,895
Reinsurers' share of technical provision			
Claims outstanding		-	-
Debtors			
Debtors arising out of direct insurance operation	13	6,232	7,534
Other assets			
Cash at bank	14	1,391,670	240,494
Prepayments and accrued income			
Accrued interest		58,593	66,026
Other prepayments and accrued income		707	654
		20,419,634	21,182,603
LIABILITIES AND RESERVES			
Reserves			
Income and expenditure account		13,995,373	13,018,046
Technical provision			
Provision for unearned premiums			
Gross amount		2,750	43
Reinsurance amount		(673)	(11)
		2,077	32
Claims outstanding			
Gross amount	7	4,600,803	6,375,567
		4,600,803	6,375,567
Creditors			
Creditors arising out of reinsurance operations	15	905	1,945
Other creditors including tax	16	258,928	425,898
		259,833	427,843
Accruals and deferred income	17	1,561,548	1,361,115
		20,419,634	21,182,603

These financial statements were approved by the Board of Directors and were signed on its behalf on 27 July 2016 by:

Chairman:
A.Findlay

A. Findlay

Director:
D.A.Gill

Signed on behalf of the Managers:

R A A Harnal RAA Harnal
Thomas Miller Professional Indemnity

The notes on pages 16 to 35 form an integral part of these financial statements.

CASH FLOW STATEMENT
For the year ended 31 May 2016

Operating activities

	Note	2016	2015
		£	£
Premiums received		2,551,065	3,042,329
Reinsurance premium paid		(986,040)	(1,167,328)
Claims paid		(1,301,883)	(465,517)
Reinsurance recoveries received		-	195,941
Operating expenses paid		(597,565)	(611,497)
Taxation paid		(208,816)	-
Net cash (used)/ provided by operating activities		(543,239)	993,928

Cash flows from investment activities

	Note	2016	2015
Purchase of investments		(11,631,230)	(26,949,325)
Sale of investments		12,990,550	24,986,290
Interest received		170,890	181,046
Dividends received		164,205	128,744
Net cash flow from investment activities		1,694,415	(1,653,245)
Net increase / (decrease) in cash and cash equivalents		1,151,176	(659,317)
Cash and cash equivalents at the beginning of the year		240,494	899,811
Cash and cash equivalents at the end of the year	14	1,391,670	240,494

The notes on pages 16 to 35 form an integral part of these financial statements.

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 The Company and its Rules, the Company 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

2.1 Statement of compliance and basis of preparation

The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006.

The Financial Statements have been prepared under the provisions of the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups.

The Financial Statements have been prepared on the historical cost basis, except for other financial investments which are presented at fair value.

2.2 Policy Year Accounting

Premiums claims paid, reinsurance recoveries, reinsurance and the management fees are allocated to the Policy Years to which they relate.
Investment income and interest, profit/losses on sale of investments, exchange gains/losses and general expenses are allocated to the current Policy Year.

2.3 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.4 Claims

Claims are accounted for on a notifications basis.

The claims provision in the Balance Sheet represents:

(i) Estimated claims and settlement costs as at 31 May 2016, on notified claims outstanding in all policy years:
(ii) An additional amount to provide against adverse development on estimated claims and reported circumstances as at 31 May 2016; 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 year:
(ii) The claims handling costs of the Managers; and
(iii) The movement in the claims provision.

And are stated net of applicable reinsurance recoveries.

2.5 Reinsurance recoveries

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claims that have been charged to the Income and Expenditure account.

2.6 Reinsurance premiums

Reinsurance premiums payable are charged to the Technical Account on an accruals basis and to the Policy Year to which they apply.

2.7 Financial instruments

The Company has chosen to apply the recognition, measurement and disclosure requirements of FRS 102 in respect of financial instruments.

Financial instruments are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price and are classified as either 'basic' or 'other' in accordance with Section 11 of FRS 102. Subsequent to initial recognition, they are measured as set out below.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.8 Other financial 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.

2.9 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.

2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balance with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents in foreign currency are translated based on the relevant exchange rates at the reporting date.

2.11 Foreign currencies

Items included in the Financial Statements are measured in UK sterling which is the Company's functional and presentational currency. Transactions in foreign currencies have been translated into UK sterling at the rate applicable for the month in which the transaction took place. At each reporting date monetary assets and liabilities that are denominated in foreign currencies are translated into UK sterling at the rates of exchange ruling at the end of the reporting period.

All exchange gains and losses, whether realised or unrealised, are included in foreign exchange gains and losses in the income and expenditure account.

2.12 Taxation

Current tax is the amount of income tax payable 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 by the period end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.12 Taxation (continued)

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements.

Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered.

3. Critical accounting estimates and judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The following critical accounting estimates and judgements are made by the Company:

3.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period.

3.2 Fair value estimations

In accordance with section 11 of FRS 102, as a financial institution, the Company applies the requirements of paragraph 11.27 of FRS 102. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, price) or indirectly (that is, derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.2 Fair value estimations (continued)

The table below presents the Company's assets and liabilities measured at fair value by level of the fair value hierarchy:

As at 31 May 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Fixed interest - Government	-	8,920,214	-	8,920,214
Fixed interest - Corporate	-	1,208,012	-	1,208,012
Equities & Alternatives	2,177,747	5,673,735	-	7,851,482
UCITS	26,212	956,512	-	982,724
	2,203,959	16,758,473	-	18,962,432

The table below presents the Company's assets and liabilities measured at fair value by level of the fair value hierarchy:

As at 31 May 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Fixed interest - Government	-	8,159,419	-	8,159,419
Fixed interest - Corporate	-	1,215,068	-	1,215,068
Equities & Alternatives	2,382,733	6,200,986	-	8,583,719
UCITS	182,536	2,727,153	-	2,909,689
	2,565,269	18,302,626	-	20,867,895

4. Management of Risk

The Company is governed by the Board of Directors which drives decision making within the Company from Board level through to operational decision making within the Managers. The Board considers the type and scale of risk that the Company is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision making.

The Company is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which the Company is exposed through its core activity as a provider of insurance services, and the broader range of risks. The Company's key risks are the following:

4.1 Insurance risk – incorporating underwriting and reserving risk;

4.2 Market risk – incorporating investment risk, and interest rate risk;

4.3 Credit risk –the risk that a counterparty is unable to pay amounts in full when due;

4.4 Liquidity risk –the risk that cash may not be available to pay obligations as they fall due; and

4.5 Operational risk –the risk of failure of internal processes or controls.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.1 Insurance Risk

The Company's exposure to insurance risk is initiated by the underwriting process and incorporates the possibility that an insured event occurs, leading to a claim on the Company from a member. The risk is managed by the underwriting process, acquisition of reinsurance cover, and the management of claims costs.

Underwriting process

The Company has an Underwriting Policy which is approved by the Board annually which manages the underwriting risk. The policy sets out the processes by which the risk is managed.

The Company operates a fee tariff rating system with flexible deductible: otherwise the underwriting parameters are fixed with no discretion.

Reinsurance

The Company's reinsurance programme is designed to manage risk to an acceptable level and to optimise the Company's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, and additional fees break out cover.

During the year ended 31 May 2016, 19.5% of the reinsurance contract was placed at Lloyd's and the remaining 80.5% with insurance companies in the UK.

The risk of the Company's reinsurers being unable to meet their obligations is presented in section 4.3 on Credit Risk.

Reserving process

The Company establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions and assumptions as set out in Note 2 of the Financial Statements as directed and reviewed by the Audit and Risk Committee. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by senior members of PAMIA Management Company.

The Company considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.1 Insurance Risk (continued)

Reserving process (continued)

The results of sensitivity testing are set out below, showing the impact on the surplus before tax and equity, gross and net of reinsurance. The impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

	2016	2015
	£	£
Increase in loss ratio by 5 percentage points		
Gross	(119,554)	(140,068)
Net	(70,304)	(81,604)

A 5 % decrease in loss ratios would have an equal and opposite effect.

4.2 Market Risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The Investment Policy and Investment Mandate are formally reviewed every three years (but more frequently if required). The policy and mandate reflects the risk appetite of the Company and are designed to hold the risk to a level deemed acceptable while maximising returns.

The investment strategy is reviewed at every Investment Committee meeting. The Investment Mandate sets the parameters within which the Investment Manager must operate in investing the portfolio in order to meet the investment objectives set by the Board.

Foreign currency risk management

The Company is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US Dollars. The most significant currencies to which the Company is exposed are sterling and the euro

The majority of the Company's administration costs are in sterling and it uses forward currency contracts to protect its currency exposures. The Company does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.2 Market Risk

Foreign currency risk management (continued)

The profile of the Company's assets and liabilities, categorised by settlement currency, at their translated carrying amount, is set out below.

As at 31 May 2016	Sterling	US Dollar	Euro	Total
	£'000	£'000	£'000	£'000
Fixed income securities	6,739	2,109	1,339	10,187
Equity & Alternatives	5,363	2,488	-	7,851
Debtors	6	-	-	6
Cash and cash equivalents	2,141	60	174	2,375
Prepayment	1	-	-	1
	14,250	4,657	1,513	20,419

As at 31 May 2015	Sterling	US Dollar	Euro	Total
	£'000	£'000	£'000	£'000
Fixed income securities	6,124	2,281	1,037	9,442
Equity & Alternatives	6,024	2,559	-	8,583
Debtors	8	-	-	8
Cash and cash equivalents	3,054	20	74	3,148
Prepayment	1	-	-	1
	15,211	4,860	1,111	21,182

Foreign currency sensitivity analysis

As at 31 May 2016 if sterling weakened/strengthened by 5% against the euro and US Dollar, with all other factors remaining unchanged free reserves for the year would have increased /decreased by £0.309m. A 5% weakening of these currencies against sterling would have an equal and opposite effect.

Interest rate risk management

Interest rate risk arises primarily from investments in fixed interest securities the value of which is inversely correlated to movements in market interest rates.

Interest rate risk is managed through the investment strategy and accordingly debt and fixed interest securities are predominantly invested in high quality corporate and government backed bonds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.2 Market Risk (continued)

Interest rate sensitivity analysis

An increase of 100 basis points in interest rates at the year-end date, with all other factors unchanged will result in a £0.101m fall in the value of the Company's investments.

A decrease of 100 basis points would have an equal and opposite effect.

Equity price risk

The Company is exposed to price risk through its holding of equities and alternatives as financial investments at fair value through profit and loss. At the year end the holding in equity instruments amounted to 26 % of the investment portfolio (2015: 33%).

A 1% increase in equity values would be estimated to have increased the surplus before tax at the year-end by £0.050m. A 1% fall in equity values would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

4.3 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The key areas where the Company is exposed to credit risk are:

Amounts recoverable from reinsurance contracts;
Amounts due from members; and
Counterparty risk with respect to cash and investments.

Amounts recoverable on reinsurance contracts

The Company is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Board considers the financial position of significant counterparties. The Company has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A-" at the time the contract is made and no single reinsurer carries more than a 25% line. The terms of the reinsurance contract give the Company the right to remove any reinsurer whose rating falls below A- at any time during the year. The Board reviews reinsurance annually before renewal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.3 Credit Risk (continued)

Amounts due from members

Amounts due from members represents premium owing to the Company in respect of insurance business written. The Company manages the risk of member default through a screening process to ensure the quality of new entrants to the Company and the ability to cancel cover and outstanding claims to members that fail to settle amounts payable. In addition, the Directors reserve the right to offset outstanding claims payments with outstanding debt unless there is a contractual arrangement that prevents such offsetting. No Amounts have been written off as bad debt in recent years.

Counterparty risk with respect to cash and investments

The Investment Mandate sets out the investment limits to which the investment manager has to adhere. The Investment manager may only invest the Capital in UK, US and German government bonds, AAA rated government bonds, and AAA rated corporate bonds with a total duration of no more than three years, UCITS and bank deposits. The amount invested in corporate bonds is not permitted to exceed 50% of the size of the fund. No rating is required for Equity and alternative holdings.

The following tables provide information regarding aggregate credit risk exposure for financial assets with external credit ratings.

As at 31 May 2016	AAA/AA	A	BBB or less or not rated	Total
	£	£	£	£
Fixed interest-Government	8,920,102	-	-	8,920,102
Fixed interest-Corporate	1,208,012	-	-	1,208,012
Equities & Alternatives	-	-	7,851,304	7,851,304
UCITS	-	-	956,802	956,802
Other	-	-	26,212	26,212
	10,128,114	-	8,834,318	18,962,432

As at 31 May 2015	AAA/AA	A	BBB or less or not rated	Total
	£	£	£	£
Fixed interest-Government	8,159,419	-		8,159,419
Fixed interest-Corporate	1,215,068	-		1,215,068
Equities & Alternatives	-	-	8,583,720	8,583,720
UCITS	-	-	2,727,153	2,727,153
Other	-	-	182,535	182,535
	9,374,487	-	11,493,408	20,867,895

There were no past due or impaired assets at 31 May 2016 (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.4 Liquidity Risk

Liquidity and cash flow 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 there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 May 2016, the Company's short term deposits (including cash and UCITS) amounted to £2.350m (2015: £3.659m). The Company has sufficient liquid assets to meet its liabilities as they fall due.

The tables below provide a maturity analysis of the Company's financial assets:

As at 31 May 2016	Short term assets	Within 1year	2-5year	Total
	£	£	£	£
Fixed interest-Government	-	707,644	8,212,458	8,920,102
Fixed interest-Corporate	-	1,208,012	-	1,208,012
Equities & Alternatives	7,851,304	-	-	7,851,304
UCITS	983,014	-	-	983,014
	8,834,318	1,915,656	8,212,458	18,962,432

As at 31 May 2015	Short term assets	Within 1 year	2-5 years	Total
	£	£	£	£
Fixed interest-Government	-	963,853	7,195,566	8,159,419
Fixed interest-Corporate	-	-	1,215,068	1,215,068
Equities & Alternatives	8,583,720	-	-	8,583,720
UCITS	2,909,688	-	-	2,909,688
	11,493,408	963,853	8,410,634	20,867,895

4.5 Operational risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks the Company has engaged Thomas Miller Professional Indemnity as Managers to document all key processes and controls in a procedures manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Board of Directors. A human resource manual including all key policies has also been documented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4.5. Management of Risk (continued)

The sensitivity analysis in note 4 shows the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effects noted in note 4.

The Company maintains capital, comprising policyholders' funds (surplus and reserves), consistent with the Company's risk appetite and the regulatory requirements.

The Company's objective is to hold free reserves at a safe margin in excess of the solvency capital requirement and to ensure it is able to continue as a going concern.

Free reserves at the year end stood at £13.996m: free reserves for capital regulatory purposes were £13.068m; this exceeds PAMIA's Solvency Regulatory Capital (SCR) under the new Solvency II regime of £4.521m by £8.547m.

PAMIA's Business Plan is to hold reserves between of £5m to £7.75m over its regulatory capital. At the yearend the surplus was £0.796m over its target range, primarily due to a change in accounting for claims reserves required by the new Solvency II regime.

To bring the reserves back to its Business Plan target range, the Board has reduced rates and increased the deferral given to members at the 2016 renewal.

At year end capital resources under the current Solvency I regime stood at £13.995m and exceed the Company's regulatory capital requirement of £3.418m by £10.577m.

5. Premium deferral

The Directors decided that all members should continue to be entitled to deferral of premium. Those members purchasing cover of less than £2m, who were already committed, would be entitled to a 15% deferral of the advance call (net of brokerage) for the 2015 policy year,(1.June2015 to 31 May 2016) increasing to 20% for those members purchasing cover of £2m 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.

6. Reinsurance premiums

In respect of the year ended 31 May 2016, the Company had reinsurance cover relating to claims and settlement costs of £4.5m in excess of £0.5m each and every claim but limited to £3m ultimate net loss in the aggregate including costs and expenses.

On exhaustion of the aggregate £3m ultimate net loss excess, the sum reinsured is amended to pay up to £4.9m ultimate net loss any one claim plus costs and expenses with an excess of £0.100m.

Reinsurance premium payable was £0.985m (2015: £1.169m)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Claims and technical provisions

	2016	2015
	£	£
Claims	999,283	919,975
Third party recovery	(40,990)	(705,151)
Legal costs and expenses	-	(81,401)
Management fee (note 8)	343,590	332,094
Reinsurance recoveries	-	69,477
	1,301,883	534,994

Change in the provision for claims – gross and net amount

	As at 31 May 2016	As at 1 June 2015	Movement
	£	£	£
Gross claims outstanding	4,600,803	6,375,567	(1,774,764)
Reinsurers' share of claims outstanding	-	-	-
Movement in net provision for claims	4,600,803	6,375,567	(1,774,764)

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 2.4).

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 2015/2016 Policy Year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Claims and technical provisions (continued)

Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each Policy Year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount shown in the statement of financial position.

No reinsurance recoveries have been made under the last six Policy Years therefore Gross and Net estimate of ultimate claims cost attributable to each Policy Year are the same.

Policy Year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
At the end of the reporting year	1,661	1,494	2,272	2,793	2,281	1,525
1 year later	1,341	1,314	1,731	1,901	1,240	
2 years later	1,174	1,214	1,515	1,405		
3 years later	345	488	927			
4 year later	265	431				
5 years later	259					
Estimate of ultimate claims	259	431	927	1,405	1,240	1,525
Cumulative payments to date	(259)	(416)	(558)	(648)	(23)	(7)
Liability recognised in statement of financial position	-	15	369	757	1,217	1,518

Total liability relating to last six policy years	3,876
Other claims liabilities	725
Total net technical provisions included in the balance sheet	4,601

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. 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:

	2016	2015
	£	£
Acquisition costs (note 9)	356,718	348,718
Claims handling costs (note 7)	343,590	332,094
Administrative expenses (note 9)	185,724	179,510
Investment management costs (note 10)	55,717	53,852
	941,749	914,174

9. Net operating expenses

	2016	2015
Acquisition costs	£	£
Management fee (note 8)	356,718	348,718
Brokerage	16,090	21,943
	372,808	370,661
Administration expenses		
Directors' and Officers' liability insurance	4,250	3,911
PRA Insurance fee	5,810	5,606
Auditors' remuneration – audit of financial statements	29,400	19,727
Auditors' remuneration for taxation services	4,429	5,473
Meeting expenses	22,074	18,017
Printing and Board Packs	260	15,500
Professional fees	20,570	19,140
Management fee (note 8)	185,724	179,510
	272,517	266,884
	645,325	637,545

There were no Directors' emoluments paid or payable during the year (2015-£Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. (i) Investment income

	2016	2015
	£	£
Interest on listed investments	166,656	176,827
Gain/(loss) on foreign exchange	319,839	(36,461)
Bank deposit interest	168,439	132,963
	654,934	273,329
(Losses)/gains on realisation of investments	(50,215)	1,160,035
	604,719	1,433,364

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

	2016	2015
	£	£
Interest on listed investments	166,656	176,827
(losses)/gains realisation of investments	(50,215)	1,160,035
Unrealised losses) on investments	(763,325)	(518,727)
Investment expenses	(59,875)	(57,277)
	(706,759)	760,858

Investment expenses and charges

	2016	2015
	£	£
Investment management costs (note 8)	55,717	53,852
Bank, custodial and other charges	4,158	3,425
	59,875	57,277

11. Taxation

(i). By virtue of its mutual status, the Company 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	2016	2015
	£	£
UK Corporation Tax at 20% (2015:-20.83%)	82,536	215,876
Adjustments in respect of prior years	992	(8,052)
Total current tax (note 11(ii))	83,528	207,824
Deferred tax movement	(45,693)	(46,092)
Total tax charge	37,835	161,732

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation (continued)

(ii). The Corporation Tax assessed for the period is the main companies standard rate in the UK of 20% for 2016 (in 2015 the rate applied was lower than the main rate at 20.83%) The differences are explained below:

	2016	2015
	£	£
Surplus on ordinary activities before tax	1,015,162	1,721,251
Surplus on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 20% (2015: 20.83 %)	203,032	358,537
Effects of:		
Non-taxable mutual insurance operations	(246,729)	(179,918)
Non-taxable unrealised losses/(gains) and income on investments	74,552	(169,186)
Disallowable expenses	5,988	5,964
Capital gains net of losses and indexation allowance	-	155,343
Unrelieved tax losses arising in the period	-	(956)
Prior year adjustments	992	(8,052)
Total tax charge (note 11(i))	37,835	161,732

(iii). **Balance sheet**

	2016	2015
Taxation creditor	£	£
Taxation creditor brought forward	207,824	-
Prior year adjustment	992	(8,052)
Payment of corporation tax	(208,816)	-
	-	(8,052)
UK Corporation Tax	82,536	215,876
Taxation creditor (note 16)	82,536	207,824

	2016	2015
Deferred Tax	£	£
Deferred tax liability brought forward	149,336	195,428
Effect of change to tax rate of opening balances	-	-
Charge for the year	(45,693)	(46,092)
Deferred tax movement	(45,693)	(46,092)
Deferred tax liability carried forward	103,643	149,336

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Other financial investments

	Market Value 2016 £	Market Value 2015 £	Cost 2016 £	Cost 2015 £
Other financial investments comprise:				
Equities	6,762,749	9,366,130	6,803,065	8,873,953
Alternative	2,071,457	2,125,833	1,710,576	1,710,576
Fixed interest securities	10,128,226	9,374,595	10,052,345	9,414,060
Forward FX contracts	-	1,337	-	1,337
	18,962,432	20,867,895	18,565,986	19,999,926

	Market Value 2016 £	Market Value 2015 £	Cost 2016 £	Cost 2015 £
Equities	5,780,025	5,948,004	5,844,827	5,478,966
UCITS - cash	982,724	3,418,126	958,238	3,394,987
	6,762,749	9,366,130	6,803,065	8,873,953

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 Companies Act 2006 states the categories of investment income to be disclosed in the Financial Statements. The Company's investment holdings do not fall into any specific category and as a result they are disclosed as "other financial investments".

13. Debtors arising out of direct insurance

	2016 £	2015 £
Debts due from members (Premiums)	6,232	7,534
Provision for doubtful debts	-	-
Debtors arising out of direct insurance	6,232	7,534

Debtors arising out of direct insurance are due from members for outstanding premiums The Company actively pursues recovery of all outstanding debts .

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Cash and cash equivalents

	2016	2015
	£	£
Cash at hand and in bank	1,391,670	240,494

15. Creditors arising out of reinsurance operations

	2016	2015
	£	£
Reinsurance creditor	905	1,945

16. Other creditors including tax

	2016	2015
	£	£
Insurance premium tax	72,749	68,738
Corporation tax (note 11(iii))	82,536	207,824
Deferred tax provision	103,643	149,336
	258,928	425,898

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

The deferred tax provision of £103,643 is expected to reverse within 1 year (2015: £45,693 is expected to reverse within 1 year; £103,643 is expected to reverse over 1 year).

17. Accruals and deferred income

	2016	2015
	£	£
Management fee	232,155	207,137
Accrued expenses	60,671	41,887
Premiums received in advance	1,268,722	1,112,091
	1,561,548	1,361,115

18. Explanation of transition to FRS102 and FRS103

This is the first year that the Company has presented its Financial Statements under Financial Reporting Standards 102 and 103 as issued by the Financial Reporting Council. The last Financial Statements under previous UK GAAP were for the year ended 31 May 2015 and the date of transition to FRS 102 and 103 was therefore 1 June 2014. There have been no changes to recognition and measurement of items in the Financial Statements as a consequence of adopting FRS 102 and FRS 103 but there have been changes to disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Related party disclosures

The Company has no share capital and is controlled by the members who are also the insureds. The resulting insurance transactions and transactions relating thereto are consequently deemed to be between related parties but these are the only transactions between the Company and the members.

All the Directors are members of the Company apart from R.P.Cunningham and R A A Harnal who are employed by the Managers and, other than their own insurance on normal commercial terms, the Directors have no financial interests in the Company. The Directors employed by the Mangers are remunerated by Thomas Miller Professional Indemnity

No other related party transactions have occurred during the year.

Thomas Miller Professional Indemnity received £941,749 (2015: £897,550) from the Company in respect of management fees for the year.

20. 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

MANAGERS AND OFFICERS

MANAGERS

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

Directors of Thomas Miller Professional Indemnity:

R.P. Cunningham
R. A. A. Harnal
A. Mee
A. Salim

SECRETARY

K. Halpenny

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.

COMPANY INFORMATION

PAMIA
Registered in England and Wales No. 2418817

REGISTERED OFFICE

90 Fenchurch Street
London, EC3M 4ST

Telephone:	020 7283 4646
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AUDITORS

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London, E14 4HD.