

**PAMIA LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Company No. 02418817

## **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 offices of Thomas Miller, 90 Fenchurch Street, London, EC3M 4ST on 28 March 2023 at 4.30pm for the following purposes:

- To receive the Directors' Report and Financial Statements for the year ended 30 June 2022 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**

16 November 2022

- 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 *	Chair	Reddie & Grose LLP
D.A. Gill*	Deputy Chair	W.P. Thompson Limited
J.G. Leeming	Deputy Chair	J A Kemp LLP
R.P. Cunningham	Chief Executive Officer	Thomas Miller Professional Indemnity Limited
R.A.A. Harnal	Chief Financial Officer	Thomas Miller Professional Indemnity Limited
A. Argyle		Potter Clarkson LLP
C. Bond		Forresters LLP
T. Copsey		Kilburn & Strode LLP
R. Gardner		Dehns
I. Gill		A.A.Thornton & Co
A.C. Hayes		Boult Wade Tennant LLP
J. Jappy *		Gill Jennings & Every LLP
G. Lambert		Haseltine Lake Kempner LLP
B.R. Lucas		Lucas & Co.
M. Lunt		HGF Limited
D.A. McCarthy		MacLachlan & Donaldson (Ireland) Limited
J.B. Pennant		D. Young & Co. LLP
J. Stobbs.*		Stobbs IP
C.H. Watkins *		Secerna LLP
G. Williams		Marks & Clerks LLP
J. Wills *		Mewburn Ellis LLP
D. Wise		Carpmaels & Ransford LLP
K.G. Young *		Murgitroyd

\* Members of the Audit & Risk Committee



## **PAMIA LIMITED**

### **CHAIR'S REPORT**

I am pleased to present my eleventh Chair's Report.

#### **PAMIA's Financial Position as at 30 June 2022**

The result for the financial year to 30 June 2022 was a deficit of £0.433m, compared to a surplus of £1.011m for the previous financial year.

The deficit reduced PAMIA's free reserves (the capital PAMIA holds in excess of its liabilities) to £15.902m. Free reserves for regulatory capital purposes, which are determined on a different basis, were £15.437m, £10.724m in excess of PAMIA's regulatory capital requirement of £4.713m. PAMIA's Business Plan requires it to hold minimum capital resources for regulatory purposes in excess of our Solvency Capital Requirement (SCR) of an amount equivalent to meet a 1 in 200 year event as calculated by the Managers' actuaries. PAMIA will aim to limit our excess capital resources in excess of our minimum target to a maximum of a further amount equivalent to that required to meet a 1 in 50-year event.

At the year-end the minimum targeted reserves for regulatory capital purposes was £9.321m and the maximum was £12.961m. PAMIA's regulatory capital stands at £15.437m which is above the maximum target. This is a result of PAMIA's Solvency Capital Requirement falling by a greater amount than the deficit recorded in the last financial year.

The Board continues to monitor PAMIA's free reserves to ensure that it is financially strong. At the 2022 renewal, we increased premium rates by 5% to take into account the fact that PAMIA could not continue to rely on investment performance to make up for underwriting losses, particularly bearing in mind that equity markets were unpredictable, with reinsurance costs, claims and expenses expected to continue to increase. It is the Board's intention that rates for 2023 stay neutral if PAMIA's free reserves stay above the maximum target level.

For the year ended 30 June 2022 PAMIA's investment income was a negative £0.137m (a negative return of 0.55%) compared to investment income of £1.607m last year which equated to an 8.16% return. The contrasting investment returns in the two most recent financial years reflect the current market's extreme volatility. Despite last year's negative investment return, over the medium term PAMIA's investments have delivered returns in excess of the benchmark set by the Investment Policy.

The amount PAMIA paid out in gross claims decreased from £3.501m to £2.146m. The net reserves set aside for claims decreased from £4.677m to £4.277m. This provision reflects PAMIA's assessment of the likely future cost of claims on notifications made to PAMIA, and has been reviewed by the Managers' actuaries and Auditors. During the course of the year we successfully defended a very large claim brought against one of our Members, which resulted in PAMIA recovering £3.5m of the defence costs incurred in defending the claim. All of this money was returned to reinsurers who had contributed to the cost of defending the claim.

As the example above shows, reinsurance is an important tool used by PAMIA to reduce its risk exposure. The reinsurance markets have been hardening over the last couple of years, with rates increasing by over 20% a year. PAMIA's relatively good long-term claims record has enabled us to keep annual increases below 20%. For the 2022/23 financial year PAMIA was able to renew its reinsurance at the same cost as in 2021/22, reflecting the positive outcome in the claim mentioned above.

## PAMIA LIMITED

### CHAIR'S REPORT (continued)

Members may recollect from my previous reports about PAMIA considering to insure Canadian patent and trade mark attorneys. After spending time investigating and carrying out due diligence on the financial viability of expanding, the Board decided that the expansion did not warrant putting our members' capital at risk and the decision was taken not to expand in Canada.

Being a Director of PAMIA is a demanding, unpaid role and I wish to thank all my fellow Directors for their hard work and dedication to ensuring that PAMIA continues to provide strong protection for our profession.

I would also like to thank Thomas Miller and Willis for the consistently excellent service they provide to PAMIA.

A handwritten signature in cursive script that reads "Alice Findlay".

Alice Findlay

Chair

16 November 2022

## **PAMIA LIMITED**

### **STRATEGIC REPORT**

#### **Review of the year**

The Directors present their Strategic Report on the Company for the year ended 30 June 2022.

The Company continued to provide professional indemnity insurance for patent and trademark practices. The deficit arising out of the period's operations after tax was £0.433m (2021: surplus of £1.011m) and this was transferred to reserves. The reserves now amount to £20.180m, which is made up of free reserves of £15.903m and net claim reserves of £4.277m. The comparative figure for 2021 was £21.012m, which was made up of free reserves of £16.335m and net claim reserves of £4.677m.

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.

#### **Principal Risks and Uncertainties**

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by the Audit & Risk Committee and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company, the compliance team and finance department. They perform an important oversight role in this regard.

The Company operates a risk transfer strategy by purchasing reinsurance and so safeguarding its reserves. During the year ended 30 June 2022 28.33% (2021: 22.08%) of the reinsurance contract was placed at Lloyd's, with the balance placed with insurance companies and branches in the UK. This is consistent with the placement in the prior period. Note 6 in the financial statements explains the Company's reinsurance programme.

The principal risk facing the Company as an insurance company is a severe claims experience. The claims history demonstrates that, quite unexpectedly, claims can climb to levels that could have an impact on its financial strength were it not adequately reserved.

#### **Key Performance Indicators**

The Company's objective is to benefit its Members through the provision of professional indemnity insurance on a mutual basis, and its ability to continue do so is partly measured by its solvency position. The key performance indicator is considered to be the amount by which the Company's capital resource exceed the Company's regulatory capital requirement, its Solvency Capital Requirement, with reference to a target range, as explained in note 4.6



## PAMIA LIMITED

### **STRATEGIC REPORT (CONTINUED)**

#### **Key Performance Indicators (continued)**

The Company's other key performance indicators are its financial results and its Investment performance, which are shown below.

#### **Financial Results**

The figures in the table below are taken from the Annual Report and Financial Statements for the year ending 30 June 2022, which will be submitted to the membership for approval at the Annual General Meeting, which will be held on 28 March 2023.

The Income and Expenditure Account (on page 21) and the Statement of Financial Position (on page 22), 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.

Amounts in £'000	Year to 30 June 2022	Year to 30 June 2021
Premium written	2,677	2,354
Reinsurance premium	(1,550)	(1,307)
Net claims	(290)	(735)
Operating expenses	(981)	(892)
Surplus/(deficit) on technical account	(144)	(580)
Investment Income	(261)	1,495
Surplus/(deficit) before tax	(405)	915
Tax (charged)/credited	(28)	96
Surplus/(deficit) for the year	(433)	1,011
Free reserves at year end	15,902	16,335

#### **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 period under review was negative 0.55% (2021:positive 8.16%).

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

Amounts in £'000	30 June 2022	30 June 2021
Short Term Fund	1,107	1,150
Capital fund	10,144	8,490
Growth Fund	8,833	10,583
Market value (including accrued interest)	20,084	20,223

## PAMIA LIMITED

### STRATEGIC REPORT (CONTINUED)

#### **Investments (continued)**

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.

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 is decided annually, effective from 1 October in accordance with the requirements of the Investment Policy and Investment Mandate. The balance of PAMIA's assets shall be invested in the Growth Fund. The currency allocation for the Capital Fund is reviewed annually.

The Company has 48% of its holdings in UK, US and European fixed income securities, 23% is in equities, 20% in alternative investments and 9% in cash equivalents.

#### **Company's Current and Future Plans**

The Company's central objective is to provide professional indemnity insurance to its Members at a price that is fair and reasonable. Generating profits for distribution to shareholders is therefore not one of the Company's objectives. Rather, it will only seek to generate sufficient profit where necessary to strengthen its financial and solvency position to ensure that it can continue to provide professional indemnity insurance to its members in the longer term.

The Company Business Plan is to hold regulatory capital reserves based on a risk appetite statement to better reflect the risks faced by PAMIA. They have chosen a 1 in 200 year event as in excess of its SCR as a minimum target and a 1 in 50 year in excess of its minimum target as its maximum target.

The targets are shown in the table below:

	£'000
<b>Regulatory Capital Reserves as at 30 June 2022</b>	<b>15,437</b>
Solvency Capital Requirement	4,713
Minimum buffer 1 in 200 year event	4,608
<b>MINIMUM TARGET</b>	<b>9,321</b>
Maximum buffer 1 in 50 year event	3,640
<b>MAXIMUM TARGET</b>	<b>12,961</b>

At the year-end, the Company was in a strong financial position with reserves for regulatory purposes at £15.437m being above its maximum target bands.

## **PAMIA LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **IMPACT OF COVID-19**

The Directors have been monitoring the on-going Covid 19 pandemic and have determined that it has not had a material effect on its business.

#### **COMPANIES ACT SECTION 172(1)**

Section 172(1) of the Companies Act 2006 provides that a Director of a Company must act in a way that is considered to be in good faith, would most likely promote the success of the Company and benefit the Members as a whole; and in doing so to have regard to various other stakeholder interests, including the Managers, regulators, brokers and reinsurers.

As a mutual insurer, PAMIA exists for the benefit of its Members, who are also the insureds of the Company. The key decisions made in the year are the continuance of the reinsurance programme and the pricing of member premiums. The key factors under section 172(1) are considered further below:

#### **The likely consequences of any long-term decision**

PAMIA operates in a stable business environment. It has an annual business plan and, as a result, any decisions taken by the Board that produce an adverse financial result can quickly be identified and corrected.

#### **The interests of the Company's employees**

The Company has no employees. It has outsourced its day-to-day operations to the Managers. Two employees of the Managers have been appointed to the Company's Board as executive Directors.

#### **The need to foster the Company's business relationships with suppliers, customers and others**

The Company's primary focus, as a mutual insurer, is the provision of insurance to its Members at rates that are fair and reasonable and ensuring that its Members are provided with an outstanding claims handling service.

The Managers report to the Company on the performance of suppliers and its relationship with others, including insurance and professional regulators

#### **The impact of the Company's operations on the community and the environment**

The Company considers the best interests of its Members as a priority. PAMIA has increased its premium rates by 5% to take account of the increased reinsurance rates and a more volatile claims environment. It also acts as a sounding board on behalf of its Members on legal issues and either makes or assists in making representations to protect its Members' interests to government regulators as well as its own professional bodies.



## PAMIA LIMITED

### COMPANIES ACT SECTION 172(1)

#### STRATEGIC REPORT (continued)

#### **The impact of the Company's operations on the community and the environment (continued)**

As a service orientated organisation, the Company does not have a material impact on the environment. The Board has established a policy on climate change, which is owned by the Company's Risk Officer. The policy considers the risk of climate change associated with the Company. The Board bears ultimate responsibility for managing the financial risks arising from climate change. Their responsibilities include:

- Understanding and assessing the risks to which PAMIA is exposed; their effect on solvency, liquidity and the ability to pay claims, together with their potential to cause reputational risk;
- Setting the tone by exercising effective oversight of risk management and controls and ensuring that adequate resources and sufficient skills and expertise are devoted to managing the financial risks from climate change; and
- Reviewing PAMIA's investment portfolio to determine climate-related risk factors.

PAMIA has no direct exposure to climate change risks but will continually analyse its exposure as regards the risks to which its Members might be exposed. Consideration of indirect climate change related financial risks such as the impact on its investment portfolio following unanticipated or premature write-downs or devaluation will also be monitored.

PAMIA does not fall under the scope of the Streamlined Energy and Carbon Reporting (SECR) requirements. The Directors have determined that PAMIA is a low energy user, using less than 40,000 kwh per year. As noted earlier, the Company's core management and business activities are outsourced to Thomas Miller. For these reasons, the Directors have not included information in relation to PAMIA's energy and carbon usage.

As a service orientated organisation, the Company does not have a material impact on the environment. The Board has established a policy on climate change, which is owned by the Company's Risk Officer. The policy considers the risk of climate change associated with the Company.

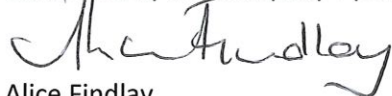
#### **The desirability of the Company maintaining a reputation for high standards of business conduct**

The Board has in place a conduct risk policy that applies to both the Board and the Managers. The policy is intended to ensure that the Company has due regard to the interest of its Members whilst keeping them, and the integrity of the markets in which they operate, at the heart of everything it does.

#### **The need to act fairly between Members of the Company**

The Company's conduct risk policy ensures that Members are treated fairly. In addition, the Board has established a conflicts of interest policy, which ensures that any Director's conflict of interest is appropriately disclosed and dealt with at Board level.

The Directors therefore consider that the requirements of Section 172(1) are appropriately addressed by the Company's policies and procedures.



Alice Findlay  
Chair

16 November 2022

## **PAMIA LIMITED**

### **DIRECTORS' REPORT**

The Directors have pleasure in presenting their report and financial statements for the year ended 30 June 2022.

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 duties of the Managers and details of their remuneration are detailed in note 8 to the financial statements.

The Company has no employees.

The Board of Directors has 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 9 to the financial statements.

### **Risk Management**

The Audit & Risk Committee oversees the Company's risk management. The Committee 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.

Information on how these risks are managed is disclosed in Note 4 to the financial statements.

During the year, the Committee reviewed and approved the Company's risk management policies and procedures in the context of Solvency II.



## **PAMIA LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Directors and Officers**

The Directors of the Company are shown on page 2.

In accordance with Clause 54 of the Articles of Association, A. Argyle, C. Watkins, G. Williams and A. Wills retire by rotation at the forthcoming Annual General Meeting to be held on Tuesday 28 March 2023 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.

Members nominate some of the Directors. From time to time, the Company will enter into settlements of claims brought by Members who have nominated Directors, or for whom Directors work or are owners. 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)**

#### **Meetings of the Directors**

The Board of the Company held three formal meetings in the financial year: 21 July 2021, 17 November 2021 and 29 March 2022.

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 Company's Articles of Association and Rules.

The Directors received and discussed written reports from the Managers on financial development, investment of its portfolio, renewals, reinsurance, regulatory reports, major claims paid and outstanding and claims reserves.

The Annual Report and Financial Statements for the year ended 30 June 2021 were approved by the Board in October 2021 for submission to the members of the Company at the Annual General Meeting in March 2022.

#### **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 Jonathan Wills (Chair), David Gill, Alice Findlay, John Jappy, Julius Stobbs, 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 three occasions in the course of the year.

**The Claims Committee** comprising Gareth Williams (Chair), Ian Gill, John Jappy, John Leeming, Brian Lucas, Jeremy Pennant and Daniel Wise assists the Board in providing guidance on steps which might be taken to remedy or mitigate losses resulting from concerns reported by Members and technical input on the merits of claims presented against Members. The Committee assists the Board in identifying specific or general risks emerging from claims against members. The Committee met on three occasions in the course of the year.

## PAMIA LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### **Board Committees (continued)**

**The Investment Committee** comprising Graham Lambert (Chair), Chris Bond, Rebecca Gardner, David Gill and Mark Lunt, assists the Board in reviewing in detail the performance of PAMIA's investments and making 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 Management Committee** comprising Alice Findlay (Chair), David Gill and John Leeming are responsible for monitoring the performance and effectiveness of PAMIA, including general oversight of the Managers and the effectiveness of the Board. The Committee is also the focal point for PAMIA's external relationships, including with Members and organisations such as Intellectual Property Regulation Board (IPReg), Chartered Institute of Patent Attorneys (CIPA) and Chartered Institute of Trade Mark Attorneys (CITMA). The Committee is also responsible for the monitoring and development of the Business Plan. The Committee met on three occasions in the course of the year.

**The Management Fee Committee** comprising Jeremy Pennant (Chair), John Leeming and Keith Young assist the Board to determine the Management Fee to be paid to the Managers. The Committee met once formally during the year; however, the members had informal communications during the year.

**The Nominations Committee** comprising Charlotte Watkins (Chair), Alice Findlay, David Gill, John Leeming and Brian Lucas advises the Board on the appointment and retention of Directors and consultants in accordance with the policy of the Board and to assist the Managers in providing guidance to Directors on their responsibilities. The Committee met on three occasions in the course of the year.

**The Rating & Reinsurance Committee** comprising John Leeming (Chair), Andrew Argyle, Alice Findlay, Rebecca Gardner, Denis McCarthy and Gareth Williams, assists the Board in reviewing the rating structure and reinsurance programme and make annual recommendations to the Board in respect of the same. The Committee met on two occasions in the course of the year.

**The Rules and Cover Committee** comprising Mark Lunt (Chair), Alice Findlay, Adrian Hayes and John Leeming helps determine the basis on which PAMIA provides cover to its members, reviews PAMIA's Memorandum and Articles of Association, determines the terms of engagement of the Managers, Investment Managers and Insurance Consultants, ensures consistency between the reinsurance cover and terms of cover provided by PAMIA and the terms of PAMIA's reinsurance cover. The Committee met on two occasions in the course of the year.

#### **Future developments**

The future developments of the Company have been considered in the Chair's and the Strategic reports.

#### **Post balance sheet events**

There have been no events since the balance sheet date, which either require changes to be made to the figures included in the financial statements or require to be disclosed by way of a note. The Directors will continue to monitor the impact of COVID-19 on its business.



## PAMIA LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

#### **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.

Ian Cowan has held the role of audit engagement partner for the Company for a collective period of five years. The Board and the Audit Committee have approved an extension to the engagement term of the Senior Statutory Auditor responsible for the audit opinion in relation to Pamia Limited. The term was extended for a further year and was made to safeguard the quality of the audit. The Audit Committee is satisfied that this extension does not in any way prejudice the objectivity and independence of the audit.

By order of the Board



Alice Findlay  
Chair

16 November 2022

## **PAMIA LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAMIA LIMITED**

#### **Opinion**

We have audited the financial statements of PAMIA Limited (the 'company') for the year ended 30 June 2022 which comprise the Statement of Income and Movement in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following:

- The inspection and assessment of the Company's forecasts including an evaluation of the key inputs and assumptions to the forecasts;
- A review of certain aspects of the Solvency and Financial Condition Report to confirm that the Company continues to meet the regulatory capital requirements; and
- The assessment of financial solvency under stressed conditions through inspection of the Company's Own Risk and Solvency Assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



## PAMIA LIMITED

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

#### **Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality measure	How we determined it	Key considerations and benchmarks	Quantum £
Financial statement materiality	Being approximately 1% of members' funds at 30 June 2022.	As the company is a mutual insurance company we have referred to members' funds as a measure of the available solvency capital resources of the company.	158,000 (2021: 162,000)

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This was set at £126,400 (2021: 129,600).

We agreed with the directors that we would report to them all audit differences in excess of £7,900 (2021: £8,100) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

#### **An overview of the scope of our audit**

Our audit approach was developed by obtaining an understanding of the company's activities, the key subjective judgements made by the directors, for example in respect of significant accounting estimates regarding the claims outstanding provisions that involved making assumptions and considering future events that are inherently uncertain, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# PAMIA LIMITED

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

### Key audit matters (continued)

Area	Reason	Audit response
Valuation of insurance contract provisions  Refer to Notes 2.4, 3.1 and 7 of the financial statements	<p>Net insurance contract provisions for the year ended 30 June 2022 are £4,277,348 (2021: £4,677,133).</p> <p>The methodologies and assumptions utilised to develop insurance contract provisions involve a significant degree of judgement. Their determination has a significant impact on the financial result and there is a degree of complexity and judgement involved in determining the estimate. There is a risk that inappropriate reserve projections are made, whether from the use of inaccurate underlying data, invalid or inappropriate modelling techniques, or the use of inappropriate assumptions. As such, the reserving for insurance contract provisions is assessed as an area subject to significant risk of material misstatement in the financial statements.</p>	<p>We evaluated whether the company's actuarial methodologies were consistent with those used generally in the industry and with prior periods. We also evaluated the governance around the overall reserving process, including the scrutiny applied by the audit and claims committees, as well as company actuarial reviews.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We tested on a sample basis the underlying data to source documentation to assess the completeness;</li> <li>• We reviewed any significant prior year reserve movements by reference to any significant adverse loss development;</li> <li>• We performed independent re-projections and sensitivity analyses and compared our re-projected claims reserves to those booked by management, and challenged management to understand any significant differences.</li> <li>• We also tested the calculations used in identifying reinsurers' share of any claims.</li> </ul> <p>Based on the procedures we performed, we found that the value of the insurance contract provisions was supported by the evidence we obtained.</p>

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.



## **PAMIA LIMITED**

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

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

#### **Responsibilities of directors**

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## **PAMIA LIMITED**

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

#### **Auditor's responsibilities for the audit of the financial statements (continued)**

The company is an insurance company and its principal activity is the transaction of general insurance business in the UK. We therefore tailored the scope of our audit to ensure that we performed sufficient work, following an assessment of those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error, to be able to give an opinion on the financial statements. Our scope focused on where management made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events particularly relating to the insurance contract provisions. Additionally we addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

We also identified areas of laws and regulations that could reasonably be expected to have a material impact on the financial statements based on our knowledge of the insurance sector and through discussions with the directors. We remained alert to any indications of non-compliance throughout our audit.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We determined the principal laws and regulations relevant to the company in this regard to be those that relate to the financial reporting framework (FRS 102, FRS 103 and the Companies Act 2006) and the relevant tax compliance regulations in the UK. Our considerations of other laws and regulations that may have a material effect on the financial statements included the prudential and supervisory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to, making enquiries of management and those responsible for legal and compliance matters. We also reviewed the correspondence between the company and UK regulatory bodies and reviewed the minutes of the Board to identify any indications of non-compliance.
- We also identified possible risks of material misstatement of the financial statements due to fraud. We considered in addition to the no-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the financial statements relating to the valuation of the insurance contract provisions. To address this, we challenged the assumptions and judgements made by management when auditing this significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals and reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

## **PAMIA LIMITED**

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

#### **Auditor's responsibilities for the audit of the financial statements (continued)**

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

#### **Other matters which we are required to address**

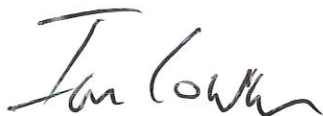
We were appointed by the Board of Directors to audit the financial statements for the year ending 31 May 1998 and subsequent financial periods. Our total uninterrupted period of engagement is 25 years, covering the years ending 31 May 1998 to 30 June 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit. We have not provided any other professional services to the company that have not already been disclosed in the financial statements in note 9.

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with ISAs (UK).

#### **Use of our report**

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



**Ian Cowan (Senior Statutory Auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory Auditor**

15 Westferry Circus  
Canary Wharf  
London E14 4HD

Date: 22 November 2022



**PAMIA LIMITED**

**STATEMENT OF INCOME AND MOVEMENT IN RESERVES**  
**For the year ended 30 June 2022**

	Note	£ 30 June 2022	£ 30 June 2021
<b>TECHNICAL ACCOUNT</b>			
<b>Earned premiums, net of reinsurance</b>			
Advance Call		3,509,379	3,107,743
Premium deferral	5	(832,720)	(753,615)
Gross premium written		2,676,659	2,354,128
Outward reinsurance premiums	6	(1,550,000)	(1,307,500)
		<u>1,126,659</u>	<u>1,046,628</u>
Change in gross provision for unearned premiums		-	110
Change in provision for unearned premiums, reinsurers' share		-	(27)
Change in net provision for unearned premiums		-	83
Earned premium net of reinsurance		<u>1,126,659</u>	<u>1,046,711</u>
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount	7	(2,394,897)	(3,733,405)
Third Party Recoveries		3,525,000	4,167
Reinsurers' share		(1,820,022)	2,922,607
Net claims paid		<u>(689,919)</u>	<u>(806,631)</u>
Change in provision for claims – net amount	7	399,785	71,644
Claims incurred, net of reinsurance		<u>(290,134)</u>	<u>(734,987)</u>
Net operating expenses	9	<u>(980,665)</u>	<u>(891,750)</u>
Balance on technical account	A	<u>(144,140)</u>	<u>(580,026)</u>
<b>NON-TECHNICAL ACCOUNT</b>			
Investment income	10	1,023,935	179,327
Unrealised gains/(losses) on investments	10	(1,161,119)	1,427,814
Investment expenses and charges	10	(123,855)	(112,548)
	B	<u>(261,039)</u>	<u>1,494,593</u>
Surplus/(deficit) before tax	A+B	<u>(405,179)</u>	<u>914,567</u>
Tax charge	11	<u>(27,351)</u>	<u>96,342</u>
Surplus/ (deficit) for the financial year		<u>(432,530)</u>	<u>1,010,909</u>
Reserves at 1 July		<u>16,335,319</u>	<u>15,324,410</u>
Reserves at 30 June		<u>15,902,789</u>	<u>16,335,319</u>

All amounts derive from continuing operations. There are no recognised gains or losses other than the surplus/deficit for the financial year for the current and preceding financial periods.

The notes on pages 24 to 46 form an integral part of these financial statements.

# PAMIA LIMITED

Company number 02418817

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	30 June 2022 £	30 June 2021 £
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	12	20,061,113	20,209,559
<b>Reinsurers' share of technical provision</b>			
Claims outstanding		3,380,239	9,241,061
<b>Debtors</b>			
Debtors arising out of direct insurance operation	13	9,498	5,635
Debtors arising out of reinsurance operations		131,760	613,048
Other debtors	13	184,175	189,344
<b>Other assets</b>			
Cash at bank		2,386,608	2,083,434
<b>Prepayments and accrued income</b>			
Accrued interest		22,825	13,108
Other prepayments and accrued income		6,743	794
		<u>26,182,961</u>	<u>32,355,983</u>
<b>LIABILITIES AND RESERVES</b>			
<b>Reserves</b>			
Income and expenditure account		15,902,789	16,335,319
<b>Technical provision</b>			
Provision for unearned premiums			
Gross amount		-	-
Reinsurance amount		-	-
		-	-
Claims outstanding			
Gross amount	7	7,657,587	13,918,194
		<u>7,657,587</u>	<u>13,918,194</u>
<b>Creditors</b>			
Creditors arising out of reinsurance operations	14	-	-
Other creditors including tax	15	134,101	97,656
		<u>134,101</u>	<u>97,656</u>
<b>Accruals and deferred income</b>			
	16	2,488,484	2,004,814
		<u>26,182,961</u>	<u>32,355,983</u>

Chair :  
A.R.Findlay

Deputy Chair:  
D.A.Gill

Signed on behalf of the Managers:

R.A.A. Harnal

Thomas Miller Professional Indemnity

The notes on pages 24 to 46 form an integral part of these financial statements.

**PAMIA LIMITED**

**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2022**

**Operating activities**

	30 June 2022	30 June 2021
	£	£
Premiums received	3,109,288	1,767,349
Reinsurance premium paid	(1,550,000)	(1,304,180)
Claims paid	1,130,103	(3,729,238)
Reinsurance recoveries received	(1,338,734)	2,309,559
Operating expenses paid	(897,821)	(840,223)
Taxation paid	-	(71,316)
Net cash provided/(used) by operating activities	<u>452,836</u>	<u>(1,868,049)</u>

**Cash flows from investment activities**

Purchase of investments	(22,571,720)	(17,481,949)
Sale of investments	22,102,333	18,871,992
Interest received	53,398	63,565
Dividends received	266,327	235,511
Net cash flow from investment activities	<u>(149,662)</u>	<u>1,689,119</u>

**Net increase/(decrease) in cash and cash equivalents**

	<u>303,174</u>	<u>(178,930)</u>
Cash and cash equivalents at the beginning of the year	<u>2,083,434</u>	<u>2,262,364</u>
Cash and cash equivalents at the end of the year	<u>2,386,608</u>	<u>2,083,434</u>

The notes on pages 24 to 46 form an integral part of these financial statements.

## **PAMIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. Constitution and ownership**

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.

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. Significant accounting policies**

##### **2.1 Statement of compliance and basis of preparation**

The financial statements have been prepared in compliance with UK 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.



## PAMIA LIMITED

### 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 30 June 2022, 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 30 June 2022; 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.

##### 2.5 Reinsurance recoveries

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claims that have been charged to the Technical Account.

##### 2.6 Reinsurance premiums

Reinsurance premiums payable are charged to the Technical Account on an accruals basis and to the policy years 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.

## **PAMIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. Accounting policies (continued)**

##### **2.8 Other financial investments**

The Company classifies its financial investments at fair value through profit or loss because they are managed and their performance is evaluated on a fair value basis.

Financial investments are recognised at trade date and subsequently measured at fair value. Fair values of financial investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The costs of financial investments denominated in currencies other than UK sterling are translated into UK sterling on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the Non-Technical Account in the period in which they occur.

Net gains or losses arising from changes in fair value of financial investments at fair value through profit or loss are presented in the Non-Technical Account within 'Unrealised gains/ (losses) on investments' in the period in which they arise.

##### **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 balances 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.



## **PAMIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. Accounting policies (continued)**

##### **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 Non-Technical Account.

##### **2.12 Taxation**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods. Tax is calculated based on tax rates and laws that have been enacted or substantively enacted by the year-end.

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.

##### **2.13 Going concern**

After making enquires, and after considering the effects of COVID-19 and the current troubles in the Ukraine, the Directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

#### **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.

# PAMIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Critical accounting estimates and judgements (continued)

#### 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).

The table below presents the Company's other financial investments (including accrued interest) measured at fair value by level of the fair value hierarchy:

As at 30 June 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b><u>Assets</u></b>				
Fixed income	840	8,783	-	9,623
Equities & Alternatives	8,686	-	-	8,686
UCITS	1,775	-	-	1,775
	<u>11,301</u>	<u>8,783</u>	<u>-</u>	<u>20,084</u>

As at 30 June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b><u>Assets</u></b>				
Fixed income	668	2,753	-	3,421
Equities & Alternatives	9,889	-	-	9,889
UCITS	6,913	-	-	6,913
	<u>17,470</u>	<u>2,753</u>	<u>-</u>	<u>20,223</u>

## PAMIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 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.

##### 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 a 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 30 June 2022, 28.33% of the reinsurance contract was placed at Lloyd's and the remaining 71.67% with insurance companies and branches 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.



## PAMIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. Management of risk (continued)

##### 4.1 Insurance risk (continued)

###### Reserving process

The Company establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established following the methodology as set out in Note 2.4 of the financial statements as directed and reviewed by the Audit & Risk Committee. In order to minimise the risk of understating these provisions the assumptions made and the actuarial techniques employed are reviewed in detail by senior members of the Managers.

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.

The results of sensitivity testing are set out below, showing the impact on the surplus or deficit 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.

	2022	2021
	£'000	£'000
Increase in loss ratio by 5 percentage points		
Gross	(134)	(118)
Net	(56)	(52)

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 because 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.

# PAMIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of risk (continued)

#### 4.2 Market risk (continued)

##### Foreign currency risk management

The Company is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than UK Sterling. The most significant currencies to which the Company is exposed are the US Dollar and the Euro

The majority of the Company's administration costs are in UK 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.

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

As at 30 June 2022	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
Fixed income	7,732	841	1,050	9,623
Equity & Alternatives	6,897	1,366	423	8,686
UCITS	1,698	77	-	1,775
Reinsurers share of claims outstanding	3,380	-	-	3,380
Cash at bank	2,387	-	-	2,387
Debtors arising out of reinsurance operations	132	-	-	132
Debtors arising from direct insurance operations	9	-	-	9
	<u>22,312</u>	<u>2,207</u>	<u>1,473</u>	<u>25,992</u>

As at 30 June 2021	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
Fixed income	1,945	667	809	3,421
Equity & Alternatives	8,164	1,195	530	9,889
UCITS	6,897	16	-	6,913
Reinsurers share of claims outstanding	9,241	-	-	9,241
Cash at bank	2,083	-	-	2,083
Debtors arising out of reinsurance operations	613	-	-	613
Debtors arising from direct insurance operations	10	-	-	10
	<u>28,953</u>	<u>1,878</u>	<u>1,339</u>	<u>32,170</u>

##### Foreign currency sensitivity analysis

As at 30 June 2022 if UK Sterling weakened/strengthened by 10% against the Euro and US Dollar, with all other factors remaining unchanged free reserves for the year would have increased /decreased by £0.376m.

## PAMIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. Management of risk (continued)

##### 4.2 Market risk (continued)

###### 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.

###### Interest rate sensitivity analysis

An increase of 100 basis points in interest rates at the period-end date, with all other factors unchanged will result in a £0.096m 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 or loss. At the period end, the holding in equity instruments and alternatives amounted to 43% of the investment portfolio (2021: 49%).

A 1% increase in equity values would be estimated to have reduced the deficit before tax at the period-end by £0.087m. 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.



## PAMIA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 4. Management of risk (continued)

##### 4.3 Credit risk (continued)

###### Amounts recoverable from 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.

###### 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.

# PAMIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of risk (continued)

#### 4.3 Credit risk (continued)

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

As at 30 June 2022	AAA/AA/A £'000	BBB or less or not rated £'000	Total £'000
Fixed income	9,623	-	9,623
Equities & Alternatives	-	8,686	8,686
UCITS	-	1,775	1,775
Reinsurers share of claims outstanding	3,380	-	3,380
Reinsurance debtor	132	-	132
Cash at bank	-	2,387	2,387
Debtors arising from direct insurance	-	9	9
	13,135	12,857	25,992

As at 30 June 2021	AAA/AA/A £'000	BBB or less or not rated £'000	Total £'000
Fixed income	3,421	-	3,421
Equities & Alternatives	-	9,889	9,889
UCITS	-	6,913	6,913
Reinsurers share of claims outstanding	9,241	-	9,241
Reinsurance debtor	613	-	613
Cash at bank	-	2,083	2,083
Debtors arising from direct insurance	-	10	10
	13,275	18,895	32,170

There were no past due or impaired assets at 30 June 2022 (2021: Nil).

#### 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 30 June 2022, the Company's short term deposits (including cash and UCITS) amounted to £4.162m (2021: £8.996m). The Company has sufficient liquid assets to meet its liabilities as they fall due.



# PAMIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of risk (continued)

#### 4.4. Liquidity risk (continued)

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

As at 30 June 2022	Short term assets £'000	Within 1 year £'000	2-5year £'000	Total £'000
Fixed income	222	-	9,401	9,623
Equities & Alternatives	8,686	-	-	8,686
UCITS	1,775	-	-	1,775
Reinsurers share of claims outstanding	-	3,380	-	3,380
Cash at bank	2,387	-	-	2,387
Debtors arising from direct insurance	-	9	-	9
Other	-	132	-	132
	13,070	3,521	9,401	25,992

As at 30 June 2021	Short term assets £'000	Within 1 year £'000	2-5year £'000	Total £'000
Fixed income	291	-	3,130	3,421
Equities & Alternatives	9,889	-	-	9,889
UCITS	6,913	-	-	6,913
Reinsurers share of claims outstanding	-	9,241	-	9,241
Cash at bank	2,083	-	-	2,083
Debtors arising from direct insurance	-	10	-	10
Other	-	613	-	613
	19,176	9,864	3,130	32,170

#### 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 Thomas Miller 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 prepared.

## **PAMIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **4 Management of risk (continued)**

##### **4.6 Limitation of the sensitivity analysis**

The sensitivity analysis in note 4.2 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 above.

##### **4.7 Capital Management**

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 £15.903m: regulatory capital reserves free reserves purposes were £15.437m; this exceeds PAMIA's Solvency Capital Requirement (SCR) of £4.713m by £10.724m.

PAMIA's Business Plan requires it to hold minimum capital resources for regulatory purposes in excess of our Solvency Capital Requirement (SCR) of an amount equivalent to meet a 1 in 200-year event as calculated by the actuaries. PAMIA will aim to limit our excess capital resources in excess of our minimum target to a maximum of a further amount equivalent to that required to meet a 1 in 50-year event.

At the year-end the minimum reserves for regulatory capital purposes was £9.321m and the maximum reserves was £12.961m. PAMIA's regulatory capital stands at £15.437m which is £2.476m above the maximum target. The reason being that premium rates were increased to take in to account expected reinsurance premium costs and a more volatile claims experience.

The Board is working to bring the reserves back in to the agreed target range over the next 3 years.

#### **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 20% (2021: 20%) deferral of the advance call (net of brokerage) for the 2021 policy year (1 July 2021 to 30 June 2022) increasing to 25% (2021: 25%) 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 was to be levied.

# PAMIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Reinsurance premiums

In respect of the year ended 30 June 2022, the Company had reinsurance cover relating to claims and settlement costs of £5m in excess of £0.4m each and every claim but limited to £2.15m ultimate net loss in the aggregate including costs and expenses.

	2022 £	2021 £
Treaty reinsurance	1,550,000	1,307,500
Prior year premium adjustments	-	-
	<u>1,550,000</u>	<u>1,307,500</u>

### 7. Claims and technical provision

	2022 £'000	2021 £'000
Gross claims paid	2,146	3,509
Third party recovery	(3,525)	(4)
Reinsurance recoveries	1,820	(2,922)
	<u>441</u>	<u>583</u>
Management fee (note 8)	249	224
	<u>690</u>	<u>807</u>

### Change in the provision for claims – gross and net amount

	As at 30 June 2022 £'000	As at 1 June 2021 £'000	Movement £'000
Gross claims outstanding	7,657	13,918	(6,261)
Reinsurers' share of claims outstanding	(3,380)	(9,241)	5,861
Movement in net provision for claims	<u>4,277</u>	<u>4,677</u>	<u>(400)</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 reliable given the details of the cases and taking into account all the current information. However, the 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 (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 period, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2020 Policy Year.



**PAMIA LIMITED**

**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.

Gross estimate of ultimate claims cost attributable to policy year

Policy Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	£'m	£'m	£'m	£m	£'m	£'m	£'m	£'m	£'m	£'m
At the end of the reporting year	2.272	2.793	2.281	1.525	2.457	1.704	2.323	1.209	4.389	3.750
1 year later	1.731	1.901	1.240	0.982	0.833	2.436	1.205	0.775	2.173	
2 years later	1.515	1.405	1.725	0.571	0.902	0.563	1.321	0.517		
3 years later	0.927	1.011	0.836	0.371	2.465	0.316	0.912			
4 years later	2.619	0.634	0.507	0.413	0.498	0.078				
5 years later	4.744	0.631	0.837	0.295	0.248					
6 years later	5.827	0.631	0.087	0.274						
7 years later	6.792	0.631	0.087							
8 years later	7.855	0.631								
9 years later	1.643									
Estimate of ultimate claims	1.643	0.631	0.087	0.274	0.248	0.078	0.912	0.517	2.173	3.750
Cumulative payments to date	1.643	0.631	0.087	0.203	0.202	0.077	0.587	0.097	0.090	0.029
Liability recognised in statement of financial position	-	-	-	0.072	0.046	0.001	0.325	0.420	2.083	3.721
Total liability relating to last ten policy years										6.668
Other claims liabilities										0.989
Total gross technical provisions included in the statement of financial position										7.658

**PAMIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Claims and technical provisions (continued)**

**Claims development tables (continued)**

Net estimate of ultimate claims costs attributable to policy year

Policy Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	£'m	£'m	£'m	£'m	£m	£'m	£'m	£'m	£'m	£'m
At the end of the reporting year	2.272	2.793	2.281	1.525	1.457	0.954	1.573	1.209	1.269	1.550
1 year later	1.731	1.901	1.240	0.982	0.833	0.861	1.205	0.775	1.183	
2 years later	1.515	1.405	0.725	0.571	0.827	0.563	0.971	0.517		
3 years later	0.927	1.011	0.086	0.371	0.515	0.316	0.722			
4 years later	1.019	0.634	0.132	0.413	0.498	0.078				
5 years later	1.369	0.631	0.087	0.295	0.248					
6 years later	2.145	0.631	0.087	0.274						
7 years later	1.671	0.631	0.087							
8 years later	2.084	0.631								
9 years later	1.643									
Estimate of ultimate claims	1.643	0.631	0.087	0.274	0.248	0.078	0.722	0.517	1.183	1.550
Cumulative payments to date	1.643	0.631	0.087	0.203	0.202	0.077	0.587	0.097	0.090	0.029
Liability recognised in statement of financial position	-	-	-	0.072	0.046	0.001	0.135	0.420	1.093	1.521
Total liability relating to last ten policy years										3.288
Other claims liabilities										0.989
Total net technical provisions included in the statement of financial position										4.277

# PAMIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Management fee

The Companies Act 2006 requires the management fee paid to Thomas Miller Professional Indemnity to be apportioned between the different management functions. This fee has been allocated as follows:

- Acquisition costs, which include the cost of underwriting, actuarial opinions on underwriting, cost of processing renewals, premium adjustments, credit control and IT costs for operating the underwriting system.
- Claims handling costs; which includes the cost of claim handlers, actuarial costs for claims reserving, claims processing costs and IT costs for operating the claims system.
- Administrative costs, which includes the cost of general management, regulatory costs, internal assurance costs, finance cost of preparing financial and regulatory reports and related IT costs.
- Investment costs, which are charged, based on Funds under Management.

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

	2022	2021
	£'000	£'000
Acquisition costs (note 9)	370	330
Claims handling costs (note 7)	249	224
Administrative expenses (note 9)	499	449
Investment management costs (note 10)	119	107
	<u>1,237</u>	<u>1,110</u>



**PAMIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Net operating expenses**

	2022	2021
	£'000	£'000
<b>Acquisition costs</b>		
Management fee (note 8)	370	330
Brokerage	(13)	(16)
	<u>357</u>	<u>314</u>
<b>Administration expenses</b>		
Directors' and Officers' liability insurance	8	9
FCA regulatory fee	9	8
Auditors' remuneration – audit of financial statements	44	52
Meeting expenses	28	16
Subscription	16	18
Professional fees	19	26
Management fee (note 8)	499	449
	<u>623</u>	<u>578</u>
	<u>980</u>	<u>892</u>

There were no Directors' emoluments paid or payable during the period (2021-£Nil).

**10. Investment income**

	2022	2021
	£'000	£'000
Interest on listed investments	320	299
Gains /(losses) on foreign exchange	126	(187)
Bank deposit interest	-	-
	<u>446</u>	<u>112</u>
Gains/(losses) on realisation of investments	578	67
	<u>1,024</u>	<u>179</u>

**Unrealised gains/ (losses) on investments**

	2022	2021
	£'000	£'000
Cost (note 12)	20,082	19,384
Market value (note 12)	20,061	20,210
Unrealised gains/(losses) at year end	<u>(21)</u>	<u>826</u>
Unrealised gains/(losses) movement for the year/period	1,161	1,428

**PAMIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Investment expenses and charges**

	2022	2021
	£'000	£'000
Investment management costs (note 8)	119	107
Bank, custodial and other charges	5	5
	<u>124</u>	<u>112</u>

**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:

<b>Income and expenditure account</b>	2022	2021
	£'000	£'000
UK Corporation Tax at 19% (2021: 19%)	26	-
Prior year adjustment	(4)	(66)
Foreign taxation	-	-
Total current tax (note 11(ii))	<u>22</u>	<u>(66)</u>
Deferred tax movement	6	(30)
Total tax charge/(credit)	<u>28</u>	<u>(96)</u>

- (ii). The Corporation Tax assessed for the year is the main companies standard rate in the UK of 19% for 2022 (in 2021 the rate applied was the main rate at 19%) The differences are explained below:

	2022	2021
	£'000	£'000
Surplus/(deficit) on ordinary activities before tax	<u>(405)</u>	<u>915</u>
Surplus/ (deficit) on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2020: 19%)	(77)	174
Effects of:		
Losses carried back		41
Exempt dividend distributions	(20)	(35)
Income tax deducted at source	1	1
Non-taxable mutual insurance operations	45	110
Non-taxable unrealised (gains)/losses and income on investments	88	(303)
Disallowable expenses	12	11
Prior year adjustment	(4)	(66)
Rate change adjustments	-	-
Re-measurement of deferred tax for changes in tax rates	(17)	(29)
Total tax charge/(credit) (note 11(i))	<u>28</u>	<u>(96)</u>

# PAMIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Taxation (continued)

#### (iii). Balance sheet

	2022	2021
	£'000	£'000
<b>Taxation creditor</b>		
Taxation creditor brought forward	(66)	71
Prior year adjustment	(4)	(66)
Payment of corporation and foreign tax	-	(71)
	<u>(70)</u>	<u>(66)</u>
UK Corporation Tax	-	-
Taxation creditor (note 15)	<u>(70)</u>	<u>(66)</u>
	2022	2021
	£'000	£'000
<b>Deferred Tax</b>		
Deferred tax (asset)/liability brought forward	(120)	(90)
Effect of change to tax rate of opening balances	-	-
Release for the year	6	(30)
Deferred tax movement	6	(30)
Deferred tax (asset)/liability carried forward	<u>(114)</u>	<u>(120)</u>

Deferred tax assets and 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. Deferred tax is provided at 25% (2021: 25%), the rate substantively enacted at 30 June 2022.

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)**

**12. Other financial investments**

	Market Value 2022 £'000	Market Value 2021 £'000	Cost 2022 £'000	Cost 2021 £'000
Other financial investments comprise:				
Equities	6,356	12,476	6,407	12,036
Alternative	4,105	4,326	3,937	3,848
Fixed interest securities	9,600	3,408	9,738	3,500
	<u>20,061</u>	<u>20,210</u>	<u>20,082</u>	<u>19,384</u>

Equities comprises the  
following:

	Market Value 2022 £'000	Market Value 2021 £'000	Cost 2022 £'000	Cost 2021 £'000
Equities	4,581	5,563	4,624	5,115
UCITS - cash	1,775	6,913	1,783	6,927
	<u>6,356</u>	<u>12,476</u>	<u>6,407</u>	<u>12,036</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 Companies Act 2006 states the categories of investment 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 operations and other debtors**

	2022 £'000	2021 £'000
Debts due from members (Premiums)	9	6
Corporation tax recoverable	70	66
Deferred tax asset	114	120
Debts due from broker	-	3
	<u>193</u>	<u>195</u>

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

The deferred tax asset of £114,000 is expected to reverse within 1 year (2021: asset of £120,000).

**PAMIA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. Creditors arising out of reinsurance operations**

	2022	2021
	£'000	£'000
Reinsurance creditor	<u>-</u>	<u>-</u>

**15. Other creditors including tax**

	2022	2021
	£'000	£'000
Insurance premium tax	101	98
Corporation Tax (note 11(iii))	26	-
Other creditor	7	-
	<u>134</u>	<u>98</u>

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

**16. Accruals and deferred income**

	2022	2021
	£'000	£'000
Management fee	280	267
Accrued expenses	139	105
Premiums received in advance	2,069	1,633
	<u>2,488</u>	<u>2,005</u>

## **PAMIA LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **17. Related party disclosures**

The Company has no share capital and is controlled by the Members who are also the insured. There have been no related party transactions between the Company and its members outside the normal course of business.

All the Directors are Members of the Company other than the Chief Executive Officer and Chief Financial officer who are employed by Thomas Miller, Managers of Thomas Miller Professional Indemnity. Other than their own insurance, the Directors have no financial interests in the Company. The Member Directors received no remuneration for their services to the Company.

Thomas Miller Professional Indemnity received £1,236,887 (2021: £1,109,835) from the Company in respect of management fees for the year.

#### **18. Location and nature of business**

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



## **PAMIA LIMITED**

### **MANAGERS AND OFFICERS**

#### **MANAGERS**

Thomas Miller Professional Indemnity Limited,  
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**

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90 Fenchurch Street,  
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#### **INSURANCE CONSULTANTS**

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#### **COMPANY INFORMATION**

#### **PAMIA LIMITED (A COMPANY LIMITED BY GUARANTEE)**

Registered in England and Wales No. 02418817

#### **REGISTERED OFFICE**

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