SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Company Number 1985809

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SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Members will be held on Tuesday 7 March 2017, at 12.30pm, at 90 Fenchurch Street, London EC3M 4ST for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 30 September 2016 and if they are approved to adopt them;

To appoint Directors; and

To re-appoint the auditors and authorise the Directors to fix their remuneration.

By Order of the Board

K Halpenny
Secretary

Date: 6 December 2016

Notes: 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 Representative of a Member of the Company. The instrument appointing a proxy must be deposited with the Secretary not less than forty-eight hours before the meeting.

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 Members prior to the Meeting together with a form of proxy.

DIRECTORS OF THE COMPANY

P. J. Russell (Chairman) *	Consultant Charles Russell Speechlys LLP
C. J. Harris	Consultant Clyde & Co LLP
A.M. Horne	Consultant Kennedys Law LLP
A. J. Paton (Resigned 30 September 2016)	Pinsent Masons LLP
B. W. D. Richards *	Consultant Gowling WLG (UK) LLP
P. J. H. Vaughan	Consultant Simmons & Simmons LLP
E. C. J. Wells *	Consultant Hogan Lovells International LLP

* Member of the Audit, Investment and Claims Committee

CHAIRMAN'S REPORT

I am pleased to present my Chairman's Report for the year ended 30 September 2016.

Financial Highlights

In the course of the year, prompted primarily but not exclusively by the need to ensure that the Company complied with its regulatory solvency requirement, the Company made a supplementary call of £6m. The effect of this was to produce a surplus for the year of £1.379m, and with free reserves of £3.606m the Company exceeded its regulatory capital requirement of £2.250m by £1.356m. The result last year (to 30 September 2015) was a deficit of £0.245m and an excess of £0.051m over the regulatory capital solvency requirement of £2.176m.

As a company in run-off the investment policy was directed at preserving capital in order to meet the Company's liabilities. Accordingly, the Company maintained its previous approach of pursuing a very conservative investment policy, with its funds being invested predominately in Government Treasury Bills and cash, which generate safe but low returns.

Review of the year

Conclusion of the Company's insurance liabilities

In my last Chairman's report I mentioned that the Board had been in discussions with more than one specialist run-off company with a view to disposing of the Company's book of business to one of these entities.

I am pleased to report that in the course of the year it has been possible to conclude a satisfactory agreement. Randall & Quilter has agreed to reinsure the Company's claims into one of its subsidiary companies (R&Q Insurance (Malta) Ltd) with a view to making an application under Part VII of the Financial Services and Markets Act 2000 for a transfer of the Company's insurance liabilities to it in the course of 2017. The reinsurance contract neutralises the risk of any deterioration in the Company's net claims causing deterioration in its balance sheet; and the proposed Part VII transfer would allow SIMIA to dissolve itself thereby halting it incurring further operational costs. As part of the arrangements the handling of the Company's claims is now the responsibility of R&Q Market Services Limited under a Claims Handling and Administration Services Agreement. The Company's insurance liabilities will be transferred to R&Q Insurance (Malta) Limited under a Transfer Agreement. Once the members have approved the transaction with R & Q Insurance (Malta) Limited and the Part VII transfer has been approved by the court, the current expectation is that the transfer will complete towards the end of 2017. The Company can then distribute its remaining assets to its Members, and apply for withdrawal of all its permission from the Prudential Regulatory Authority and dissolve itself.

Your Board is satisfied that the proposed transfer of the Company's insurance liabilities to Randall & Quilter is firmly in the interest of the Company and its Members. Without a transfer of its liabilities the Company would be required to continue running off its claims liabilities, and, in this event, the Company faces three areas of financial risk, all of which heighten the possibility of substantial further supplementary calls. The first is an unexpected deterioration in the Company's claims exposure. The Company's historical claims experience shows that its claims can deteriorate without warning, and on occasion the deterioration can be substantial, even five years or more after the end of the of the policy period. The Company has a robust reinsurance programme, but the cost of reinstating the reinsured layers in the event of large claims will have a deleterious impact on the Company's financial strength.

CHAIRMAN'S REPORT (continued)

This risk would be compounded if an increase in claims eroded the Company's IBNER (the amount of its claims reserves attributable to unknown claims deterioration) and it is required to increase its provisions for the payment of claims. The second area of financial exposure is an increase in the capital required to meet a higher regulatory capital requirement. The Prudential Regulatory Authority ("**PRA**") has granted the Company an exemption from meeting the higher regulatory capital requirement mandated by Solvency 2. But this is only on the basis that the Company will have transferred or extinguished all its insurance liabilities by 1 January 2019. Beyond January 2019 the Company would need to hold more capital in order to meet a higher regulatory solvency requirement. Third area of potential increased expenditure triggering a further supplementary call is the increased operational costs of continuing to run the Company until all its liabilities have been concluded. Assuming no deterioration in the claims, the estimates of the additional capital the Company would require to meet its solvency requirement and pay its operational costs alone translate into a supplementary call of between £10m and £12m. Deteriorations in the Company's claims reserves would plainly increase this figure, potentially significantly.

Accordingly, in the context of the Company's adverse claims development in early 2016; in view of the favourable advice of a specialist run-off consultant; and finally on the basis of the quotes received from two other run-off companies for the acquisition of the Company's insurance liabilities, the Board concluded that a transfer of the Company's liabilities to Randall & Quilter for the price Randall & Quilter quoted presented the best route for concluding the Company's liabilities whilst minimising the cost to the Members. Randall & Quilter agreed to acquire the Company's liabilities for a total consideration of £10.367m comprised of the Company's total technical provisions of £8.617m as at April 2016 plus a risk premium of £1.750m.

Supplementary call

In addition to concluding an agreement with Randall & Quilter for the sale of the Company's insurance liabilities, the second main item of activity this year was the announcement that the Company would need to make a further supplementary call of £6m. An unexpected deterioration in the Company's claims reserves in early 2016 resulted in the Company dipping below its regulatory capital requirement. Following discussions with the PRA, remedial steps had to be taken to increase the Company's capital so that it met its regulatory requirements. In addition to curing the Company's solvency shortfall a supplementary call was also required to meet Randall & Quilter's risk premium, and to ensure that the Company had sufficient funds to meet the operational costs of running-off its liabilities. As was explained to Members at the time the supplementary call was announced, the Company expects there to be a surplus at the end of the process which will be distributed prior to its dissolution in late 2017 or early 2018.

On the question of the likelihood of any further supplementary calls, the Board cannot at this time identify any plausible events that would trigger this event provided the proposed Part VII transfer goes according to expectation.

Finally, I would like to thank the Directors of the Company, and in particular Christian Wells, all of whom have spent considerable additional time and effort to ensure a successful transfer of the Company's insurance liabilities to Randall & Quilter. I would also like to thank the Managers for their contribution and their continued commitment to administering the Company's run-off.

Patrick Russell
Chairman
6 December 2016

STRATEGIC REPORT

The Directors have pleasure in presenting their Report and the Financial Statements for the year ended 30 September 2016.

Review of the Year

The principal activity of the Company during the year was the management of the run-off of the Company's business as a mutual insurer of Solicitors against risks arising from professional negligence.

Following the decision of the Members of the Company in March 2011, the Company ceased to accept any new business and placed the Company into run-off.

The surplus arising out of the year's operation after tax was £1,378,916 (2015: (£244,249)) and this was transferred to reserves. The free reserves now amount to £3,606,022 (2015: £2,227,106).

During the year SIMIA concluded an agreement with Randall & Quilter who will reinsure the Company's claims into one of its subsidiary companies (R&Q Insurance (Malta) Ltd) with a view to making an application under Part VII of the Financial Services and Markets Act 2000 for a transfer of the Company's insurance liabilities to it in the course of 2017.

The reinsurance contract removes the risk of any deterioration in the Company's claims causing deterioration in its balance sheet; and the proposed Part VII transfer would allow SIMIA to dissolve itself thereby halting it incurring further operational costs.

Financial Results

The Statement of total comprehensive income and movement in reserves (on page 13) and the Statement of Financial Position (on page 14), together with the notes to the Financial Statements, set out the Company's financial performance in detail. The following table compares key financial information for the year end 30 September 2016 and 30 September 2015.

	2016 £'000	2015 £'000
Premium / bad debt recovery on supplementary calls	5,953	13
Reinsurance premium	(11,081)	(908)
Net ultimate claims movement	7,132	1,143
Operating expenses	(619)	(501)
Surplus / (deficit) on technical account	1,385	(253)
Net Investment Income & Tax	(6)	9
Surplus / (deficit) for the financial year	1,379	(244)
Free reserves at year end	3,606	2,227

STRATEGIC REPORT (continued)

Investments

The Directors have set in place formal investment policies and objectives. The primary investment objective is to conserve and accumulate capital to cover future obligations.

The Company has 100% holdings in Cash and Cash equivalents (Treasury Bills).

The investment return for the year excluding cash at bank was 0.48 % (2015: 0.43%).

Regulatory

The Company obtained a waiver from its regulator from complying with the new Solvency II regime which came into effect from 1 January 2016, on the basis that it planned to deregister its business by 31 December 2018. As a result of this waiver the Company's capital regulatory requirement is set at £2.250m.

At the year-end it exceeded its regulatory capital requirement by £1.356m.

Risks

The principal risks and uncertainties facing SIMIA have been discussed in the directors report.

Patrick Russell
Chairman
6 December 2016

DIRECTORS REPORT

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Company for the year ended 30 September 2016.

The Company has appointed S.I.M.I.A. Management Company 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 S.I.M.I.A. Management Company and Thomas Miller Investment Ltd are owned by Thomas Miller Holdings Limited.

The Company has no employees.

The principal risks and uncertainties facing the Company have been covered in detail in Note 4 under the heading Management of Risk

The Company's key risks are the following:
Insurance risk – incorporating underwriting and reserving risk;
Market risk – incorporating investment risk, and interest rate risk;
Credit risk – the risk that a counterparty is unable to pay amounts in full when due;
Liquidity and cash flow risk – the risk that cash may not be available to pay obligations when they fall due; and
Operational risk-the risk of failure of internal processes or controls.

The Board of Directors purchased Directors' and Officers' Liability Insurance to indemnify the Directors and 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 the premium is detailed in note 9 to the Financial Statements.

Going Concern

The Directors have assessed the position of the Company and are of the opinion that the Company has adequate resources to meet its insurance and other liabilities as they fall due for payment.

The Directors have reasonable expectation that the Company will be able to continue in operational existence as a going concern for the foreseeable future on the basis that the Company has the ability to raise additional capital by way of Supplementary Calls on open policy years.

The Company has the power to make Special Supplementary Calls – payment of up to 100% of the premium deferral originally granted to members – and General Supplementary Calls. General Supplementary Calls are limited to three times the gross premium paid by members in any one policy year. The Company's ability to make Supplementary Calls of this magnitude will suffice to meet any additional capital requirements and other liabilities.

After making enquiries, 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.

DIRECTORS REPORT (Continued)

Directors and Officers

The names of the Directors of the Company as at year end are shown on page 2.

In accordance with Article 19 Messrs' B.W.D.Richards, P.J. Russell and E.C.J.Wells retire by rotation and being eligible offer themselves for re-appointment at the forthcoming Annual General Meeting.

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 Companies 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 auditors are aware of that information.

During the year ended 30 September 2016 the Directors held four formal meetings on 9 December 2015, 23 February 2016, 25 May 2016 and 6 September 2016.

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

Audit: The auditors' report on the 2015 financial statements and the annual return to the Prudential Regulatory Authority (PRA) for the year ending 30 September 2015 were approved by the Board and formally adopted at the Annual General Meeting held on 23 February 2016.

Claims: Approval of year-end claims reserves. Review of claims and notifications received in the year, closing of policy years and reports on cash calls from the Assigned Risk Pool (ARP).

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

Finances: Financial forecasts and financial reports for the year. Approval of run-off plan, report on unpaid supplementary calls,

Regulatory: Approval of Solvency II waiver application to the Regulator, as well as agreement regarding regulatory capital requirement.

Investments: Receipt of reports on investment performance and a revised Investment Policy.

Other Matters: Approval of the Loss Transfer Agreement with Randall & Quilter, approved communication letters sent to members regarding sale and the reasons for making supplementary calls. Approved revised management fee agreement and discussions on management fee.

DIRECTORS REPORT (Continued)

Board Committees

The Audit, Investment and Claims Committee comprises Messrs E.C.J. Wells (Chairman), B.W.D.Richards, and P.J. Russell. It assists the Board in discharging its responsibilities for the integrity of the Financial Statements, compliance with regulatory requirements, assessing the business risks the Company faces, determining as well as monitoring the Company's investment policy and overseeing the run-off plan. It also assists the Board in reviewing notified claims to ensure that the Company holds adequate individual and overall claims reserves. The Committee met on five occasions in the course of the year.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

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

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.

Auditors

The Company's auditors, Messrs Moore Stephens LLP, have expressed their willingness to continue to serve as the Company's auditors. A resolution for their re-appointment and to authorise the Directors to fix their remuneration will be submitted to the forthcoming Annual General Meeting.

By order of the Board

Peter Russell

P.J. Russell
Chairman
Date: 6 December 2016

REPORT OF THE INDEPENDENT AUDITORS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED ('THE COMPANY')

We have audited the financial statements of Solicitors Indemnity Mutual Insurance Association Limited for the year ended 30 September 2016 which are set out on pages 13 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

Matters on which we are required to report by exception

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

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

Moore Stephens LLP

Simon Gallagher, Senior Statutory Auditor
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Dated: 6 December 2016

STATEMENT OF TOTAL COMPREHENSIVE INCOME AND MOVEMENT IN RESERVES

For the year ended 30 September

	Note	2016	2015
TECHNICAL ACCOUNT		**£**	**£**
Earned premium net of reinsurance			
Gross premiums written	5	5,953,378	12,793
Outward reinsurance premiums	6	(11,080,789)	(907,991)
		(5,127,411)	(895,198)
Earned premuims net of reinsurance		(5,127,411)	(895,198)
Claims paid			
Gross amount	7	(2,435,712)	(7,415,578)
Reinsurers' share		414,828	4,606,392
		(2,020,884)	(2,809,186)
Change in			
Gross provision for claims	7	198,577	5,883,931
Third party recoveries		(154,998)	(559,257)
Reinsurance recoveries	7	9,109,539	(1,372,134)
		9,153,118	3,952,540
Net ultimate claims movement		7,132,234	1,143,354
Net operating expenses	9	(620,171)	(500,640)
Balance on the technical account		1,384,652	(252,484)
NON TECHNICAL ACCOUNT			
Investment result - realised	10	(1,575)	86,599
Unrealised gains/losses on investments	10	40,013	(30,585)
Investment expenses and charges	10	(44,445)	(45,423)
		(6,007)	10,591
Surplus / (deficit) on ordinary activities before tax		1,378,645	(241,893)
Tax on ordinary activities	11	271	(2,356)
Total Comprehensive Income/(Expense) for Financial Year		1,378,916	(244,249)
Reserves at 30 September 2015		2,227,106	2,471,355
Surplus/ (deficit) for the financial year		1,378,916	(244,249)
Reserves at 30 September 2016		3,606,022	2,227,106

All income and expenditure relate to continuing activities.

The notes on pages 16 to 34 form an integral part of these Financial Statements.

Company Number 1985809

STATEMENT OF FINANCIAL POSITION

As at 30 September

Other financial investments	12	3,077,983	10,748,110
Reinsurers' share of technical provisions			
Claims outstanding	7	9,151,892	1,013,030
Debtors arising out of reinsurance operations	7	970,680	
Debtors arising out of direct insurance			
- Due within one year	13	6,449,357	-
Other debtors	14	-	154,998
Cash and cash equivalents	15	104,519	135,373
Accrued interest		273	33,863
Prepayments	16	15,910	7,500
TOTAL ASSETS		19,770,614	12,092,874
LIABILITIES			
Reserves			
Income and expenditure account		3,606,022	2,227,106
Technical Provisions			
Claims outstanding			
Gross amount	7	9,151,892	9,350,469
		9,151,892	9,350,469
Creditors			
Randall & Quilter creditor	17	5,367,000	-
Reinstatement creditor	17	970,680	431,726
Other creditors	18	675,020	83,573
		7,012,700	515,299
TOTAL LIABILITIES AND RESERVES		19,770,614	12,092,874

The notes on pages 16 to 34 form an integral part of these Financial Statements

These Financial Statements were approved by the Board of Directors and were signed on its behalf on 6 December 2016 by:

P. J.Russell: Chairman

E.C.J. Wells: Director

Signed on behalf of the Managers:
S.I.M.I.A. Management Company

R.A.A. Harnal:

CASH FLOW STATEMENT
For the year ended 30 September

Premiums received		23,709	12,793
Reinsurance premium paid		(5,174,835)	(1,388,194)
Claims paid		(2,435,712)	(7,415,578)
Reinsurance recoveries received		414,828	4,606,392
Operating expenses paid		(522,964)	(498,163)
Taxation paid		-	(2,356)
Net cash provided/(used) by operating activities		**(7,694,974)**	**(4,685,106)**
Cash flows from investing activities			
Purchase of investments		(39,871,131)	(46,398,117)
Sale of investments		47,581,271	51,162,357
Interest received		(46,020)	41,176
Net cash flow from investing activities		**7,664,120**	**4,805,416**
Net increase / (decrease) in cash and cash equilavents		**(30,854)**	**120,310**
Cash and cash equivalents at the beginning of the year		135,373	15,063
Cash and cash equivalents at the end of the year	**15**	104,519	135,373

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution and ownership

The Company is incorporated in England as a Company limited by guarantee and not having a share capital.

In pursuance of its business and in accordance with its Memorandum, Articles of Association and its Rules, the Company has the right to make Supplementary Calls on its Members to meet its liabilities.

In the event of the winding up of the Company, after its liabilities have been satisfied, any remaining assets would be distributed to the Members in accordance with the provisions contained in the Articles of Association.

2. Accounting Policies

2.1 Statement of compliance and basis of preparation

These Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards FRS102, "The Financial Standard applicable in the United Kingdom 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 under the historical cost basis except for other financial investments which are presented at fair value.

2.2 Gross premiums written

The gross premiums written comprise of general and special supplementary call adjustments relating to prior periods.

The Company has the right to call back premium deferral given on a notified basis. These are described as special supplementary calls.

The Company has the right to make general supplementary calls in respect of any Open Policy Year. The amount of any general supplementary call cannot however exceed in aggregate a sum equivalent to three times a Member's net premium income (gross premium less brokerage or commission) for that policy year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.3 Claims

Claims are accounted for on a notifications basis.

The claims provision in the Balance Sheet represents:

(I) Estimated claims and defence costs as at 30 September 2016, on notified claims for all policy years.
(II) An additional amount to provide against adverse development on estimated and un estimated claims and circumstances.

Claims incurred in the Income and Expenditure Account includes:

(I) Claims and defence costs paid during the year;
(II) The claims handling costs of the Managers (see note 7); and

Case estimates are set using information provided by the lead underwriter and solicitors instructed to act for insureds. Solicitors acting for insureds base their estimates on the information available about individual claims and their experience of similar cases. The Managers' legally qualified in-house claims handlers are guided by the reserves recommended by the solicitors instructed to act for insureds.

Where it is not yet possible to make an assessment of the likely outcome of a claim, the Managers will consider the details of the claims and where appropriate record estimates, including an additional provision for potential deterioration if required.

The Managers report to the Audit, Investment and Claims Committee which considers the estimates and approves the year-end reserves. The Company's claims profile does not readily lend itself to setting claims reserves on the basis of statistical analysis. Past experience is one of the factors used to project the ultimate cost of claims for more recent years.

The provision for outstanding claims is based on information available at the balance sheet date. The majority of claims are settled only after extensive investigation and negotiation, which can take a number of years to complete. Accordingly, the ultimate cost of such claims cannot be known with certainty at the balance sheet date.

Subsequent information and events may result in the ultimate liability being greater or less than the amount provided. Any differences between provisions and subsequent settlements are dealt with in the general business technical account in later years.

2.4 Reinsurance recoveries

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (continued)

2.5 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

2.6 Other Financial Investments

The Company classifies its financial investments at fair value through profit and 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 Income and Expenditure 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 Income and Expenditure Account within 'Unrealised gains/ (losses) on investments' in the period in which they arise.

2.7 Investment Returns

Investment returns comprise dividend income on fixed interest securities, interest on deposit and cash.

Investment income is recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (continued)

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand balances with banks and investments on the money market instruments which are readily convertible, being those with original maturities of three months or less.

2.9 Taxation

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

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 more likely than not that they will be recovered. Deferred tax balances are not discounted.

3. Critical accounting and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Critical accounting and estimates and judgements (continued)

3.2 Fair value estimations

In accordance with Section 34 of FRS 102, as a financial institution, SIMIA applies the requirements of paragraph 11.27 of FRS 102. This requires, for financial instruments held at fair value in the statement of financial position, disclosure of fair value measurements by the level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, prices) or indirectly (that is, derived from prices); and
Level 3 – inputs for assets or liability that are not based on observable market data (that is, unobservable inputs).

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

As at 30 September 2016	Level 1	Level 2	Total
	£	£	£
Fixed interest-Government	-	2,249,701	2,249,701
UCITS	819,345	-	819,345
Cash-Settlement account	8,937	-	8,937
Total	828,282	2,249,701	3,077,983

As at 30 September 2015	Level 1	Level 2	Total
	£	£	£
Fixed interest-Government	-	5,796,063	5,796,063
Fixed interest-Corporate	754,613	-	754,613
UCITS	4,090,388	-	4,090,388
Cash-Settlement account	107,046	-	107,046
Total	4,952,047	5,796,063	10,748,110

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 and cash flow risk – the risk that cash may not be available to pay obligations when they fall due; and
4.5 Operational risk-the risk of failure of internal processes or controls.

4.1 Insurance Risk

As the Company has been in run off since March 2011, and does not underwrite any new business, it no longer has an exposure to Insurance risk from underwriting. The only Insurance risk it has is in respect of business entered before run off. This risk is managed through its reinsurance cover, and the management of claims costs.

Reinsurance

The Company's reinsurance programme has eliminated the insurance risk to the business as during the year ended 30 September 2016, the Company entered into a Loss Portfolio Transfer with Randall & Quilter, which reinsures 100% of all the Company's liabilities.

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

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 and assumptions as set out in Note 3 of the Financial Statements as directed and reviewed by the Audit, Investment and Claims Committee. In order to minimise the risk of understating these provisions the assumptions made are reviewed in detail by senior members of SIMIA's Management Company.

From 28 September 2016 the reserving process was carried out by Randall & Quilter, who have taken over the responsibility of the reserving process. There were no changes in outstanding ultimate claims from the 28 September to the year end.

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.

4.2 Market risk

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

The investment policy is formally reviewed every three years (but more frequently if required). The policy reflects the risk appetite of the Company and is designed to hold the risk to a level deemed acceptable while maximising return.

The Investment Strategy is formally reviewed annually and 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.

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 year-end date, with all other factors unchanged will result in a £23k fall in the value of the Company's investments.

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

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

Amounts recoverable on reinsurance contracts

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

On 28 September 2016 the Company entered into a Loss Transfer Agreement with Randall & Quilter who are not a rated insurance Company, but are a run off specialist Company. SIMIA's regulators have been informed of these arrangements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

4.3 Credit risk (continued)

Amounts due from Members

Amounts due from Members represent premium owing to the Company in respect of special and general supplementary calls. There is a risk of default by members who have either ceased practice, merged or gone into liquidation. Net of write off the credit risk at the year end is £6.5m (including IPT) (2015: nil). Of this amount 70% has been received at the date of approval of the financial statements. The Directors do not know of any reason why any provision needs to be made in respect of the balance.

Counterparty risk with respect to cash and investments

The Investment Strategy sets out the investment limits to which the Investment Manager has to adhere. The Company's investment policies require all fixed interest and floating rate investments are to have a minimum long term debt rating of A- from S&P or A3 from Moodys. UCITS, within which cash shall be held, are required to have a minimum rating of AAA from S&P or Moodys.

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

As at 30 September 2016	AAA	AA	BBB+ or less or not rated	Total
	£	£	£	£
Fixed Interest - Government		2,249,701		2,249,701
Fixed Interest - Corporate				-
UCITS	819,345			819,345
Cash-settlement account			8,937	8,937
Total	819,345	2,249,701	8,937	3,077,983

As at 30 September 2015	AAA	AA	BBB+ or less or not rated	Total
	£	£	£	£
Fixed Interest - Governmer	5,796,063			5,796,063
Fixed Interest - Corporate		754,613		754,613
UCITS	4,090,388			4,090,388
Cash- settlement account			107,046	107,046
Total	9,886,451	754,613	107,046	10,748,110

There were no past due or impaired assets at 30 September 2016 (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of risk (continued)

4.4 Liquidity Risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Company maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 30 September 2016, the Company's short term deposits (including cash and UCITs) amounted to £932,801 (2015: £4,332,808). The Company has sufficient liquid assets to meet its liabilities as they fall due.

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

As at 30 September 2016

	Short term asset	Within 1 Year	Carrying value in the statement of Financial Position
	£	£	£
Fixed interest -Government	2,249,701		2,249,701
UCITS		819,345	819,345
Cash -settlement account	8,937		8,937
Total	2,258,638	819,345	3,077,983

2015

	Short term asset	Within 1 Year	Carrying value in the statement of Financial Position
	£	£	£
Fixed interest- Government	5,796,063		5,796,063
Fixed interest- Corporate		754,613	754,613
UCITS	-	4,090,388	4,090,388
Cash -settlement account	107,046	-	107,046
Total	5,903,109	4,845,001	10,748,110

4.5 Operational risk

Operational risks refers 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 SIMIA Management Company as Managers to identify and document all key processes and controls in a procedures manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Board of Directors. A human resource manual including all key policies has also been documented.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Management of Risk (continued)

4.5 **Operational risk (continued)**

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

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

The Company obtained a waiver from its regulator from complying with the new Solvency II regime which came into effect from 1 January 2016, on the basis that it planned to deregister its business by 31 December 2018. As a result of this waiver the Company's capital regulatory requirement is set at £2.250m.

At the year-end it exceeded its regulatory capital requirement by £1.356m.

5 Gross premiums written

	2016	2015
	£	£
Special Supplementary Call	2,232,293	-
General Supplementary Call	3,767,707	-
	6,000,000	-
Bad debt recovery/(write off) on Supplementary Calls	(46,622)	12,793
	5,953,378	12,793

6. Reinsurance premiums

The Company wrote a maximum of £4.5m plus defence costs any one claim. From the 2009 policy year onwards the Company has reinsurance protection of £1m in excess of £1m (subject to an aggregate excess of £1m), and £2.5m excess of £2.0m. The Company also had fees break-out cover of £1m in excess of £4.5m. The reinstatement provisions on the reinsurance contract are as follows:

- Four reinstatements on the layer £1m in excess of £1m.
- Four reinstatements on the layer £2.5m in excess of £2m.

For U.S.A. and Canadian exposures (excluded under the main reinsurance contract), the Company has reinsurance protection which cover claims and defence costs of £3m in the aggregate, in excess of £1.5m in the aggregate, costs inclusive, each additional risk. Two reinstatements are available on this layer of Cover.

The maximum possible net loss to the Company from one incident before the Loss Transfer Agreement was £2m.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Reinsurance premiums (continued)

In arranging reinsurance contracts, the Company carried out financial checks on the prospective reinsurers in order to gain confidence that recoveries will be settled if and when they fall due.

7. Claims and technical provisions

	2016	2015
	£	£
Gross claims and costs	2,310,122	7,287,218
Claims handling (note 8)	125,590	128,360
	2,435,712	7,415,578

Change in gross provision for claims

	2016	2015
	£	£
Claims outstanding at end of year	9,151,892	9,350,469
Claims outstanding at beginning of year	(9,350,469)	(15,234,400)
(Decrease) in gross provision for claims	(198,577)	(5,883,931)

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 notified claims. The estimates for known outstanding claims are based on the best estimates and judgment of the Managers of the final cost of individual cases. These estimates are as reliable as possible given the details of the cases and taking into account all the current information. However, the final outcome of individual cases may prove to be significantly different to the estimates made at the balance sheet date. The estimates are reviewed as required, and at least annually. The gross provision for claims includes allowances for adverse development.

A reasonable allowance has been made for adverse claims development in the future. The claim profile does not lend itself to setting claims reserves on the basis of statistical analysis. Past experience is one of the factors used to project the ultimate cost of claims for more recent years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

As part of the reinsurance contract with Randall and Quilter, Randall and Quilter now complete all claims handling and therefore SIMIA no longer requires a claims handling provision within the financial statements. Therefore the split of claims outstanding between claims estimates, IBNER, claims handling costs and third party recoveries is as follows:

	2016	2015
	£	£
Claims estimates	5,296,892	4,522,569
IBNER	3,855,000	3,944,901
Claims handling provisions	-	154,998
Third party recoveries	-	728,000
Total	9,151,892	9,350,468

Change in Reinsurance Recoveries

	2016	2015
	£	£
R/I outstanding at the end of the year	10,122,572	1,013,033
R/I outstanding at the beginning of the year	(1,013,033)	(2,385,164)
	9,109,539	(1,372,134)

The reinsurance recoveries represent the provision for that part of the gross claims provision, which is recoverable from reinsurers (£9.2m) as well as the recoveries due under the Loss Transfer Agreement in respect of reinstatement premiums (£1m). It is based on estimated recoveries against actual claims and cost payments made and estimated claims and cost provisions.

The movement is the difference between the provision at the start and at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Management costs

The management fee paid to S.I.M.I.A. Management Company is apportioned between the different management functions. A portion of the fee is allocated to acquisition costs, and this has been interpreted by the Directors and Managers as the cost of recovering unpaid supplementary calls. Costs are allocated to: acquisition costs, claims handling, investment management services and administration expenses and administrative expenses include regulatory compliance, the preparation of accounts and general management.

	2016	2015
	£	£
Claims handling costs (note 7)	128,360	125,590
Administrative costs (note 9)	235,360	230,220
Investment management services (note 10)	42,790	41,860
Acquisition costs (note 9)	53,490	52,330
	460,000	450,000

9. Net operating expenses

	2016	2015
	£	£
Acquisition costs (note 8)	52,330	53,490
Administration expenses		
Legal and Professional fees	136,174	41,551
Directors' and Officers' Liability Insurance	17,100	16,960
Printing costs (release of provision)	-	0
Meeting expenses	168	841
Directors fees	120,172	87,500
Auditors' remuneration	62,350	64,938
Annual return fees	1,657	-
Administration costs (note 8)	230,220	235,360
	567,841	447,150

Administration costs include the costs of regulatory compliance, the preparation of accounts and general management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Investment income

	2016	2015
	£	£
Interest on listed investments	8,965	45,294
Bank deposit interest	6,488	476
	15,453	45,770
(Losses) / gains on realisation of investments	(17,028)	40,829
	(1,575)	86,599

Investment expenses and charges

	2016	2015
Investment management expenses:	£	£
Banking and custodial charges	2,585	2,633
Investment management services (note 8)	41,860	42,790
	44,445	45,423

Unrealised losses on investments

	2016	2015
	£	£
Market value (note 12)	3,069,051	10,748,110
Cost (note 12)	3,069,051	10,788,127
Gains at year end	0	(40,017)
Unrealised (losses) on fixed interest securities	(40,013)	(30,585)
	(40,013)	(30,585)

11. Taxation

11.1 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 gains. The charge in the Income and Expenditure Account represents:

Income and Expenditure account	2016	2015
	£	£
UK Corporation tax at 20% (2015 - 20%)	(271)	2,118
Under/(over) provision from previous year	-	238
Total current tax paid/(recovered)	(271)	2,356

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Taxation (continued)

11.2 The tax assessed for the period is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016	2015
	£	£
Surplus / (deficit) on ordinary activities before tax	1,378,645	(241,893)
Surplus /(deficit) on ordinary activities multiplied by Standard rate of corporation tax in the UK of 20 %(2015: 20%)	275,729	(48,379)
Effects of:		
Non-taxable mutual insurance operations	(276,000)	50,497
Current tax/ (rebate) charge	(271)	2,118

11.3 Balance Sheet

Taxation Creditor	2016	2015
	£	£
Taxation creditor brought forward	2,118	2,726
Payment of corporation tax	(2,118)	(2,964)
	-	(238)
UK Corporation tax for the current year	-	2,118
Prior Year under provision	-	238
Creditor as at 30 September (note 19)	-	2,118

11.4 Deferred taxation

There was no deferred tax asset at the year-end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Other financial instruments

	Market Value 2016 £	Market Value 2015 £	Cost 2016 £	Cost 2015 £
Other financial investments comprise:				
Fixed interest securities	2,249,701	6,550,676	2,249,701	6,590,692
UCITS	819,345	4,090,388	819,345	4,090,389
Cash Deposits	8,937	107,046	8,937	107,046
	3,077,983	10,748,110	3,077,983	10,788,127

	Market Value 2015 £	Market Value 2014 £	Cost 2015 £	Cost 2014 £
Other financial investments comprise:				
Fixed interest securities	6,550,676	12,810,846	6,590,692	12,820,274
UCITS	4,090,388	2,723,760	4,090,389	2,723,760
Cash Deposits	107,046	6,072	107,046	6,072
	10,748,110	15,540,678	10,788,127	15,550,106

All holdings in fixed income securities are in high grade, short term securities traded over the counter. All investments in unit trusts are held in Money Market Funds with average maturities of less than 90 days.

SI 2011/410 of the Companies Act 2006 states the categories of investment income to be disclosed in the Financial Statements. The Company's investment holdings do not fall into any specific category and as a result, they are disclosed as other financial investments.

13. Debtors arising out of direct insurance

Debtors arising out of direct insurance due from members of £6.5m (including IPT) are for amounts owing on the special and general supplementary calls made in September 2016 for payment due on 31 October 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Other debtors

	2016	2015
	£	£
Claims recoveries from third parties	-	154,988

Claims recoveries from third parties are all claims recoveries other than reinsurance recoveries.

15. Cash and cash equivalents

	2016	2015
	£	£
Cash and cash equivalents	104,519	135,373

16. Prepayments

	2016	2015
	£	£
Fees paid in advance	15,640	7,500

17. Creditors arising out of reinsurance operations

	2016	2015
	£	£
Reinsurance creditor	5,367,000	-
Reinstatement creditor	970,680	431,726
	6,337,680	431,726

This reinsurance creditor balance represents the outstanding amount owed to Randall & Quilter as the consideration for their acquisition of the claims liabilities and claims handling costs pursuant to the terms of the Loss Transfer Agreement.

18. Other creditors

	2016	2015
	£	£
Accrued expenses	155,331	59,001
Overseas and UK Insurance premium tax	519,689	22,454
Taxation (note 11)	-	2,118
	675,020	83,573

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Explanation of transition to FRS102 and FRS103

This is the first year that the Company has presented its Financial Statements under Financial Reporting Standards 102 and 103 as issued by the Financial Reporting Council. The last Financial Statements under previous UK GAAP were for the year ended 30 September 2015 and the date of transition to FRS 102 and 103 was therefore 1 October 2014. There have been no changes to the recognition and measurement of items in the Financial Statements as a consequence of adopting FRS 102 and FRS 103 but there have been changes to disclosures.

20. Related party disclosures

The Company has no share capital and is controlled by the Members who are also the insureds. The resulting insurance transactions are consequently deemed to be between related parties but these are the only transactions between the Company and the Members and are completed at arm's length.

All the Directors are Representatives of Members of the Company and other than the insurance; the Directors have no financial interests in the Company. Six out of the seven Directors are paid an annual fee of £2,500 and a £2,500 attendance fee per meeting. S.I.M.I.A. Management Company received £450,000 (2015 - £460,000) from the Company in respect of management fees for the period.

Director's fees are shown in Note 9. At the year-end there was an accrued amount of £12,500

21. Randall & Quilter (R&Q) Cash Balance

SIMIA hold cash of £4.8m (2015: nil) in order to pay claims when they fall due on behalf of R&Q. This cash is not held on the balance sheet of SIMIA as it does not meet the requirements of an asset namely: It is not probable that any future economic benefit associated with the item will flow to SIMIA. In this case all interest or expense on this balance will be passed to R&Q, and therefore the cash cannot be held as an asset of SIMIA.

22. Location and nature of business

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

SOLICITORS INDEMNITY MUTUAL INSURANCE ASSOCIATION LIMITED

Managers

S.I.M.I.A. Management Company,
90 Fenchurch Street, London, EC3M 4ST.

Directors of S.I.M.I.A. Management Company.

R.Cunningham
R.A.A. Harnal
M.K. Levey
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SECRETARY

K. Halpenny

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