

THOMAS MILLER & CO. LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

Registered number: 1898192



THOMAS MILLER & CO. LIMITED

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THOMAS MILLER & CO. LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J E Anderson	
T M Evans	
G Fleming	
A Gamblin	
J M Goldthorpe	
R M Grainger	
K P Halpenny	
I R Jarrett	Resigned 31 July 2016
M A Jarrett	
A C Jones	
B M Kesterton	
A K Mactavish	
S L Main	Resigned 7 December 2016
C Parfitt	
B O'Sullivan	
A Salim	
K D Sweet	
R Lingard	Appointed 24 November 2016

COMPANY SECRETARY

K P Halpenny

REGISTERED OFFICE

90 Fenchurch Street
London
EC3M 4ST

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

THOMAS MILLER & CO. LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Principal activity and business review

The company is a wholly owned subsidiary of Thomas Miller Holdings Ltd., a company incorporated in Bermuda.

The principal activity of the company during the year has been the provision of services to its fellow subsidiary undertakings. The main activities of these undertakings have been the provision of agency services to managers of mutual insurance companies and acting as managers of mutual insurance companies. The main operations of the company were carried out from offices in the United Kingdom. The company also operates through a branch office in China. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The primary business indicators that the company uses to control the business are linked to cost control. Expenditure is reviewed against budgets for each cost centre, by month and by account code and variances are analysed and explained. Budgets are reviewed twice a year. Income arises from recharges of costs to other group companies based on those companies' usage of resource. The company's directors believe that review of costs against budgets is the key performance indicator necessary for an understanding of the development, performance and financial position of the business. Monthly variance analyses and quarterly group management accounts indicate that direct business costs and shared service costs were below budget.

Profit before interest and taxation for the year has decreased by 19% from 2015 to 2016. This is primarily due to the 2015 result including one off sundry income of £1.09m, while 2016 also includes an increased foreign exchange loss (higher by £1.13m compared to 2015) as a result of the weakening rate of sterling, following the Brexit vote. However, it should be noted here that although the company shows an increase in foreign exchange losses, these losses are more than counteracted by foreign exchange gains in the accounts of fellow subsidiary undertakings and the parent company. In the majority of cases, costs are recharged to fellow subsidiary undertakings as part of the management agreements with those subsidiary undertakings.

The post tax deficit on the funded and unfunded defined benefit pension schemes, as calculated using the Section 28 "Employee benefits" of FRS 102 basis of calculation, has decreased from £17.6 million to £7.5 million. Normal contributions into the schemes were £5.5 million in total (2015 - £5.6 million). These contributions, in accordance with Section 28 of FRS 102, are not recognised as a cost within administrative expenses. The changes in the overall pension liability are explained in note 28. The pension liability is impacted during the year by (i) contributions paid by the company; and (ii) asset returns being higher than expected; offset by, (iii) the decrease in the net discount rate during the year, which increases the value of pension obligations. From 31st December 2016, the company has adopted an alternative approach in determining a discount rate that is applied when calculating the pension liability, following a review of the evidence and methods used. The discount rate is required to be set based on the market yield available on high quality corporate bond yields (assumed to be AA rated corporate bonds). In determining the yield curve on which the discount rate is derived, the new approach assumes flat forward rates from 30 years onwards, resulting in a higher discount rate and a lower value being placed on the pension liabilities.

The balance sheet on page 10 shows the company's financial position at the year end. The reduction in the shareholder's deficit arises primarily due to a reduction in the pension liability as discussed above.

The directors note that there have been no significant events since the balance sheet date.

Financial risk management including principal risks and uncertainties

Financial risk management objectives

The company is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from financial liabilities as they fall due. The most important components of this financial risk are interest rate risk, currency risk, credit risk and liquidity and cash flow risk.

The group finance director, advised by the Treasury Advisory Committee, monitors and aims to reduce exposure to the various components of financial risk. Through the committee, the group finance director takes advice to ensure that he acts in line with the terms of reference approved by the board of Thomas Miller Holdings Ltd.

The company is also exposed to the above risks through the operation of the final salary pension scheme and also its obligations under the unfunded defined benefit schemes. The strategy for dealing with the associated risks is managed by the board with close liaison with the pension trustee board.

The company does not use derivative financial instruments for speculative purposes.

THOMAS MILLER & CO. LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Financial risk management including principal risks and uncertainties (continued)

Interest rate risk

The main interest rate exposure relates to the interest rate used to calculate the defined benefit pension scheme liabilities. It is estimated that every reduction of 0.5% in the yield on AA rated corporate bonds increases the gross Defined Benefit pension scheme liability by approximately 10% although the impact is partially offset by the diversification of the pension investment. The scheme is reviewed by an external firm of actuaries and the company board and trustees meetings are held four times a year.

Interest rate risk exists from the company's exposure to adverse movements in interest rates in relation to cash balances and deposits. The Treasury Advisory Committee monitors the risk and reduces the company's exposure by utilising a choice of available funds with different interest rate characteristics. The committee takes advice from investment specialists within the company and acts in line with the company's investment policy.

Currency risk

The company manages its currency risk in respect of its income streams. Currency risk exists from the company's residual exposure to adverse movements in exchange rates in respect of its foreign currency income and expenditure as well as foreign currency assets and liabilities. This risk is managed within the group by collecting management fees in currencies which match the costs of the overseas group companies and through balancing the levels of currency assets and liabilities which may involve the use of forward exchange contracts. Foreign exchange differences are charged to the profit and loss account.

All of the company's income from services provided to fellow UK subsidiaries undertakings is in sterling as are the majority of the company's costs. Currency risk arises from the cost of services provided to the company from fellow subsidiary undertakings based in the USA, Hong Kong, Australia and Singapore who charge for services provided in their respective local currencies. The relevant fellow subsidiaries charge the company for the sterling equivalent of these costs. The risk is managed within the group by collecting management fees in currencies that match the costs of these overseas companies and through balancing the levels of currency assets and liabilities which may involve the use of forward exchange contracts. Foreign exchange differences are charged to the profit and loss account.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- amounts due from fellow subsidiaries and other customers; and
- cash balances held with financial institutions.

The company, through the Treasury Advisory Committee, places limits on the level of cash balances held at any financial institution dependent on its credit rating. Amounts due to the company are actively monitored by the finance department and Treasury Advisory Committee.

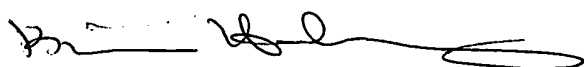
The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due. The investment policy sets limits on cash balances to ensure that funds are available to cover anticipated liabilities and unexpected levels of demand. Again, cash flow is actively monitored by the finance department and Treasury Advisory Committee.

By order of the board



K P Halpenny
Company Secretary

2 MAY 2017

90 Fenchurch Street
London
EC3M 4ST

THOMAS MILLER & CO. LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2016.

1. Results and dividends

The profit and loss account for the year is set out on page 9. The profit on ordinary activities after taxation amounted to £6,905,435 (2015 - £8,414,281).

No dividends were declared during the year (2015 - £nil).

The profit and loss account surplus as at 31 December 2016 was £9,017,006 (2015 deficit - £1,892,429).

2. Directors

The present membership of the board of directors is shown on page 2, all of whom held office throughout the year, except as noted.

B M Kesterton and J M Goldthorpe are directors of the ultimate parent company, Thomas Miller Holdings Ltd.

3. Employees

Thomas Miller & Co. Limited ("Thomas Miller") is committed to providing equal opportunities to all employees, irrespective of their gender, sexual orientation, marital status, race, nationality, ethnic origin, disability, age or religion. Thomas Miller is an inclusive employer and values diversity in its employees and seeks to achieve diversity through recruitment and selection, training, career development, flexible working arrangements, promotion and performance appraisal. In the event of employees becoming disabled, every effort is made to ensure that their employment with Thomas Miller continues and to provide specialised training where this is appropriate. Information on employee matters is available on an intranet site and via periodic publications.

4. Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company's intranet website. Employees are consulted regularly on a wide range of matters affecting their current and future interests. The employee share schemes have been running successfully since their inception. The Executive Share Option Plan was introduced in 1999, the Share Incentive Plan introduced in 2003, the Long Term Share Acquisition Plan introduced in 2006 and the Save As You Earn Scheme introduced in 1999. The Service Award scheme was also introduced in 1999. The Share Incentive Plan, the Save As You Earn Scheme and the Service Award Scheme are open to all employees of the company and the major features of the scheme are outlined in note 23 to the financial statements. The other schemes are only open to employees at director level or above and the major features of those schemes are also outlined in note 23.

5. Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

6. Donations

Charitable donations paid amounted to £61,000 (2015 - £65,000). The company did not make any political donations during the current and previous financial year.

7. Directors' indemnity

The ultimate parent company Thomas Miller Holdings Ltd. has made qualifying third party indemnity provisions for the benefit of its subsidiaries' directors which remain in force at the date of this report.

THOMAS MILLER & CO. LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THOMAS MILLER & CO. LIMITED

**DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. Auditor

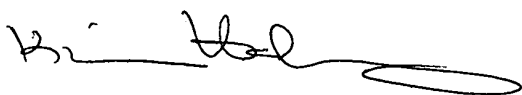
Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the board



K P Halpenny
Company Secretary

2 MAY 2017

90 Fenchurch Street
London
EC3M 4ST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS MILLER & CO. LIMITED

We have audited the financial statements of Thomas Miller & Co. Limited for the year ended 31 December 2016 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 28. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report and the director's report.

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.



Colin Rawlings FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, UK

16 May 2017

THOMAS MILLER & CO. LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Turnover	1,3		88,349		84,697
Administrative expenses			(79,002)		(73,077)
Operating profit	4		9,347		11,620
Loss on disposal of parent company shares	23		(358)		(411)
Profit on ordinary activities before interest and taxation			8,989		11,209
Share of results of associated undertakings		-		87	
Interest receivable and similar income		222		146	
Interest payable and similar charges	5	(19)		(21)	
Other finance costs	6	(515)		(993)	
			(312)		(781)
Profit on ordinary activities before taxation			8,677		10,428
Tax on profit on ordinary activities	9		(1,772)		(2,014)
Profit on ordinary activities after taxation			6,905		8,414

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

		2016 £'000	2015 £'000
Profit for the financial year		6,905	8,414
Actuarial gain relating to the pension deficit for the year	26	5,047	9,037
Deferred tax debit attributable to the actuarial gain on the pension deficit	16	(1,043)	(2,086)
Total comprehensive income for the period		10,909	15,365

All amounts derive from continuing operations.

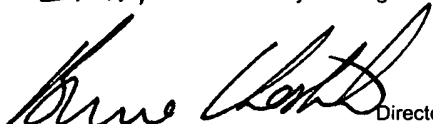
The notes on pages 12 to 30 form an integral part of these financial statements.

THOMAS MILLER & CO. LIMITED


BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Intangible assets	12		167		240
Tangible assets	13		3,386		3,612
Investments	14		6,277		4,526
			<u>9,830</u>		<u>8,378</u>
Current assets					
Debtors					
- due within one year	15	37,933		35,876	
- due after one year	15	1,103		2,893	
Cash at bank and in hand		<u>5,686</u>		<u>6,330</u>	
		<u>44,722</u>		<u>45,099</u>	
Creditors: Amounts falling due within one year	17	<u>(36,076)</u>		<u>(36,043)</u>	
Net current assets			<u>8,646</u>		<u>9,056</u>
Total assets less current liabilities			18,476		17,434
Provisions for liabilities	18		<u>(1,427)</u>		<u>(1,269)</u>
Net assets before retirement benefits and similar obligations			17,049		16,165
Retirement benefits and similar obligations	26		(7,532)		(17,557)
Total net assets / (liabilities)			<u>9,517</u>		<u>(1,392)</u>
Capital and reserves					
Called up share capital	21		500		500
Profit and loss account			<u>9,017</u>		<u>(1,892)</u>
Shareholder's funds / (deficit)			<u>9,517</u>		<u>(1,392)</u>

The financial statements of Thomas Miller & Co. Limited (registered number 1898192) were approved by the board of directors and authorised for issue on 2 MAY 2017. They were signed on its behalf by:


Director

B M KESTERTON


Director

J M GOLDTHORPE

The notes on pages 12 to 30 form an integral part of these financial statements.

THOMAS MILLER & CO. LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital	Profit and loss account	Total
	£'000	£'000	£'000
Shareholder's deficit at 1st January 2016	500	(1,892)	(1,392)
Profit for the financial year	-	6,906	6,906
Actuarial gain relating to the pension deficit net of taxation	-	4,003	4,003
Net increase to shareholder's funds	-	10,909	10,909
Shareholder's funds at 31 December 2016	500	9,017	9,517

The notes on pages 12 to 30 form an integral part of these financial statements.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

1.1 General information and basis of accounting

Thomas Miller & Co. Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on page 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company as a "qualifying entity" is exempt from producing a cash flow statement in accordance with FRS 102.1.12(b). The full voting rights of the company are owned by its ultimate parent undertaking (note 28) whose published, publicly available, accounts include a consolidated cash flow statement.

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out within the strategic report.

The financial position of the company is described within the directors' report and strategic report. In addition, the strategic report describes the liquidity position of the company including the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The company is in a "net assets" position after taking into account "retirement benefits and similar obligations". The annual cash contributions made by the company to the Thomas Miller & Co. Limited Retirement Benefits Scheme ("the scheme"), which closed to future accruals of benefits on 1 October 2004, are designed to eliminate the pension deficit by 2023. This was confirmed in a full valuation and review of the scheme, carried out on 1 July 2014 and concluded on 30 September 2014, whereby the recovery period was extended by six months. The cash contributions made are in accordance with an agreement made with the trustees of the Scheme to eliminate that deficit. The annual contributions are re-charged to fellow subsidiary undertakings, in accordance with the service agreements between the company and those fellow subsidiary undertakings.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully in the current economic climate.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Goodwill

For acquisition of a business, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years with the charge pro-rated in the year of acquisition, from the date of acquisition. Provision is made for any impairment.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets over the estimated useful economic lives of the assets. The rates generally applicable are:

Leasehold improvements	Straight-line over period to next lease break clause
Motor vehicles	Straight-line over 3 years
Office machinery, fixtures and fittings	Straight-line over 3 to 17 years
Leased equipment	By equal instalments over period of lease or expected useful economic life if shorter

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

1. Accounting policies (continued)

1.5 Investment

Investments held as fixed assets are stated at cost less provision for impairment.

1.6 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.7 Turnover

Turnover, which excludes value added tax, represents the value of service fees attributable to the accounting year.

1.8 Employee benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the defined benefit liability) are recognised immediately in other comprehensive income. From 31st December 2016, the company has adopted an alternative approach in determining a discount rate that is applied when calculating the pension liability, following a review of the evidence and methods used. There are only a limited number of higher quality Sterling denominated corporate bonds, particularly those that are longer dated. Therefore, in order to set a suitable discount rate, we need to construct a corporate bond yield curve. The discount rate is required to be set based on the market yield available on high quality corporate bond yields (assumed to be AA rated corporate bonds). In determining the yield curve on which the discount rate is derived, the new approach assumes flat forward rates from 30 years onwards, resulting in a higher discount rate and a lower value being placed on the pension liabilities.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The company assumed a liability to pay annuities to those former partners of Thos R. Miller & Son who retired prior to 1989. The scheme's liabilities are measured on an actuarial basis using the projected unit credit method and are unfunded.

Other long term employee benefits are measured at the present value of the defined benefit obligation at the reporting date.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

1. Accounting policies (continued)

1.9 The Thomas Miller Healthcare Trust

The Thomas Miller Healthcare Trust Scheme ("Healthcare Scheme") was set up on 1 July 2010 to provide certain benefits relating to medical treatment for employees of Thomas Miller & Co. ("Thomas Miller") and other persons who are eligible to participate in the Healthcare Scheme. The benefits payable are the actual cost of the treatment up to the maximum (if any) specified in the trust deeds benefits table applicable at the time treatment was received (subject to any excess or benefit limitation which may be stipulated in the rules). The Healthcare Scheme will pay benefits only for expenditure that a member has incurred during the scheme year for which contribution from Thomas Miller or another applicable employer has been made into the Healthcare Scheme.

The fund amount cannot in any circumstances be transferred to any person or body who is or has at any time been an employer.

1.10 Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Forward exchange contracts may be used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies of a fellow subsidiary. Gains or losses arising on these contracts have been recognised in the profit and loss account in the year and also when the contract matures.

1.11 Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

1.12 Share-based payments

The equity instruments granted are in relation to shares in its parent company, Thomas Miller Holdings Ltd.

The parent company awards share-based payments to certain employees of the company. The company accounts for these as cash settled share-based payments. Share option awards are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

1. Accounting policies (continued)

1.12 Share-based payments (continued)

A liability equal to the portion of the services received is recognised at and remeasured based on the current fair value determined at each balance sheet date for cash settled share-based payment awards, with any changes in fair value recognised in profit or loss.

For cash settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

The company also awards employees bonuses on completion of three years' service. Employees can choose to take the bonus in shares or shares and cash (the cash being used to settle the employee tax liability). The company records an expense, based on the amount it expects to vest, taking into account estimated staff turnover, on a straight-line basis over the vesting period.

1.13 Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

(ii) Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives i.e. forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not apply hedge accounting for foreign exchange derivatives.

2. Critical accounting judgements and key source of estimation uncertainty

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 24 for the disclosures relating to the defined benefit pension scheme.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

3. Analysis of turnover

Turnover by geographical origin is shown below:

	2016 £'000	2015 £'000
United Kingdom and Europe	<u>88,349</u>	<u>84,697</u>

All turnover derives from the principal activities of the company.

4. Operating profit

	2016 £'000	2015 £'000
This is stated after charging:		
Depreciation		
- owned assets	1,290	1,183
- leased / financed assets	50	50
- leasehold improvements	97	94
- amortisation of goodwill	74	74
Exchange losses	1,389	110
Exchange losses on forward contracts	184	107
Rentals under operating leases	2,988	2,862

Amounts payable to Deloitte LLP and their associates by the company and its fellow UK subsidiary undertakings in respect of services are shown below:

The analysis of auditor's remuneration is as follows:

	2016 £'000	2015 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	45	48
Fees payable to the company's auditor and its associates for other services to the company and its fellow UK subsidiary undertakings		
- The audit of fellow subsidiaries pursuant to legislation	66	74
Total audit fees	<u>111</u>	<u>122</u>
- Tax services	87	90
- Other services	-	214
Total non-audit fees	<u>87</u>	<u>304</u>

The company bore auditor's remuneration on behalf of a number of fellow UK subsidiaries of Thomas Miller Holdings Ltd. in 2016 and 2015.

5. Interest payable and similar charges

	2016 £'000	2015 £'000
Other interest	<u>19</u>	<u>21</u>

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

6. Other finance costs

	2016 £'000	2015 £'000
Net finance costs on retirement benefit schemes (note 26)	<u>515</u>	<u>993</u>

7. Employee information (including directors)

The average number of persons employed by the company during the year was 476 (2015 - 452).

Geographical area	2016 Number	Restated 2015 Number
Europe	467	443
Asia	9	9
	<u>476</u>	<u>452</u>

The total payroll costs of these persons employed by Thomas Miller & Co. Limited were as follows:

	2016 £'000	2015 £'000
Wages and salaries (including bonuses)	41,672	39,338
Redundancy costs	998	185
Social security costs	5,086	4,678
Other pension costs - defined contribution schemes	4,550	4,408
	<u>52,306</u>	<u>48,609</u>

Other pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

8. Directors' remuneration

The directors of the company include a number of directors who are also directors of other companies within the Thomas Miller Holdings group. The directors do not consider it practicable or appropriate to allocate directors' services between individual subsidiary companies. The directors of the company received aggregate emoluments of £5,359,677 (2015 - £5,350,912) relating to their services to all companies within the Thomas Miller Holdings group.

The value of contributions paid, or treated as paid, by a person other than the director to whom retirement benefits are accruing in respect of directors' qualifying services to the extent that the contributions might lead to money purchase benefits being payable was £314,199 (2015 - £322,991).

The number of directors who:

	2016 Number	2015 Number
Are members of defined benefit schemes of Thomas Miller	9	9
Are members of defined contribution schemes of Thomas Miller	12	16
Exercised options over shares in the parent company, Thomas Miller Holdings Ltd.	5	-
Had awards receivable in the form of shares under a long term incentive scheme	14	15

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

9. Tax on profit on ordinary activities

The tax charge comprises:

	2016 £'000	2015 £'000
Current tax on profit on ordinary activities		
UK corporation tax	1,104	320
Double tax relief	-	(8)
	1,104	312
Foreign tax	-	17
	1,104	329
Adjustments in respect of prior years		
UK corporation tax	70	(104)
Total current tax	1,174	225
Deferred tax		
Origination and reversal of timing differences	835	1,854
Effect of changes in tax rates	(191)	(141)
Adjustment in respect of prior periods	(46)	76
Total deferred tax (note 16)	598	1,789
Total tax on profit on ordinary activities	1,772	2,014
	2016 £'000	2015 £'000
Current and deferred tax relating to items that are recognised as items of other comprehensive income:		
Deferred tax charge	1,043	2,086

The standard rate of tax applied to the reported profit on ordinary activities is 20% (2015 - 20.25%). The applicable tax rate changed from 21% to 20% on 1 April 2015 as a result of changes introduced by the Finance Act 2013. In addition, a reduction in the rate of corporation tax from 20% to 19% from 1 April 2017 and further reduction from 19% to 17% from 1 April 2020 was announced in the Finance Act 2016, which became substantively enacted on 15 September 2016.

During the period beginning 1 January 2017, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the period by £1,065,000. This is primarily due to the expected availability of taxable profits against which the contributions to the company's defined benefit scheme can be offset.

There is no expiry date on timing differences, unused tax losses or tax credits.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

10. Reconciliation of current year tax charge

The difference between the total charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	8,677	10,428
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	1,736	2,112
Expenses not deductible for tax purposes	280	118
Income not taxable	(9)	-
Impact of share options	(140)	(139)
Loss on disposal of shares held in the EBT	72	83
Impact of changes in tax rates	(191)	(141)
Impact of different tax rates on overseas profits	-	9
Adjustments in respect of prior years	24	(28)
Total tax charge for the year	1,772	2,014

11. Dividends

No interim or final dividend has been proposed by the directors (2015 - £nil).

12. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2016 and at 31 December 2016	759
Accumulated depreciation	
At 1 January 2016	519
Provided in the year	73
At 31 December 2016	592
Net book value	
At 31 December 2016	167
At 31 December 2015	240

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

13. Tangible fixed assets

	Leasehold improve- ments	Office machinery fixtures and fittings	Office machinery fixtures and fittings	Total
	£'000	Leased £'000	Owned £'000	£'000
Cost				
At 1 January 2016	1,366	2,161	10,052	13,579
Additions	9	-	1,221	1,230
Disposals	-	-	(580)	(580)
At 31 December 2016	1,375	2,161	10,693	14,229
Accumulated depreciation				
At 1 January 2016	483	1,982	7,502	9,967
Provided in the year	97	50	1,290	1,437
Disposals	-	-	(561)	(561)
At 31 December 2016	580	2,032	8,231	10,843
Net book value				
At 31 December 2016	795	129	2,462	3,386
At 31 December 2015	883	179	2,550	3,612

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

14. Fixed asset investments

	Shares in associates	Investment in parent company shares	Total
	£'000	£'000	£'000
At 1 January 2016	-	4,526	4,526
Net acquisition of parent company shares by Thomas Miller Employee Share Trust No. 1	-	4,271	4,271
Cost of shares transferred to employees under the various share schemes operated within the group	-	(2,589)	(2,589)
Additions	69	-	69
At 31 December 2016	69	6,208	6,277

Investment in parent company shares represents shares in Thomas Miller Holdings Ltd. held through the various employment benefit trusts operated by the company. Further details of the various trusts and the uses to which the shares can be put are set out in notes 22 and 23.

During the year, the company invested USD100,000 in a new Chinese surveying joint venture with China Classification Society.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

15. Debtors

	2016	2015
	£'000	£'000
Due within one year		
Amounts owed by the parent undertaking	11,433	11,432
Amounts owed by fellow subsidiary undertakings	20,001	15,688
Trade debtors	723	601
Other debtors	1,189	4,152
Deferred tax (note 16)	1,065	916
Corporation Tax	329	741
Prepayments	2,897	2,104
Accrued income	296	230
Accrued interest	-	12
	37,933	35,876
	2016	2015
	£'000	£'000
Due after one year		
Deferred tax (note 16)	1,103	2,893

16. Deferred taxation

The amounts of deferred taxation recognised in the accounts are as follows:

	2016	2015
	£'000	£'000
Assets		
Depreciation in excess of capital allowances	333	302
Deferred tax arising in relation to retirement benefit obligations	1,343	3,140
Other short term timing differences	492	367
Total	2,168	3,809
Asset at 1 January	3,809	7,683
Charged to profit and loss account	(644)	(1,712)
Charged to other comprehensive income	(1,043)	(2,086)
Adjustment in respect of prior years	46	(76)
Asset at 31 December end of year	2,168	3,809

The recoverability of the deferred tax assets is anticipated to be as follows:

	2016	2015
	£'000	£'000
Recoverable within 12 months	1,065	916
Recoverable after more than 12 months	1,103	2,893
	2,168	3,809

Deferred tax assets are recognised at the rates of tax which are expected to apply to the reversal of the timing difference.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

17. Creditors

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Trade creditors	52	382
Amounts owed to fellow subsidiary undertakings	18,233	18,124
Amounts due under finance leases and hire purchase agreements	-	63
PAYE and social security	1,339	1,246
Derivative financial assets (note 19)	253	53
Other creditors	1,195	1,209
Accruals and deferred income	15,004	14,966
	36,076	36,043

18. Provision for liabilities and charges

	Balance at 1 January 2016	Profit and loss account charge	Amounts paid	Balance at 31 December 2016
	£'000	£'000	£'000	£'000
Dilapidations provision	859	120	-	979
Onerous lease provision	410	38	-	448
	1,269	158	-	1,427

The dilapidations provision relates to the potential cost of complying with obligations contained within the lease of the company's premises at 90 Fenchurch Street. These obligations relate to reinstatement, repair, redecoration and other statutory covenants. The onerous lease provision relates to the space sublet or unoccupied within 90 Fenchurch Street where the returns are less than the costs being incurred for that space.

19. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2016	2015
	£'000	£'000
Financial assets:		
Cash and bank balances	5,686	6,330
Equity instruments measured at cost less impairment		
Fixed asset investments - Investment in parent company shares	6,277	4,526
Measured at undiscounted amount receivable		
Trade and other debtors	37,933	35,876
	49,896	46,732

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

19. Financial instruments (continued)

Financial liabilities:

Measured at undiscounted amount payable

Trade and other creditors	37,503	37,249
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Measured at amortised cost

Obligations under finance leases	-	63
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37,503	37,312
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The company's income, expense, gains and losses in respect of financial instruments are summarised below:

Total interest expense for financial liabilities measured at undiscounted amount payable	19	21
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Fair value gains and losses

On derivative financial assets classified as held for trading	(253)	(53)
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20. Derivative financial instruments

	Current		Non Current	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Derivatives that are designated as "held for trading" and carried at fair value:				

Liabilities

Forward foreign currency contracts	(253)	(53)	-	-
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Forward foreign currency contracts are valued using quoted forward exchange rates and revalued at the closing exchange rate, with any gains and losses accounted for within the profit and loss account.

21. Called up share capital

	2016	2015
	£'000	£'000
Called up, allotted and fully paid:		
Equity interests: 500,000 ordinary shares of £1	500	500

The company is incorporated in the United Kingdom with limited liability and registered in England and Wales.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

22. Employee Share Ownership Plans ("ESOP")

The Thomas Miller Employee Share Ownership Plans were established to acquire shares in order to make them available to employees under profit sharing schemes, share option schemes, an employee share ownership plan and other schemes as they become available. The details of the various schemes are disclosed in note 25. Thomas Miller & Co. Limited is the principal employer of the beneficiaries of the schemes.

Unvested shares held in Trust

In addition to the above the trusts hold shares which are not specifically vested in employees:

	Number of shares 2016	Market value 2016 £'000	Average cost 2016 £'000	Number of shares 2015	Market value 2015 £'000	Average cost 2015 £'000
Thomas Miller Employee Share Trust No.1	692,345	6,716	6,208	572,812	4,668	4,526

Loans have been made by Thomas Miller & Co. Limited Capita Trustees Limited to purchase these shares. The Trustees of the Thomas Miller Employee Benefit Trust ("EBT") waived their rights to dividends payable.

23. Parent company shares held by ESOP Trusts

	Parent company shares 2016 £'000	Parent company shares 2015 £'000
Balance at the beginning of the year	4,526	3,374
Proceeds received on exercise of options by employees	(394)	(345)
Loss on ESOP shares acquired by employees	(468)	(413)
Purchase of shares in the market	5,298	4,177
Proceeds on sale of shares in the market	(920)	(548)
Value of shares awarded to employees under share schemes	(1,837)	(1,437)
Profit on shares awarded to employees under share schemes	111	2
Other disposals	(108)	(284)
Balance at the end of the year	6,208	4,526

The shares held by the EBT are to be used to settle share awards under the various share schemes operated by the group. The remaining shares are intended to be used to satisfy share options, to distribute as bonuses and to distribute to employees on reaching three years continuous service with the group. As at 31 December 2016, the cost of the shares held by the EBT exceed the anticipated proceeds from the exercise of outstanding options and other share awards by £1,291,000 (2015 - £1,133,000).

Parent company shares

557,216 parent company shares were purchased by Thomas Miller Employee Share Trust No.1 during the year.

Number of shares purchased	Price per share	Cost £'000
304,748 shares purchased in July 2016	£9.35	2,849
252,468 shares purchased in December 2016	£9.70	2,449
		5,298

The prices of 9.35 and £9.70 were determined by the parent company's valuer, Deloitte LLP, for a single share in accordance with the company's bye-laws.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

24. Leases

Operating leases

Annual commitments payable under non-cancellable operating leases are as follows:

	Land and buildings 2016 £'000	Restated Land and buildings 2015 £'000
Within one year	3,156	3,193
Between two and five years	12,624	12,624
After five years	126,242	129,398
	142,022	145,215

Finance leases and hire purchase agreements

	Finance leases 2016 £'000	Finance leases 2015 £'000
Capital payments due:		
Between two and five years	-	63

25. Share-based payments

Employee share option schemes and other share-based plans

Share option schemes

(i) The Thomas Miller Executive Share Option Scheme

The group awards share options to certain employees under the Thomas Miller Executive Share Option Scheme enabling them to acquire ordinary shares in Thomas Miller Holdings Ltd. at their market value at the date of grant. Options are generally exercisable from three years after the date of grant and up to ten years less one day from the date of grant. Options are forfeited when an employee leaves the group unless by reason of retirement or redundancy, in which case, the employee has up to six months to exercise the option.

(ii) The Thomas Miller UK Savings Related Share Option Scheme

The group operates a savings related option scheme under which employees save a fixed amount per month over either a three year or five year period under a Save As You Earn contract operated by a third party administrator. On completion of the savings contract employees have the choice, within six months of the vesting date, of either exercising their option or taking the amount saved in cash. The options automatically lapse six months after vesting. This scheme is a scheme approved by the UK tax authorities.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

25. Share-based payments (continued)

Details of the share options outstanding during the year are as follows:

	Executive Share Option		Savings Related Share Option		Total	
	Number of options	Weighted average exercise price (in £)	Number of options	Weighted average exercise price (in £)	Number of options	Weighted average exercise price (in £)
Year ended 31 December 2016						
Outstanding at beginning of period	138,615	2.60	225,844	6.14	364,459	4.79
Granted during the period	131,594	8.25	91,633	8.15	223,227	8.21
Forfeited during the period	-	-	(8,407)	7.02	(8,407)	7.02
Exercised during the period	(20,666)	2.01	(50,704)	4.23	(71,370)	3.59
Outstanding at the end of the period	249,543	5.63	258,366	7.19	507,909	6.42
Exercisable at the end of the period	42,949	4.87	-	-	42,949	4.87
Year ended 31 December 2015						
Outstanding at beginning of period	196,004	2.04	166,948	5.27	362,952	3.53
Granted during the period	48,000	6.72	89,848	7.45	137,848	7.19
Forfeited during the period	(31,000)	4.34	(10,117)	6.73	(41,117)	4.93
Exercised during the period	(74,389)	3.04	(20,835)	4.61	(95,224)	3.38
Outstanding at the end of the period	138,615	2.60	225,844	6.14	364,459	4.79
Exercisable at the end of the period	-	-	-	-	-	-

The fair value of the share options at the date of grant was calculated using the Black-Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value.

The company recognised total expenses in respect of share-based payments as follows:

	2016	2015
	£'000	£'000
Share option schemes	130	125
Shares awarded under bonus schemes (including LTSAP)	1,317	1,074
Cash-settled share option schemes	136	22
Charges in respect of service award scheme	86	69
	1,669	1,290

All share-based payment expenses are cash-settled. The carrying value of the associated liabilities for these cash-settled share-based payments was £86,000 at 31 December 2016 (2015 - £244,000)

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

25. Share-based payments (continued)

Other share-based plans

(i) The Thomas Miller Share Incentive Plan

The scheme trustees are Capita IRG Trustees Ltd. Employees subject to UK income tax are eligible to participate in this plan. The plan has tax advantages for employees who choose to hold shares in the parent company. All the shares held by this trust are held on behalf of named employees.

(ii) The Thomas Miller Bonus Share Schemes

The company makes annual bonus payments to staff as part of their remuneration. Certain staff have the option to enhance their bonus by electing to take part of the bonus in restricted shares in the parent company, other more senior staff are required to take a proportion of their bonus in shares. The shares cannot be sold for at least three years. No awards have been made under this scheme since 2007.

(iii) The Thomas Miller Long Term Share Acquisition Plan ("LTSAP")

The group operates an additional bonus scheme for senior staff which is dependent on meeting pre-determined financial targets for profitability. Any shares awarded to employees under this scheme cannot be sold for a minimum of five years. The provision for the LTSAP scheme is included within "accruals" (note 16).

Commencing 1 January 2014 (for awards to be payable in 2015), the revised target is the achievement of corporate plan profit targets for the year concerned, the corporate plan targets having been agreed by the Board of Thomas Miller Holdings Ltd.

26. Employee benefits

Defined contribution schemes

The company operates a defined contribution retirement scheme for all qualifying employees within the United Kingdom. The total expense charged to the profit in the year ended 31 December 2016 was £4,550,000 (2015 - £4,408,000).

Defined benefit schemes

Funded scheme

The Thomas Miller & Co. Limited Retirement Benefits Scheme ("the scheme") is a funded final salary pension scheme. The scheme has been set up under a trust that holds its financial assets separately from those of the company. The scheme is registered with HM Revenue & Customs and is subject to the funding requirement set out under UK legislation.

Future benefit accrual ceased on 30 September 2004 for active members of the scheme.

Benefits accrued up to 30 September 2004 continued to be linked to members' salaries where appropriate up to 30 June 2011. Around 40% of the value of the pension obligations are in respect of benefits that are currently in payment. The weighted average duration to payment of all expected cashflows is 18 years.

Contributions are based upon funding valuations carried out every three years. Following the valuation as at 1 July 2014, the company has agreed a contribution schedule that aims to remove the funding deficit in the scheme by the end of 2023. The contributions that the company has agreed are £4.6 million per annum (increasing in line with RPI) until 2023. In addition to the agreed contributions, the Company paid an additional £0.5 million into the scheme during the year. The next valuation is due to be carried out as at 1 July 2017. The company expects to pay £4.8 million during 2016.

There is a risk that adverse experience (e.g. asset volatility, longevity experience) could lead to a requirement for the company to make additional contributions to recover any deficit that arises.

The company provides the personnel required for the conduct of the business activities of fellow subsidiary undertakings and charges those companies accordingly. Fellow subsidiary undertakings are charged a fixed proportion of the annual pension contribution made by the company to the Thomas Miller & Co. Limited Defined Benefit Pension scheme ("the scheme"), in order to eradicate the past service deficit. The trustee board of the scheme can at any time increase the contributions required for that purpose and, in the event of winding up of the scheme, require that the fellow subsidiary undertakings pay the same proportion of any wind up deficit.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

26. Employee benefits (continued)

Unfunded scheme

The company has also assumed a liability to pay annuities to those former partners of Thos R. Miller & Son who were entitled to partnership annuities on retirement prior to 1989. This is an unfunded final salary scheme. Before the incorporation of the business into the company, the annuity payments were payable out of the profits of the partnership. Following incorporation, the annuities became contractual obligations of the company. Such annuities are no longer on offer to staff of the company. The total unfunded liability has been calculated according to standard actuarial methods using an assumption of future investment returns of 2.80% (2015 - 3.70%).

Principal actuarial assumptions at the balance sheet date:

	2016 £'000	2015 £'000
Discount rate	2.80%	3.70%
Future inflation-linked pension increases	3.10%	2.80%
Inflation measured by RPI	3.20%	2.90%
Inflation measured by CPI	2.20%	1.90%

Mortality assumptions:

Base table (male)	S2NA_L tables	S1NA_L tables
Base table (female)	S2NA tables	S1NA_L tables
	2016	2015
	CMI 2011	CMI 2011
	Long term rate	Long term rate
	1.0% p a	1.0% p a

The assumed life expectations on retirement at age 63:

Retiring today		
Males	25.4	25.3
Females	26.4	26.4
Retiring in 20 years		
Males	27.1	27.0
Females	28.4	28.3

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2016 £'000	2015 £'000
Present value of funded obligations	190,889	159,867
Fair value of assets	(184,855)	(143,778)
	6,034	16,089
Present value of unfunded obligations	1,498	1,468
Net liability recognised in the balance sheet	7,532	17,557

Amounts recognised in profit and loss account in respect of these defined benefit obligations are as follows:

	2016 £'000	Restated 2015 £'000
Net interest cost	(515)	(993)
Other finance costs	(515)	(993)
Recognised in other comprehensive income	5,047	9,038

The costs of administering the scheme are met directly by the company.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

26. Employee benefits (continued)

Movements in the present value of the defined benefit obligation are as follows:

	2016 £'000	2015 £'000
At 1 January	161,335	173,891
Interest cost	5,882	6,141
Actuarial loss / (gain)	29,972	(12,011)
Benefits paid	(4,803)	(6,686)
At 31 December	<u>192,386</u>	<u>161,335</u>

Movements in the fair value of scheme assets were as follows:

	2016 £'000	2015 £'000
At 1 January	143,779	142,686
Interest income	5,367	5,148
Actuarial gain / (loss)	35,019	(2,973)
Contributions from the employer	5,493	5,604
Benefits paid	(4,803)	(6,686)
At 31 December	<u>184,855</u>	<u>143,779</u>

The employer, Thomas Miller & Co. Limited, expects to contribute £5.1 million to both defined benefit schemes in 2016.

Major categories of scheme assets and their amounts are as follows:

	2016 £'000	2015 £'000
Equities	65,827	49,331
Liability driven investments	53,281	42,734
Other growth assets		
- absolute return fund	11,958	11,411
- diversified growth fund	43,720	34,583
- emerging market multi-asset fund	8,889	5,008
Cash	1,167	699
Insurance policies	13	13
	<u>184,855</u>	<u>143,779</u>

The scheme's assets are invested in a diversified range of assets as highlighted above, with the majority of these quoted in an active market. These assets include liability driven investments which aim to match the benefits to be paid to scheme members from the Scheme and therefore remove the investment inflation risk in relation to those liabilities.

The holding of these investments is part of an overall hedging strategy. The current strategy is to hedge approximately 65% of the interest rate risk and approximately 70% of the inflation risk in relation to those liabilities. The Scheme does not invest directly in financial securities issued by the company or in property or other assets used by the company.

THOMAS MILLER & CO. LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

26. Employee benefits (continued)

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.5%	Decrease by 8%
	Decrease by 0.5%	Increase by 10%
Rate of inflation	Increase by 0.5%	Increase by 4%
	Decrease by 0.5%	Decrease by 4%
Rate of mortality	Increase life expectancy by 1 year	Increase by 4%

The above sensitivities relate to the main retirement benefit scheme operated by the company, the Thomas Miller & Co. Limited Retirement Benefits Scheme.

27. Related party transactions

	Income during 2016 £'000	Debtor/ (creditor) at 2016 £'000	Income during 2015 £'000	Debtor/ (creditor) at 2015 £'000
Management and administration charge from Thomas Miller & Co. Limited to Thomas Miller Claims Management Limited, a fellow subsidiary undertaking of which Thomas Miller Holdings Ltd owns 80%.	1,640	(752)	1,743	(175)
Management and administration charge from Thomas Miller & Co. Limited to Thomas Miller Law Ltd, a fellow subsidiary undertaking of which Thomas Miller Holdings Ltd owns 80%.	733	97	303	64
Management and administration charge from Thomas Miller & Co. Limited to Osprey Aerospace, a fellow subsidiary undertaking of which Thomas Miller Holdings Ltd owns 75%.	-	2	-	18
Management and administration charge from Thomas Miller & Co. Limited to Thomas Miller Claims Management Australia Pty Ltd, a fellow subsidiary undertaking of which Thomas Miller Holdings Ltd owns 80%.	(18)	18	-	-

The company is exempt, under Financial Reporting Standard 102 (FRS 102) para 33.1A, from disclosing related party transactions as they are with other companies that are wholly owned within the group.

28. Parent undertaking

The company is wholly owned by Thomas Miller Holdings Ltd., a company registered in Bermuda and the ultimate controlling company. Thomas Miller Holdings Ltd. is the parent undertaking of the largest and smallest group in which the company is consolidated. Copies of the financial statements for Thomas Miller Holdings Ltd. may be obtained from: The Company Secretary, Thomas Miller Holdings Ltd., 90 Fenchurch Street, London, EC3M 4ST.