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Strategic report

The directors present their strategic report for the period ended 31 December 2016.

Principal activities

Abacus Limited arranges insurance policies, to members of the armed forces.

Review of business

The results for the period are set out in the profit and loss account on page 6.

The company ceased writing new business on 19 April 2016, but continues to receive renewal commission.

Key performance indicators (KPIs)

The directors review the performance of the Company using KPIs and monthly reports, which include financial performance, tabled at Board meetings. The most significant KPIs that the Company uses are income and expenditure against plan by business stream.

Approved by the Board of Directors, and signed on behalf of the Board



Stephen Mann
Director
23 March 2017

Report of the Directors

The directors present their annual report and the audited financial statements of the Company for the period ended 31 December 2016. On 19 April the company's parent company was acquired by PM Holdings Limited, and following this the accounting reference date was changed to 31 December.

Financial risk management

The risks within Abacus Limited are managed by Police Mutual Assurance Society Limited, the ultimate parent of the Company, rather than at subsidiary level, by the directors of the Group. The Company's directors do not believe that discussion of the Group's risks is required to gain an understanding of the development, position or performance of Abacus Limited's business.

Results and dividend

The profit for the financial period amounted to £3,829,000 (2015: profit of £2,096,000). Dividends of £2,902,000 were declared and paid in the period (2015: £2,274,000). At the end of the period the total shareholders' funds of the Company were £1,940,000 (2015: £1,013,000).

Directors and officers

The directors of the Company who held office during the period and up to the date of signing the financial statements were:

Ian Cordwell (Appointed 19 April 2016)
Stephen Mann (Appointed 19 April 2016)
Andrew Lynskey
Michael Nicholson (Resigned 19 April 2016)
Michael Crofts
Paul O'Mahony

Katherine Taylor-Jones (Secretary – Resigned 19 April 2016)

Statement of disclosure of information to auditors

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

- So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the period ended 31 December 2016 of which the auditors are unaware; and
- They have taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared 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:

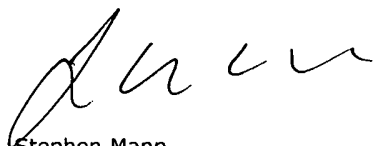
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Report of the Directors (continued)

Statement of directors' responsibilities (continued)

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.

Approved by the Board of Directors, and signed on behalf of the Board



Stephen Mann

Director

23 March 2017

Independent auditors' report to the members of Abacus Limited

Report on the financial statements

Our opinion

In our opinion, Abacus Limited's financial statements (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 18 month period (the "period") 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the period ended 31 December 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Independent auditors' report to the members of Abacus Limited (continued)

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



David Roper (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
23 March 2017

Profit and Loss Account

for the period ended 31 December 2016


	Note	18 months ended 31 December 2016 £'000	Year to 30 June 2015 £'000
Turnover	2	9,436	5,695
Cost of Sales		(1,493)	(1,790)
		<hr/>	<hr/>
Gross Profit		7,943	3,905
Administrative expenses		(3,661)	(2,143)
Other operating income		7	56
		<hr/>	<hr/>
Operating profit	3	4,289	1,818
Interest receivable and similar income	6	4	575
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,293	2,393
Tax charge on profit on ordinary activities	7	(464)	(297)
		<hr/>	<hr/>
Profit for the financial period		3,829	2,096
Retained profits at 1 July		957	1,135
Dividend paid in the period		(2,902)	(2,274)
		<hr/>	<hr/>
Retained profits at 31 December 2016/ 30 June 2015		1,884	957
		<hr/>	<hr/>

Balance Sheet

as at 31 December 2016

	Note	31 December 2016 £'000	30 June 2015 £'000
Fixed Assets			
Tangible Assets	8	-	171
Investments	9	-	420
		<hr/>	<hr/>
		-	591
Current assets			
Debtors	10	1,567	1,504
Cash at bank and in hand		2,473	2,430
		<hr/>	<hr/>
		4,040	3,934
Creditors: amounts falling due within one year	11	(902)	(1,848)
		<hr/>	<hr/>
Net current assets		3,138	2,086
		<hr/>	<hr/>
Total assets less current liabilities		3,138	2,677
Provisions for Liabilities	12	(1,198)	(1,664)
		<hr/>	<hr/>
Net assets		1,940	1,013
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	54	54
Share premium account		2	2
Profit and loss account		1,884	957
		<hr/>	<hr/>
Total shareholder's funds		1,940	1,013
		<hr/>	<hr/>

The financial statements on pages 6 to 15 were approved by the board of directors on 23 March 2017 and were signed on its behalf by:



Stephen Mann
Director

Company number: 04207663

Statement of Changes in Equity

for the period ended 31 December 2016

	Called up Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total Shareholder Funds £'000
At 1 July 2015	54	2	957	1,013
Profit for the financial period			3,829	3,829
Dividend			(2,902)	(2,902)
At 31 December 2016	<u>54</u>	<u>2</u>	<u>1,884</u>	<u>1,940</u>
At 1 July 2014	54	2	1,135	1,191
Profit for the financial year			2,096	2,096
Dividend			(2,274)	(2,274)
At 30 June 2015	<u>54</u>	<u>2</u>	<u>957</u>	<u>1,013</u>

Notes to the financial Statements for the 18 months ended 31 December 2016

1 Accounting policies

(A) Basis of Accounting

These financial statements are prepared on the going concern basis, under applicable accounting standards in the United Kingdom including Financial Reporting Standard 102 and in accordance with the Companies Act 2006. The principal accounting policies which have been applied consistently throughout the period are set out below.

Abacus Limited is regulated by the Financial Conduct Authority.

(B) Cash flow statement

Under Financial Reporting Standard 102 Section 7 "Statement of Cash Flows" the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking whose voting rights are controlled within the Police Mutual Assurance Society Limited group. Police Mutual Assurance Society Limited prepares group financial statements which are publicly available.

(C) Turnover

Turnover represents commission income and is recognised at the inception of a policy with customers.

A provision for the claw-back of commission by insurers for policies cancelled in the first four years has been established on a fair value basis. This provision remains in provision for liabilities with the initial cost of recognising the provision included within turnover.

(D) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

(E) Insurance broking debtors and creditors

It is customary that insurance brokers act as agents in placing the insurable risks of their clients with insurance companies and, as such, generally are not liable as principals for the amounts arising on such transactions. Debtors and creditors arising from insurance broking transactions are reflected in the Company's balance sheet as trade debtors and trade creditors respectively. This recognises the substance of insurance broking transactions and that the Company is generally entitled to retain the investment income on any cash flows arising.

(F) Client trust bank accounts

The Company is required to pay all client money into client trust bank accounts. Payments from these accounts relate to the settlement of insurance creditors and authorised withdrawals of commission earned. The client trust bank accounts are protected from being claimed by third parties by virtue of signed undertakings with the Company's bank. The Company is generally entitled to retain the investment income on any cash flows arising.

(G) Tangible Assets and Depreciation

Tangible assets are stated in the balance sheet at cost less accumulated depreciation. Cost comprises the purchase price and costs directly incurred in bringing the asset into use. Depreciation is charged on a straight line basis so as to write off the cost of fixed assets over their estimated useful lives or to reduce their carrying value to estimated realisable amount on disposal. The estimated useful lives are:

Office furniture and equipment:	Over 5 years
Computer equipment:	Between 4 and 5 years

(H) Operating leases

Rentals payable under operating leases are charged against profits on a straight line basis over the period of the lease.

(I) Investments

Investments in subsidiary undertakings within the Company's financial statements are valued at cost.

Notes to the financial Statements for the 18 months ended 31 December 2016 (continued)

2 Turnover

All turnover is derived from the United Kingdom and the Company's principal activities.

3 Operating profit

The operating profit is stated after charging:

	18 Months ended 31 December 2016 £'000	Year ended 30 June 2015 £'000
Management fees payable to group service company	1,041	-
Auditors' remuneration	40	42
Depreciation	22	22
Loss on disposal of tangible assets	16	5
Operating lease rentals	104	63
Loss on disposal of investment	20	-
	<u>20</u>	<u>-</u>

4 Staff costs

	18 Months ended 31 December 2016 £'000	Year ended 30 June 2015 £'000
Wages and salaries	1,739	1,679
Social security costs	184	185
Other pension costs	20	9
	<u>1,943</u>	<u>1,873</u>

During the second half of 2016, all employees and their costs were transferred to PM Central Services PLC, a fellow subsidiary company. From this date onwards employee costs are recharged to the company by PM Central Services PLC.

The average monthly number of employees (including executive directors) during the period was as follows:

By Activity:

	18 Months ended 31 December 2016 Number	Year ended 30 June 2015 Number
Directors	3	4
Sales and customer services	11	8
Support services	14	28
	<u>28</u>	<u>40</u>

Notes to the financial Statements for the 18 months ended 31 December 2016 (continued)

5 Remuneration of directors

	18 Months ended 31 December 2016 £'000	Year ended 30 June 2015 £'000
The directors' aggregated remuneration in respect of qualifying services were:		
Aggregated emoluments	410	470
Amounts paid to third parties in respect of directors' services	291	-
	<u>701</u>	<u>470</u>

The highest paid director earned aggregate emoluments of £240,000 (2015: £160,000)

From the date of acquisition by PM Holdings Limited, the directors received emoluments from PM Central Services PLC for services rendered in respect of all group entities (2015: £nil).

6 Interest receivable and similar income

	18 Months ended 31 December 2016 £'000	Year ended 30 June 2015 £'000
Dividend	-	570
Bank interest	4	5
	<u>4</u>	<u>575</u>

Notes to the Financial Statements for the 18 months ended 31 December 2016(continued)

7 Tax on profit on ordinary activities

	18 Months ended 31 December 2016 £'000	Year ended 30 June 2015 £'000
Current tax charge:		
UK corporation tax on profit for the period	490	279
Adjustment for prior periods	-	1
Deferred tax :		
Origination and reversal of timing differences	(26)	17
Tax on profit on ordinary activities	464	297
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (2015: lower). The differences are explained below.		
Profit on ordinary activities before taxation	4,293	2,393
Profit on ordinary activities multiplied by the effective corporation tax rate in the UK of 20.00% (2015:21.00%)	859	502
Effects of:		
Expenses not deductible for tax purposes	1	4
Timing differences	(26)	1
Group relief received	(402)	(87)
Capital allowances less than depreciation	32	-
Adjustment for prior periods	-	1
Change in tax rates	-	(4)
Group income	-	(120)
Total tax charge for the period	464	297

Notes to the Financial Statements for the 18 months ended 31 December 2016(continued)

8 Tangible Fixed Assets

	Computer equipment £'000	Office furniture and equipment £'000	Total £'000
Cost:			
At 1 July 2015	54	191	245
Transfer to Group undertaking	(13)	(177)	(190)
Additions	-	3	3
Disposals	(41)	(17)	(58)
At 31 December 2016	-	-	-
Accumulated Depreciation:			
At 1 July 2015	28	46	74
Transfer to Group undertaking	(3)	(51)	(54)
Charge for the period	5	17	22
Eliminated on disposals	(30)	(12)	(42)
At 31 December 2016	-	-	-
Net book value:			
At 31 December 2016	-	-	-
At 30 June 2015	26	145	171

On acquisition, all fixed assets were transferred to PM Central Services PLC.

9 Investments

	31 December 2016 £'000	30 June 2015 £'000
At 1 July	420	664
Transferred to Parent Company	(400)	-
Impairment of Abacus Goodwill Ltd	(20)	-
Investment revaluation	-	(244)
At 31 December / 30 June	-	420

All Investments were wholly owned subsidiaries.

On 15th September 2015, Forces Insurance Limited and Abacus Investment Solutions were transferred to Abacus Insurance Holdings Limited for book value and Abacus Goodwill Limited was written off.

Notes to the Financial Statements for the 18 months ended 31 December 2016(continued)

10 Debtors

	31 December 2016 £'000	30 June 2015 £'000
Trade debtors	-	25
Other debtors	25	1,426
Intercompany debtors	1,542	5
Prepayments	-	48
	<u>1,567</u>	<u>1,504</u>

11 Creditors: amounts falling due within one year

	31 December 2016 £'000	30 June 2015 £'000
Trade creditors	757	1,330
Amounts owed to group undertakings	7	20
Corporation tax	121	115
Other creditors	-	55
Other taxation and social security costs	17	1
Accruals and deferred income	-	327
	<u>902</u>	<u>1,848</u>

Amounts due to group undertakings are unsecured and repayable on demand.

12 Provisions For liabilities and charges

	Indemnity £'000	Deferred Tax £'000	Total £'000
Balance at 1 July 2015	1,638	26	1,664
Release of provision	(440)	(26)	(466)
Balance at 31 December 2016	<u>1,198</u>	<u>-</u>	<u>1,198</u>

Indemnity provisions relate to an expected amount to be repaid to insurers in respect of commission being clawed back on cancellation of life insurance policies by customers. A provision is also established on new business written at the time the gross commission is received.

Notes to the Financial Statements for the 18 months ended 31 December 2016(continued)

13 Called up share capital

	31 December 2016 £'000	30 June 2015 £'000
Authorised, allotted and fully paid		
2,700 'A' Ordinary shares of £1 each	3	3
51,300 'B' Ordinary shares of £1 each	51	51
	<hr/>	<hr/>
	54	54
	<hr/>	<hr/>

14 Commitments under operating leases

The Company has future minimum operating lease payments due as follows:

	31 December 2016 £'000	30 June 2015 £'000
Within one year	64	15
Between two and five years	254	412
After five years	-	610
	<hr/>	<hr/>
	318	1,037
	<hr/>	<hr/>

15 Parent undertaking and controlling party

The immediate parent undertaking is Abacus Insurance Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent company and controlling party is Police Mutual Assurance Society Limited, a friendly society incorporated in the United Kingdom.

Police Mutual Assurance Society Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2016.

The consolidated financial statements of Police Mutual Assurance Society Limited may be obtained from the Company Secretary, Police Mutual Assurance Society Limited, Alexandra House, Queen Street, Lichfield, Staffordshire, WS13 6QS.

16 Related party transactions

As a wholly owned subsidiary, the Company has taken advantage of the exemption contained in Financial Reporting Standard 102 Section 33 "Related Party Disclosures" not to disclose transactions with other related parties within the Police Mutual Assurance Society Limited group.