

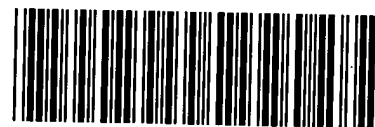
THE MEDICAL PROTECTION SOCIETY LIMITED

PROTECTION THROUGH PARTNERSHIP

ANNUAL REPORT 2014

www.medicalprotection.org

WEDNESDAY



A48BGBHT

A13

27/05/2015

#47

COMPANIES HOUSE

ABOUT MPS

MPS is the world's leading protection organisation for doctors, dentists and healthcare professionals. We protect and support the professional interests of more than 300,000 members around the world. Our benefits include access to indemnity, expert advice and peace of mind. Highly qualified advisers are on hand to talk through a question or concern at any time.

Our experts assist with the wide range of legal and ethical problems that arise from professional practice. This includes clinical negligence claims, complaints, medical and dental council inquiries, legal and ethical dilemmas, disciplinary procedures, inquests and fatal accident inquiries.

Our philosophy is to support safe practice in medicine and dentistry by helping to avert problems in the first place. We do this by promoting risk management through our workshops, e-learning, clinical risk assessments, publications, conferences, lectures and presentations.

MPS is not an insurance company. All the benefits of membership of MPS are discretionary as set out in the Memorandum and Articles of Association.

Photo of Council: © Alex Orrow
All other photography: © MPS/Paul Cliff

AREA LEFT BLANK.

NON-STATUTORY INFORMATION (IMAGES) NOT REQUIRED
BY COMPANIES HOUSE HAS BEEN REMOVED.

CONTENTS

4	A YEAR IN NUMBERS
6	CHAIRMAN'S STATEMENT
8	CHIEF EXECUTIVE'S REPORT
12	FINANCE DIRECTOR'S REPORT
14	MPS: MORE THAN DEFENCE
19	OFFICERS AND MEMBERS OF THE COUNCIL AND COMMITTEES
22	ADVISERS AND SENIOR STAFF
25	STRATEGIC REPORT
33	REPORT OF THE COUNCIL
39	INDEPENDENT AUDITOR'S REPORT
40	FINANCIAL STATEMENTS <ul style="list-style-type: none">• 40 CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT• 40 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES• 40 NOTE OF HISTORICAL COST INCOME AND EXPENDITURE• 41 CONSOLIDATED AND COMPANY BALANCE SHEETS• 42 CONSOLIDATED CASH FLOW STATEMENT
43	NOTES TO THE FINANCIAL STATEMENTS
61	PROFESSIONAL ADVISERS

PAGE LEFT BLANK.

NON-STATUTORY INFORMATION (IMAGES) NOT REQUIRED
BY COMPANIES HOUSE HAS BEEN REMOVED.

CHAIRMAN'S STATEMENT

KAY-TEE KHAW

Chairman of Council



As MPS is more than just a last line of defence, we aim to be at your side through every step

Protection through partnership

It is an uncomfortable reality that many doctors and dentists are increasingly likely now to face a complaint or claim during their career than ever before. With this in mind, our priority is you, our members, and our aim is to provide the same level of attention, compassion and protection for you as you do for your own patients.

MPS is constantly evolving to improve our service to you, our members. The past year has not only been marked by an overhaul of many of our internal processes – as described in more detail in Simon Kayll's Chief Executive's Report – but also by our focus on strengthening our position as a genuine partner in your career.

Our name, indeed, reflects our role. We see it as protection through partnership.

Although MPS is traditionally associated with handling claims on behalf of members – as well as assisting with complaints, regulatory hearings and urgent calls for advice – the continuing challenges faced by doctors and dentists worldwide mean that it is simply not enough to 'be there' when things go wrong. You want us by your side at all times, supporting you with guidance on best practice to help you through the complex worlds of medicine and dentistry. With medical and dental professionals among our teams, we are ideally placed to understand and respond to the fast-changing world of healthcare.

All the hallmarks of our traditional 'defence' offering are still there, and in fact are being improved through our three-year strategic change programme. You can count on us for 24-hour

medicolegal and dentolegal advice, expert legal support from our growing in-house teams, and access to indemnity for clinical negligence claims, but we are also improving these services, particularly the speed with which we respond to your calls for assistance. The streamlining of our claims handling processes and the expansion of our membership service centre means we are now resolving your issues and concerns much more swiftly than ever before.

However, we also offer members a service that is more than defence: protection for you, the member, means we are striving to stop the worst from happening in the first place, so you can pursue and develop your career in the comfort that MPS is there for you. Our extensive range of regular journals, factsheets and advice booklets, free online learning via our Prism e-portal, and free workshops in locations across the world are all aimed at minimising potential errors and ensuing claims in today's increasingly litigious environment. You also have access to a counselling service to treat stress and anxiety resulting from any medicolegal or dentolegal difficulties.

We are also doing more to recognise the diverse risks faced by healthcare professionals at different stages of their careers, and also the unique challenges presented by different specialties. As a result, we are doing more to tailor our products so they are directly relevant to individual groups of members. An example of this is the bespoke risk management courses we prepare for members in high-risk specialties – such as obstetrics and neurosurgery – in order to control those risks and the ensuing claims-related costs.

Of course, it is not all about avoiding problems. Many of our courses, workshops and online modules are accredited with CPD points, bolstering your learning portfolio and giving you that vital extra support as you seek to further yourself in your career. We give equal focus to practical guidance, which can be essential as your clinical duties grow alongside your responsibilities.

More health professionals than ever before are putting their trust in MPS and we now have more than 300,000 members worldwide. With our in-house teams of specialist advisers and legal experts bolstered by the local knowledge of more than 40 panel law firms across the countries where we have members, it is comforting to know that your membership gives you access to one of the largest networks of medicolegal and dentolegal experts in the world.

The wide range of backgrounds and expertise of the MPS Council members ensures that the interests of members are best represented. I would like to thank my colleagues on the Council, in particular,

Professor Trevor Burke and Dr Taj Hassan who completed their terms of service on the Council in 2014 and to welcome our new member of Council, Professor John Gibson, who joined in 2014. I would also like to thank all the staff of MPS for their dedication to providing vital services for members. We are all proud to be part of an organisation that puts professional standards and values at the core of our work to support members.

We will look in more detail at MPS's financial position and the restructuring of the organisation elsewhere in this Annual Report, which I hope you will read with interest. As with last year's report, there will also be the opportunity to find out how MPS is there to help you at numerous important stages of your career. As MPS is more than just a last line of defence, we aim to be at your side through every step.

CHIEF EXECUTIVE'S REPORT

SIMON KAYLL

Chief Executive



MPS is doing everything within its power to seek alternative ways to respond to today's challenging litigation environment

In this report last year, I noted that it has been a difficult business environment for MPS since 2008 – regrettably, things have not improved in 2014 and the trends of recent years have continued. In particular, claims reported against UK GPs (excluding those in Scotland), UK dentists and Irish consultants have been much higher than expected. In addition, 2014 has seen a poor investment environment and MPS's investment performance has been below expectation. The financial results are covered in detail in the Finance Director's report.

Whilst UK and Irish claims experience and investment performance had a significant adverse impact on the financial results for the year and dominate much of the focus within the business, there are many positive elements of the business to report and much progress has been made to strengthen MPS in light of the current business environment.

MPS AROUND THE WORLD

MPS is an international organisation, where the UK is the largest market, accounting for 61% of members and 63% of membership subscription income. This is followed, in terms of subscription income, by Ireland, South Africa and Hong Kong. The international spread and structure of MPS's business is unique in the world of clinical negligence and provides significant benefits for our members and the business.

The diversification of risk afforded by our international business is of particular value to the mutual pool, as it serves to dilute short-term adverse risk in any particular market as compared to being exposed to just one market. In addition, our international business affords continuity of membership for those members that seek to practise in different countries and gives MPS an unparalleled understanding of clinical negligence and regulatory issues around the world.

UK

The UK market continues to be challenging. This is especially true for English GPs, where the continuing concern over claims experience has put pressure on MPS to increase membership subscription rates. The last year has seen a continuation of increasing claims frequency in particular and a recent survey by MPS indicated 88% of GPs believe they are more likely to be sued now than five years ago, and 67% of GPs are fearful of being sued by patients. These fears are borne out by our own analysis of claims. GPs (outside Scotland) are more likely to be sued now than ever before and a full-time GP is now expected to be twice as likely to receive a claim from their work this year as they were just seven years ago.

Our experience for dentists is similar to that of GPs, in that much of the worsening claims experience is a result of an increased number of claims, particularly an increase in the number of claims being reported from older incident years.

We continue to promote risk management and education as a way to help our members reduce their risk and, in 2014, just under 10,000 members attended an MPS education workshop. We have also begun to advocate further reform to reduce the costs of civil litigation for clinical negligence claims, as we believe that in the UK this is fast becoming unaffordable for society.

IRELAND

Ireland has been a particularly difficult market for 2014. An assessment of both the frequency and severity of claims, particularly against consultants, resulted in us raising our subscriptions considerably. Appreciating the difficulties that this might cause some of our members, we delayed the introduction for three months, whilst we communicated with members why we felt this action was warranted. During this period we also tried to work with interested parties to achieve a reduction in the state indemnity caps, which if it had been achieved would have negated the need for such significant increases.

Unfortunately these attempts were unsuccessful and we implemented our subscription increases from 1 July 2014. Subsequently we have done much to raise the debate in Ireland about the drivers behind the cost of clinical negligence and what, in terms of tort and procedural reform, can be done to mitigate the situation. We launched a campaign in December, calling on the government to introduce the proposed reforms, and also appeared before a select committee of the joint houses of parliament to further share our thoughts. Through 2015/2016 we will continue to encourage the Irish government to take action in this regard.

SOUTH AFRICA

The claims environment, particularly with respect to payouts in high claims, remains challenging. This has an even greater impact on the public sector than the private sector; consequently, concerns have escalated to the highest levels of government and the Minister of Health convened several events attended not only by himself, his Deputy Minister and top civil servants, but also interested parties from the private sector, including MPS.

At the first whole-day workshop, the Minister said the current trend in litigation was as much a threat to the future health of South African citizens as any potential epidemic. Numerous alternatives were discussed and will continue to be reviewed in more detail. From the workshop it was clear that the government is engaged with the problem and, importantly, the Minister accepts that resolution is required in both the public and private sectors. MPS will continue to play an active part in these discussions and work with the government to seek a solution to the growing impact on the delivery of healthcare.

OBSTETRIC RISK AND CLAIMS-MADE PROTECTION

Subject to exercising discretion, MPS accepts risks on behalf of members and shares this risk via the mutual fund, currently around £2.2billion, which represents subscriptions received from members and which are held to meet the future cost of claims. It is important that cohorts of similar members make contributions in keeping with their risk, otherwise their fellow members have to shoulder more than their fair share of that risk.

This poses a particular problem for our obstetrician members. The nature of obstetric risk is that claims are relatively infrequent, yet when they do arise they tend to be the most expensive claims and this is compounded by much longer than average delays between the adverse incident and settlement. All of this makes pricing for obstetric risk on an occurrence basis very difficult and any under-pricing would need to be borne by the wider membership, which could be very costly.

To protect the mutual fund from this significant risk, and following extensive communication with interested parties, in 2014 we introduced claims-made protection for our obstetrician members in South Africa, Hong Kong, Malaysia, Singapore and most recently the Caribbean and Bermuda.

MPS'S CHANGE PROGRAMME

In 2014 we made tangible progress in our three-year change programme. We have invested heavily in our UK member operations function to ensure that we can answer telephone calls and correspondence from members promptly and that our staff have the training and knowledge to provide you with a comprehensive response. Your feedback on our performance shows that you appreciate the changes that we have made and that we are meeting your expectations.

Another key change has been to speed up the initial phase of claims handling for members in the UK and Ireland, significantly reducing the stress and anxiety for affected members by resolving issues more quickly. We now have a dedicated multi disciplinary team who receive the initial report of a claim and make direct contact with the member to explain the claims process and its next steps. Your feedback on this new approach has been very positive.

For the coming year, we will be examining how we assist members with matters other than claims of clinical negligence, such as disciplinary and regulatory matters, to see how we can make the process more effective. We are also in the process of improving our approach to identifying and supporting members who show early signs of a deteriorating risk profile, with a view to working with them to turn the situation around.

Finally, following consultation with a number of you, we changed our stance on supporting members before the regulator with matters arising from personal, rather than professional conduct. You told us that you would appreciate our assistance with complaints before the regulator, even if they arise from personal rather than professional conduct, so from September 2014 we made that change.

THE FUTURE

The long-term nature of clinical negligence means that the conclusion to a claim is, on average, seven years after the date of an incident, but it can be much longer and 20 years is not unheard of. For MPS to meet this commitment, we need to ensure that we have a strong financial foundation.

Our surest way to achieve this is to charge subscriptions at a rate we believe is necessary to meet the risk that you may need MPS to shoulder on your behalf in the future. We fully appreciate that subscription rates have risen faster than earnings in many countries for a number of years and that this has made them an increasing financial burden. However, members can rest assured that MPS is doing everything within its power to seek alternative ways to respond to today's challenging litigation environment – the most effective of which is to tackle the problem at its source. We will continue to work with governments and other stakeholders to make the profession a safer place to practise.

AREA LEFT BLANK.

NON-STATUTORY INFORMATION (IMAGES)
NOT REQUIRED BY COMPANIES HOUSE
HAS BEEN REMOVED.

FINANCE DIRECTOR'S REPORT

HOWARD KEW

Finance Director



Whilst we realise that increases are unwelcome, we hope that our members recognise that we are continuously revising our view of the future

The environment within which MPS operates continues to be challenging on a number of fronts, although for 2014 I am pleased to be able to report a modest contribution to funds available to members of £23.5million (2013: deficit £7.7m).

Whilst I would like to be able to attribute this to an improving claims experience, this is not the case; 2014 continued the trend of recent years and our current experience together with our projections for the future indicate that the underlying cost of indemnity has risen in many of the countries where we have members. This is most acute in some of our largest groups of members, including medical and dental general practitioners in the UK and amongst consultant groups in the Republic of Ireland.

As a responsible mutual organisation, we need to reflect the increased claims costs in the membership subscriptions we charge and we recognise that this is an increasing burden on the medical and dental professions. The 3.6% growth of our income (from £377.0m in 2013 to £390.5m in 2014) is a consequence of increases, but this is more than offset by the rise in the claims and related costs, which have risen from £292.6m in 2013 to £316.3m (up 8.1%).

However, the Income and Expenditure account only relates to a single calendar year and it is important to understand that MPS is managed on a long term basis, to ensure that our finances do not prevent us exercising our discretion to support members and meet future potential obligations. The vast majority of our members are entitled to seek our assistance on the "occurrence based" principle. This means that the subscription income we collect in 2014 is held on behalf of members to meet the risks arising from their clinical activities in 2014, acknowledging that these funds need to be invested in anticipation of the costs crystallising in future years. As the Chief Executive has pointed out, the period from incident to conclusion is an average of seven years, and can be much longer. His report highlights the issues this can cause in obstetrics practice and how we are mitigating against these risks.

A second illustration relates to UK GPs, who are more likely to face litigation than ever before and who can now expect to receive two clinical negligence claims over a typical full time career life of 35 years. In addition to this, we continue to receive claims against older years of practice that we would previously have expected to be virtually closed. It seems that claimant lawyers are able to locate potential cases further back in the records than we would previously have expected – possibly a result of a consolidation of legal firms leading to targeted review of potential cases. Whatever the cause, it creates a concern about the length of exposure and this can only be reflected in the subscriptions we need to charge to this core group.

Whilst there is a limited amount we can do to change the overall environment, one of our key responses is the development of our processes and systems to ensure that we do not add to any settlement delay, as increased time to settlement invariably means increased cost.

It is investment in this and related areas of service to meet the needs of members that gives rise to the increase in Administrative Expenses from £21.4m in 2013 to £24.9m in 2014.

There is an important relationship between time to settlement and investment return. MPS's assets of £2,163.6m (up on 2013 year end position of £2,041.4m) are held to meet the future cost of claims and other assistance. The returns that can be achieved on the investment fund are extremely important; however, we need to be very careful in balancing the desire for a healthy return with the level of risk we choose to accept. MPS is clear that we are holding member funds to meet future requests for assistance and whilst we will seek an appropriate return it is not our role to invest those funds speculatively. The Income and Expenditure account shows an increase in income from investments at £38.7m in 2014 (2013: £31.1m) and surplus on disposal of investments at £10.4m for 2014 (£0.9m in 2013). However, the Total Recognised Gains are lower at £28.1m in 2014 compared to the 2013 figure of £49.2m.

We acknowledge that investment returns can be volatile in any given year; however, our lower total investment return in 2014 has led to a review of our long term expectations for investments. Changes in long term interest rates, low expectations for inflation, interventions by Central Banks, reducing commodity prices and limited growth in emerging markets combine to offer few opportunities for any financial assets to earn above inflation returns without taking what we would regard as excessive risk. Consequently, we have materially reduced our

expectation for investment returns in the future, and this combines with other increases in total claims values to give the £941.2m provision for liabilities shown on the Balance Sheet at 31 December 2014 (£844.9m 31 December 2013).

The overall difference between the assets and the liabilities combine to create the funds available for members, which have increased by 2.3% and are now £1,229.5m (compared to £1,201.4m at 31 December 2013).

I have already stated that MPS is managed on a long term basis and hence needs to constantly review the estimates of potential future costs. As MPS has absolute discretion, this is not a liability and is referred to in more detail in Note 22 on Members' Funds. The long term investment assumption is used as part of this calculation and because we have reduced this assumption, the estimate has increased accordingly. General increases in forecast claim frequencies and sizes in many of our member groups mean that the overall estimate has been adjusted upwards from £1,092m at the end of 2013 to £1,290m at 31 December 2014. It is clear that these increased estimates need to be allowed for in future subscriptions and whilst we realise that increases are unwelcome, we hope that our members recognise that we are continuously revising our view of the future to ensure that the relationship between our known commitments, our possible future commitments and our fees are all managed in the best interests of the membership as a whole for the long term.

MPS: MORE THAN DEFENCE

This is a challenging time to be a healthcare professional. In this tough environment, MPS is much more than a last line of defence – we strive to be a genuine partner in your career. We are by your side whenever you may need us, offering support, advice and protection.

AREA LEFT BLANK.

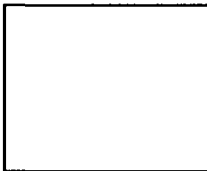
NON-STATUTORY INFORMATION (IMAGES)
NOT REQUIRED BY COMPANIES HOUSE
HAS BEEN REMOVED.

MORE SUPPORT

We believe protecting you from risks and helping you avoid problems in the first place is as important as providing the best possible defence should a problem arise.

You have access to a wide range of support services, including an online library of advice booklets, factsheets and case reports. As a free benefit of your membership you could be taking advantage of our wide range of workshops, online learning and publications.

Please visit www.medicalprotection.org or www.dentalprotection.org for more information.



DR MARK DINWOODIE

Director of Education



Helping you avoid preventable harm to patients and reduce your risk of medicolegal or dentolegal problems is a fundamental role and ethos of Education at MPS. Our team develops and delivers a wide range of courses and programmes such as face-to-face workshops for individual members, risk assessments on safety culture and infection control for organisations such as GP practices, as well as risk management masterclasses targeted at specialty groups.

You can also access our educational programmes and courses through a variety of modalities including our popular e-learning platform Prism, online articles and publications.

In addition, if you are unfortunate enough to receive a significant number of complaints and claims, our intensive programmes can help to reduce cases opened against you and reinvigorate your career. All of these programmes are delivered and supported by a team who are committed to supporting you and, as a consequence, your patients.

In my role as Director of Education, I draw on 25 years of clinical practice and educational experience. I am supported by a team of experts within the department and across MPS and Dental Protection.



GARETH GILLESPIE

Communications Manager



Learning from mistakes is one of the strongest forms of education, and at MPS we let no learning opportunity go unused. The MPS caseload and advice line is a rich source of education and we use common themes, pitfalls, dilemmas and mistakes to inform the risk management materials that are available to you.

Whatever your specialty or career grade, as an MPS member there will always be something for you – tailored to your needs. Best practice advice on a range of medicolegal and dentolegal matters is available in various forms: extensive

risk management journals such as *Casebook* and *Riskwise*; regular e-bulletins with latest news and updates; podcasts, videos and at-a-glance advice sheets on a range of topics.

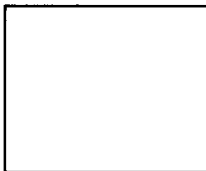
You can also browse the wide selection of case reports on the MPS website. Many of the doctors and dentists who have been involved in these cases have, along with their patients, been through a very difficult time. By sharing the valuable learning points from each case, we hope to keep other members – and patients – from going through the same experience.

MORE ADVICE



Our in-house experts assist with the wide range of legal and ethical problems that can arise from your professional practice. This includes clinical negligence claims, complaints, regulatory inquiries, legal and ethical dilemmas, disciplinary procedures and inquests.

Each call to our advice line is handled by an experienced medicolegal or dentolegal adviser. They can provide you with expert advice, reassurance and peace of mind.



DR HARPREET SARNA

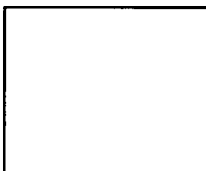
Medicolegal Adviser

You contact MPS with a broad range of queries and problems and, unfortunately, it is true that many of you are under mounting pressure and facing increasing rates of complaints, claims and regulatory hearings. These can cause considerable worry and stress, and if you are affected it is important that you receive prompt, timely and expert advice.

I am increasingly seeing a single event leading to multiple difficulties for members. For example, following a single incident, a member has had to deal with a complaint,

disciplinary inquiry, regulatory investigation and a criminal investigation. I will be there every step of the way, offering advice and support during an incredibly difficult time.

My time in practice means I am uniquely positioned to both understand and grasp the challenges of your job, whilst being able to provide expert advice and support. I regard my role as a privileged one, which I thoroughly enjoy – it is always personally satisfying to be able to support you through challenging times.



CAROLINE CHAPMAN

Dentolegal Adviser

Advice for the whole dental team is only a phone call away – and as a Dentolegal Adviser I am here to support and assist you through both good times and bad.

You can ask me for advice about a wide range of issues, from general queries about law and ethics, to dealing with adverse incidents, such as claims, complaints or a hearing at your regulatory body. While I can help you to manage risks throughout your career, I will also navigate a route for you through difficult situations – ensuring you feel supported every step of the way.

I work closely with a multidisciplinary team, including dental and legal colleagues, who all have the common goal of assisting you and relieving any pressure you may feel. As a former dentist myself, I know that you want to be able to concentrate on what matters most: your patients and your practice.

MORE PROTECTION

MPS membership is designed to provide you with peace of mind throughout your career. If, like most members, you have our occurrence-based protection, we can manage claims and complaints from their first notification to conclusion, and can take care of all the legal costs and compensation payments.

If the worst does happen, media scrutiny of you and your practice could further harm your professional and personal reputation. The MPS Press Office is on hand to deal with the media on your behalf.

ANGELICKA DOM PAUL

Claims Manager

As part of the Claims and Litigation team at MPS, I encounter many members facing a claim for the first time. It is worrying and stressful: they are faced with letters or documents making allegations against them, using legal language and referring back to circumstances that are often from years before. And all the time they have a busy and highly skilled job to perform.

Although statistically few cases ever make it to court, members are anxious about the possibility of standing in the witness box. An integral and rewarding aspect of my

role is providing reassurance and support, identifying and pre-empting concerns from members as well as guiding them through the whole seemingly unwieldy experience.

The member takes a key role in our strategy for dealing with claims; your views matter. I am there to set out and explain the options available, to try to predict what will happen next and to get the best outcome, be it defending or efficiently resolving a claim.

KIM WATSON

Media Relations Manager

Media scrutiny of doctors and dentists can put reputations at risk. If you are experiencing a hearing, claim, inquest or other issue that attracts the attention of the media, the MPS Press Office is on hand to give you expert advice.

We know how difficult a time this can be for members and those around them and our job is to help alleviate the additional pressures from the media. We are experienced communications professionals who will liaise with reporters on your behalf, deal with enquiries, draft appropriate statements – and correct any inaccuracies

in the press, if necessary. We also raise issues in the media that are important to you and your career, such as the rising cost of claims, concerns over new legislation or the impact of regulatory hearings on the health of doctors and dentists.

The Press Office is here for you, to protect your reputation and focus the media spotlight on crucial issues affecting healthcare. This allows you to focus on what you do best – caring for your patients.



Being a member of MPS has made me feel secure and more confident

A MEMBER'S STORY

Dr A, a practising GP, looks back at 30 years of membership of MPS

During my first two years of membership of MPS I had to occasionally contact MPS for advice on ethical and management issues; the responses I received were timely and very useful. Over the next three decades I had three cases of litigation opened against me – one per decade – and I will always remember my first meeting at the MPS offices at the outset of the first of these cases. The meeting with the legal team was very informative and beneficial, although quite taxing and stressful. After a protracted series of correspondence between the claimant's solicitors and the MPS legal team, the claim was dropped by the patient. The second claim I received was of low value, and was settled out of court.

A number of years ago, a patient sued me for alleged negligence in a case of a vasectomy that had developed a complication. The version of events presented by the claimant was very economical with the truth. After reviewing the medical records, I was reminded of the words of Hippocrates: "Keep a watch also on the faults of the patients, which often make them lie about the taking of things prescribed." Eventually the patient dropped the case and that was the end of the story.

Over the three decades, I would have made about a dozen contacts with MPS, most of them for clarifications in management issues that sprang out of societal changes and new guidance and regulations. The advice from MPS was prompt, educational, informative and very helpful. I developed a penchant for medical law and pursued it further, taking the certificate and then diploma in medical law and ethics. This augmented my morale and self-confidence in dealing with the day-to-day ethical, legal and management issues that often appear on the doorstep of a GP.

Being a member of MPS has made me feel secure and more confident in these matters, helping me to avoid the pitfalls of my earlier career and practise with greater awareness and skill.

AREA LEFT BLANK.

NON-STATUTORY INFORMATION (IMAGES)
NOT REQUIRED BY COMPANIES HOUSE
HAS BEEN REMOVED.

OFFICERS AND MEMBERS OF THE COUNCIL AND COMMITTEES

PRESIDENT Sir Peter Morris AC FRS FRCS FMedSci ^{2,3}

VICE-PRESIDENT Professor John Bonnar MA MD FRCPI FRCOG

CHAIRMAN Kay-Tee Khaw CBE MA MB BChir MSc FRCP FFPHM FMedSci

VICE-CHAIRMAN Simon Pashby BA(Hons) FCA

CHIEF EXECUTIVE Simon Kayll BA(Hons) FCA MBA

MEMBERS OF THE COUNCIL

The Lord Bradley PC BA(Hons) MPhil ^{1,2,3}

Richard Brennan MB BCh MICGP FRCGP LRCP&SI

Professor Trevor Burke DDS MSc BDS MDS FDSRCS(Eng) FDSRCS(Edin) FDSRCS(Glas) MGDSRCS(Edin) FFGDP(UK) (ex officio) (Retired 8 October 2014) ⁶

Ian Croxford QC LLB ^{1,3}

Mark Davis MB ChB MRCGP DRCOG DOccMed FRCPEd ³

Yasmin Drabu MB ChB DCH FRCPath FRCP ¹

Patrick Forbes MB ChB FRCOG ⁷

John Gibson PhD BDS MB ChB FRCP(Glasg) FDS(OM)RCPS(Glasg) FFDRCS(Irel) FDSRCS(Ed) (ex officio) (Appointed 8 October 2014) ⁶

Taj Hassan MD FCEM MRCP DA FRCSEd (Retired 11 June 2014)

Simon Kayll BA(Hons) FCA MBA Chief Executive (ex officio) ^{4,5,6,7}

Howard Kew BSc(Hons) PGCE ^{4,5,7}

Kay-Tee Khaw CBE MA MB BChir MSc FRCP FFPHM FMedSci Chairman ^{2,3,4,6,7}

Kevin Lewis BDS LDSRCS FDSRCS(Eng) FFGDP(UK)

Simon Pashby BA(Hons) FCA ^{1,2,4,7}

Sally Scutt BA(Hons) MBA MA ^{1,2}

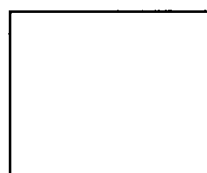
1. Members of the Audit and Risk Committee
2. Members of the Remuneration Committee
3. Members of the Nominations Committee
4. Members of the Board of MPI (London) Limited
5. Members of the Board of MPS Risk Solutions Limited
6. Members of the Board of Dental Protection Limited
7. Members of the Assets and Liabilities Committee

KEITH BRADLEY



Keith Bradley joined the Council as a non-executive director of MPS in July 2007 and was elected by the membership at the Annual General Meeting in June 2008. He is a member of the House of Lords, is Chair of Manchester Salford and Trafford LIFT Company, Chair of Bury, Tameside and Glossop LIFT Company and is Honorary Special Adviser to the University of Manchester. He was formerly Member of Parliament for Manchester Withington (1987 to 2005), served as a Government Minister and a member of the Health Select Committee. He is a member of the Privy Council.

RICHARD BRENNAN



Richard Brennan joined the Council as a non-executive director of MPS in July 2013 and was elected by the membership at the Annual General Meeting in June 2014. He is a rural general practitioner in Ballyhale and Stoneyford, Co Kilkenny. From a medical family, he is a graduate of the Royal College of Surgeons in Ireland. He is a member of the Irish College of General Practitioners and a Fellow of the Royal College of General Practitioners (UK). He is a founding member of the South Eastern General Practice Training programme and is an active trainer on the programme. He is a former Chairman of Council ICGP and has represented the ICGP on: The National Taskforce on Medical Staffing (Hanly Report); The Medical Education and Training Group (Buttimer Report); and The National Primary Care Steering Group. He has also been a member of the Commission on Patient Safety and Quality Assurance, and was a member of the HSE Task Force on Emergency Departments. He has a keen interest in the general practice-hospital interface and the development of more integrated care for patients. He has recently completed his term as the ICGP nominee on the Irish Medical Council (2008-2013). Whilst on the council, he was also Chairman of the Medical Council's Health Committee and a member of the Standards in Practice and the Fitness to Practice Committees.

IAN CROXFORD

Ian Croxford joined the Council as a non-executive director of MPS in November 2007 and was elected by the membership at the Annual General Meeting in June

2008. He is a barrister, being called to the Bar in 1976 (Gray's Inn), was appointed a QC in 1993 and became a Bencher at Gray's Inn in 2001. Ian's professional practice is mainly substantial commercial and professional negligence (non-medical) litigation. He has, since 1990, served as a Governor of Westcliff High School for Boys and became Chairman of Governors in 1995.

PATRICK FORBES

Patrick Forbes was elected to the Council as a non-executive director of MPS in June 2012. He is a Consultant Urogynaecologist at Addenbrooke's Hospital, Cambridge, and

previously a Consultant in Obstetrics & Gynaecology in the RAF and at Hinchingsbrooke Hospital, where he has also been Clinical Director and Royal College Tutor. He has been a regional panellist for the Confidential Enquiry into Stillbirths and Deaths in Infancy. He serves as an examiner for Final MB at Cambridge University, is a member of the Academy of Experts and regularly gives evidence at Coroners' Inquests and on behalf of doctors at the GMC.

MARK DAVIS

Mark Davis was elected to the Council as a non-executive director of MPS in June 2009. Until the end of 2014 he was a principal in general practice in Leeds,

where he had worked since 1984. He continues to practise as an occupational physician and is a consultant to a number of OH companies. Until April 2013 he was on the Executive of Leeds South and East CCG, with responsibility for long term conditions. Between 2007 and 2012 he was a board member of a practice based Commissioning Consortium and from 2002 to 2006 was a member of the Professional Executive Committee of the East Leeds Primary Care Trust. He has a special interest in cardiovascular medicine and has served on a number of Department of Health, Primary Care and NIHC committees and working groups related to this clinical area.

JOHN GIBSON

John Gibson joined the Council as a non-executive director of MPS in October 2014 and as Chairman of MPS's subsidiary, Dental Protection Limited. His position on

Council is ex officio and thus he is not elected by the membership. He is qualified in both medicine and dentistry and is Professor of Medicine in Relation to Dentistry at the University of Glasgow; he is also Honorary Consultant in Oral Medicine within NHS Greater Glasgow & Clyde. He has a long-standing interest in medicolegal practice and was an expert witness for many years within the UK court system, particularly in mouth cancer for which he maintains a research interest, alongside allergy and orofacial granulomatosis. He was a member of the General Dental Council's Fitness to Practice Panel for ten years and chaired its Professional Conduct and Health Committees. He has established interests in ethics and professionalism as well as mediation and mentorship.

YASMIN DRABU

Yasmin Drabu was elected to the Council as a non-executive director of MPS in June 2009. Yasmin has over 35 years of experience in the NHS. She was appointed

as a Consultant Microbiologist in the Health Service in 1982. In 2000, she became Medical Director at North Middlesex University Hospital (NNUH). In March 2006 she moved to Barking Havering and Redbridge University Hospital NHS Trust (BHRUT) as a full time Medical Director. She implemented major programmes of developing clinicians as leaders in both of these Trusts. In 2009 BHRUT was voted the top NHS Trust for Innovation in London. In February 2010 she was seconded to the Blood Policy and Infectious Diseases Division of the Department of Health. In 2004 she was awarded the Asian Professional Woman of the Year; in 2007 she was awarded an Honorary Fellowship of the Royal College of Physicians. She is currently on the Medical Council of the Joseph Foundation.

SIMON KAYLL

Simon Kayll was elected to the Council as an executive director in June 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

He joined MPS in February 1994 as Chief Accountant and was successively appointed as Financial Controller and then Finance Director in January 1999, also serving as Company Secretary for MPS and most of its subsidiary companies from March 2000 until December 2011. He was appointed Chief Executive of MPS on 1 January 2012.

HOWARD KEW

Howard Kew was elected to the Council as an executive director in June 2012. He has over 20 years' experience in financial services, having originally graduated

in Mathematics from the University of Leeds. Howard also has experience in the mutual sector and with one of the UK's leading insurance companies where he was finance director of their personal finance subsidiary. He has had extensive involvement in investment, credit management and capital markets and is a qualified corporate treasurer. He has been closely involved in economic development in the Leeds city region and has promoted the financial and professional service sector internationally, including lobbying at local and national government level. Howard is also MPS's Executive Director – Finance and Risk and is responsible for overseeing all aspects of finance, investment, risk, internal audit and compliance.

SIMON PASHBY

Simon Pashby joined the Council as a non-executive director of MPS in November 2012 and was elected by the membership at the Annual General Meeting in June 2013. He

was appointed Vice-Chairman of Council on 1 January 2014. He is a Fellow of the Institute of Chartered Accountants in England and Wales, with 30 years audit experience, and was previously a senior audit partner with KPMG, specialising in the regulated financial services sector. He has advised a range of organisations including listed investment fund managers and large UK mutuals in the insurance and healthcare sectors, with significant international operations. He has wide-ranging and recent financial experience advising Boards and their Audit Committees on financial reporting, accounting standards, risk management and internal control systems. He is also a non-executive director of the Scottish Building Society, where he chairs the operational risk committee.

KAY-TEE KHAW

Kay-Tee Khaw was elected to the Council as a non-executive director of MPS in June 2011 and was appointed as Chairman in June 2012. She is Professor of Clinical

Gerontology at Cambridge University and Fellow of Gonville and Caius College. She is a Fellow of the Academy of Medical Sciences, has chaired the International Society of Cardiovascular Epidemiology and Prevention, served as a board member of the Higher Education Funding Council for England, NHS Central Research and Development Committee, MRC Health Services and Public Health Research Board, Cambridgeshire Health Authority, Wellcome Trust Population Sciences Panel, and the World Heart Federation Council on Epidemiology and Prevention. She has also acted as a trustee of the Kennedy Memorial Trust and Help the Aged and is currently a trustee of the British Heart Foundation.

SALLY SCUTT

Sally Scutt joined the Council as a non-executive director of MPS in July 2013 and was elected by the membership at the Annual General Meeting in June 2014. She is Deputy

Chief Executive of the British Bankers' Association and Managing Director of the International Banking Federation. She is a graduate in Chinese Studies from the University of Durham. She also holds further degrees in business administration and the management of human resources. She has more than 30 years' experience in international and private banking, holding a variety of senior management positions. More recently she has been focused on the development of regulatory policy in financial services both nationally and internationally. This has included a broad range of issues relevant to the banking sector from financial inclusion and financial literacy, combating financial crime, and the regulation of capital markets.

KEVIN LEWIS

Kevin Lewis was elected to the Council as an executive director in June 2003. He was formerly a general dental practitioner and was a member of the original Board

of Dental Protection Limited from 1989 to 1992, before being appointed as a dentolegal adviser with Dental Protection in 1992. He was subsequently appointed Dental Director of MPS in 1998. His responsibilities include the delivery of all aspects of dentolegal services to members as well as promoting the Dental Protection brand. He was an Associate Editor of Dental Practice (1981 to 2006), and since 2006 has been the Consultant Editor of Dentistry. He was a member of GDC steering group on Recertification and the former Vice President of the British Association for Dental Therapists and Council member of the British Society for Restorative Dentistry. He is an Honorary Member of both the British and New Zealand Dental Associations.

PETER MORRIS

MPS also has a President, Sir Peter Morris. This position is not a director of the board under the terms of the Companies Act, but the President is elected by the membership and is

entitled to, and does, attend Council meetings, participating fully in the discussions. The role of the President is an active one that provides a valuable channel for engagement between members and the Council.

Peter Morris was elected President in June 2007. He is Nuffield Professor of Surgery Emeritus and former Chairman of the Department of Surgery and Director of the Transplant Centre, University of Oxford. He was, from 2001 to 2004, President of the Royal College of Surgeons of England. He is now Director of the Centre for Evidence in Transplantation at the Royal College of Surgeons and the University of London and Honorary Professor. He is a fellow of the Royal Society and the Academy of Medical Sciences; and Foreign Member of both the Institute of Medicine of the National Academy of Sciences and the American Philosophical Society.

ADVISERS AND SENIOR STAFF

CLAIMS ADVISORY COMMITTEE

Chairman

Susan Sellers MB ChB MD FRCOG

Vice-Chairman

Frances Cranfield MB BS MRCS LRCP DRCOG FRCGP

Secretary

Emma Hallinan LLB(Hons) Solicitor

COMMITTEE MEMBERS

Nicholas Boon MD FRCP(Edin) FESC FACC

Peter Campbell MB BS FRCSEd(Orth)

Nicholas Davies MA DM(Oxon) MRCP FRCA

Yasmin Drabu MB ChB DCH FRCPATH FRCP

Patrick Forbes MB ChB FRCOG

Taj Hassan MD FCEM MRCP DA FRCSEd

Huw Jenkins MA MD FRCP FRCPC

John F Mayberry DSc MD LLM FRCP(London & Glasgow) FRCP(Ireland)

Keith Parsons MB ChB FRCSEd FRCS

Professor Marc Winslet MS FRCS

Karen Ellison MB ChB MRCOG

Angela Farquhar MB ChB MRCGP DRCOG MFFLM

Liliane Field MA MB BS FRCA PgDLaw MFFLM Barrister

Josephine Galvin MA MB BCh BAO LRCSI MRCP(Ed)

Sam Godwin BSc MB BS MRCP(UK) GDL MFFLM

Helen Hartley BSc(Hons) MB ChB(Hons) FRCA MBA

Dan Howcroft MB BS MRCS FRCS Tr&Orth

Nicola King MB ChB DCH DipPaMed

Daniel Kremer MB BS DCH MRCGP LLB LLM PGDipVTBar MFFLM

Paul Mackin MB BS PhD MRCPsych

Sonya McCullough MB BCh MSc BAO MRCOG DFFP MFFLM

Gordon McDavid MB ChB MRCP

John McGuire BSc(Hons) MB ChB MRCP

Jayne Molodynski MA (Healthcare Law) MB ChB FRCA

Roger Palmer LLM BSc(Hons) PhD MB BChir RCP(Edin) FRCPC

Gabrielle Pendlebury MB BS MSc MRCPsych GDL

Andrew Power BSc(Hons) FRCGP FRCP(Glas) DRCOG Dip.Ther

Clare Redmond MB ChB MRCPsych

Ewen Ross MB ChB BSc MRCGP DGM

Harpreet Sarna LLM MB BS MRCGP

Carol Seymour MA(Oxon) MA(Cantab) PhD FRCPATH FRCP FFFLM PgDipLaw PgDipPLS

Gillian Talbot MB BS MRCGP FFFLM

James Thorpe MB BS MSc FRCSEd

Richenda Tisdale BSc(Hons) MB BS

Sarah Townley MB ChB MRCGP DFFP

PROFESSIONAL SERVICES

MEDICAL DIVISION

Medical Director

Robert Hendry MB ChB MRCGP DRCOG MPhil(Law & Ethics) MBA FFFLM

Heads of Medical Services

Nick Clements LLB(Hons) MB ChB DRCOG FFFLM

Alison Metcalfe BM MRCGP DRCOG PgDLaw FFFLM

Head of Medical Services – Asia

Ming Keng Teoh LLM MSc MB ChB FRCS(Ed)
FRCS(Eng) ChM MFFLM

Head of Medical Services – Africa

Graham Howarth MB ChB MMed(O&G) MPhil(Bioethics)

Senior Medicolegal Advisers

Angela Bramley LLB(Hons) MB BS MRCGP FFFLM

Richard Dempster LLB(Hons) MB BS MRCGP DRCOG MFFLM

Lyn Griffiths LLM MB BS MFFLM

Bryony Hooper LLM BM MRCGP MFPH DRCOG MFFLM

Peter Mackenzie MA MB BS MRCGP DRCOG MRCGP MFFLM

Angelique Mastihi MA MB BS MFFLM

Janet Page LLM BSc MB BS MRCP FRCR MFFLM

Richard Stacey MA(Medical Ethics & Law) MB ChB MRCGP MFFLM

David Stewart MB BS MFFLM

Medicolegal Advisers

Zaid Al-Najjar BM MRCGP DRCOG DPD

Jonathan Bernstein MA MB ChB MRCGP DCH PGDipCard

Pallavi Bradshaw MA(Cantab) MB BChir GDL MRCOphth

Sarah Cornock LLM MB ChB DA DRCOG DoccMed MRCGP MFFLM

Marika Davies MA BSc MB BS MRCS(Eng) MFFLM

General Practice Complaints Advisers

Patricia Berlyn BSc(Hons) MA(Healthcare law)

Terri Bonnici

David Heap Barrister BSc(Joint Hons) BVC LLM PgDipLaw AMBCS

Sue Taylor BA(Open)

Medical advisers and consultants – New Zealand

Andrew Stacey MB ChB LLB(Hons) FCUCP FACLM

Sam King MB ChB DipObs FRNZCGP

Tim Cookson MB ChB Dobs DCH MRNZCGP

Zarko Kamenica

Medicolegal Consultants to MPS – UK

Rachel Birch BM MRCGP DRCOG DFFP

Roger Black MB ChB MPhil DRCOG MRCGP DFFP DFM

Medicolegal Consultant to MPS – Israel

Mark Casson BDS FICD

DENTAL DIVISION

Dental Director

Kevin Lewis BDS LDSRCS FDSRCS(Eng) FFGDP(UK)

Head of Dental Services

Susan Willatt BDS MBA LLM

Communications Manager

David Croser BDS LDSRCS MFGDP(UK)

Senior Dentolegal Advisers

Susan Boynton BDS FFGDP(UK) LLM

James Foster BDS MFGDP(UK) LLM

Stephen Henderson BDS FFGDP(UK) LLM
 Helen Kaney BDS LLB DipLP FFGDP(UK)
 Alasdair McKelvie BDS LLM
 Jane Merivale BDS LLM
 Brian Westbury BA BDS LDSRCS MGDSRCS LLM

Senior Dentolegal Consultants

Alan Cohen BDS LDSRCS ACIARb
 Andrew Collier BDS LLM
 Brian Edlin BDS
 Hugh Harvie BDS FDSRCS(Edin) FDSRCPs(Glas) FFGDP(UK) Dip For MED
 Raj Rattan MBE BDS MFGDP(UK) PgDip MDE FFGDP(UK)

Dentolegal Advisers

Janet Barnes BDS MDSc
 Charlotte Boyd BDS
 Caroline Chapman BDS LLM
 Leonard D'Cruz BDS LDSRCS MFGDP(UK) PGC MedEd Dip Fod LLM
 Julia Densem MA BDS LDSRCS PgDL LLM
 Martin Foster BDS MPH DipHSM
 Richard Hartley BDS MFGDP(UK) MED LLM
 David Hartoch BDS MFGDP(UK)
 Joseph Ingham BDS
 Ravi Rattan LDSRCS PgDip DPM
 Lynn Rees BDS DGDGP(UK) LLM
 Susie Sanderson OBE BDS FDSRCS(Eng) FFGDP(UK) LLM
 Alan Seaton LDS
 Phil Shaw BDS LDS DGDGP MGDS DPDS LLM
 Yvonne Shaw BChD DPDS LLM
 Terry Simpson BDS LDSRCS DGDGP(UK) MSc
 Barry Tiernan BDentSc BA
 Stephanie Twidale TD BDS DGDGP(UK)

Dental Complaints Managers

Sarah Cree
 Zoe Wray

Senior Claims Consultant

Michael Butterworth BDS DGDGP(UK) MFDS(RCS) LLM FICD MCIArb

Cases Consultants to DPL - Australia

David Evans BDSc FICD
 Annalene Weston BDS MHL
 George Lazaridis BDS
 Mike Rutherford BDSc BA
 Ralph Neller BDSc BBus FICD FADI FFP

Cases Consultant to DPL - Israel

Mark Casson BDS FICD

Cases Consultants to DPL - New Zealand

David Crum BDS(Otago) DipClinDent(Otago) FICD FADI
 Paul Scott BDS(Otago) DipClinDent(Otago) FRACDS FICD FADI

Associate Dentolegal Advisers

Geoff Baggaley BChD DGDGP(UK)
 Jasdeep Baydal BDS PGCMDE PGCDLE
 Amanda Biddle BDS MSc FDSRCS MRDRCS(Eng)
 Elaine Cook BChD
 Raj Dhaliwal BDS
 Caroline Dodd BDS LDSRCS MSc
 Ian Gordon BDS DGDGP(UK)
 Jane Griffiths BDS LDSRCS PGDCDL
 Sarah Harford BDS

Lesley Harrison BDS MFGDP(UK)
 Russell Heathcote-Curtis LDSRCS
 Peter Hodgkinson BDS DGDGP(UK)
 Jill Jagger BDS DGDGP(UK)
 John Kocierz BDS
 Neena Manek BChD MFGDP
 Adrian Millen BDS DPDS
 Bernice McLaughlin BDS
 David Monaghan BDS MPhil
 Michael Morris BDS MFDS
 Nikolaus Palmer BDS PhD MFGDP(UK) FDSRCS(Eng)
 Shiv Pabary BDS DGDGP(UK)
 Shreeti Patel BDS DGDGP(UK)
 Andrew Paterson BDS FDSRCPs(Glas) DRDRCS MRDRCS
 Sudhir Radia Stat Exam MFGDP(UK) DPDS(Brist) FFGDP(UK) MGDS RCS(Eng)
 Simrit Ryatt BDS
 Helen Sayer BDS
 Bernard Swithern BDS MFGDP(UK)
 Lesley Taylor BDS LDSRCS
 Martin Valt LLB BChD MSc MSurgDent DipConSed MFGDP
 Claire Walsh BDS MML DipFMS
 Alison Williams BDS DDPHRCs MCDH FDSRCS FDS(Orth)RCS
 Martin Woodhead BDS LDSRCS(Edin)
 Jane Woodington BDS

Hygienist and Therapist Adviser to DPL - Australia

Vicki Biddle RDH

Hygienist and Therapist Advisers to DPL - UK

Carole Collins DDH
 Marina Harris LLM BSc DDH

CLAIMS AND LITIGATION SERVICES DIVISION

Director of Claims and Litigation

Emma Hallinan LLB(Hons) Solicitor

Head of Claims Management

Melanie Rowles LLB(Hons) Solicitor

Head of Litigation

George Dodd BA(Hons)

Head of Claims Assessment Team

Caroline Bennett LLB(Hons) Solicitor

Claims Managers

Martin Beaumont F.Inst.L.Ex
 Julia Bryden LLB(Hons) Dip LP
 Craig Burrows BA(Hons) Solicitor
 Helen Carrington BA(Hons) Solicitor
 Alison Clarke BA(Hons) Solicitor
 Antoinette Coltsmann LLB(Hons) Solicitor
 Paula Conwell Solicitor
 Margaret Cotterell BA(Hons) Law Solicitor
 Ashley Dee LLB(Hons) Solicitor
 Alan Dool ACII
 Paul Dyer LLB Solicitor
 Tracey Ellis BA(Hons) DipLaw Solicitor
 Warren J Forsyth LLB(Hons) Solicitor
 Julia Hall BA(Hons) MBA Solicitor
 David Hards A.Inst.L.Ex
 Catherine Hibberd BA(Hons) Dip

ADVISERS AND SENIOR STAFF

Susan Hotchin BA Solicitor
Jane Gilchrist
Helen Griffith LLB(Hons) Solicitor
Mark Lawrence BSc(Hons) DipLaw Solicitor
Catherine Longstaff BA(Hons) Solicitor
Nicola Mackay LLB (Hons) Solicitor
Louise Morgan LLB(Hons) Solicitor
Allison Munro LLB (Hons) Solicitor
Rosamund Oddie BA(Hons) DipLaw LLB Barrister
Angelicka Dom Paul BA(Hons) Solicitor
Carlotta Pidgeon BA LLB BJuris(Aust) Solicitor
Jason Priston F.Inst.L. Ex
Sara Rees LLB(Hons) Solicitor
Anna Renfree BA MA LLB
Dominic Stannard BA(Hons) Solicitor
Hilary Steele LLB DipLP
Nicola Stowe MA BSc(Hons)
Danielle Swift LLB(Hons) Solicitor
Stephen Winn LLB(Hons) Solicitor
Chris Young LLB(Hons) Solicitor

Solicitors

William Bremner MA(Cantab)
Mark Jordan BA(Hons) LLM
Kashif Mahmood LLB(Hons)
Christina Milne LLB(Hons)
Susan Silk LLB(Hons) RGN
Jill Stevens LLB(Hons)

MEMBER ENGAGEMENT

Executive Director – Member Engagement

John Tiernan BA BDentSc DGD(P)(UK)

COMMERCIAL**Director of Sales, Marketing and Commercial Development**

Mark Randerson BSc(Hons) MSc MBA PgDipM

Head of Business Development

Damian Elder BSc(Hons)

Head of Marketing

David Gray BSc(Hons)

Head of Product, Insight and Commercial Development

Nick Howarth Pulleyn BSc(Hons) ACIB MMRS

COMMUNICATIONS AND POLICY**Director of Communications and Policy**

Shelley McNicol BA(Hons)

Head of Corporate Communications

Antony Timlin BA(Hons) MCIPR

Head of External Relations

Sara Higham BA(Hons)

Head of Marketing Communications

Sharon Smith BA(Hons)

EDUCATIONAL SERVICES

Director of Education

Mark Dinwoodie MA(Cantab) MB BS DGM DRCOG DCH DFSRH FRCGP MMed (Dundee)

General Manager – Asia Pacific

Matthew O'Brien B BUS COMM

International Medical Education Consultant

Mark O'Brien MB BS FRACGP FACRRM AFACHSE

RISK DEPARTMENT

Director of Risk

Martin Burns BSc(Hons)

Head of Underwriting Policy

Iain Barclay LLB MB ChB FFFLM MRCGP DRCOG

Head of Underwriting Policy (International)

Alun Griffith LLB

Head of Underwriting Policy Dental

Mike Clarke MPhil BDS DGD(P) RCS

Company Actuary

Tim Jordan BSc(Jt Hons) FIA CERA

Head of Pricing and Analysis

Ian Moore BSc Cert CII

SENIOR STAFF

Executive Director – Operations

Dan Bown MSc

General Counsel

Sarah Denton MA(Oxon) MBA Solicitor

David Wheeler LLB(Hons) Solicitor Company Secretary

Director of Financial Reporting and Control

Ian Cook FCCA Cert ICM

Director of Human Resources

Karen Ferris BA(Hons) MCIPD

Director of Strategic Change

Peter Lycholat BA(Hons) MBA Dip CII

Director of Member Operations

Peter Rowbottom BA(Hons) DMS

Head of Operations, Caribbean and Bermuda

Nancy Boodhoo BDS FDSRCS

Head of Strategic Planning and Performance

Simon Clutterbuck MA(Hons) Cert CII

Head of IT Operations

Jane Smith BA(Hons)

STRATEGIC REPORT

AREA LEFT BLANK.

NON-STATUTORY INFORMATION (IMAGES)
NOT REQUIRED BY COMPANIES HOUSE
HAS BEEN REMOVED.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Council presents its Strategic Report for the group for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

MPS is the leading medical defence organisation of its kind around the world. It is a mutual society, the function of which is to protect, support and safeguard the character and interests of medical and dental practitioners and other healthcare professionals. It is a not for profit company limited by guarantee and all income and property must be applied solely towards its objects as defined by MPS's Memorandum of Association.

One of MPS's objects is to grant indemnity to members in respect of claims and demands arising from their professional practice, which may result in the payment of costs and damages. The Articles of Association set down in paragraph 40 state that "the grant of an indemnity shall be entirely in the discretion of the Council who shall have the power to impose such terms and conditions on the grant of any indemnity as it thinks fit and may in its absolute discretion limit or restrict such indemnity or decline altogether to grant the same".

In addition to the principal activity of the holding company, the group has a number of subsidiary companies that complement and support the activities of the group.

MPI (London) Limited (MPI), which is registered in England, holds the invested assets on behalf of MPS. MPI has a separate Board which is responsible for implementing the investment strategy approved by the Assets and Liabilities Committee of MPS Council. Funds are invested with third party fund managers and MPI does not undertake any direct investment activity. The MPI Board is also responsible for overseeing the investment performance of the third party managers.

Dental Protection Limited, which is registered in England, is a non-trading company. However, it has an active Board, which provides insight on dental issues which impact MPS.

Cognitive Consulting Group Pty Limited is registered in Australia and provides education and training in communication skills and risk management to medical practitioners.

DPL Australia Pty Limited is also registered in Australia, where it manages the administrative affairs of our dental members in Australia.

MPS Risk Solutions Limited (MPSRs) is registered in England and is a general insurance company, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In June 2012 MPS made a strategic decision that MPSRs would withdraw from the insurance market, to enable MPS to focus on its core business of providing discretionary indemnity. MPSRs provided professional indemnity, malpractice, product and public liability cover to corporate healthcare providers. Claims brought whilst policies were in force will continue to be managed to the highest standard using existing claims expertise.

MPS has a further subsidiary, The MPS Periodical Payment Trustee Limited, a Corporate Trustee, which has been appointed as Trustee to the MPS Periodical Payment Trust and is responsible for the safe keeping of assets, and payments due, in respect of Periodical Payment Orders made in settlement of claims against members.

BUSINESS PURPOSE

MPS exists to serve its members. MPS aims to ensure that it remains a strong viable entity to meet its current and future commitments to members and that it continues to provide much-needed services to members for years to come.

MPS will meet the costs of assisting members subject to payment of the appropriate subscription, compliance with the rules of the Memorandum and Articles of Association, the scope of the benefits of membership and discretion. If a member requests assistance then MPS will pay all reasonable costs related to an incident for which it exercises its discretion to assist. These costs may include representation at a regulatory council, assistance with disciplinary proceedings and indemnity for damages and costs in cases of negligence. Payment will be made even though it may be years after the incident before a matter is raised, costs are incurred and the issues are resolved.

In addition, MPS has developed and continues to develop a range of non-clinical educational courses and risk management assessments for members worldwide to help reduce risk and so improve patient care. The educational courses take the form of workshops, lectures and web-based learning and focus on communication and interpersonal skills, practice systems and processes, professionalism and ethics.

FINANCIAL TARGETS

Despite the risk mitigation identified below on pages 28-31, it is impossible for MPS to eliminate risks associated with its business activities. Consequently, MPS needs to ensure that it has the financial resources to cope with the remaining unmitigated risk so that it can provide members with the assurance they need that MPS will be in a position to respond to their requests for assistance no matter when these are made.

To this end, MPS has set long-term financial targets to ensure that its assets exceed the estimated value of both its reported claims and potential requests for assistance not yet reported, to protect against the risk that claims may, for many reasons, when eventually settled, cost more than anticipated. The financial targets have been set such that even if these claim values were, within certain parameters, to be higher than expected, or, again within certain parameters, the value of invested assets was to be lower than expected, then MPS would still have sufficient funds to meet all of its reported claims and unreported potential requests for assistance.

FINANCIAL PERFORMANCE FOR THE YEAR

Subscription income has increased in the year due to rate rises and an overall increase in member numbers. Administration costs increased, reflecting investment in resources to develop and maintain service delivery, and investment in strategic change projects to help MPS achieve its goals, in particular the long-term financial target noted above. Investment performance was disappointing over the year, which influenced a decision by the Assets and Liabilities Committee to reduce our assumptions on long term investment returns, which is used to discount the future cost of settlements. As a consequence of this, and the continuing challenging claims environment, costs incurred in managing and settling claims remained high and above our experience in 2013 as the number of reported claims, and the costs of settling them, continued to rise.

More detail of the financial performance for the year is provided within the Finance Director's report on pages 12-13.

AREA LEFT BLANK.

NON-STATUTORY INFORMATION (IMAGES)
NOT REQUIRED BY COMPANIES HOUSE
HAS BEEN REMOVED.

KEY MARKETS

MPS offers membership in a number of different international markets. This international perspective allows many members to practise around the world and still enjoy the benefits of MPS membership. It also allows MPS to use its wide and diverse experience for the benefit of all its members.

MPS'S KEY MARKETS ARE:

- Australia* • Caribbean and Bermuda • Hong Kong
- Ireland • Malaysia • New Zealand • Singapore
- South Africa • United Kingdom

* Non-indemnity dental membership

MPS has a strong position in all of the above key markets.

MEMBER NUMBERS

The business aim is to grow membership in a controlled manner without increasing the overall risk exposure of the organisation. The 2014 increase in total members, including those who are not required to pay a subscription, was 2.8% (2013: 3.2%).

FUTURE DEVELOPMENTS

The Chief Executive's report (see pages 8-10) refers to developments during the year and touches on future developments.

For the coming year, MPS's main focus will continue to be the delivery of a high-quality, cost-effective service to members, the delivery of education and risk management courses to members and the continued strengthening of our relationship with regulators, legislators and professional representative bodies. To ensure these aims are met now, and in the future, MPS initiated a strategic change programme during 2013, which has resulted in a number of ongoing, and planned, projects across many key areas of our operations, designed to further improve MPS's services and its operating efficiency. The change programme is being supported by significant investment in both IT and operational systems, and is firmly aligned with MPS's vision.

EMPLOYEES

MPS staff are vital in providing high quality service to members, and MPS focuses strongly on retaining and recruiting the best.

The extent to which the role of staff is taken seriously is borne out by one of the five pillars of the MPS Vision: "Exceptional staff". This states that MPS values an empowerment culture where all contributions are supported; there is great focus on the development of staff; key talent will be identified and nurtured; continuous training will be implemented to maintain technical excellence across MPS; and a new pay and performance management framework has been designed and implemented.

MPS strongly believes in the value of diversity in the workforce. We seek to strengthen this commitment in a variety of ways, including ensuring that all recruitment advertising and selection methods are as objective and free from bias as possible, that training and promotion opportunities are available to all staff and that managers are trained to recognise the importance of diversity and to deal with equal opportunities issues.

MPS has a Staff Consultative Group which complies with the requirements of the Information and Consultation of Employees Regulations 2005. The Group gives an opportunity for staff to raise issues which are important to them directly with the Chief Executive and provides a facility for two-way feedback. Our recent staff survey reflected a high overall engagement among staff and MPS performed well against the other organisations it was benchmarked against.

MPS undertook a mid-term review with the Investors In People Standard in January 2015, which identified some significant improvements from the last full assessment in June 2013.

PRINCIPAL RISKS AND RISK MANAGEMENT

All businesses face risks of one kind or another and prudent management of the business requires identification, quantification, management and mitigation of these risks; MPS is no exception. The key risks and relevant mitigating factors are detailed below and the process of the management of risk is detailed in the section on Internal Control in the Report of Council.

RESERVING RISK

MPS provides an indemnity to members for the costs and damages associated with claims of negligence and the costs associated with other claims. At any time there are, as a result of past adverse incidents, claims that have already been reported and potential claims that have not yet been reported (unreported claims). Subject to discretion, MPS will be responsible for all of these claims.

For MPS to be responsible for paying these claims, it needs to be able to assess the value of these claims and ensure that it has sufficient assets ("reserves") to meet the expected total costs. The value of these claims is estimated by MPS and the reserving risk is that the eventual payments required to meet the claims may exceed the sums estimated as the cost of the claims.

The uncertainty around estimating the value of all claims is greater for unreported potential claims than for those that have been reported. For unreported potential claims, the uncertainties include the number and severity of claims arising, how long it is likely to take from the date of the adverse incident to the making of a claim and how many of these may become large claims. The uncertainties for the reported claims are a little narrower, but still considerable.

In addition to the variation inherent in the claims, there are also external factors - mainly changes in legislation - which can have a profound impact on claim estimates. MPS has seen a number of changes in legislation in the UK in the past, nearly all of which resulted in an increase in the cost of claims. This includes the introduction of periodical payment orders and the reduction in discount rates. The discount rate is the rate used to 'translate' future cash flows, to be paid under the settlement agreement, into a lump sum value in current money terms: the lower the discount rate, the higher the value of the lump sum. The discount rate in England and Wales is set by the Lord Chancellor and is currently 2.5%. In other countries, the rate at which future cash flows are discounted to a current value lump sum will be part of the settlement negotiations.

The likelihood of variation in the total outcome from the expected estimate diminishes with the increasing size of the portfolio. In addition, the geographical

diversity of the portfolio also helps to reduce the overall variation of expected returns. A larger more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Mitigation

MPS maintains a large geographically diverse portfolio of risk and this is a key step in helping to reduce the variation of outcome around the expected mean.

A further step relates to ensuring the quality of the expected outcome in the first place and this relies heavily on the accuracy of data used and the quality of analysis in determining the expected outcome. MPS uses the skill of its internal staff to determine accurate estimates for individual claims and ensures that levels of skill are maintained by supporting ongoing training initiatives. It also has many checks and balances in its internal systems to allow regular review and monitoring of these estimates to help ensure a high degree of accuracy and consistency. MPS uses the experience of its consulting actuary, Lane Clark & Peacock LLP (LCP), to use the internal individual claim estimates and membership data to arrive at a statistical reserve for the likely cost of all reported claims and an estimate of the potential future costs of unreported requests for assistance. (See note 22 to the financial statements.)

UNDERWRITING RISK

MPS charges a subscription based on the expected volume and value of claims made against those members paying the subscription. There is a risk that the volume or value of claims brought against those members will turn out to exceed the expectations contained within the subscriptions and thus MPS will not have collected sufficient subscription income.

Mitigation

Again, the skill of staff and advisers is important as is the quality of internal systems. In addition, MPS carefully reviews all applications and makes an assessment on those risks that it is willing to accept. MPS also runs an internal programme to identify individual members who appear to represent a higher than normal risk and tries to work with them to reduce their risk. In some cases members are not accepted into, or do not continue in, membership as we consider their risks to be too high. MPS continues to invest in improving and developing the systems, resources and processes involved in the management of member risk. MPS purchases insurance to reduce the impact of catastrophic high claims.

MARKET RISK

Subscriptions collected in any one year are invested until they are needed to pay the costs arising from the year in which the subscriptions were received. The greater the return MPS can achieve from investments, the less it would theoretically need to charge in subscriptions. However, the greater the investment return that MPS is trying to achieve from its invested assets, the greater will be the fluctuations in the value of those assets and thus, the greater will be the risk that MPS will see a fall in the value of its assets. Such volatility in the value of MPS's assets is, when asset values fall, damaging to the strength of the balance sheet and significant volatility in investment returns makes it more difficult to plan for the longer term.

Mitigation

MPS has adopted a prudent investment strategy that carefully identifies the levels of risk and return acceptable in its portfolio of assets. External professional advice is regularly sought and investment performance is subject to detailed review in conjunction with advisers. Wherever practical, risks arising from currency fluctuation and investment liquidity are minimised.

The risk of asset value volatility is addressed in a number of ways. Firstly the majority of assets are held in bonds and short-term money market funds, which generally have a lower level of volatility. Secondly, those assets held primarily to achieve an investment return are invested in a diverse portfolio. The equity element of these assets is held in a number of different portfolios, each investing in different geographic areas; and the equities are augmented by other return-seeking assets which help to reduce volatility further, because returns from these assets are less than perfectly correlated with the returns from equities.

CURRENCY RISK

MPS holds assets to meet the costs of reported claims and potential future requests for assistance. These costs may fall due in a number of different currencies. If the assets are not held in the same currency as the costs then there is a risk that movement in exchange rates will alter the relative value of the assets to the costs.

Mitigation

MPS's strategy is to minimise currency mismatches between its assets and potential future costs. This is achieved by either holding assets in the same currency, and to the same value, as the costs, or through a currency hedging programme designed to protect against currency mismatches.

LIQUIDITY RISK

This is the risk that there will be insufficient liquid assets available to meet payments when they fall due. This could either result in an inability to make the payment or the need to realise an illiquid investment before maturity, which could be costly.

Mitigation

In managing liquidity risk, MPS needs to balance the ability to gain an investment return on its assets and the ability to have sufficient funds to pay liabilities as they fall due. MPS operates a sophisticated system through major clearing banks to ensure that an appropriate level of funds is available on a daily basis when required, but that these are invested in pooled money market funds at other times. In addition to this, the invested assets include a short-term money market portfolio with an average weighted maturity of a maximum of 12 months, which provides additional liquidity should it be required.

CREDIT RISK

This is the risk that someone who owes money to MPS will fail to pay. MPS has little risk from a failure by members to pay subscriptions, because if payments are not made, the non-paying members will not be entitled to the benefits of membership (such as advice or assistance with claims). MPS's main credit risk arises from either a failure of its insurers, a failure of a bank with which it holds deposits, or from a failure of some of the counterparties involved in the derivative financial instruments that form part of MPS's investment portfolio.

Specific comment on this risk in relation to derivative financial instruments is provided on page 32.

Mitigation

MPS has a stated policy on the acceptable risk profile for its insurers. This policy states the requirement to spread the risk across a number of insurers and dictates the acceptable financial security rating for insurers. Bank credit ratings are reviewed before deposits are made with specific institutions, and deposits are spread across a number of counterparties to mitigate against bank failure. MPS does not review the credit risk of counterparties in derivative financial instruments, but instead agrees parameters with its investment managers as to what security rating is acceptable for such counterparties. However, MPS does receive collateral on revalued derivative positions when appropriate.

INTEREST RATE/INFLATION RISK

MPS holds about two thirds of its invested assets in bonds. An increase in interest rates will cause a fall in the price (value) of bonds, as bond prices move inversely to changes in interest rates.

The impact on MPS's liabilities is more complicated. The main influences on the cost of large claims (in the UK) are those elements that reflect compensation for future costs or losses: these are mainly loss of earnings and cost of future care. An estimate of the lump sum required to provide for these future costs is determined by reference to the discount rate. The discount rate might be expected to change with changing interest rate expectations, but in the UK it is in fact fixed, by the Lord Chancellor, who conducted a second phase of consultation on the level of this rate, which ended on 7 May 2013. It is not currently known when the Lord Chancellor will report on his latest review. However, with the introduction in 2005 of periodical payments as an alternative to lump sum or structured settlements, compensation can be provided as a regular monthly payment for the life of the claimant. Since the determination of the Appeal in the Thompsonstone case, the cost of future care is subject to indexation by a wage related measure and this can make settlement by way of periodical payments a more attractive option for claimants.

Specific comment on the interest and inflation risk in relation to derivative financial instruments is provided on page 32.

Mitigation

Interest rate exposure for bond assets is mitigated firstly by having a broad range of bond holdings, with different sensitivities to interest rate movements; and secondly by holding a predominance of index-linked bonds, where increasing inflation is allowed for in the rebasing of the capital value and coupon amount. Further mitigation is provided by the ability to reduce the tax charge as a result of indexation. In addition, MPS uses interest rate swaps as a means of protecting bond assets against the potential impacts of rising interest rates. MPS's response to the risk inherent in periodical payment orders is firstly to ensure that it has an appropriate investment make-up to closely match the liabilities; and secondly to ensure that it has sufficient assets to allow a margin in case of unexpected changes in interest and inflation rates.

OPERATIONAL RISK

Any organisation will be exposed to operational risk, that is to say the risk that a failure in its operations may incur an additional cost. Examples for MPS might include costs associated with a major failure of IT systems, fraud, flood, fire in one of the offices or theft of its assets.

Mitigation

MPS has done much to ensure that it has IT back-up systems and contingency plans in the event of failures or disasters, such that there will be minimal disruption to its business. It also spends time, supported by the Internal Audit function, reviewing and testing its internal business systems and processes, to ensure that they are sufficiently robust to ensure accuracy of the data on which business decisions are based, and to mitigate the risks of error, fraud and theft.

DERIVATIVE FINANCIAL INSTRUMENTS

MPS maintains a currency hedging programme to mitigate currency risks where it does not hold sufficient assets in a particular currency to match its liabilities in that currency. These are treated as off balance sheet, however details of the hedges and valuations are shown in note 11d to the financial statements.

MPS also maintains a UK interest rate swap programme to mitigate potential losses from its index linked bonds portfolio, which may arise when UK interest rates rise. Unrealised movements in these swaps are taken through the statement of total recognised gains and losses as gains/losses on revaluation (included in note 11a to the financial statements under surplus on revaluation of investments and derivatives). Realised gains and losses are taken through the income and expenditure account.

Additionally, the company's investment managers held derivative financial instruments to enhance investment returns. The net recognised gains and losses arising from holding these contracts are included in note 4 to the financial statements under other investment income.

RISK CHARACTERISTICS OF DERIVATIVE FINANCIAL INSTRUMENTS

INTEREST RATE RISK

Some of MPS's derivatives, such as the UK interest rate swap programme, are sensitive to interest rate movements so it is necessary to determine the interest rate risk to which such contracts will be exposed. This is done by comparing the risk of the underlying asset against the risk of the derivative using a formula to determine the number of contracts that need to be held. This risk is then considered together with the risk of interest rate sensitive investments where derivatives are held for full or partial hedging of the risk.

CREDIT RISK

Credit risk encompasses all forms of counterparty risk. The company manages this risk through its investment policy, which sets out the type and quality of investments that can be held and the maximum exposure to any particular investment. Derivatives held to enhance returns are short term in nature with low credit risk. For longer term derivative contracts, credit risk is managed by utilising collateral accounts between the respective counterparties, which are selected in agreement with the investment managers.

APPROVAL

This report was approved by the Council on 8 April 2015 and signed on its behalf by:



David Wheeler
Company Secretary
33 Cavendish Square, London, W1G 0PS

REPORT OF THE COUNCIL

The Council, which for the purposes of the Companies Act 2006 is the Board of Directors, presents its annual report for the year ended 31 December 2014.

MEMBERS OF THE COUNCIL

The names of the members of the Council of MPS who served during the year are set out on page 19.

GOVERNANCE OF MPS

The Listing Rules of the Financial Conduct Authority require listed companies to apply the Main Principles of the UK Corporate Governance Code (the Code) prepared by the Financial Reporting Council and report to their shareholders on how they have done so. As MPS is not a listed company, and does not have any shareholders, it is not required to comply with the Code. However, MPS believes that it should apply a level of governance appropriate to the size and nature of the Company in running its business; the following sections set out the governance structure that it has in place and the steps MPS takes to meet its aims in this area.

THE COUNCIL

The Council currently consists of a non-executive Chairman, a non-executive Vice-Chairman, the MPS Chief Executive, two further executive members (being the MPS Executive Director – Finance and Risk and the Dental Director) and eight other non-executive members. MPS's constitution requires that the majority of Council members are Medical or Dental Members of MPS and that the Chairman is either a Medical or Dental Member.

Of the non-executives (including the Chairman) at the year end, six are Medical or Dental Members and four are not. With the exception of the Chairman, the non-executives are considered to be independent. The four non-executives who are not a Medical or Dental Member have no financial interest in MPS other than their fees as members of the Council. The six non-executives who are a Medical or Dental Member receive fees as members of the Council. Their personal membership of MPS is not felt sufficient to compromise their independence.

MPS continues to review the transparency of the independence of its non-executive directors and to provide appropriate guidelines for all directors on their ethical conduct as a director of MPS. To this end, MPS has, for MPS and its subsidiary Boards, a register of interests and also publishes internally a Code of Ethical Conduct for all staff, which applies equally to members of the Council.

MPS has separate posts of Chairman and Chief Executive to differentiate the running of the Council from the executive responsibility for the running of the business. The Council considers that the non-executive members of the Council as a group are of sufficient calibre and number to bring strength and independence to the Council; this is further supported by the Vice-Chairman role, which was introduced in 2014.

All Council members, except for the Chief Executive and the Chairman of Dental Protection Limited, are subject to election by members at the first opportunity after their appointment by the Council and to re-election (again excepting the Chief Executive and the Chairman of Dental Protection Limited) at general meetings at least every three years. The Chief Executive is appointed by the Council and can be removed by the Council. The Council believes that not subjecting the Chief Executive to re-election does not compromise the independence or integrity of the Council. The Chairman of Dental Protection Limited is a member of the Council ex officio. They are appointed to both the Dental Protection Limited Board, together with their fellow directors, and the post of Chairman, by the Council of MPS. Non-executive members of the Council usually serve for a maximum of eight full years.

The Council usually meets formally eight or nine times during the year but may meet more often if required (eight times in 2014). The additional two meetings in 2013, compared to 2014, were used to address strategic change and the Council's review of its governance arrangements. In addition to its regular meetings, the Council will usually devote one meeting to conduct a detailed review of the organisation's business objectives and strategy. The attendance record of members of the Council at the eight meetings

is shown in the table opposite (eligible meetings for attendance shown in brackets):

The Council has a schedule of matters specifically reserved to it for decision, including strategy, financial policy and major acquisitions and disposals. All Council members have access to the advice and services of the Company Secretary and procedures exist for any member of the Council to take independent advice at MPS's expense.

Non-executive members of the Council met on occasions during the year without the executive members and have the provision to meet without the executive at any time that such a meeting may be required. There is also the provision for the non-executive members to meet without the Chairman and executive if they wish – this was not thought necessary during 2014.

SUB-COMMITTEES OF THE COUNCIL

The Council has a Nominations, Remuneration, Audit and Risk and Assets and Liabilities Committee, the members of which are listed on page 19. The Committees meet in accordance with the following schedule:

COMMITTEE	SCHEDULED MEETINGS*
Nominations	February, March, June and November
Remuneration	February, March, April, October and December
Audit and Risk	March, June, September and November
Assets and Liabilities	January, April, June and September

* Additional meetings can be held if required.

The Nominations Committee is chaired by the Chairman of the Council and keeps under review the composition of the Council and makes recommendations concerning all new appointments of non-executive members.

The Remuneration Committee is chaired by a non-executive member of the Council, Keith Bradley, and is responsible for making recommendations to the Council concerning matters relating to remuneration policy. See 'Remuneration report' below.

MEMBER OF THE COUNCIL	APPOINTED OR RETIRED	MEETINGS ATTENDED	
		2014	2013
Keith Bradley		7 (8)	9 (10)
Richard Brennan		8 (8)	5 (5)
Trevor Burke	Retired 8 October 2014	4 (6)	8 (10)
Ian Croxford		6 (8)	9 (10)
Mark Davis		8 (8)	8 (10)
Yasmin Drabu		6 (8)	9 (10)
Patrick Forbes		8 (8)	9 (10)
John Gibson	Appointed 8 October 2014	2 (2)	-
Taj Hassan	Retired 11 June 2014	2 (4)	8 (10)
Simon Kayll		8 (8)	10 (10)
Howard Kew		8 (8)	10 (10)
Kay-Tee Khaw		8 (8)	10 (10)
Kevin Lewis		8 (8)	10 (10)
Simon Pashby		8 (8)	10 (10)
Sally Scutt		8 (8)	3 (4)

The Audit and Risk Committee is chaired by the Vice-Chairman of Council, Simon Pashby (formerly a senior audit partner with KPMG), and met four times in the year. MPS's external auditors, Chairman, Chief Executive, Executive Director – Finance and Risk, Director of Financial Reporting and Control and internal auditors also attend the meetings and the Committee has an opportunity to meet the external auditors without management present. Other senior managers may attend for specific agenda items at the request of the Committee. The Audit and Risk Committee reviews the adequacy and effectiveness of risk management and control systems and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the auditors. In addition, the Committee also receives referrals for ethical guidance, provides oversight of MPS's anti-bribery and corruption policies, has responsibility for the 'anti-bribery' risk assessment including the risk of management override, and has oversight of the whistleblowing policy. It also reviews, prior to publication, the annual financial statements and the other information included in the Annual Report. The Audit and Risk Committee also meets annually with, and reviews the work of, the independent consulting actuaries.

The attendance record of members of the Audit and Risk Committee is shown in the table below (eligible meetings for attendance shown in brackets). The Committee met in March, June, September and November 2014.

MEMBER OF THE AUDIT AND RISK COMMITTEE	MEETINGS ATTENDED	
	2014	2013
Keith Bradley	4 (4)	3 (3)
Yasmin Drabu	3 (4)	2 (2)
Ian Croxford	2 (4)	3 (3)
Simon Pashby	4 (4)	3 (3)
Sally Scutt	4 (4)	1 (1)

As noted above the Audit and Risk Committee is responsible for ensuring the continued independence of the external auditors. The Committee has a written policy on this, which includes requiring the auditors to make a statement on their continued independence, placing limits on the amount of non-audit work undertaken by the auditors and having a policy covering the commissioning of non-audit services from the auditors.

During the year the Audit and Risk Committee reviewed MPS's internal audit capabilities, following internal changes to redeploy the Head of Internal Audit to a strategic change role. Having considered various options, including external recruitment and internal resourcing, the Committee decided it would be more effective to outsource internal audit to an established external provider. Following a competitive tender to several audit firms, KPMG LLP was selected as internal audit provider, effective from October 2014.

As part of the governance review undertaken in 2013, a new sub-Committee of Council was formed; the Assets and Liabilities Committee, which is chaired by Howard Kew, Executive Director – Finance and Risk, and provides governance oversight of the strategic management of the assets and liabilities of MPS.

Several members of the Council are members of the Board of MPI (London) Limited, which manages MPS's investment portfolio, and of the Board of MPS Risk Solutions Limited, which previously provided general insurance contracts to corporate healthcare providers. The Board of MPI (London) Limited is chaired by the Chairman of the Council. The other Council members of the Boards are listed on page 19.

THE ROLE OF THE COUNCIL

The Council's principal focus is the overall strategic direction, development and control of the MPS group. In addition, it is also ultimately responsible for the exercising of discretion in response to requests for

assistance. In practice, subject to reporting, oversight and review by the Council, this is delegated to the executive management and employees and for Dental members to the Board of Dental Protection Limited.

In support of the overall strategy, the Council approves the group's values, strategic plans, annual budget and overall system of risk identification, management and internal controls. The Council also has control of the group's operating and financial performance.

The Council agrees the group's corporate governance framework, as part of which it has empowered the main management committee, the Executive Committee, who are responsible for day-to-day operations.

The roles of the Chairman and Chief Executive are documented and the Chairman, together with the Chief Executive and the Secretary, are responsible for ensuring that the Council is kept fully informed and is consulted on issues that are reserved to it and that decisions are made in a timely manner.

Newly appointed members of the Council are given an induction appropriate to their level of previous experience.

BOARD EVALUATION

The Council undertakes an evaluation of its performance in each financial year. To date this has been based upon a questionnaire and the invitation for members of the Council to speak to the Chairman on performance issues. The results of the 2014 evaluation have been reported to the Council by the Chairman and reviewed and discussed. The Council was satisfied as a result of the review that the Council and its sub-committees functioned effectively during the review period.

INTERNAL CONTROL

The Council has overall responsibility for MPS's system of internal controls and for reviewing its effectiveness whilst the role of management is to implement the Council's policies on risk and control. The system is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

There is a continuous process for identifying, evaluating and managing the significant risks faced by MPS. This has been in place for the full financial year and up to the date of approval of the Annual Report.

The process involves the undertaking of regular reviews at departmental and corporate level. From these reviews, management identifies the key risks, and

determines their significance based on the likelihood of each risk occurring and the potential impact on MPS if it were to do so. Management then determines what action can cost-effectively be taken.

The Council has delegated the function of monitoring the effectiveness of the system of internal control and of the risk management process to the Audit and Risk Committee. The Chairman of the Audit and Risk Committee reports outcomes of its meetings to the Council and the Council receives the minutes of all these meetings. In fulfilling its responsibilities to the Council, the Audit and Risk Committee:

- Discusses with internal audit a plan of work each year, agrees the resource commitment and reviews findings of their work
- Discusses with the external auditors their audit approach, and agrees any particular aspect of internal control or risk management to be reviewed by them beyond their statutory responsibilities
- Discusses with independent consulting actuaries their approach to statistical reserving of reported claims and potential claims that have yet to be reported
- Considers the results of the external auditor's work with them and with management
- Initiates as necessary and considers reports from management on systems of internal control and on the effectiveness of risk management
- Reports the results of its work, with any necessary recommendations, to the Council and ensures that actions required by the Council are implemented. One such report is made at the year-end before producing this statement.

As noted above, MPS has engaged the services of KPMG to provide an Internal Audit function whose responsibilities include providing assurance over a wide range of issues including financial, corporate and operational risks. Assurance is provided through reporting and the provision of opinion following a range of monitoring activities, discussion and review. The Internal Audit function is independent from all operational departments and its work is overseen and co-ordinated by the Audit and Risk Committee. The Committee receives summaries of all internal audit reports, is involved in approving the annual internal audit plan and is able to question the Internal Auditors about their work at each Committee meeting; the Committee also monitors and, where appropriate, challenges the business's timely progress in the clearance of agreed audit recommendations.

The Council recognises the need to regularly review and monitor the appropriateness of its approach to overseeing the systems of risk management and control operated at MPS. With this in mind, the Council has continued to adapt its approach during the year to take into account: the economic climate of the last five years; the revisions and ongoing consultations relating to corporate governance standards and guidance; and the recommendations of the Sharman Inquiry ("Going Concern and Liquidity Risks"). The Audit and Risk Committee itself maintains focus on the many facets of risk management and control through a dedicated annual meeting, the key remit of which is to review and assess management's approach to strategic risks.

REMUNERATION REPORT

The Remuneration Committee met five times in 2014 and comprises Keith Bradley (Chairman), Kay-Tee Khaw, Peter Morris, Simon Pashby and Sally Scutt. In addition, the Chief Executive and the Director of Human Resources attend the meetings as required. The Chief Executive takes no part in discussion of his own remuneration.

The Committee's primary responsibility is to recommend to the Council the overarching principles and parameters of remuneration policy for MPS and to work with management to oversee the operation of a reward approach in line with these principles. More specifically, the Committee is responsible for establishing the salary and performance reward for the executive directors, and for receiving and reviewing the salary and performance reward for other senior staff.

During 2014, the Remuneration Committee continued the work started in 2013, to oversee the development and implementation of a new reward and recognition policy within MPS. Following a benchmarking exercise of pay levels and reward policies in other organisations, carried out with advice and data sourced from independent HR consultants, MPS mapped all job roles and developed a new pay policy. As well as aligning base salary for similar roles across MPS, and which enabled external comparisons, the new policy also introduces variable pay linked to performance.

In 2014 MPS applied its revised policy for the fixed pay element for all staff below Executive Director level, with the aim of ensuring that base pay for roles within MPS is around the market median, in order to attract and retain good staff. The minority of staff paid significantly below the median received increases to bring their base pay closer to the median and the minority of staff paid significantly above the median for their role received no increases.

A comparison of base pay was also undertaken for executive directors, using similar benchmarking data from the independent HR consultants. A tailored comparator group was identified of other mutual organisations of similar size and complexity. This identified that base pay for all Executive Directors was below market rates, and this was particularly the case for the Chief Executive and Finance Director. Based on this analysis, the Committee recommended an increase to the base pay of all Executive Directors to better align the levels to market rates. Whilst MPS's base pay policy seeks to pay around the market median, the base pay enhancements for the Chief Executive and Finance Director moved their base pay to around the 25th percentile, which is the lower quartile of the comparator group.

In parallel with the base pay changes, the Committee continued to oversee the development of a company-wide variable pay policy, to replace other non-base pay rewards, with a view to ensuring greater consistency and transparency of total reward across the organisation and at the same time creating improved alignment between corporate objectives and individual and team performance. This new policy will operate from 2015 and more details of the total reward scheme will be reported next year.

In 2014 MPS continued, for its final year, an incentive scheme that has been running for a number of years, which pays a modest reward to around the 30 most senior staff, based on performance against a range of criteria, resulting in a theoretical maximum of 10% or 16% of base pay, depending on the level of seniority.

It remains that the non-executive members of the Council do not receive any incentive or performance-related remuneration.

Details of the Council Members' remuneration are included at note 6 to the financial statements.

RELATIONS WITH MEMBERS

MPS values its dialogue with members throughout the year on a diverse range of subjects. In particular, the Council uses the Annual General Meeting to communicate financial performance to members and encourage their participation. Members of the Audit and Risk, Nominations, Remuneration and Asset and

Liabilities committees will be present at the Annual General Meeting to respond to any relevant questions if necessary.

The notice for the Annual General Meeting is sent to members at least 20 working days before the meeting date.

GOING CONCERN

Members of the Council consider that MPS has adequate resources to continue in operation for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

In forming this view, members of the Council have considered the recommendations, and the further ongoing consultations, arising from the Sharman Inquiry ("Going Concern and Liquidity Risks"). In addition to reviewing and approving short term financial plans, they have received and discussed a report detailing the current financial position of MPS, the implications of this over various time periods and the actions being taken by MPS to ensure that it remains a going concern now and in the future. The Council has also formulated a strategic plan to ensure, amongst other goals, that adequate funding is maintained and a number of projects are ongoing to deliver this plan with some already providing positive contributions.

AUDITORS

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

STATEMENT OF THE COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Council is responsible for preparing the Strategic Report, the Report of the Council and the financial statements in accordance with applicable law and regulations.

Company law requires the Council to prepare financial statements for each financial year. Under that law the Council has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting

Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Council 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 group and parent company and the net contribution available to meet future liabilities and charges of the company and group for that period.

In preparing these financial statements, the Council is required to:

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

The Council is 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. It is 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.

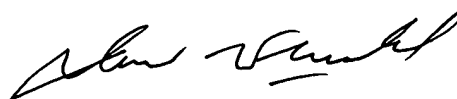
The Council members confirm that:

- so far as each Council member is aware there is no relevant audit information of which the company's auditors are unaware
- the Council members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Council is 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.

APPROVAL

This report was approved by the Council on 8 April 2015 and signed on its behalf by:



David Wheeler
Company Secretary
33 Cavendish Square, London, W1G 0PS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MEDICAL PROTECTION SOCIETY LIMITED

We have audited the financial statements of The Medical Protection Society Limited for the year ended 31 December 2014 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost income and expenditure, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

As explained more fully in the Statement of Council's Responsibilities for the Financial Statements set out on pages 37-38, the Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's net contribution available to meet future liabilities and charges of the group for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

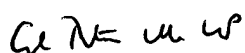
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Michael Redfern
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Leeds
8 April 2015

FINANCIAL STATEMENTS

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

Year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Income: continuing operations			
Members' subscriptions and other income		390,461	376,997
Expenditure			
Claims costs and associated legal costs (including costs of insurance)	15	316,277	292,592
Movement in projected insurance recoveries	2j	(7,528)	4,310
Advisory costs and associated legal costs	15	57,830	57,638
Education, publications and external relations	3a	8,744	9,409
Administration expenses	3b	24,871	21,423
Loss on exchange movements	3c	11,595	31,947
		411,789	417,319
Deficit of members' subscriptions and other income over expenditure: continuing operations		(21,328)	(40,322)
Income from investments	4	38,675	31,081
Other finance income	8	1,765	708
Surplus on disposal of investments	11e	10,400	871
Contribution from ordinary activities before taxation: continuing operations		29,512	(7,662)
Tax (charge)/credit on investment income and gains/(losses)	5a	(5,988)	12
Net contribution for the year to funds available for members	17	23,524	(7,650)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2014 £'000	2013 £'000
Net contribution for the financial year		23,524	(7,650)
Surplus on revaluation of investments	16	161	48,368
Actuarial (losses)/gains on the defined benefit pension scheme	8	(2,214)	1,922
Tax on investment revaluation movements	5a	6,627	6,546
Total recognised gains		28,098	49,186

NOTE OF HISTORICAL COST INCOME AND EXPENDITURE

	Notes	2014 £'000	2013 £'000
Reported net contribution before tax		29,512	(7,662)
Realisation of valuation (losses)/gains of previous years	16	(9,174)	32,836
Historical cost net contribution before tax		20,338	25,174
Historical cost net contribution after tax		20,977	31,732

CONSOLIDATED AND COMPANY BALANCE SHEETS

Year ended 31 December 2014	Notes	2014 Group £'000	2013 Group £'000	2014 Company £'000	2013 Company £'000
Fixed assets					
Intangible assets	9	15	-	306	324
Tangible assets	10	22,452	23,202	22,429	23,174
Investments	11a	1,992,469	1,886,228	1,231,050	1,141,050
		2,014,936	1,909,430	1,253,785	1,164,548
Current assets					
Debtors - due within one year	13	23,738	16,698	117,985	111,016
- due after one year	13	26,942	20,612	19,689	14,028
Bank deposit accounts		157,580	144,965	22,025	31,546
Cash at bank and in hand		8,987	9,310	10,045	9,181
		217,247	191,585	169,744	165,771
Creditors: amounts falling due within one year	14	(68,616)	(59,650)	(61,854)	(57,357)
Net current assets		148,631	131,935	107,890	108,414
Total assets less current liabilities		2,163,567	2,041,365	1,361,675	1,272,962
Provision for liabilities	15	(941,248)	(844,871)	(932,259)	(829,105)
Net assets excluding pension asset		1,222,319	1,196,494	429,416	443,857
Pension asset	8	7,218	4,945	7,218	4,945
Net assets		1,229,537	1,201,439	436,634	448,802
Accumulated funds					
Revaluation reserve	16	337,255	327,920	-	-
Income and expenditure	16	892,282	873,519	436,634	448,802
Funds available for members	17	1,229,537	1,201,439	436,634	448,802

The financial statements were approved and authorised for issue by the Council and were signed on its behalf on 8 April 2015.



Kay-Tee Khaw
Chairman of the Council



Simon Kayll
Chief Executive

The Medical Protection Society Limited
Registered Company No. 36142

CONSOLIDATED CASH FLOW STATEMENT**Year ended 31 December 2014**

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	18	73,338	79,809
Returns on investment and servicing of finance	19	38,675	31,081
Taxation		(33)	(1,619)
Capital expenditure and financial investment	20	(95,601)	(77,296)
		16,379	31,975
Net cash outflow from management of liquid resources (comprising bank deposits and investment deposits)		(16,702)	(32,433)
Decrease in cash in the period		(323)	(458)

Analysis of changes in net funds

	At 1/1/2014 £'000	Cash flow movement £'000	At 31/12/2014 £'000
Cash at bank and in hand	9,310	(323)	8,987
Bank deposit accounts	144,965	12,615	157,580
Cash with investment managers	35,844	4,087	39,931
Net funds	190,119	16,379	206,498

Reconciliation of net cash flow to movement in net funds

	2014 £'000	2013 £'000
Decrease in cash	(323)	(458)
Cash flow from increase in net liquid resources	16,702	32,433
	16,379	31,975
Net funds at 1 January	190,119	158,144
Net funds at 31 December	206,498	190,119

Of the net funds of £206.5m (2013: £190.1m) held by MPS, £14.5m (2013: £14.9m) is held in trust on behalf of the MPS Periodical Payments Trust, which was established to provide security for payments to be made in satisfaction of periodical payments orders. The Trust's funds, which are invested in a segregated managed cash portfolio, can only be used to meet liabilities resulting from periodical payment orders and are not available to settle any other MPS liabilities.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with applicable accounting standards for the UK, the Companies Act 2006 and MPS's constitution.

Convention

The financial statements include investments and derivatives at valuation, but in all other respects, have been prepared in accordance with the historical cost convention. The principal accounting policies adopted by MPS within that convention are set out below.

2. ACCOUNTING POLICIES

a. Consolidation

The Group financial statements comprise a consolidation of the financial statements of the parent company (the "Company") and all its subsidiary undertakings (together, the "Group") as at 31 December and as identified in note 12. As a consolidated income and expenditure account is published, a separate income and expenditure account for the parent company is omitted from the group financial statements by virtue of Section 408 of the Companies Act 2006. The parent company net contribution for the year to 31 December 2014 was a deficit of £10.0m (2013: deficit of £5.3m), as shown in note 16.

b. Subscriptions

Subscription income comprises amounts receivable during the year, apportioned to accounting periods based on actual membership periods and stated at the fair value of the consideration receivable. It is recognised when the Company has performed its obligation to provide a period of membership, which allows members to seek assistance for incidents occurring during that period, and in exchange obtained the right to consideration. Income is not deferred beyond the end of the period of membership, as future benefits arising from that period of membership will be subject to Council exercising its discretion to provide such benefits.

No geographical analysis of subscription income is shown because, in the opinion of the Council, it would be seriously prejudicial for the Group to do so.

c. Intangible fixed assets and amortisation

Intangible fixed assets are included at cost. Amortisation is provided evenly on the cost of intangible fixed assets, to write them down to nil value over their expected useful lives. Where there is evidence of impairment, intangible assets are written

down to their current valuation, with any such write down being charged to operating profits. The annual amortisation rates used are:

Intellectual property rights	- 20% per annum
Copyrights	- 4.5% per annum

The life of the copyright is based on the tax life of the asset in Australia, where it was acquired, and is in excess of 20 years. As a result, a review was carried out at the end of 2014 to ensure the value of the asset was not impaired, which it was found not to be.

d. Tangible fixed assets and depreciation

All tangible fixed assets are included at cost. Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down would be charged to operating profit.

The principal rates used for other assets are:

Freehold buildings	- 2% per annum
Leasehold property	- over life of leases
Furniture and fittings	- 5% per annum
Office equipment	- 15% per annum
Computers	- 33.3% per annum
Motor vehicles	- 20% per annum

e. Translation of foreign currency transactions

Income and expenditure in foreign currencies are translated to their sterling equivalent at the rate ruling at the transaction date. Monetary assets and liabilities appearing in the balance sheet are translated at the rate of exchange ruling at 31 December or at a rate fixed in advance by way of a forward exchange contract. Any gains or losses are taken to the income and expenditure account, except for those arising from international equities held at valuation, which are taken to the statement of total recognised gains and losses.

f. Interest receivable and dividends

Interest receivable is brought into account on an accruals basis. As MPS's equity investments are in pooled funds and unit trusts, income is reinvested rather than distributed. Such income is therefore included within unrealised gains on investments rather than being recorded in the accounts as dividend income.

2g. Investments

Listed investments (which include cash held by the investment managers awaiting investment) are included in the balance sheet at market valuation. The net surplus or deficit on revaluation is credited or charged to the revaluation reserve. In accordance with FRS3, on disposal the proceeds are compared with the carrying value and the gain or loss credited or charged to the income and expenditure account.

Unlisted investments, for which an independent market valuation is available, are included in the balance sheet at market valuation. Other unlisted investments are included in the balance sheet at the lower of their sterling cost or net asset value.

Investments in subsidiaries are stated at cost less provision for impairment where necessary to reduce book value to recoverable amount.

h. Derivative financial instruments

Interest rate swaps are held at market value, with unrealised gains or losses taken to the statement of total recognised gains and losses. Any collateral payments or receipts in the form of Gilts are kept off balance sheet to follow ownership, but are disclosed in note 11c.

Foreign exchange forward contracts are held off balance sheet, with only realised gains and losses taken to the income and expenditure account. The fair value of these contracts, at the year end, is shown in note 11d.

In addition, the Group's investment managers are permitted to hold derivative financial instruments to enhance investment returns, with gains or losses credited or charged to the income and expenditure account.

i. Cash deposits

Cash is held on deposit to meet working capital requirements and when awaiting long-term investment within MPS's managed portfolios. A range of deposit accounts and liquidity funds are used for this purpose. The funds are kept liquid with the vast majority available on call.

j. Costs and damages for claims

Provision is made, as appropriate, for estimated future costs and damages, legal costs and claims handling costs expected to arise from all claims that have been notified to MPS by 31 December in respect of which the Council has exercised or is expected to exercise its discretion to provide indemnity. The estimate of these costs is stated before deducting estimated recoveries from insurers, which are disclosed separately and are recognised only when it is virtually certain that

reimbursement will be received. These estimated recoveries are reassessed annually.

The discounted future settlement values are deemed to be the best estimate of these costs. Although FRS12 requires that the unwinding of the discount within a provision be shown separately, it is not considered practical for these provisions, due to the complexities of the many actuarial calculations involved.

No provision is made in the financial statements for the potential claims that may arise from incidents that occurred before 31 December but had not been reported to MPS at that date. This is a key judgment area, which the Council has considered in detail, concluding that these potential claims do not constitute a liability as recognition is dependent on the exercise of discretion by the Council; and there is no constructive or legal obligation to recognise them until such discretion is exercised. The exercise of discretion by the Council is set out in the Articles of Association in paragraph 40. In reaching this judgment, the Council considered whether members have a valid expectation that assistance will be provided in full with regards all submitted claims. Having considered how discretion is exercised by MPS, the Council conclude that there cannot be a valid expectation that all requests for assistance will be met in full, and that it is not appropriate to make a provision for potential claims that have not been reported by 31 December. However, the Council believes it is appropriate to make an estimate of the cost of these potential future claims when assessing the adequacy of MPS's funding position. This estimate is disclosed and discussed in note 22.

k. Tax

Provision is made in the financial statements for tax on investment and trading income received and receivable in the year, revaluation gains and losses recognised in respect of UK and International bonds and derivatives and on other investments disposed of during the year.

No deferred tax liability is required to be reflected in the financial statements. Whilst there is a timing difference arising between the accounting and taxation treatment of certain non-monetary assets, in accordance with FRS19, deferred tax is not provided on timing differences arising from the revaluation of non-monetary assets, where there is no binding agreement to sell these assets at the balance sheet date.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing

differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

l. Pensions

MPS operates two pension schemes, a defined benefit scheme and a defined contribution scheme.

The assets of both schemes are invested and managed independently of MPS's finances. For the defined benefit scheme, the assets are measured using market values and the liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities within MPS's defined benefit scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present values of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Defined benefit pension scheme surpluses, to the extent they are considered recoverable, or deficits are recognised in full on the face of the balance sheet.

Further information on the structure of the defined benefit scheme is contained within note 8 to these accounts.

Contributions to the defined contribution pension scheme are charged to the income and expenditure account in the year to which they relate.

m. Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the group are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Operating lease incentives are recognised, on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period to the first rent review where market rentals will be payable.

n. Going Concern

Members of the Council consider that MPS has adequate resources to continue in operation for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

In forming this view, members of the Council have considered the recommendations, and the further ongoing consultations, arising from the Sharman Inquiry ("Going Concern and Liquidity Risks"). Please see page 37 of the Report of the Council.

3a. EDUCATION, PUBLICATIONS AND EXTERNAL RELATIONS

Included under this classification are costs associated with developing and delivering education and risk management services to members with the aim of reducing risk, and liaising with regulators, legislators and professional representative bodies around the world on behalf of members and the wider professions, on matters relevant to MPS and its members.

3b. ADMINISTRATION EXPENSES

	2014 £'000	2013 £'000
Included under this classification are:		
Operating lease rentals		
- Land and buildings	2,371	2,420
- Motor vehicles	202	192
- Office equipment	161	160
Depreciation of fixed assets	2,525	2,294
Auditor's remuneration		
<i>Services to the Company and its subsidiaries</i>		
Fees payable to the Company's auditor for the audit of the annual financial statements	111	85
Fees payable to the Company's auditor and its associates for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	20	19
Other services:		
- Taxation compliance	48	37
- Taxation advice	13	22
- Accounting advice	22	13
<i>Services to the Company's associated pension scheme</i>		
Audit of the financial statements of the Scheme pursuant to legislation	5	5

3c. EXCHANGE MOVEMENTS

The majority of the losses on exchange movements relate to the restatement of international bonds and cash assets held to match international liabilities. These losses are substantially offset by a corresponding decrease in international claim liabilities, which are included in claims costs and associated legal costs in the income and expenditure account.

4. INCOME FROM INVESTMENTS

	2014 £'000	2013 £'000
Bond and gilt interest	30,911	27,312
Bank interest	1,134	1,419
Other investment income	6,630	2,350
	38,675	31,081

Other investment income includes net realised gains/(losses) arising from certain derivative financial instruments, which are discussed in more detail in the Strategic Report on page 32, and distributions from infrastructure funds.

As noted in 2f, dividend income from MPS's equity investments is not distributed but is reinvested and included in unrealised gains on investments rather than as investment income.

5a. TAX ON INCOME AND GAINS/(LOSSES) FROM INVESTMENTS

<i>Tax on income and gains/(losses) included in the income and expenditure account for the year</i>	2014 £'000	2013 £'000
Current tax:		
UK corporation tax on income and gains/(losses) for the year at 21% (2013: 23%)	4,830	(35)
Adjustment in respect of prior years	-	39
Foreign tax	30	33
Double taxation relief	(9)	(11)
Current tax charge for the year (see note 5b)	4,851	26
Deferred tax:		
Origination and reversal of timing differences	1,137	(38)
Tax on investment income and gains/(losses) in the income and expenditure account for the year	5,988	(12)
Tax on other losses included in the statement of total recognised gains and losses for the year		
Current tax:		
UK corporation tax on (losses)/gains for the year at 21% (2013: 23%)	(4,821)	-
Deferred tax:		
Origination and reversal of timing differences	(1,806)	(6,546)
Tax on other losses included in the statement of total recognised gains and losses for the year	(6,627)	(6,546)

5b. FACTORS AFFECTING TAX CHARGE FOR THE YEAR

Current tax reconciliation	2014	2013
	£'000	£'000
Differences between the current tax charge for the period and the expected tax charge based on the current rate of 21% (2013: 23%) are explained below:		
Contribution before tax per accounts	29,512	(7,662)
Non-taxable contribution	13,767	8,487
Income and net gains/(losses) from investments included in the income and expenditure account for the year	43,279	825
Income and net gains/(losses) from investments multiplied by the standard rate of corporation tax in the UK of 21% (2013: 23%)	9,089	190
Effects of:		
Tax difference on equity disposals	(1,979)	-
Utilisation of losses taken directly to reserves	(1,970)	-
Non-taxable dividend income	(428)	(269)
Change in tax rate	110	(3)
Foreign tax	29	33
Depreciation in excess of capital allowances	-	3
Double tax relief	-	(11)
Adjustment in respect of prior years	-	39
Unutilised losses	-	44
Current tax charge for the year	4,851	26

The non-taxable contribution above is the balance of members' subscription income over related expenditure, which, due to MPS's mutual status, is not subject to corporation tax.

5c. DEFERRED TAXATION

An unprovided £28.9m (2013: £26.3m) tax charge would arise should MPS's equity investments be sold at the market values at which they are included in the balance sheet.

In accordance with accounting policy 2k, a deferred tax asset has been recognised as detailed below:

	2014	2013
	£'000	£'000
Short term timing differences	7,253	6,584
Provision for deferred tax	7,253	6,584
Provision at 1 January	6,584	-
Deferred tax credit in the income and expenditure account for the period	(1,137)	38
Deferred tax credit in the statement of total recognised gains and losses for the period	1,806	6,546
Provision at 31 December	7,253	6,584

6. EMOLUMENTS OF MEMBERS OF THE COUNCIL

The standard remuneration for all non-executive members of the Council (other than the Chairman) was £21,000 (2013: £20,485). In addition, most non-executive members of the Council receive fees for appointments to various Boards and Committees. Details of Council member appointments can be found on page 19. The total fees payable to all members of the Council are analysed below:

	Salary/fees £'000	TB £'000	PR £'000	AP £'000	Total £'000	2013 £'000
Executive members						
Simon Kayll (Chief Executive)	310	19	31	25	385	311
Howard Kew (Executive Director – Finance and Risk)	200	14	20	11	245	187
Kevin Lewis (Dental Director)	175	13	17	3	208	187
Non-executive members						
Kay-Tee Khaw (Chairman)	51	-	-	-	51	50
Frank Attwood (Retired 10 April 2013)	-	-	-	-	-	11
Keith Bradley	31	-	-	-	31	28
Richard Brennan (Appointed 1 July 2013)	21	-	-	-	21	10
Trevor Burke (Retired 8 October 2014)	32	-	-	-	32	41
Ian Croxford	31	-	-	-	31	30
Mark Davis	25	-	-	-	25	24
Yasmin Drabu	30	-	-	-	30	29
Mary Favier (Retired 12 June 2013)	-	-	-	-	-	12
Patrick Forbes	28	-	-	-	28	26
Taj Hassan (Retired 11 June 2014)	12	-	-	-	12	27
John Gibson (Appointed 8 October 2014)	11	-	-	-	11	-
Simon Pashby	46	-	-	-	46	34
Sally Scutt (Appointed 1 September 2013)	27	-	-	-	27	9
Elizabeth Vallance (Retired 12 June 2013)	-	-	-	-	-	14
	1,030	46	68	39	1,183	1,030

Key:

TB	Taxable benefits – includes car allowance, relocation allowance (for the Chief Executive) and medical benefits
PR	Performance reward
AP	Alternative pension arrangements

In addition, the President, who is not a member of Council, but is elected by the membership and attends Council and certain Committee meetings, received £26,002 (2013: £24,629) in emoluments during the year.

During 2014 there were 3 (2013: 3) executive members of the Council who were members of MPS's defined benefit pension scheme, details of which are set out in note 8. During the same period, no members of Council were members of the defined contribution pension scheme, which was introduced on 1 November 2013.

The highest paid director, the Chief Executive, has accrued annual defined benefit pension rights of £51,000 (2013: £47,000).

In addition, as stated in the Report of the Council on page 33, six members of the Council had personal membership of MPS.

7. EMPLOYEES

The average number of people employed by the Group and the Company in the provision of services to members during the year was 622 (2013: 592).

Costs in respect of these employees were:

	2014 £'000	2013 £'000
Wages and salaries	28,788	27,286
Social security costs	2,945	2,762
Pension costs	5,448	4,992
	37,181	35,040

8. PENSIONS

MPS operates two pension schemes; a funded defined benefit pension scheme, which is administered under Trust and a defined contribution pension scheme, which is overseen by the Defined Contribution Oversight Committee. The assets of both schemes are held independently of MPS's finances. Contributions to the defined contribution scheme are charged to the income and expenditure account in the year to which they relate. Contributions to the defined benefit scheme are paid to the scheme in accordance with the Schedule of Contributions agreed between the Trustees and MPS.

The defined benefit scheme was closed to new entrants on 1 November 2013, at which time the defined contribution scheme was introduced.

The funding of the defined benefit scheme is based on triennial valuation; the last full actuarial valuation as at 31 December 2011 was updated to the accounting date by an independent qualified actuary in accordance with FRS17. As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

The next full actuarial valuation is being carried out as at 31 December 2014.

The following tables set out the key FRS17 assumptions used for the defined benefit scheme. The tables also set out, as at the accounting date, the fair values of the assets, analysed by asset class, the present value of the scheme liabilities and the resulting pension surplus. FRS17 requires that this surplus be shown as "Pension asset" on the face of the balance sheet.

PRINCIPAL ACTUARIAL ASSUMPTIONS:	At 31 December 2014 % pa	At 31 December 2013 % pa
Price RPI inflation	3.2	3.6
Discount rate	3.7	4.6
Pension increases (LPI 5%)	3.1	3.4
Pension increases (LPI 3%)	2.5	2.6
Salary growth	4.2	5.1
Expected return on assets at start of year	6.0	5.4

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 29.1 years (2013: 29.0 years). Allowance is made for future improvements in life expectancy.

8. PENSIONS: CONTINUED**BALANCE SHEET:**

	At 31 December 2014 £'000	At 31 December 2013 £'000
Fair value of scheme assets	124,233	102,897
Defined benefit obligation	(117,015)	(97,952)
Pension asset in the balance sheet	7,218	4,945

THE CURRENT ALLOCATION OF PENSION SCHEME ASSETS IS AS FOLLOWS:

	At 31 December 2014 %	£'000	At 31 December 2013 %	£'000
Equities	30	36,922	34	34,954
Index linked gilts	-	-	21	21,998
Liability driven investment	43	54,028	14	14,546
Diversified growth fund	27	32,859	31	31,307
Cash	-	424	-	92
Total	100	124,233	100	102,897

THE FOLLOWING AMOUNTS ARE RECOGNISED IN THE INCOME AND EXPENDITURE ACCOUNT:

	2014 £'000	2013 £'000
Current service cost	4,686	4,688
Interest cost	4,586	4,063
Expected return on pension scheme assets	(6,351)	(4,771)
Total expense recognised in income and expenditure account	2,921	3,980

Within the income and expenditure account, current service costs are recognised within administration expenses, and the net of interest costs and the expected return on pension scheme assets is recognised as other finance income. For 2014 this was an income of £1,765,000, and for 2013, an income of £708,000.

THE DEFINED BENEFIT OBLIGATION MOVED OVER THE YEAR AS FOLLOWS:

	2014 £'000	2013 £'000
Opening defined benefit obligation	97,952	86,375
Current service cost	4,686	4,688
Interest cost	4,586	4,063
Contributions by scheme members	972	821
Actuarial losses	10,967	3,578
Benefits paid	(2,148)	(1,573)
Closing defined benefit obligation	117,015	97,952

THE FAIR VALUE OF THE SCHEME ASSETS MOVED OVER THE YEAR AS FOLLOWS:		
	2014 £'000	2013 £'000
Opening fair value of scheme assets	102,897	84,816
Expected return on scheme assets	6,351	4,771
Actuarial gains	8,753	5,500
Contributions by the employer	7,408	8,562
Contributions by scheme members	972	821
Benefits paid	(2,148)	(1,573)
Closing fair value of scheme assets	124,233	102,897
The actual return on scheme assets was	15,104	10,271

Over the year to 31 December 2014, MPS made contributions of £7.4m (2013: £8.6m) to the scheme. It has been agreed that from 1 April 2014 future employer contributions will be at a rate of 22.0% of pensionable salaries for 80th scale members and 29.3% (27.5% from 1 April 2015) of pensionable salaries for other scale members. All contributions will be reviewed following the completion of the next actuarial valuation effective as at 31 December 2014.

Estimated total contributions payable to the defined benefit scheme by MPS for 2015, including deficit funding contributions, are £7.0m.

THE FOLLOWING AMOUNTS ARE RECOGNISED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES:		
	2014 £'000	2013 £'000
Actuarial losses/(gains)	2,214	(1,922)

FIVE YEAR HISTORY:					
	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	124,233	102,897	84,816	76,092	67,780
Defined benefit obligation	(117,015)	(97,952)	(86,375)	(74,577)	(64,332)
Surplus/(deficit)	7,218	4,945	(1,559)	1,515	3,448
Experience adjustments on scheme liabilities	340	1,215	745	(258)	(172)
Experience adjustments on scheme assets	8,753	5,500	340	(269)	4,182

9. INTANGIBLE FIXED ASSETS

	Group £'000	Company £'000
Cost		
At 1 January 2014	-	394
Additions	16	-
At 31 December 2014	16	394
Amortisation		
At 1 January 2014	-	70
Provided in year	1	18
At 31 December 2014	1	88
Net book value		
At 31 December 2014	15	306
At 31 December 2013	-	324

The Group intangible fixed asset relates to intellectual property rights acquired by a group company, The Cognitive Consulting Group Pty Limited (CCG) (see note 12).

The Company intangible fixed asset relates to copyrights for educational training material purchased by the parent company from CCG.

10. TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Computers, furniture, fittings and office equipment	Motor vehicles	Total
GROUP	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2014	16,434	2,323	17,265	34	36,056
Additions	212	-	1,570	-	1,782
Disposals	-	-	(1,803)	-	(1,803)
At 31 December 2014	16,646	2,323	17,032	34	36,035
Depreciation					
At 1 January 2014	525	1,550	10,761	18	12,854
Provided in year	333	138	2,043	11	2,525
Released on disposals	-	-	(1,796)	-	(1,796)
At 31 December 2014	858	1,688	11,008	29	13,583
Net book value					
At 31 December 2014	15,788	635	6,024	5	22,452
At 31 December 2013	15,909	773	6,504	16	23,202
COMPANY					
Cost or valuation					
At 1 January 2014	16,434	2,323	16,970	34	35,761
Additions	212	-	1,568	-	1,780
Disposals	-	-	(1,802)	-	(1,802)
At 31 December 2014	16,646	2,323	16,736	34	35,739
Depreciation					
At 1 January 2014	525	1,550	10,494	18	12,587
Provided in year	333	138	2,036	11	2,518
Released on disposals	-	-	(1,795)	-	(1,795)
At 31 December 2014	858	1,688	10,735	29	13,310
Net book value					
At 31 December 2014	15,788	635	6,001	5	22,429
At 31 December 2013	15,909	773	6,476	16	23,174

All the leasehold properties held at 31 December 2014 are short leaseholds.

Capital commitments

Capital expenditure approved and contracted for amounted to £nil (2013: £nil).

11a. INVESTMENTS

	2014 Group £'000	2013 Group £'000	2014 Company £'000	2013 Company £'000
Valuation or cost at 1 January	1,886,228	1,783,599	1,141,050	1,071,050
Investment additions	219,827	451,844	-	-
Subsidiary undertaking additions	-	-	90,000	70,000
Disposals at carrying value	(115,622)	(374,404)	-	-
Movement in cash	4,087	(744)	-	-
Foreign exchange losses on investments	(2,212)	(22,435)	-	-
Surplus on revaluation of investments and derivatives	161	48,368	-	-
At 31 December	1,992,469	1,886,228	1,231,050	1,141,050
Investments comprise				
Listed on UK Stock Exchange:				
- Equities	308,271	293,976	-	-
- Government and other bonds	988,905	922,175	-	-
Listed on overseas Stock Exchanges:				
- Equities	240,486	249,932	-	-
- Government and other bonds	229,775	194,172	-	-
Unlisted investments:				
- Infrastructure	43,697	37,660	-	-
- Multi-asset credit portfolio	61,500	51,133	-	-
- Inflation opportunities portfolio	145,600	85,124	-	-
Shares in group undertakings	-	-	1,231,050	1,141,050
Derivative financial instruments – assets (11b)	24	16,546	-	-
Derivative financial instruments – liabilities (11b)	(65,720)	(334)	-	-
Cash	39,931	35,844	-	-
	1,992,469	1,886,228	1,231,050	1,141,050
Historical cost of investments	1,697,680	1,598,562	1,231,050	1,141,050

11b. DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments, recognised in note 11a above, were held at the end of the year:

Interest Rate Swaps

Duration	Nature of contract	Notional value £'000	Asset £'000	Liability £'000
2yrs-20yrs	Pay fixed for floating	844,340	24	65,720

As noted in the Strategic Report on page 32, the interest rate swaps programme was introduced by MPS to mitigate potential losses from its UK index linked bonds portfolio, which may arise when UK interest rates rise. However, some risk is still retained by MPS as the programme does not provide an exact match for the potential losses that could arise from the assets should interest rates rise. In addition, the programme does not seek to address inflation rate risk.

11c. COLLATERAL AMOUNTS GIVEN/RECEIVED

The following collateral balances (at market value) were held at the end of the year, relating to amounts given/received against unrealised losses/gains respectively on derivative financial instruments shown in note 11b above. These amounts are recognised (but with restricted use due to being held as collateral) on the balance sheet as ownership has not been transferred pending the maturity or trade of the underlying derivative contract.

Derivative held	Form of collateral	Given £'000	Received £'000
Interest Rate Swap	Cash	-	-
Interest Rate Swap	UK Government Bonds	63,930	-
		<u>63,930</u>	<u>-</u>

11d. DERIVATIVE FINANCIAL INSTRUMENTS – OFF BALANCE SHEET

The following derivative financial instruments were held off balance sheet at the end of the year:

Forward Foreign Exchange Contracts

Duration	Nature of contract	Notional value	Asset £'000	Liability £'000
3 months	Sell USD Buy ILS	\$55.4m	254	-
3 months	Sell USD Buy MYR	\$26.3m	-	(5)
3 months	Sell USD Buy SGD	\$75.8m	-	(775)
3 months	Sell USD Buy HKD	\$106.3m	-	(16)
			<u>254</u>	<u>(796)</u>

As noted in the Strategic Report on page 32, MPS maintains a currency hedging programme to mitigate currency risks where it does not hold sufficient assets in a particular currency to match its liabilities in that currency. As this is not an exact hedge, and there is inherent volatility in the liabilities that MPS is seeking to match, a degree of currency risk will be retained.

11e. SURPLUS ON DISPOSAL OF INVESTMENTS

The reported surplus of £10.4m in the Income and Expenditure account for 2014 includes a realised gain of £7.4m relating to a disposal made by one of MPS's infrastructure funds in late 2013. The proceeds of this sale were initially recognised in the 2013 financial statements as a loan repayment, as full details of the underlying transactions were not available. However, during 2014 it was confirmed that this transaction should be accounted for as a gain. As a result adjusting entries have been made in the 2014 financial statements.

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

MPS has the following direct interests in subsidiary undertakings:

Name	Parent and group interest in ordinary shares and voting rights	Cost of parent investment £'000	Country of incorporation or registration	Nature of business
Dental Protection Limited	100%	-	England	To provide insight on dental issues which impact MPS.
MPI (London) Limited	100%	1,220,001	England	To manage the investment portfolio.
DPL Australia Pty Limited	100%	-	Australia	To manage the administrative affairs of dental members in Australia.
MPS Risk Solutions Limited	100%	11,000	England	The provision of general insurance contracts to organisations in the healthcare sector.
MPS Periodical Payment Trustee Limited	100%	40	England	Corporate Trustee.
MPS Holdings Australia Pty Limited	100%	9	Australia	Holding company.
The Cognitive Consulting Group Pty Limited*	100%	-	Australia	To provide communication skills and risk management training to healthcare professionals in Australia.

* Indirectly owned by MPS.

All the above subsidiaries operate in their country of incorporation or registration.

As noted in the Strategic Report on page 26, MPS Risk Solutions Limited withdrew from the insurance market during 2012. Consequently, at the end of 2014 a review was carried out to ensure that MPS's investment in the company was not impaired, which it was found not to be.

13. DEBTORS

	2014 Group £'000	2013 Group £'000	2014 Company £'000	2013 Company £'000
Receivable within one year				
Corporation tax repayable	41	38	-	-
Membership debtors	11,282	7,425	11,282	7,425
Other trading debtors	284	170	256	118
Recoverable insurance claims	4,922	3,507	4,922	3,507
Amounts owed by subsidiary undertakings	-	-	95,903	94,421
Other debtors	1,787	265	232	256
Prepayments	5,422	5,293	5,390	5,289
	23,738	16,698	117,985	111,016
Receivable after one year				
Recoverable insurance claims	19,689	14,028	19,689	14,028
Deferred tax asset	7,253	6,584	-	-
	26,942	20,612	19,689	14,028
Total debtors	50,680	37,310	137,674	125,044

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 Group £'000	2013 Group £'000	2014 Company £'000	2013 Company £'000
Other taxes and social security	2,147	1,886	2,145	1,879
Other creditors and accruals	13,509	9,599	6,749	7,313
Deferred subscription income	52,960	48,165	52,960	48,165
	68,616	59,650	61,854	57,357

15. PROVISION FOR LIABILITIES

	Reported negligence claims £'000	Reported other claims £'000	Claims handling £'000	Total £'000
GROUP				
At 1 January 2014	759,849	46,071	38,951	844,871
Movements in the year:				
Charged to the income and expenditure account				
- Reported negligence claims	301,209	-	15,068	316,277
- Reported other claims	-	33,702	24,128	57,830
Paid	(210,504)	(31,565)	(35,661)	(277,730)
At 31 December 2014	850,554	48,208	42,486	941,248
COMPANY				
At 1 January 2014	744,834	46,071	38,200	829,105
Movements in the year:				
Charged to the income and expenditure account				
- Reported negligence claims	306,652	-	15,340	321,992
- Reported other claims	-	33,702	24,128	57,830
Paid	(209,493)	(31,565)	(35,610)	(276,668)
At 31 December 2014	841,993	48,208	42,058	932,259

The reported negligence claims provision is the estimated discounted future settlement values for damages and legal costs in respect of all negligence claims notified by 31 December. The reported other claims provision is the estimated discounted future settlement value of legal costs relating to these claims notified by 31 December. The claims handling provision is the estimated cost of managing all reported claims to conclusion.

MPS uses its internal staff to determine accurate estimates for individual claims, based on past experience and factors relevant to each claim. In addition, MPS uses the experience of its consulting actuary, Lane Clark & Peacock LLP, to use the internal individual claim estimates, and membership data, to arrive at a statistical reserve for the likely cost of all reported claims.

The timing of individual claim payments is uncertain, as they are the subject of litigation.

The reported negligence claims provision is stated before insurance recoveries of £24.2m (2013: £17.2m) that are estimated to be recoverable from MPS's insurers.

Although FRS12 requires that the unwinding of the discount within a provision be shown separately, it is not considered practical for these provisions, due to the complexities of the many actuarial calculations involved.

16. MOVEMENT ON RESERVES

	Revaluation £'000	Income and expenditure £'000	Accumulated funds £'000
GROUP			
At 1 January 2014	327,920	873,519	1,201,439
Surplus on revaluation of investments and derivatives	161	-	161
Realised on disposal of investments	9,174	(9,174)	-
Actuarial losses recognised in pension scheme	-	(2,214)	(2,214)
Tax credit on recognised investment losses	-	6,627	6,627
Net contribution for the year after taxation	-	23,524	23,524
At 31 December 2014	337,255	892,282	1,229,537
COMPANY			
At 1 January 2014		448,802	448,802
Actuarial losses recognised in pension scheme		(2,214)	(2,214)
Net contribution for the year after taxation		(9,954)	(9,954)
At 31 December 2014		436,634	436,634

17. RECONCILIATION OF MOVEMENTS IN FUNDS AVAILABLE FOR MEMBERS

	2014 £'000	2013 £'000
Net contribution for the financial year	23,524	(7,650)
Other recognised (losses)/gains relating to the year	(2,053)	50,290
Tax credit on investment losses	6,627	6,546
Total recognised gains	28,098	49,186
Opening funds available for members	1,201,439	1,152,253
Closing funds available for members (see note 22)	1,229,537	1,201,439

18. RECONCILIATION OF DEFICIT OF INCOME OVER EXPENDITURE TO OPERATING CASH FLOWS

	2014 £'000	2013 £'000
Deficit of income over expenditure	(21,328)	(40,322)
Depreciation charges	2,525	2,294
Loss on disposal of tangible fixed assets	5	13
Profit on disposal of asset held for resale	-	(38)
Increase in provisions	96,377	98,379
(Increase)/decrease in debtors	(12,698)	627
Increase in creditors	8,966	295
Foreign exchange losses on investments	2,212	22,435
Cash pension contributions more than current service cost	(2,721)	(3,874)
Net cash inflow from operating activities	73,338	79,809

19. RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2014 £'000	2013 £'000
Interest received	1,134	1,419
Bond and gilt interest received	30,911	27,312
Other interest	6,630	2,350
Net cash inflow from returns on investments and servicing of finance	38,675	31,081

20. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2014 £'000	2013 £'000
Purchase of intangible fixed assets	(16)	-
Purchase of tangible fixed assets	(1,782)	(3,280)
Purchase of investments	(219,827)	(451,844)
Proceeds from sale of fixed assets	2	15
Proceeds from sale of investments	126,022	375,275
Proceeds from sale of asset held for resale	-	2,538
Net cash outflow from capital expenditure and financial investment	(95,601)	(77,296)

21. COMMITMENTS

	2014 Group £'000	2013 Group £'000	2014 Company £'000	2013 Company £'000
Operating lease annual commitments				
Land and buildings, leases expiring:				
Two to five years	2,342	2,179	2,342	2,179
Greater than five years	53	247	53	247
	2,395	2,426	2,395	2,426
Motor vehicles, leases expiring:				
Within one year	14	24	14	24
	14	24	14	24
Office equipment, leases expiring:				
Within one year	-	4	-	4
Two to five years	77	139	69	139
	77	143	69	143

MPS has guaranteed that its subsidiaries have adequate resources to meet their liabilities as they fall due.

MPS has issued a letter of credit to MPS Risk Solutions Limited in the sum of £20m.

22. MEMBERS' FUNDS

MPS seeks to hold a long-term surplus which is available to support requests for assistance that are likely to arise in the future from both current and past members. The principal reason that this surplus is held is to meet the cost of potential claims on members for incidents that have already occurred, but which have not been notified to MPS prior to the year end. The cost of these potential claims is not recognised as a liability of MPS unless and until MPS exercises its discretion to assist. However, the Council needs to take these potential future costs into careful consideration when managing the financial position of the company.

MPS estimates the expected cost of future requests for assistance arising from incidents already incurred by reference to past experience and projected trends of the potential number and magnitude of these requests. As discretionary indemnity is provided on an occurrence year basis and the period for actual claims to be made can be several years, the estimated projections require financial modelling over long emergence periods.

MPS Council has engaged an independent firm of consulting actuaries to help model and determine likely levels of future claims in accordance with relevant actuarial guidance. It is, however, an estimate, and given the long term nature of these potential requests, the actual costs of assisting with those matters where assistance is granted could vary considerably. MPS retains the absolute right not to assist, but seeks to act in the interests of members as a whole when deciding to accept liability for claims emerging, and for the purposes of this disclosure has modelled the acceptance of requests at levels projected in line with prior years.

At the end of 2014, the Council's estimate of this potential future cost, if it agrees to assist, was £1,290m (2013: £1,092m).

These potential costs do not constitute a liability, contingent or otherwise, and are therefore not recognised in the balance sheet, because recognition of the liability is subject to MPS exercising its discretion to assist or not (see accounting policy note 2j for further details). These potential requests may, to the extent to which the Council exercises that discretion to indemnify, become an MPS liability over time under the occurrence basis of indemnity that MPS provides to its members.

23. OBLIGATIONS OF MEMBERS

MPS has the right to call each year for additional funds from its members up to an amount equal to the annual subscription.

24. GUARANTEE

MPS is limited by guarantee not exceeding £1 per member.

25. RELATED PARTY TRANSACTIONS

The Parent company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with other companies in The Medical Protection Society Group.

As noted in the Report of the Council on page 33, six members of the Council have personal membership of MPS, which is purchased on a basis consistent with that of other members.

PROFESSIONAL ADVISERS

SOLICITORS

MPS retains a panel of over 40 law firms around the world to provide advice to members.

BANKERS

Barclays Bank plc

1 Churchill Place
London
E14 5HP

HSBC Bank plc

Yorkshire Corporate Banking Centre
4th Floor, City Point
29 King Street
Leeds
LS1 2HL

INSURANCE BROKERS

Miller Insurance Services Limited

Dawson House
5 Jewry Street
London
EC3N 2PJ

AUDITORS

Grant Thornton UK LLP

No 1 Whitehall Riverside
Leeds
LS1 4BN

ACTUARIES

Lane Clark & Peacock LLP

95 Wigmore Street
London
W1U 1DQ

INVESTMENT MANAGERS

State Street Global Advisers Limited

25 Bank Street
London
E14 5NU

Investec Asset Management SA

36 Hans Strijdom Avenue
Foreshore
Cape Town 8001
South Africa

M&G Investment Management Limited

Laurence Poutney Hill
London
EC4R 0HH

Schroder Investment Management Limited

31 Gresham Street
London
EC2V 7QA

Capital Group

40 Grosvenor Place
London
SW1X 7GG

Macquarie Capital Funds (Europe) Limited

Level 35, CityPoint
1 Ropemaker Street
London
EC2Y 9HD

Macquarie Capital Funds Limited

125 West 55th Street
Level 22
New York
NY 10019
United States of America

Newton Investment Management Ltd

Bank of New York Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

Ruffer LLP

80 Victoria Street
London
SW1E 5JL

AllianceBernstein Limited

1 Mayfair Place
London
W1X 6JJ

BlackRock Asset Management Ireland Ltd

JP Morgan House
International Financial Services Centre
Dublin 1
Ireland

MPS MORE THAN DEFENCE

AREA LEFT BLANK.

NON-STATUTORY INFORMATION (IMAGES)
NOT REQUIRED BY COMPANIES HOUSE
HAS BEEN REMOVED.

How to contact us

The Medical Protection Society Limited

33 Cavendish Square

London W1G 0PS

United Kingdom

Tel +44 (0)20 7399 1300

Fax +44 (0)20 7399 1301

info@medicalprotection.org

www.medicalprotection.org

Dental Protection Limited

Tel +44 (0)20 7399 1400

Fax +44 (0)20 7399 1401

info@dentalprotection.org

www.dentalprotection.org

MPS is the world's leading protection organisation for doctors, dentists and healthcare professionals. We protect and support the professional interests of more than 300,000 members around the world. Our benefits include access to indemnity, expert advice and peace of mind. Highly qualified advisers are on hand to talk through a question or concern at any time.

Our experts assist with the wide range of legal and ethical problems that arise from professional practice. This includes clinical negligence claims, complaints, medical and dental council inquiries, legal and ethical dilemmas, disciplinary procedures, inquests and fatal accident inquiries.

Our philosophy is to support safe practice in medicine and dentistry by helping to avert problems in the first place. We do this by promoting risk management through our workshops, e-learning, clinical risk assessments, publications, conferences, lectures and presentations.

The Medical Protection Society Limited – A company limited by guarantee. Registered in England No. 36142 at 33 Cavendish Square, London W1G 0PS, UK.

MPS is not an insurance company. All the benefits of membership of MPS are discretionary as set out in the Memorandum and Articles of Association.