

**THE  
MEDICAL PROTECTION SOCIETY**

**ANNUAL ACCOUNTS**

**1995**



## CHAIRMAN'S REPORT

This is my last report to members. I was elected Chairman of the Council in 1988 and it has been a great privilege to serve in that office. I am grateful to my colleagues on Council and to the staff of the Society for their unstinting support, so freely given, without which I could not have fulfilled my role.

Considerable change has taken place over the last eight years. First, differential subscriptions for medical members were introduced in the late 1980's. In the UK, the National Health Service indemnity scheme for doctors employed in the hospital and community health sectors was enacted in 1990 amid great concerns for the future well-being of the Society. Following a management review in 1989, we decided to establish the new post of Chief Executive and a smaller Council strengthened by the expertise of non-medical/non-dental members. Our administration centre in Leeds, Yorkshire, opened in 1994 and has been a great success. To reflect the positive way in which the Society has moved forward during this period, we have adopted a new logo this year, which you will see gradually in future communications.

I am delighted to be able to hand over a thriving Society to Dr J Paul Miller, a consultant gastroenterologist in Manchester. I wish him every success, and hope he will find his term of office as Chairman as rewarding as I have done.

Regrettably, as we go to print, it is my sad duty to report the death of Dr W McN Styles, who had served on Council since 1990. He will be greatly missed and I offer my condolences to his family and friends.

Dr J J Bradley MB FRCP FRCPsych DPM  
Chairman of Council

## **MEDICAL DIRECTOR'S REPORT**

### **Increasing caseload**

The Society's caseload continues to increase both within the UK and internationally. The diagram below gives an analysis of the 11,500 new case files opened in 1995. In addition, medico and dento-legal advisers handled over 19,000 telephone queries last year, answering questions ranging from the legality of extracting sperm from the vasa of a deceased man to a request to accompany a member to a police interview following alleged indecent assault.

Insert pie diagram

### **Standards of care and accountability**

The pie chart shows that our service to members is not confined to claims for compensation. Throughout the world, members face increasing demands for improvements in standards of care and accountability. In the UK for example, new complaints procedures are to be introduced and, next year, performance review procedures will be introduced by the General Medical Council. Complaints procedures are also under review in other countries.

Whilst timings may differ, patterns are broadly similar in Ireland, South East Asia and South Africa, where the number of complaints and disciplinary proceedings against members, the incidence of claims and the cost of settling them continue to increase.

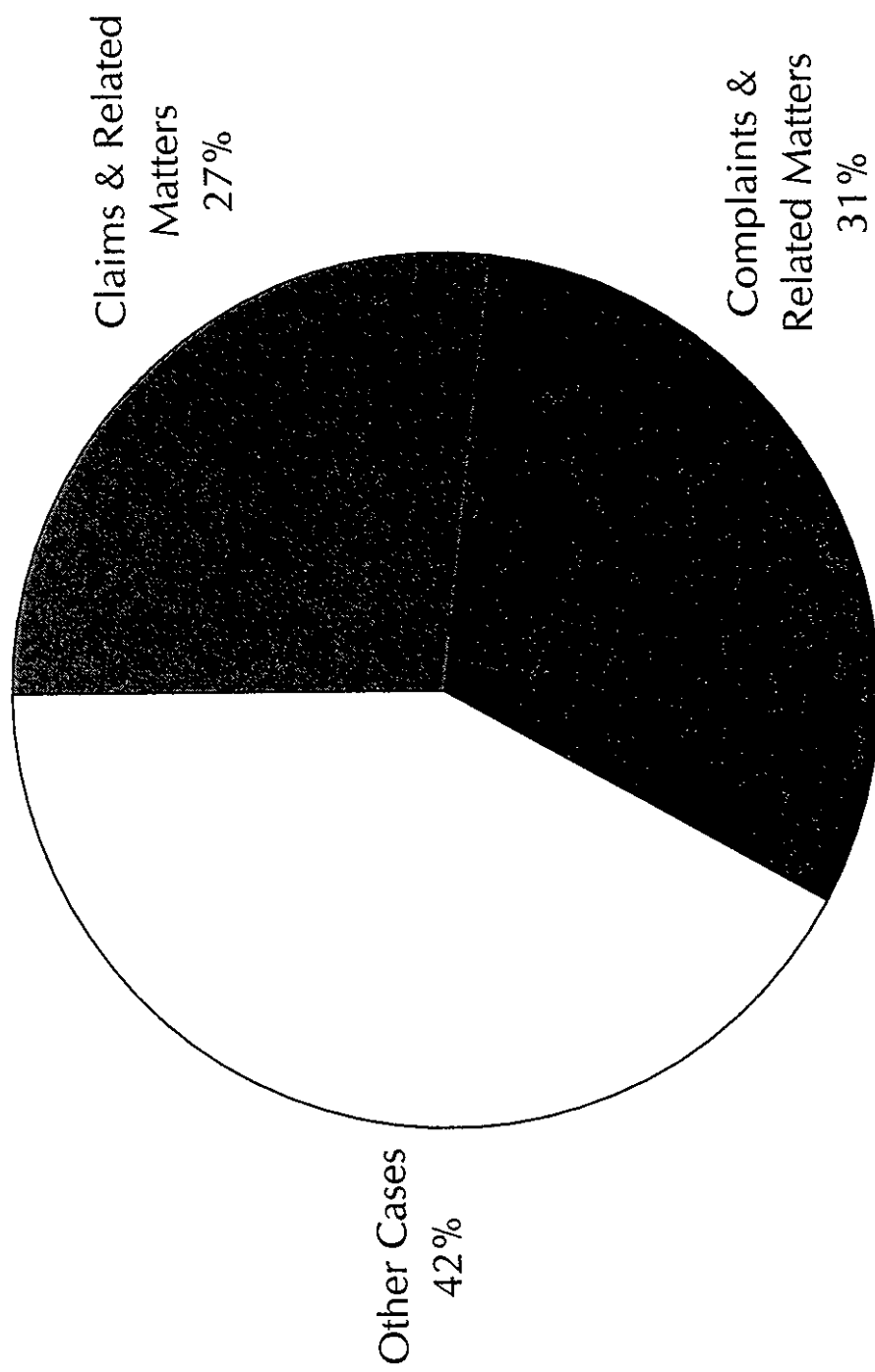
We are also concerned about the small but significant increase in the numbers of criminal prosecutions for manslaughter faced by members following the deaths of patients under their care. Many employer indemnity schemes make provision only for the financial consequences of civil claims for negligence against employees, and the Society has been able to assist the growing number of doctors who have found themselves subject to criminal and disciplinary charges arising from professional practice.

### **Legal environment**

In Australia, the long-awaited Tito report on the review of professional indemnity arrangements was published at the end of 1995. Some of the recommendations are far-reaching and have the Society's support but it remains to be seen how the new government will implement them. In New Zealand, where there is a no fault accident compensation system, caseloads have nevertheless continued to rise, stimulated by relentless medical consumerism.

In the UK, a major review of civil justice is currently under way with a view to making the legal process more speedy and already 'conditional fees' are in operation. We must respond to the challenges posed by these changes whilst attempting to ensure that professional reputations are safeguarded. The Society especially welcomes steps taken to develop 'alternative dispute resolution', particularly mediation and conciliation.

## TYPES OF CASES IN 1995



### **The 'long tail' of professional indemnity**

During 1995, the Society settled a claim for £1,250,000 which arose from a clinical incident in 1962 - at which date the annual subscription was £2. The member first received intimation of the claim in 1989, 27 years after the facts giving rise to it. Though long retired, the doctor was entitled to seek assistance from us because he had been a member at the time of the incident.

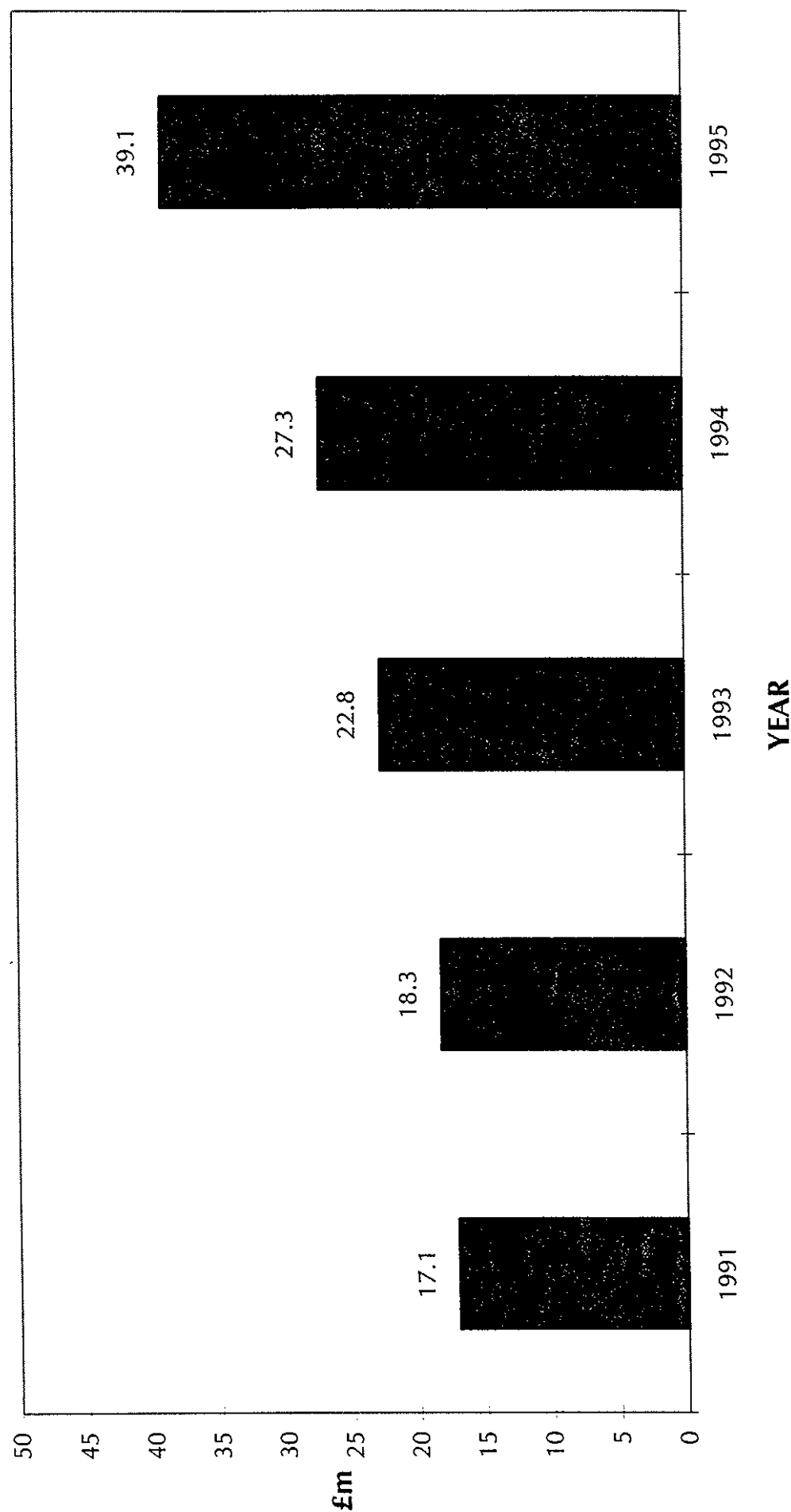
The diagram illustrates how expenses on legal costs and damages have grown over the last 5 years.

Insert diagram

The Society's long-held view is that patients who have suffered avoidable harm through the negligence of members should be fairly and promptly compensated. Equally, however, it is our view that doctors are not the insurers of their patients' non-negligent adverse outcomes and the Society will defend resolutely a member who is believed to have provided a reasonable standard of care. Our advice to members is always to keep good notes and to observe the need for care, competence, courtesy and good communication. In looking after your patients this way, we are better placed to protect you when, and if, a legal challenge arises.

Dr R N Palmer LLB MB BS DObstRCOG Barrister  
Secretary and Medical Director

**EXPENDITURE ON COSTS, DAMAGES AND LEGAL EXPENSES  
(MEDICAL DIRECTOR'S REPORT)**



## CHIEF EXECUTIVE'S REPORT

### Good financial performance

In 1994 the Society succeeded in achieving some improvement in its financial position in spite of a particularly adverse investment environment. During 1995, stock markets were buoyant, assisting us in further strengthening our balance sheet and thereby providing additional security for members.

Subscription income for the year reached £79.5m, an advance of £10.6m over the previous year, as a result of both a rise in membership numbers and the need to increase subscription rates.

Diagram showing growth in subscription income

### Legal costs and damages

Expenditure on plaintiffs' costs and damages was particularly high in 1995. To some extent, this is a matter of timing since it is difficult to predict with any accuracy when a civil claim will be resolved. In 1995, a number of long-standing high claims were settled. The high outlay, however, also reflects the inexorable escalation in both the frequency and the value of civil claims.

Our lawyers throughout the world gave us very good service but casework is on the increase and our legal costs rose accordingly. The same factors influence our internal administration costs. We strive continuously to improve efficiency and to contain costs without compromising the quality of service which members rightly expect.

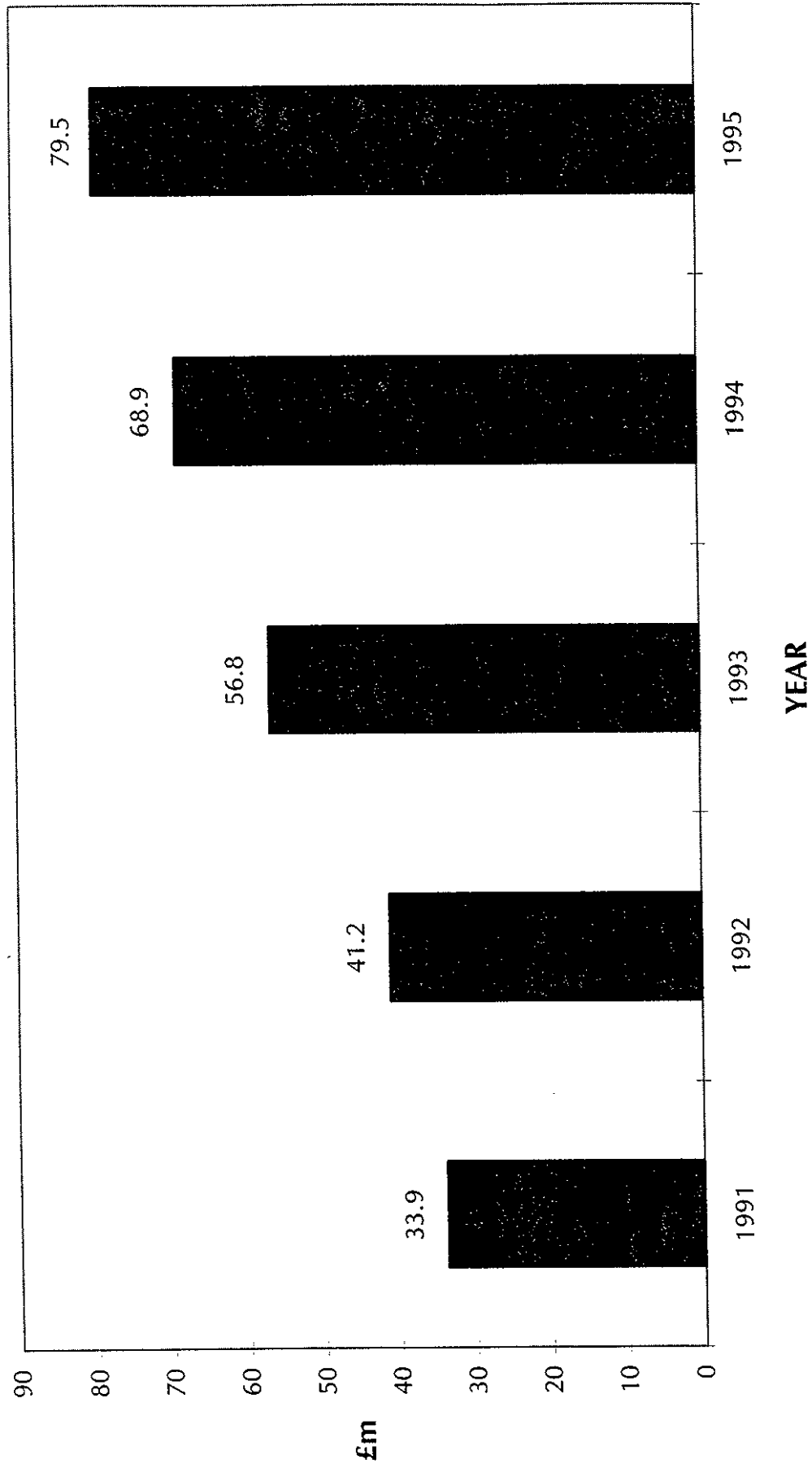
### Provision for future claims

As a result of the contribution from the income and expenditure account and the large increase in our investment portfolio (arising to the extent of £29.5m from new money and the balance from capital appreciation), the net assets shown on our balance sheet have risen from around £136m at the end of 1994 to £184m at the end of 1995. Over the same period our estimate of contingent liability in respect of claims notified by the end of the year (referred to in note 16 on page 21) has gone up from £89m to £108m.

The surplus of net assets (£76m) over contingent liability in respect of notified claims is required to fund IBNR ('Incurred But Not Reported') claims. IBNR arises from the Society's policy, subject of course to Council's discretion, of indemnifying members in respect of incidents occurring during their period of membership whenever claims arising from those incidents are notified. As discussed in the Medical Director's review, this can involve many years' delay. Thus, at any point in time, it is certain statistically that liabilities exist in respect of incidents which have occurred but which are, as yet, unknown to the Society. It will be necessary for us to continue to improve the funding of the IBNR through prudent subscription setting.

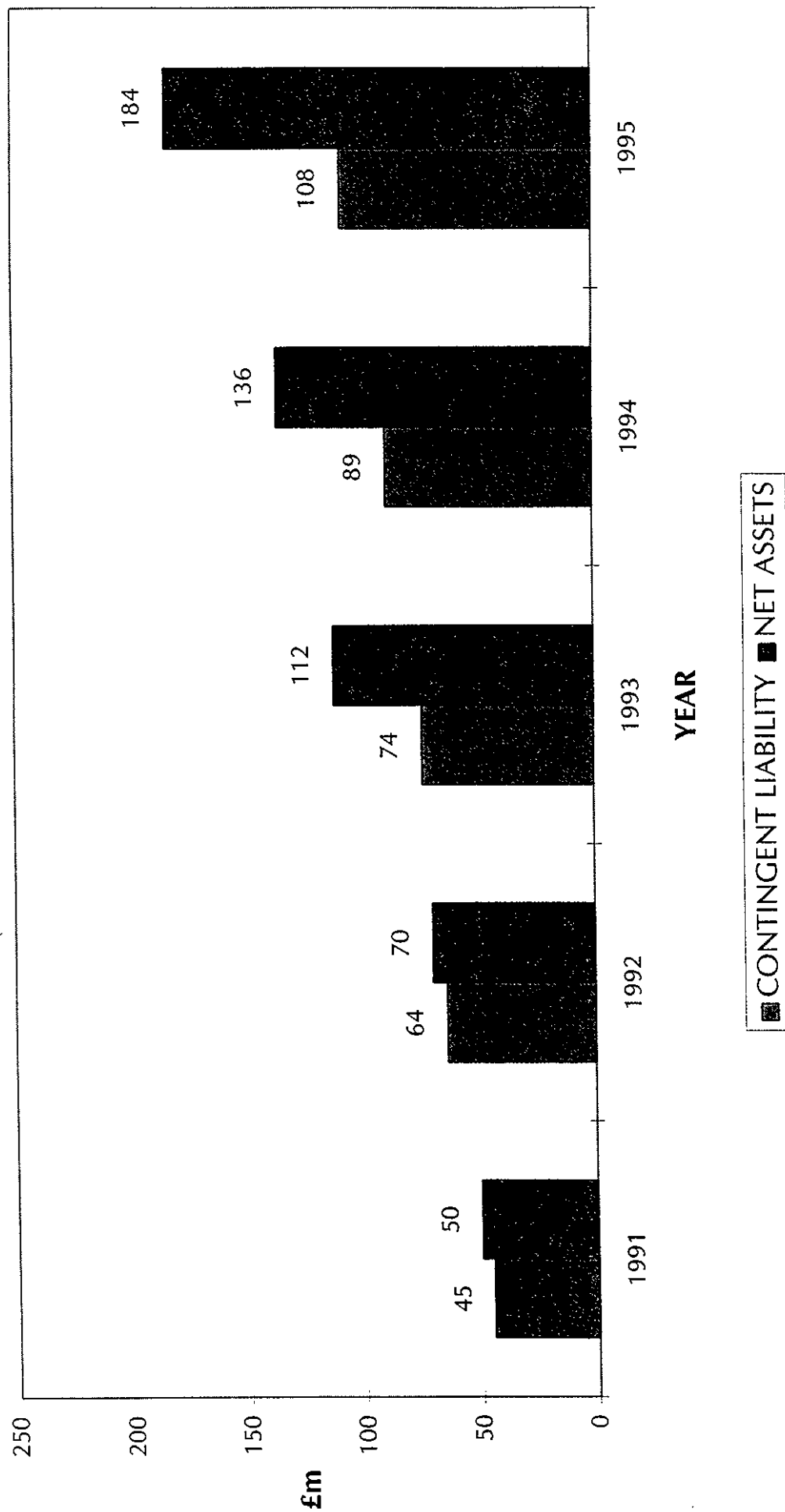
Net assets/contingent liability over 5 years diagram

**SUBSCRIPTION INCOME  
(CHIEF EXECUTIVE'S REPORT)**





**CONTINGENT LIABILITY/NET ASSETS  
(CHIEF EXECUTIVE'S REPORT)**



**Other areas of activity**

To date, there has been no change regarding the legal disputes in Victoria and Western Australia to which we have referred in previous reports. Based on the opinions of leading counsel in the UK and Australia, we continue vigorously to defend the Society's position.

The Clinical Negligence Scheme for Trusts is now in operation, managed by a separate unit at Granary Wharf House in Leeds. The Society has no underwriting liability in respect of this scheme but the management contract keeps us at the forefront of clinical negligence issues within the UK hospital sector.

**Cadbury Code of Practice**

Although it is only listed companies which are required to comply formally with the Cadbury Code of Practice on Corporate Governance, the Society complies fully with the principles of the Code.

**Thanks to the staff**

The year 1995 has been another period of good financial progress and high activity levels for the Society and my thanks are due to our staff who work hard, often in unsociable hours, to keep up with the workload and provide an excellent service to members.

D.J. Youngman  
Chief Executive

## Members Of Council

<b>President</b>	Sir John Batten <i>KCVO</i> MD FRCP
<b>Chairman of the Council</b>	J J Bradley MB FRCP FRCPsych DPM
<b>Chief Executive</b>	D J Youngman BA
<b>Vice-Presidents</b>	
<b>Australia</b>	Hon R A Pargiter FRANZCP FRCPsych DPM C J Quayle MB BS FRCS FRACS Professor R W Webster MB BS FRACP FRACGP FAFPHM R E Wilson MB BS DObstRCOG FRACGP
<b>Israel</b>	Professor S Penchas MD Msc DIC
<b>New Zealand</b>	Professor Sir John Scott <i>KBE</i> BMedSc MD FRCP FRACP FRSNZ
<b>West Indies</b>	R J Massay Bsc MB BS MRCP(UK)
<b>Members of the Council</b>	J J Bradley MB FRCP FRCPsych DPM <i>Chairman</i> H Baderman JP BSc MB BS FRCP FFAEM <i>Vice-Chairman</i> Mrs M C Bell BDS DGD(UK) Professor J Bonnar MA MD FRCOG Professor Sir Paul Bramley MD DDS FRCS FDSRCS FRACDS (retired 17 May 1995) The Lord Colwyn <i>CBE</i> BDS LDSRCS D G A Eadie MB BS MS FRCS R Myles Gibson <i>OBE ERD TD</i> MD FRCSEd FRCSEng R Gray FCA M J Healy MB BS MRCGP DObstRCOG J P Miller MA MSc DPhil FRCP K F Parsons MB ChB FRCSEd FRCSEng Miss C Stewart Munro W McN Styles <i>OBE</i> MB BChir DObstRCOG FRCGP (died 8 March 1996) T H Taylor MB BS FRCA A R Tyrrell QC D J Youngman BA <i>Chief Executive (ex officio)</i>
<b>President's Advisory Board</b>	Sir John Batten <i>KCVO</i> MD FRCP J J Bradley MB FRCP FRCPsych DPM <i>Chairman of the Council</i> A D G Brown MB ChB FRCSEd FRCOG J O M C Craig FRCP FRCS FRCSI FRCP FFR RCSI(Hon) Professor A G M Campbell MB ChB FRCPEd J L Dawson <i>CVO</i> MS FRCS J D J Havard <i>CBE</i> LLM MA MD MRCP Barrister Professor B H Knight <i>CBE</i> MD MRCP FRCPATH DMJ Barrister T K Marshall <i>CBE</i> MD FRCPATH D W Sumner <i>TD</i> BSc MB ChB FRCP FRCPEd M A Wilson MB ChB FRCGP DRCOG J Winstanley <i>MC TD</i> MB FRCS FRCOphth

## REPORT OF THE COUNCIL

The Council presents its report and accounts for the year ended 31 December 1995.

### *Principal activity*

The Society's business is to protect, support and safeguard the character and interests of medical and dental practitioners. The Society is non-profit making and does not pay a dividend.

### *Review of the business*

The results for the year are stated in detail on pages 10 to 21. The review of the business appears in the Chief Executive's report on page 4. Net contribution for the year available to meet future liabilities and charges of £31.9m has been transferred to the accumulated funds - income and expenditure.

### *Fixed assets*

The movement in the fixed assets account is set out in Note 9. Freehold and short leasehold properties are included at their open market value at 31 December 1988, or at cost if incurred after that date.

### *Members of the Council*

The names of the members of the Council of the Society who served during the year are set out on page 6. Sir Paul Bramley retired on 17 May 1995. Mrs M C Bell was appointed on 17 May 1995 and Dr J P Miller and Mr K F Parsons were appointed on 19 April 1995.

### *Indemnity for members of the Council*

During the year the Society has purchased and maintained policies of insurance for the members of the Council against the financial consequences of actions brought against them for acts or omissions in the performance of their duties as members of the Council.

### *Auditors*

Robson Rhodes have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

### *Statement of the Council's responsibility for the accounts*

Company Law requires the Council to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Society and of the surplus or deficit of the Society for that period. In preparing those accounts, the Council has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the accounts on the going concern basis.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable it to ensure that the accounts comply with the Companies Act 1985. It is also responsible for safeguarding the assets of the Society and hence for taking steps for the prevention and detection of fraud and other irregularities.

### *Approval*

The report of the Council was approved by the Council on 20 March 1996 and signed on its behalf by;

R N Palmer  
*Secretary*  
50 Hallam Street, London, W1N 6DE

A handwritten signature in black ink, appearing to read 'R N Palmer', with a horizontal line underneath.

## REPORT OF THE AUDITORS TO THE MEMBERS OF THE MEDICAL PROTECTION SOCIETY

We have audited the accounts on pages 10 to 21 which have been prepared on the basis of the accounting policies set out on pages 13 and 14.

### Respective responsibilities of directors and auditors

As described on page 8, the Council is responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the accounts, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

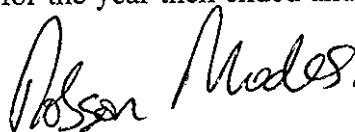
### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Society and the Group at 31 December 1995 and of the net contribution for the year available to meet future liabilities and charges of the Group for the year then ended and have been prepared in accordance with the Companies Act 1985.

ROBSON RHODES

*Chartered Accountants, Registered Auditor*

20 March 1996



### ACTUARIES' REPORT

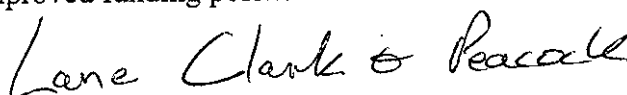
We have reviewed the position of the Society based upon reported cases as at 31 December 1995 and our main conclusions are set out below:

- 1 Last year saw a significant escalation in both the reserves held and settlement values for large claims in many areas in which the Society operates. This was most marked in the UK, Republic of Ireland, Australia and Hong Kong, and future subscriptions will need to reflect the continuing impact of claims inflation.
- 2 The frequency of claims continues to increase in most countries, but was broadly in line with expectations.
- 3 Despite the deterioration in claims experience, the Society had a good year, with a strong investment performance and an improved funding position.

LANE CLARK & PEACOCK

*Actuaries*

20 March 1996



**MPS ANNUAL REPORT & ACCOUNTS 1995**

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

**Year ended 31 December 1995**

	Notes	1995 £'000	1994 £'000
<b><i>Income : continuing operations</i></b>			
Members' subscriptions and other income		79,450	68,877
<b><i>Expenditure</i></b>			
Costs and damages (including cost of insurance)		29,193	18,923
Insurance recoveries		(623)	(859)
Legal expenses		10,501	9,199
Medical and dental advisory services	3	6,310	5,655
Administration expenses	3	6,997	5,725
Exchange adjustments		182	284
		52,560	38,927
<b><i>Excess of Income over expenditure: continuing operations</i></b>		26,890	29,950
<b><i>Income from investments</i></b>	4	5,398	3,680
<b><i>Realised gains/(losses) from disposal of investments</i></b>	2(g)	945	(2,420)
<b><i>Contribution from ordinary activities before taxation</i></b>		33,233	31,210
<b><i>Tax on income and realised gains from investments</i></b>	5	(1,322)	(968)
<b><i>Net contribution for the year available to meet future liabilities and charges</i></b>	14	31,911	30,242
<b><i>Statement of total recognised gains and losses</i></b>			
Net contribution for the financial year		31,911	30,242
Surplus/(deficit) on revaluation of investments		16,066	(6,188)
Total recognised gains		47,977	24,054
<b><i>Note of historical cost income and expenditure</i></b>			
Reported net contribution before taxation		33,233	31,210
Realisation of valuation gains of previous years		1,068	4,565
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount		60	63
Historical cost net contribution before taxation		34,361	35,838
Historical net contribution retained after taxation		33,039	34,870

All of the Society's operations are classed as continuing.

Movements on reserves are shown in note 14 on page 20.

The notes on pages 13 to 21 form part of these accounts.

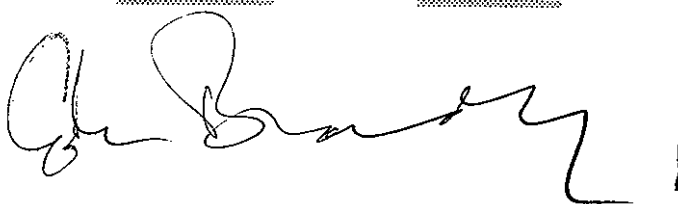
**MPS ANNUAL REPORT & ACCOUNTS 1995**

**CONSOLIDATED AND COMPANY BALANCE SHEETS**

**At 31 December 1995**

	Notes	1995 Group £'000	1994 Group £'000	1995 Company £'000	1994 Company £'000
<b><i>Fixed assets</i></b>					
Tangible assets	9	9,350	9,653	9,259	9,653
Investments	10	159,356	111,213	20,052	52
		<u>168,706</u>	<u>120,866</u>	<u>29,311</u>	<u>9,705</u>
<b><i>Current assets</i></b>					
Debtors	12	19,693	16,004	135,671	124,095
Bank deposit accounts		6,990	3,709	6,969	3,689
Cash at bank and in hand		6,652	5,820	6,549	5,780
		<u>33,335</u>	<u>25,533</u>	<u>149,189</u>	<u>133,564</u>
<b><i>Creditors: Amounts falling due within one year</i></b>	13	(18,274)	(10,609)	(17,915)	(10,517)
<b><i>Net current assets</i></b>		<u>15,061</u>	<u>14,924</u>	<u>131,274</u>	<u>123,047</u>
<b><i>Net assets</i></b>		<u>183,767</u>	<u>135,790</u>	<u>160,585</u>	<u>132,752</u>
<b><i>Accumulated funds</i></b>	14				
Income and expenditure		152,462	119,483	157,954	129,763
Revaluation reserve		31,305	16,307	2,631	2,989
<b><i>Funds available to meet future liabilities and charges</i></b>	15	<u>183,767</u>	<u>135,790</u>	<u>160,585</u>	<u>132,752</u>

John Jennery Bradley  
Chairman of the Council



20 March 1996

The notes on pages 13 to 21 form part of these accounts.



MPS ANNUAL REPORT & ACCOUNTS 1995

**CONSOLIDATED CASH FLOW STATEMENT**  
Year ended 31 December 1995

	1995 £'000	1994 £'000	
<i>Net cash inflow from operating activities</i>	31,025	28,584	
<i>Returns on investments</i>			
Interest received	837	845	
Dividends received	4,505	2,252	
Other receipts	14	20	
<i>Net cash inflow from returns on investments</i>	5,356	3,117	
<i>Tax paid</i>	(1,339)	(447)	
<i>Investing activities</i>			
Payments to acquire fixed assets			
Tangible assets	(736)	(2,673)	
Investments	(47,072)	(47,701)	
	(47,808)	(50,374)	
Receipts from sale of fixed assets			
Tangible assets	591	48	
Investments	18,670	17,538	
	19,261	17,586	
<i>Net cash outflow from investing activities</i>	(28,547)	(32,788)	
<i>Increase/(decrease) in cash and cash equivalents</i>	6,495	(1,534)	
<i>Reconciliation of operating excess of income over expenditure to net cash inflow from operating activities</i>			
Operating excess of income over expenditure	26,890	29,950	
Profit on sale of tangible assets	(131)	-	
Depreciation charges	580	513	
(Increase) in debtors	(4,136)	(3,960)	
Increase in creditors	7,822	2,081	
<i>Net cash inflow from operating activities</i>	31,025	28,584	
<i>Analysis of the balances of cash and cash equivalents</i>			
	1995 £'000	1994 £'000	Movement £'000
Bank deposits	6,990	3,709	3,281
Cash at bank and in hand	6,652	5,820	832
Investment deposit	5,557	3,175	2,382
	19,199	12,704	6,495

The notes on pages 13 to 21 form part of these accounts.

## NOTES TO THE ACCOUNTS

### *1 Basis of preparation of the accounts*

The accounts are prepared in accordance with applicable accounting standards and the constitution of the Society as summarised below.

The Society is a mutual society, the function of which is to protect, support and safeguard the character and interests of medical and dental practitioners. It is a non-profit making company limited by guarantee and all income and property must be applied solely towards its objects as defined by the Society's Memorandum of Association. Members are not entitled to dividends or other distributions, and the balance on the income and expenditure account is retained by the Society to set against future liabilities.

One of the objects of the Society is to grant indemnity to members in respect of claims and demands which may result in the payment of costs and damages. The Articles of Association set down in paragraph 28 that 'the grant of indemnity shall be entirely in the discretion of the Council who shall have 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.' Such discretionary powers differentiate the Society from insurance companies. Provision is not therefore made in the accounts for future costs and damages arising on claims which have been reported to the Society but have not been settled. The amount of such outstanding claims has been estimated and details are set out in Note 16. The Society has not estimated the amount of claims arising from incidents which have occurred by the balance sheet date, but for which no notification of a claim has been received.

It is the Society's policy to set a subscription level such that each year the income derived will meet the cost in claims and damages of incidents occurring during that year. The calculation of the subscription income necessary is carried out in consultation with the Society's actuaries. The Council is advised that the application of this policy will generate sufficient funds to meet claims as and when they fall due. The Society also has the right to call each year for additional funds from its members up to an amount equal to the annual subscription.

### *2. Accounting policies*

#### **(a) Convention**

The accounts include investments and a freehold property at valuation but in all other respects have been prepared in accordance with the historical cost convention. The principal accounting policies adopted by the Society within that convention are set out below.

#### **(b) Consolidation**

The Group accounts comprise a consolidation of the accounts of the parent company and all its trading subsidiary undertakings. In accordance with the exemptions given by Section 230 of the Companies Act 1985, the company does not publish its own income and expenditure account.

#### **(c) Subscriptions**

Subscription income is apportioned between accounting periods to the extent that it is matched by expenditure within those accounting periods. No geographical analysis of subscription income is shown because it would be prejudicial to the interests of the Group.

*Notes to the Accounts*

**(d) Depreciation**

Depreciation is provided in equal annual instalments over the anticipated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	- 2% per annum
Leasehold properties	- over life of leases
Furniture and fittings	- 5% per annum
Office equipment	- 15% per annum
Motor vehicles	- 25% per annum
Computers	- 20% per annum

**(e) Translation of foreign currency transactions**

Debts paid and subscriptions received in foreign currencies are translated to their sterling equivalent at the date of payment or receipt. Current assets and liabilities appearing in the balance sheet are translated at the rate of exchange ruling at 31 December. Any gain or loss is taken to the income and expenditure account.

**(f) Dividends and interest receivable**

Dividends are brought into account when received. Interest receivable is brought into account on an accruals basis.

**(g) Investments**

Listed investments and 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 Financial Reporting Standard 3, on disposal, the proceeds are compared with the carrying value and the profit or loss credited or charged to the income and expenditure account.

**(h) Costs and damages**

Provision is made in the accounts for all costs and damages paid in the financial period.

**(i) Tax**

Provision is made in the accounts for tax on investment and trading income received in the year and on capital gains on investments disposed of during the year. Provision is made for tax deferred because of timing differences between the treatment of items for tax and accounting purposes, except to the extent that there is reasonable probability that such deferred tax will not become payable in the future.

**(j) Pensions**

The Society operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the Society. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular costs are spread evenly through the income and expenditure account over the average remaining service lives of current employees.

# MPS ANNUAL REPORT & ACCOUNTS 1995

## Notes to the Accounts

	1995 £'000	1994 £'000
<b>3 Medical and dental advisory services and administration expenses</b>		
Charged under this classification are:		
Auditors' remuneration - Audit fees	43	45
- Fees for other services	20	17
Emoluments of members of the Council	298	263
Depreciation on fixed assets	580	513
	<hr/>	<hr/>
<b>4 Income from investments</b>	1995 £'000	1994 £'000
Dividends: listed investments		
- franked	3,635	2,175
- unfranked	911	639
Bank interest	838	845
Rental income	-	10
Other income	14	11
	<hr/>	<hr/>
	5,398	3,680
	<hr/>	<hr/>
<b>5 Tax on income and realised gains from investments</b>	1995 £'000	1994 £'000
Tax on franked income	620	358
Corporation tax at 33% (1994: 33%)	662	610
Overseas tax payable	25	22
Overseas tax recoverable	(25)	(22)
Prior year adjustment	40	-
	<hr/>	<hr/>
	1,322	968
	<hr/>	<hr/>

No provision has been made for tax of approximately £8 million (1994 : £2 million), which would arise should the Society's investments and freehold property be sold at the market value included in the balance sheet.

# MPS ANNUAL REPORT & ACCOUNTS 1995

## Notes To The Accounts

### 6 Emoluments of members of the Council

	1995 £'000	1994 £'000
Chairman	22	22
Highest paid director (including pension contributions)		
Chief Executive to 23/3/94		36
Chief Executive to 31/12/94		47
Chief Executive to 31/12/95	129	

The emoluments of other members of the Council fell in the following ranges:

	1995	1994
£1 - £5,000	1	2
£5,001 - £10,000	9	7
£10,001 - £15,000	5	4
£15,001 - £20,000	-	1

### 7 Employees

The average number of people employed by the Society during the year was 144 (1994 -107).

Costs in respect of these employees:

	1995 £'000	1994 £'000
Wages and salaries	3,812	2,665
Social security costs	357	297
Pension costs	578	471
	<u>4,747</u>	<u>3,433</u>

### 8 Pensions

The Society operates a pension scheme providing benefits based on final pensionable earnings. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was carried out as at 31 December 1993 using the projected unit method. It was assumed that investment returns would be 8% pa, that increase in earnings would average 6% pa and that pensions would increase at the rate of 4% pa.

The valuation showed that the market value of the fund's assets was £7.3 million and that the actuarial value of those assets represented approximately 101% of the value of the benefits that had accrued to members after allowing for expected future increase in earnings.

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## Notes To The Accounts

### 9 Tangible assets: group

	Freehold property	Leasehold property	Computer, furniture, fittings and office equipment	Motor cars	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 January 1995	8,147	397	3,763	540	12,847
Additions	116	-	542	78	736
Disposals	(472)	-	(80)	(101)	(653)
<b>At 31 December 1995</b>	<b>7,791</b>	<b>397</b>	<b>4,225</b>	<b>517</b>	<b>12,930</b>
<b>Depreciation</b>					
At 1 January 1995	461	167	2,382	184	3,194
Provided in year	142	26	292	120	580
Released on disposals	(54)	-	(73)	(67)	(194)
<b>At 31 December 1995</b>	<b>549</b>	<b>193</b>	<b>2,601</b>	<b>237</b>	<b>3,580</b>
<b>Net book values</b>					
<b>At 31 December 1995</b>	<b>7,242</b>	<b>204</b>	<b>1,624</b>	<b>280</b>	<b>9,350</b>
At 31 December 1994	7,686	230	1,381	356	9,653

### Tangible assets: company

<b>Cost or valuation</b>					
At 1 January 1995	8,147	397	3,763	540	12,847
Additions	116	-	454	36	606
Disposals	(472)	-	(80)	(101)	(653)
<b>At 31 December 1995</b>	<b>7,791</b>	<b>397</b>	<b>4,137</b>	<b>475</b>	<b>12,800</b>
<b>Depreciation</b>					
At 1 January 1995	461	167	2,382	184	3,194
Provided in year	142	26	265	108	541
Released on disposals	(54)	-	(73)	(67)	(194)
<b>At 31 December 1995</b>	<b>549</b>	<b>193</b>	<b>2,574</b>	<b>225</b>	<b>3,541</b>
<b>Net book values</b>					
<b>At 31 December 1995</b>	<b>7,242</b>	<b>204</b>	<b>1,563</b>	<b>250</b>	<b>9,259</b>
At 31 December 1994	7,686	230	1,381	356	9,653

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## Notes To The Accounts

All the leasehold properties held at 31 December 1995 are short leaseholds.

Freehold property comprises	£'000
At cost	4,058
At 1988 valuation	3,733
	<u>7,791</u>
Depreciation	(549)
<b>At 31 December 1995</b>	<b><u>7,242</u></b>
At 31 December 1994	<u>7,686</u>

The revaluation in 1988 was carried out on the basis of open market value by external valuers. If the freehold property had not been revalued it would have been stated in the accounts at the following amount:

	£'000
Cost	5,160
Depreciation	(82)
<b>At 31 December 1995</b>	<b><u>5,078</u></b>
At 31 December 1994	<u>5,079</u>

### Capital commitments

Capital expenditure approved but not contracted for amounted to £ nil (1994 : £ nil).  
Capital expenditure approved and contracted for amounted to £ nil (1994 : £ nil).

### 10 Investments

	1995 £'000	1994 £'000	1995 £'000	1994 £'000
	Group	Group	Company	Company
Valuation at 1 January	111,213	87,239	52	87,290
Additions	47,107	48,957	21,862	16,164
Disposals	(17,722)	(19,774)	(1,862)	(103,235)
Movement in cash and brokers' balances	2,692	979	-	(852)
Surplus/(deficit) on revaluation of listed investments	16,066	(6,188)	-	685
<b>At 31 December</b>	<b><u>159,356</u></b>	<b><u>111,213</u></b>	<b><u>20,052</u></b>	<b><u>52</u></b>
<b>Investments comprise:</b>				
General fund:				
Listed on UK Stock Exchange	145,526	100,280	-	-
Listed on other overseas Stock Exchanges	9,306	9,102	-	-
Shares in group undertakings	-	-	20,052	52
Cash	5,557	3,175	-	-
Brokers' balances	(1,033)	(1,344)	-	-
	<b><u>159,356</u></b>	<b><u>111,213</u></b>	<b><u>20,052</u></b>	<b><u>52</u></b>
Historical cost of investments	<b><u>130,671</u></b>	<b><u>97,895</u></b>	<b><u>20,052</u></b>	<b><u>52</u></b>

*Notes To The Accounts***11 Investment in subsidiary undertakings**

The Medical Protection Society Limited has the following direct or indirect interests in subsidiary undertakings:-

<i>Name</i>	<i>Parent and group interest in ordinary shares and voting rights</i>	<i>Country of incorporation or registration</i>	<i>Nature of business</i>
Dental Protection Limited	100%	England	To manage the advisory and administrative affairs of the dental division of the Society
Medical Claims Management Services Limited	100%	England	To provide as agents for MPS management services to the NHS Litigation Authority and to manage and advise individual health authorities in respect of medical and dental negligence claims
Medical Protection (Europe) Limited	100%	England	To manage the advisory and administrative affairs of the European division of the Society
Medical Protection Society of New South Wales Limited	100%	Australia	To manage the advisory and administrative affairs of the medical division of the Society in New South Wales in Australia
Medical Indemnity Protection Society Limited	100%	Australia	To manage the advisory and administrative affairs of the medical division of the Society in Victoria in Australia
M P I (London) Limited	100%	England	To manage the investment portfolio
Hallam Medical Training Services Limited	70%	England	To provide quality management training to general practitioners
Medical Protection GmbH	100%	Germany	To manage the administrative affairs of the German operation of Medical Protection (Europe) Limited
Medical Protection Society Poland Sp. z o.o.	100%	Poland	To manage the administrative affairs of the Polish operation of Medical Protection (Europe) Limited
Medical Protection Society Spol. s.r.o.	100%	Czech Republic	To manage the administrative affairs of the Czech Republic operation of Medical Protection (Europe) Limited

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



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## Notes To The Accounts

### 12 Debtors

Subscriptions owing
Trade debtors
Amounts owed by subsidiary undertakings
Other debtors
Prepayments

1995 Group £'000	1994 Group £'000	1995 Company £'000	1994 Company £'000
17,650	14,884	17,650	14,884
260	38	248	4
-	-	116,228	108,229
1,123	440	885	336
660	642	660	642
<b>19,693</b>	<b>16,004</b>	<b>135,671</b>	<b>124,095</b>

### 13 Creditors: amounts falling due within one year

Corporation tax
Other taxes and social security
Deferred income
Other creditors and accruals

1995 Group £'000	1994 Group £'000	1995 Company £'000	1994 Company £'000
378	395	242	381
164	118	165	118
11,622	8,467	11,622	8,467
6,110	1,629	5,886	1,551
<b>18,274</b>	<b>10,609</b>	<b>17,915</b>	<b>10,517</b>

### 14 Movement on reserves - group

At 1 January 1995
Surplus on revaluation of listed investments
Released on disposal of fixed assets
Net contribution for the year after taxation
<b>At 31 December 1995</b>

Revaluation reserve £'000	Income and expenditure £'000	Accumulated £'000
16,307	119,483	135,790
16,066	-	16,066
(1,068)	1,068	-
-	31,911	31,911
<b>31,305</b>	<b>152,462</b>	<b>183,767</b>

### Movement on reserves - company

At 1 January 1995
Released on disposal of fixed assets
Net contribution for the year after taxation
<b>At 31 December 1995</b>

Revaluation reserve £'000	Income and expenditure £'000	Accumulated funds £'000
2,989	129,763	132,752
(358)	358	-
-	27,833	27,834
<b>2,631</b>	<b>157,954</b>	<b>160,585</b>

# MPS ANNUAL REPORT & ACCOUNTS 1995

## Notes To The Accounts

	1995 Group £'000	1994 Group £'000
<b>15 Reconciliation of movements in funds available to meet future liabilities</b>		
Surplus for the financial year	31,911	30,242
Other recognised gains/(losses) relating to the year (net)	16,066	(6,188)
Total recognised gains	47,977	24,054
Opening funds available to meet future liabilities	135,790	111,736
Closing funds available to meet future liabilities	183,767	135,790

## 16 Future liabilities and charges

The estimate of the contingent liability to the Society for damages and legal costs in respect of all claims notified by 31 December 1995 and after estimated recoveries from underwriters is £108 million (1994 £89 million).

## 17 Guarantee

The Society is limited by guarantee of up to £1 per member.

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