

Doc. Audit 9/08

Registered Company No. 05008295

MPS RISK SOLUTIONS LIMITED

ANNUAL REPORT

2007

10/04/2008

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COMPANIES HOUSE

MPS RISK SOLUTIONS LIMITED

Directors: Nicholas Davies *Chairman*
Frank Attwood
Martin Burns
John Hickey (Retired 30 September 2007)
Simon Kayll
John Lamb
Tony Mason (Appointed 1 October 2007)
Robert Seward
Sarah Venus

Secretary: Simon Kayll

Registered office: Granary Wharf House
Leeds
LS11 5PY

Auditors: Grant Thornton UK LLP
No 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Bankers: Barclays Bank
1 Churchill Place
London
E14 5HP

Investment managers: State Street Global Advisers Limited
25 Bank Street
London
E14 5NU

REPORT OF THE DIRECTORS

The directors present their annual report for the year ended 31 December 2007

Principal activities

The provision of general insurance contracts to organisations in the health care sector

Review of the business

The results for the year are set out in detail on pages 6 to 17

Dividend

The directors propose that no dividend should be paid for the period

Directors

The directors who served throughout the year are listed on page 1. None of the directors has any beneficial interest in the share capital of the company.

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 6 July 2007 creating a casual vacancy which the directors have filled by appointing Grant Thornton.

A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming annual general meeting.

Statement of directors' responsibilities for the financial statements

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

Company Law requires the directors to prepare financial statements for each financial year. Under the law the directors are required to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and

REPORT OF THE DIRECTORS

hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

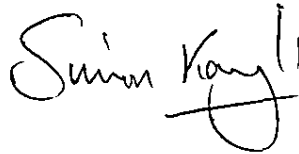
At the date of making this report each of the company's directors, as set out on page 1, confirm the following

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- the directors each have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Approval

The report of the directors was approved by the Board on 12 March 2008 and signed on its behalf by

S J Kayll
Company Secretary
Granary Wharf House
Leeds
LS11 5PY

A handwritten signature in black ink, appearing to read 'Simon Kayll', with a stylized flourish at the end.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
MPS RISK SOLUTIONS LIMITED**

We have audited the financial statements of MPS Risk Solutions Limited for the year ended 31 December 2007, which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 2 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements are free from material misstatement, 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 financial statements.

**MPS RISK SOLUTIONS LIMITED
ANNUAL REPORT 2007**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
MPS RISK SOLUTIONS LIMITED**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Leeds, England
12 March 2008

MPS RISK SOLUTIONS LIMITED
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PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – GENERAL BUSINESS
For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Gross premiums written	3	1,487	707
Outward reinsurance premiums		<u>(35)</u>	<u>(34)</u>
Net premiums written		1,452	673
Change in the gross provision for unearned premiums		<u>(344)</u>	(133)
Change in the provision for unearned premiums, reinsurers' share		<u>-</u>	4
Change in the net provision for unearned premium		<u>(344)</u>	(129)
Earned premiums, net of reinsurance		1,108	544
Allocated investment return transferred from the non-technical account		640	302
Claims paid			
- gross amount		15	2
- reinsurers' share		<u>-</u>	<u>-</u>
- net of reinsurance		15	2
Change in the provision for claims			
- gross amount		22	542
- reinsurers' share		<u>-</u>	<u>-</u>
- net of reinsurance		22	542
Claims incurred, net of reinsurance	14	37	544
Net operating expenses	5	480	421
Balance on the technical account for general business		1,231	(119)

MPS RISK SOLUTIONS LIMITED
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PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT
For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Balance of the general business technical account		1,231	(119)
Investment income	4	390	282
Unrealised gains on investments	4	250	30
Investment expenses and charges	4	-	(10)
Allocated investment return transferred to the general business technical account		(640)	(302)
Other income		9	-
		<u>9</u>	<u>-</u>
Profit/(loss) on ordinary activities before tax		1,240	(119)
Tax on profit/(loss) on ordinary activities	6	(374)	123
Profit for the financial year	12,13	866	4

The inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a departure from the unmodified historical cost basis of accounting. Accordingly a separate note of historical cost profit and losses is not given.

A statement of total recognised gains and losses is not required as there are no other recognised gains and losses other than the retained profit for the financial year.

MPS RISK SOLUTIONS LIMITED
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BALANCE SHEET - ASSETS
At 31 December 2007

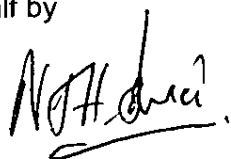
	Notes	2007 £'000	2006 £'000
Investments			
Other financial investments	10	<u>11,397</u>	<u>10,830</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums		<u>20</u>	<u>20</u>
Debtors			
Debtors arising out of direct insurance operations – amounts owed by policyholders		<u>217</u>	<u>157</u>
Other debtors		<u>220</u>	<u>266</u>
		<u>437</u>	<u>423</u>
Other assets			
Tangible assets fixtures, fittings & equipment	9	<u>83</u>	<u>48</u>
Bank deposit accounts		<u>1,851</u>	<u>880</u>
Cash at bank and in hand		<u>142</u>	<u>-</u>
		<u>2,076</u>	<u>928</u>
Prepayments and accrued income			
Deferred acquisition costs		<u>13</u>	<u>11</u>
Other prepayments and accrued income		<u>4</u>	<u>1</u>
		<u>17</u>	<u>12</u>
Total Assets		<u>13,947</u>	<u>12,213</u>

MPS RISK SOLUTIONS LIMITED
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BALANCE SHEET - LIABILITIES
At 31 December 2007

	Notes	2007 £'000	2006 £'000
Capital and reserves			
Called up share capital	11	11,000	11,000
Profit and loss account	12	879	13
Shareholders funds attributable to equity interests	13	11,879	11,013
Technical provisions			
Provision for unearned premiums		743	399
Claims outstanding	14	787	765
		1,530	1,164
Creditors			
Creditors arising out of direct insurance operations		4	-
Other creditors including taxation and social security	15	511	20
		515	
Accruals and deferred income		23	16
Total liabilities		13,947	12,213

Approved at a meeting of the Board of Directors on 12 March 2008 and signed on its behalf by



Nicholas Davies
Chairman

NOTES TO THE ACCOUNTS

1 Basis of preparation of the financial statements

The financial statements are set out on the basis of the accounting policies below and comply with the special provisions relating to insurance companies in section 255 of, and Schedule 9a to, the Companies Act 1985. The recommendations of the Statement of Recommended Practice on accounting for Insurance Business issued by the Association of British Insurers in December 2005 (the ABI SORP) (as amended in December 2006) have been adopted. The accounting policies adopted reflect UK financial reporting standards and statements of standard accounting practice applicable at 31 December 2007, as considered appropriate for an insurance company.

The financial statements are prepared in accordance with applicable accounting standards.

2 Accounting policies

(a) Premiums

Premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the balance sheet date. Unearned premiums are computed on the daily pro rata basis. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience, and are included in premiums written.

(b) Claims

Claims incurred comprise claims paid in the year, movements in the year in the provisions for all outstanding claims, whether reported or not, related claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is made at future settlement values for estimated future costs and damages, legal costs and claims handling costs expected to arise from claims incurred as at 31 December, whether notified or not. Estimates are derived using statistical methods.

(c) Depreciation

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

Computers	- 20%, 25% or 33% per annum
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(d) Deferred acquisition costs

Acquisition costs, comprising commission related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(e) Investment income and expenses

Investment income relates to interest, which is recognised on an accruals basis, as are investment expenses.

NOTES TO THE ACCOUNTS

2 (e) Investment income and expenses (cont)

Investment return, comprising investment income and realised and unrealised investment gains and losses, and investment expenses are included initially within the non-technical account. As the investments are held to support the general technical provisions the actual return is transferred to the technical account. Realised investment gains and losses represent the difference between the net sales proceeds and the cost of acquisition. Unrealised investment gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year.

(f) Investments

Investments are stated at their current values at the end of the year.

(g) Taxation

The tax charge in the non-technical account is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits on ordinary activities and amounts charged or credited to reserves as appropriate.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS19 deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all the available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

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.

(h) 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. Any gain or loss is taken to the profit and loss account.

NOTES TO THE ACCOUNTS

3 Segmental reporting

The company conducts only one class of general insurance business in two geographical markets, being the United Kingdom and the Republic of Ireland. The segmental analysis of these locations is shown below.

Segmental analysis by geographical market

	Gross Premiums Written £'000	Technical Result £'000	Net Assets £'000
2007			
United Kingdom	1,406	1,172	104
Republic of Ireland	81	59	11,775
	<u>1,487</u>	<u>1,231</u>	<u>11,879</u>
2006	£'000	£'000	£'000
United Kingdom	663	(119)	11,010
Republic of Ireland	44	-	3
	<u>707</u>	<u>(119)</u>	<u>11,013</u>

Gross premiums written by destination are not materially different from gross premiums written by source.

4 Investment return

	2007 £'000	2006 £'000
Investment income		
Income from cash funds	317	250
Bank interest	73	32
	<u>390</u>	<u>282</u>
Unrealised investment gains		
On investments held at 31 December	<u>250</u>	<u>30</u>
Investment expenses		
Investment management expenses	<u>-</u>	<u>10</u>

NOTES TO THE ACCOUNTS

5 Net operating expenses

	2007	2006
	£'000	£'000
Acquisition costs	21	15
Changes in deferred acquisition costs	(2)	(3)
Administrative expenses	461	409
	480	421

Included under administrative expenses are
Audit of the company's financial statements

5	5
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Other auditors' remuneration is disclosed in the Group financial statements, as the Group financial statements are required to comply with regulation 5(1) of the Companies (Disclosure of Auditor Remuneration) Regulations 2005

6 Taxation

(a) Tax charged/(credited) to the non-technical account comprises

	2007	2006
	£'000	£'000
Current tax on income for the period at 30%	372	-
Adjustments in respect of prior periods	2	-
Group loss relief	-	(123)
Tax charged to the non technical account	374	(123)

(b) Current tax reconciliation

Differences between the current tax charge for the period and the expected tax charge based on the current rate of 30% are explained below	2007	2006
	£'000	£'000
Profit/(loss) before tax per accounts	1,240	(119)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 30%	372	(36)
Effects of		
Group loss relief	-	36
Current tax charge for the period	372	-

NOTES TO THE ACCOUNTS

7 Directors' emoluments

	2007 £'000	2006 £'000
Highest paid director	<u>7</u>	<u>7</u>

The aggregate emoluments of the directors, including the above, were £9,475 (2006 £9,000) Pension costs incurred in respect of the directors was £nil (2006 £nil)

8 Employees' remuneration

The company has no employees, such costs being wholly met by the holding company, which makes a management charge for its services

9 Fixed Assets

Computers
£'000

Cost

At 1 January 2007	62
Additions	63
At 31 December 2007	<u>125</u>

Depreciation

At 1 January 2007	14
Provided in the year	28
At 31 December 2007	<u>42</u>

Net book value

At 31 December 2007	<u>83</u>
At 31 December 2006	<u>48</u>

Capital commitments

There were no capital commitments at 31 December 2007 (2006 £nil)

10 Investments

	2007 £'000	2006 £'000
Valuation at 1 January	10,830	10,559
Additions/(Disposals)	-	(5)
Movement in cash and brokers' balances	317	246
Unrealised investment gains	250	30
At 31 December	<u>11,397</u>	<u>10,830</u>

NOTES TO THE ACCOUNTS

10 Investments (cont)

	2007	2006
	£'000	£'000
Investments comprise		
UK Government bond index fund	5,625	5,375
GBP Global cash fund	5,772	5,455
	11,397	10,830
Historical cost of investments	10,772	10,455

All investments are held in collective investment schemes

11 Share Capital

	2007	2006
	£'000	£'000
Authorised share capital	20,000	20,000
Allotted and fully paid		
11,000,000 ordinary shares of £1 each	11,000	11,000

12 Reserves

	Profit and loss account £'000
At 1 January 2007	13
Profit for the financial year	866
At 31 December 2007	879

13 Reconciliation of movements in shareholders' funds

	2007	2006
	£'000	£'000
Profit for the financial year	866	4
Opening shareholders' funds	11,013	11,009
Closing shareholders' funds	11,879	11,013

NOTES TO THE ACCOUNTS

14 Provision for claims outstanding

	Claims outstanding £'000	Claims handling £'000	Total £'000
At 1 January 2007	729	36	765
Movements in the year			
Charged to the technical account	35	2	37
Paid	(14)	(1)	(15)
At 31 December 2007	750	37	787

The claims provision is the ultimate settlement value in respect of all claims incurred, whether notified or not, as at 31 December and includes claims handling

The provision for claims outstanding is based on information available at the balance sheet date. Delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account of later years.

15 Other creditors

	2007 £'000	2006 £'000
Corporation tax	372	-
Other tax and social security	10	6
Amount owed to parent undertaking	104	-
Other creditors	25	14
	511	20

NOTES TO THE ACCOUNTS

16 Ultimate holding company

The ultimate holding company is The Medical Protection Society Limited (MPS), (a company limited by guarantee and incorporated in England)

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

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with members of The Medical Protection Society Limited

Copies of the Group's financial statements are obtainable from

Companies Registration Office
Companies House
Crown Way
Cardiff
CF4 3UZ