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THE MEDICAL PROTECTION SOCIETY
ANNUAL ACCOUNTS
31ST DECEMBER 1994



The Medical Protection Society is an international organisation, a discretionary mutual fund which has protected, supported and safeguarded the interests of doctors, dentists and other healthcare professionals for over 100 years.

We offer our members advice, assistance and representation in complaints, disciplinary matters and legal proceedings arising from their clinical work as well as indemnity for adverse awards of costs and damages.

We also provide educational risk management and claims management services.

Dental members are served through Dental Protection, a subsidiary of MPS, and our developing international membership is supported through cooperative arrangements worldwide.

Members have access to advisory staff with medical, dental and legal qualifications and the Society is governed by a Council of sixteen persons, the majority of whom hold medical or dental qualifications.

MPS aims to be the world's premier medical protection organisation through the pursuit of excellence in providing medico-legal, dento-legal membership and educational services to its members, whilst ensuring the financial security of members' funds.

Medical Protection Society Limited

Summary Financial Results For The Year Ended 31 December 1994

	1994 £'000	1993 £,000	Percentage Improvement
Members' subscription and other income	68,877	56,764	21.34%
Net contribution to meet future liabilities	30,242	26,157	15.62%
Net assets	135,790	111,736	21.53%

Chairman's Report

1994 was an encouraging year for our Society.

Our new administrative centre in Leeds, Granary Wharf House, became fully operational in April 1994 and the formal opening ceremony was conducted by our President, Sir John Batten, in November.

Granary Wharf House was very much the brainchild of the Society's first Chief Executive whose sudden and untimely death I reported last year. The building will be a lasting memorial to Darryll McGee's great contribution to the financial strength and future security of the Society in the second century of its existence. I am pleased now to be able to place on record, on your behalf, our gratitude for his endeavours in his three years' tenure of office.

We have indeed been fortunate to secure so swiftly the services of John Youngman as our new Chief Executive. He is no stranger to us, having served on the Council since October 1990 and having been Chairman of our Finance Committee. With his legal training and experience, his family medical connections and a twenty year career in business, latterly as Chairman and Chief Executive of Coates Brothers plc, a major public company, he is ideally placed to build upon the solid foundations now in place. We wish him a long and happy term of office and I know that he enjoys the enthusiastic support and loyalty of his colleagues on Council, the senior management team and our international partners.

As I write, membership of the MPS has risen to over 143,000 members worldwide, so that we can now justifiably claim to have taken over the mantle of the largest medical discretionary mutual fund. Our commitment to the service of members is under constant scrutiny; we do not claim to be perfect but we always strive to deliver quality and excellence in all our services to our members and partners. Our investment in modern technology in our new administrative centre will make it easier to improve our standards of service.

The Society was pleased and proud to have been awarded a contract by the UK Department of Health for the design, implementation and subsequent management of a new funding arrangement for NHS Trusts to share the risks of clinical negligence, to be known as the Clinical Negligence Scheme for Trusts (CNST). The contract was won against fierce competition and the Society has developed the scheme in collaboration with the Willis Corroon Group, an internationally recognised insurance broking and risk management company.

The year has seen some changes on Council and among the permanent staff. At the last annual general meeting Professor A G M Campbell advised us that he did not wish to stand for re-election, having retired some two years previously from the Chair of Child Health in Aberdeen. Later in the year Mrs M H E Seward resigned from Council upon her appointment as President of the General Dental Council. Lord Colwyn, for some years a director of our dental subsidiary Dental Protection, and who

is in dental practice, was co-opted to fill that vacancy. Council commends to members at the 1995 annual general meeting the election to Council of Lord Colwyn. On behalf of the Council, I extend my thanks to Professor Campbell and Mrs Seward for their much appreciated contributions to the work of the Society and its members.

Council recommends that the vacancies on Council which have arisen from Professor Campbell's resignation and Mr McGee's death be filled by Mr Keith Parsons, a consultant urologist from Liverpool and Dr J Paul Miller, a consultant gastroenterologist from Manchester, both of whom have been associated with the Society for many years through our Cases Committee. This will reduce the non-clinical representation on Council to four but our intention is to restore it to five as soon as a vacancy arises.

Professor Sir Paul Bramley, a member of Council since 1975, resigns from Council at the 1995 annual general meeting and Council recommend that his place be filled by Mrs Meredyth Bell, a dental practitioner in Cumbria. I would like to take this opportunity to thank Sir Paul for his long and devoted service to the Society and its members and for his able chairmanship of Dental Protection. Council have nominated Lord Colwyn to succeed Sir Paul as Chairman of Dental Protection.

I myself am now in my final year of Chairmanship, having held this office since 1988. I feel privileged to have been so closely associated with the Society through a time of great change and progress. The unstinting endeavours of the Society's dedicated staff, who deal with an ever increasing complexity and volume of business and casework, have contributed significantly to the well-being of the Society during this period - particularly during this past year. I would like to express my gratitude to all my colleagues on Council, its committees and the staff of the Society for their commitment. I also thank my friends and associates in our subsidiary companies and schemes of co-operation internationally, all of whom have done so much to support and advise me during my seven year tenure of office.

I wish the Society well for the future.

J J Bradley
Chairman of Council

Chief Executive's Report

I am glad to report that the Society has once again succeeded in improving its financial position in 1994 in spite of the substantial fall experienced in stock markets generally but particularly in the U.K. stock market.

Subscription income increased during the year by £12.1m, reflecting not only the necessary rise in subscription rates but also a further increase in membership numbers. In market terms, therefore, we have continued to gain ground.

Costs and damages have increased by £3.8m and legal expenses by £1.2m, whilst known contingent liabilities have gone up by £10m. These increases, which reflect both the escalating frequency and scale of court awards or settlements of clinical negligence claims and also to a lesser extent our rising membership numbers, do substantiate the regrettable need for the progressive uplifts in subscription rates in recent years.

As membership numbers have risen, we have taken on additional resources to ensure that our medico-legal, dento-legal and other services to members are maintained and indeed continuously enhanced. Nevertheless, we have been able to limit the increase in administrative costs (including medical and dental advisory services) to £1.0m in 1994, although there will inevitably be a further rise in the current year. However, this will be offset to some extent by the fact that the costs associated with the transfer of a large part of our activities to the new Leeds office and with the consequent reorganisation and refurbishment of our London office will have been fully provided at the end of 1994.


Net assets have risen by £24.0m. to a figure of £135.8m, at the end of 1994. Although the balance sheet value of the Society's investments has gone up by £24.0m, this represents the injection of new money and reinvested dividends amounting to £35.0m during the year and losses (both realised and unrealised) on investments of £11.0m as a result of the unusually unfavourable investment environment. This kind of volatility has to be expected in the case of equity investment and trend lines can only be established over a period of several years.

In the circumstances, members can feel encouraged that the Society has achieved a contribution to meet future liabilities of £30.2m.

The Chairman has referred in his report to the Society's successful tender for the contract in respect of the Clinical Negligence Scheme for Trusts (CNST). The design and implementation phases of this contract will have been successfully completed by 31st March in conjunction with our partners, Willis Corroon, and a substantial proportion of hospital trusts in England have opted to participate in this voluntary scheme. MPS is proud that its skills and experience in the clinical negligence field have been recognised and its reputation enhanced by the award of this contract which, with effect from 1st April, has now been extended to cover the management of the scheme for the next three years. The scheme will be managed by a discrete unit within MPS and the services provided to our members will not be compromised.

There has been no change regarding the disputes in Victoria and Western Australia to which reference has been made in earlier reports. As previously mentioned, we have the support of legal advice from leading counsel both in Australia and England and we continue firmly to defend the Society's position.

In summary, this has been a year of further sound progress for the Society and my early months in the role of chief executive have reinforced my confidence in the ability of the Society's staff to provide an excellent service to members and to continue to enhance the Society's financial position.



DJY

Lane Clark & Peacock

Actuaries

30 Old Burlington Street
London W1X 2NN
Telephone: 0171-439 2266
Fax: 0171-439 0183

Mr D J Youngman
The Medical Protection Society
50 Hallam Street
London
W1N 6DE

21st March 1995

Dear Sir

We have reviewed the position of the Society based upon reported cases as at 31st December 1994 and our main conclusions are set out below.

Review of 1994

Our analysis of the Society's 1994 claims experience has again highlighted a marked escalation in the settlement values of large claims in most areas in which the Society operates. This has resulted in a significant increase in the Society's provisions for reported unsettled claims and subscriptions will need to continue to make appropriate allowance for future claims inflation. The number of claims reported in 1994 was broadly in line with expectations.

Last year proved to be a difficult time for investments, with most equity and bond markets around the world showing falls. Despite this, the Society ended the year with a slightly improved funding level and, in the circumstances, it can be considered to have made satisfactory progress.

Subscription Policy

In advising the Society on possible subscription rates we have taken account of its current stated objective to implement subscriptions which will fully cover the cost of incidents occurring during the subscription year, even though these may not be reported, and finally settled, for many years. If such objective is maintained in future years, we would expect the Society to remain able to meet those liabilities as they fall due.

Yours faithfully

Lane Clark & Peacock

Lane Clark & Peacock

D W Peacock C R C Hawkes R J N Young G W Orpwood Price M R Slack Alan Bradley Roger R Heard A M Newman Fiona J Morrison A D Mason
I R H Scott FLAA A P Cunningham ASA Petrea A Simmons Colin J W Czaplowski MAAA B J Huby N J R Curry Karen Goldschmidt Paul B Metcalf A J Templeton
Consultant: Susan M Wilcock

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International Office at 39a Southgate Street Winchester Hampshire SO23 9EH Telephone: 01962 870060 Fax: 01962 849802



Report Of The Council

The Council presents its report and accounts for the year ended 31 December 1994.

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 3 to 14.

The review of the business appears in the Chief Executive's report on page 1.

Net contribution for the year available to meet future liabilities and charges of £30.2m 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 .

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 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 have:

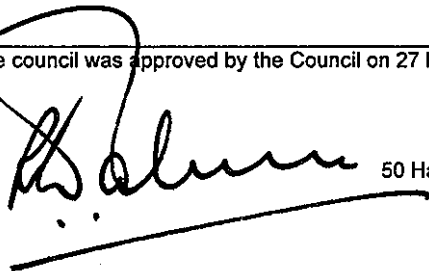
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the accounts on the going concern basis.

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 27 March 1995 and signed on its behalf by;

R N Palmer
Secretary



50 Hallam Street, London, W1N 6DE

The Medical Protection Society Limited

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Income : continuing operations			
Members' subscriptions and other income		<u>68,877</u>	<u>56,764</u>
Expenditure			
Costs and damages (including cost of insurance)		18,923	15,105
Insurance recoveries		(859)	(327)
Legal expenses		9,199	8,027
Medical and dental advisory services	3	5,655	5,140
Administration expenses	3	5,725	5,262
Exchange adjustments		<u>284</u>	<u>646</u>
		<u>38,927</u>	<u>33,853</u>
Excess of Income over Expenditure:			
continuing operations		29,950	22,911
Income from investments	4	3,680	3,134
Realised (losses)/gains from disposal of investments	2(g)	<u>(2,420)</u>	<u>973</u>
Contribution from ordinary activities before taxation		31,210	27,018
Tax on income and realised gains from investments	5	<u>(968)</u>	<u>(861)</u>
Net contribution for the year available to meet future liabilities and charges	14	<u>30,242</u>	<u>26,157</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Net contribution for the financial year	30,242	26,157
(Deficit)/surplus on revaluation of investments	(6,188)	15,447
Total recognised gains	<u>24,054</u>	<u>41,604</u>

NOTE OF HISTORICAL COST INCOME AND EXPENDITURE

Reported net contribution before taxation	31,210	27,018
Realisation of valuation gains of previous years	4,565	757
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	63	46
Historical cost net contribution before taxation	<u>35,838</u>	<u>27,821</u>
Historical net contribution retained after taxation	<u>34,870</u>	<u>26,960</u>

All of the Society's operations are classed as ongoing.
Movements on reserves are shown in note 14 on page 13.

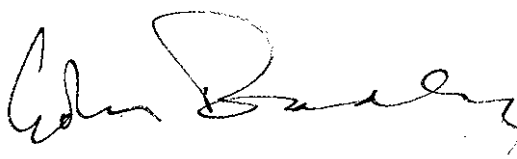
The notes on pages 7 to 14 form part of these accounts.
The Medical Protection Society Limited

CONSOLIDATED AND COMPANY BALANCE SHEETS
At 31 December 1994

	Notes	1994	1993	1994	1993
		Group £'000	Group £'000	Company £'000	Company £'000
Fixed assets					
Tangible assets	9	9,653	7,539	9,653	7,539
Investments	10	111,213	87,239	52	87,290
		<u>120,866</u>	<u>94,778</u>	<u>9,705</u>	<u>94,829</u>
Current assets					
Debtors	12	16,004	12,044	124,095	11,989
Bank deposit accounts		3,709	13,604	3,689	13,604
Cash at bank and in hand		5,820	1,345	5,780	1,312
		<u>25,533</u>	<u>26,993</u>	<u>133,564</u>	<u>26,905</u>
Creditors:					
Amounts falling due within one year	13	(10,609)	(10,035)	(10,517)	(9,995)
Net current assets		<u>14,924</u>	<u>16,958</u>	<u>123,047</u>	<u>16,910</u>
Net assets		<u>135,790</u>	<u>111,736</u>	<u>132,752</u>	<u>111,739</u>
Accumulated funds	14				
Income and expenditure		119,483	84,676	129,763	84,679
Revaluation reserve		16,307	27,060	2,989	27,060
Funds available to meet future liabilities and charges	15	<u>135,790</u>	<u>111,736</u>	<u>132,752</u>	<u>111,739</u>

John Jennery Bradley
Chairman of the Council

27 March 1995



The notes on pages 7 to 14 form part of these accounts.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE MEDICAL PROTECTION SOCIETY LIMITED**

We have audited the accounts on pages 3 to 14 which have been prepared on the basis of the accounting policies set out on page 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 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 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 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 1994 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.

St George House
40 Great George Street
Leeds LS1 3DQ

27 March 1995



ROBSON RHODES
Chartered Accountants
Registered Auditor

The Medical Protection Society Limited

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1994

	1994 £'000	1993 £'000
Net cash inflow from operating activities	28,584	20,841
Returns on investments		
Interest received	845	1,126
Dividends received	2,252	1,677
Other receipts	20	44
Net cash inflow from returns on investments	3,117	2,847
Tax paid	(447)	(540)
Investing activities		
Payments to acquire fixed assets		
Tangible Assets	(2,673)	(3,090)
Investments	(47,701)	(37,300)
	(50,374)	(40,390)
Receipts from sale of fixed assets		
Tangible Assets	48	76
Investments	17,538	12,987
	17,586	13,063
Net cash outflow from investing activities	(32,788)	(27,327)
Decrease in cash and cash equivalents	(1,534)	(4,179)

Reconciliation of operating excess of income over expenditure to net cash inflow from operating activities

Operating excess of income over expenditure	29,950	22,911
Depreciation charges	513	451
Increase in debtors	(3,960)	(4,379)
Increase in creditors	2,081	1,858
Net cash inflow from operating activities	28,584	20,841

Analysis of the balances of cash and cash equivalents

	1994 £'000	1993 £'000	Movement £'000
Bank deposits	3,709	13,604	(9,895)
Cash at bank and in hand	5,820	1,345	4,475
Bank overdraft	0	(1,471)	1,471
Investment deposit	3,175	760	2,415
	12,704	14,238	(1,534)

The notes on pages 7 to 14 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 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.

Pursuant to Schedule 4 para 55 (5) of the Companies Act 1985 no geographical analysis of subscription income is shown.

(d) Depreciation

Depreciation is provided in equal annual instalments over their anticipated useful lives. 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

NOTES TO THE ACCOUNTS

2 Accounting Policies

(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 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.

NOTES TO THE ACCOUNTS

3 Medical and dental advisory services and administration expenses

	1994 £'000	1993 £'000
Charged under this classification are:		
Auditors' remuneration - Audit Fees	45	45
- Fees for other services	17	20
Emoluments of members of Council	263	320
Depreciation on fixed assets	513	451

4 Income from investments

	1994 £'000	1993 £'000
Dividends: listed investments		
- franked	2,175	1,322
- unfranked	639	610
Bank interest	845	1,140
Rental income	10	21
Other income	11	41
	3,680	3,134

5 Tax on income and realised gains from investments

	1994 £'000	1993 £'000
Tax on franked income	358	255
Corporation tax at 33% (1993: 33%)	610	592
Overseas tax payable	22	14
Overseas tax recoverable	(22)	(14)
Prior year adjustment	-	14
	968	861

No provision has been made for tax of approximately £2 million (1993 £5 million), which would arise should the Society's investments and freehold properties be sold at the market value included in the balance sheet.

6 Emoluments of members of Council

	1994 £'000	1993 £'000
Chairman	22	22
Highest Paid Director (including pension contributions)		
Chief executive to 23/3/94	36	140
Chief executive to 31/12/94	47	-

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

	1994	1993
£1 - £5,001	2	-
£5,001 - £10,000	7	8
£10,001 - £15,000	4	5
£15,001 - £20,000	1	1

NOTES TO THE ACCOUNTS

7 Employees

The average number of people employed by the Society during the year was 107 (1993 -126). The reduction in employees is caused by the transitional staffing arrangements prior to the removal of the Society's main administrative offices from London to Leeds.

Costs in respect of these employees:

	1994 £'000	1993 £'000
Wages and salaries	2,665	2,949
Social security costs	297	299
Pension costs	471	345
	<u>3,433</u>	<u>3,593</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.

NOTES TO THE ACCOUNTS

9 Tangible assets: Group and company

	Freehold property £'000	Leasehold property £'000	Computers, furniture, fittings, and office equipment £'000	Motor cars £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 1994	6,606	397	2,850	464	10,317
Additions	1,541		923	209	2,673
Disposals			(10)	(133)	(143)
At 31 December 1994	8,147	397	3,763	540	12,847
<i>Depreciation</i>					
At 1 January 1994	319	141	2,169	149	2,778
Provided in year	142	26	223	122	513
Released on disposals			(10)	(87)	(97)
At 31 December 1994	461	167	2,382	184	3,194
<i>Net book values</i>					
At 31 December 1993	6,287	256	681	315	7,539
At 31 December 1994	7,686	230	1,381	356	9,653

All the leasehold properties held at 31 December 1994 are short leaseholds.

Freehold property comprises

	£'000
At cost	3,943
At 1988 valuation	4,204
	<u>8,147</u>
Depreciation	(461)
At 31 December 1994	7,686
At 31 December 1993	<u>6,287</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	5,158
Depreciation	(79)
At 31 December 1994	5,079
At 31 December 1993	<u>3,544</u>

Capital commitments

Capital expenditure approved but not contracted for amounted to £nil (1993 £ nil).
Capital expenditure approved and contracted for amounted to £nil (1993 £1 million).

NOTES TO THE ACCOUNTS

10 Investments

	1994 £'000 Group	1993 £'000 Group	1994 £'000 Company	1993 £'000 Company
Valuation at 1 January	87,239	46,515	87,290	46,515
Additions	48,957	35,954	16,164	36,005
Disposals	(19,774)	(11,255)	(103,235)	(11,255)
Movement in cash and brokers balances	979	578	(852)	578
(Deficit)/surplus on revaluation of listed investments	(6,188)	15,447	685	15,447
At 31 December	111,213	87,239	52	87,290

Investments comprise:

General fund:

Listed on U.K. Stock Exchange	100,280	85,166	-	85,166
Listed on other overseas Stock Exchange	9,102	1,217	-	1,217
Shares in group undertakings	-	-	52	51
Cash	3,175	760	0	760
Brokers balances	(1,344)	92	0	92
Other	-	4	-	4
	111,213	87,239	52	87,290

Historical cost of investments	97,895	63,139	52	63,190
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The reduction in the Company's investments from £87,290K to £52K results from the transfer of the listed investments from the Holding Company to MPI (London) Limited.

11 Investment in subsidiary undertakings

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

Name	Parent and group interest in ordinary shares and voting rights	Country of incorporation or registration	Nature of business
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 management services and advice to Health Authorities in respect of medical and dental negligence or malpractice 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	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 operation of Medical Protection (Europe) Limited

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

NOTES TO THE ACCOUNTS

12 Debtors

	1994 Group £'000	1993 Group £'000	1994 Company £'000	1993 Company £'000
Subscriptions owing	14,884	10,383	14,884	10,383
Trade debtors	38	57	4	3
Amounts owed by subsidiary undertakings	-	-	108,229	158
Other debtors	440	964	336	805
Prepayments	642	640	642	640
	<u>16,004</u>	<u>12,044</u>	<u>124,095</u>	<u>11,989</u>

13 Creditors: amounts falling due within one year

	1994 Group £'000	1993 Group £'000	1994 Company £'000	1993 Company £'000
Bank overdraft	-	1,471	-	1,471
Corporation tax	395	430	381	430
Other taxes and social security	118	124	118	124
Deferred income	8,467	5,830	8,467	5,830
Amounts owed to subsidiary undertakings	-	-	-	101
Other creditors and accruals	1,629	2,180	1,551	2,039
	<u>10,609</u>	<u>10,035</u>	<u>10,517</u>	<u>9,995</u>

14 Movement on reserves - Group

	Revaluation reserve £'000	Income and expenditure £'000	Accumulated funds £'000
At 1 January 1994	27,060	84,676	111,736
Deficit on revaluation of listed investments	(6,188)		(6,188)
Released on disposal of investments	(4,565)	4,565	0
Net contribution for the year after taxation		30,242	30,242
At 31 December 1994	<u>16,307</u>	<u>119,483</u>	<u>135,790</u>

Movement on reserves - Company

	Revaluation reserve £'000	Income and expenditure £'000	Accumulated funds £'000
At 1 January 1994	27,060	84,679	111,739
Surplus on revaluation of listed investments	685		685
Released on disposal of investments	(24,756)	24,756	0
Net contribution for the year after taxation		20,328	20,328
At 31 December 1994	<u>2,989</u>	<u>129,763</u>	<u>132,752</u>

NOTES TO THE ACCOUNTS

15 Reconciliation of movements in funds available to meet future liabilities

	1994	1993
	Group	Group
	£'000	£'000
Surplus for the financial year	30,242	26,157
Other recognised (losses)/gains relating to the year (net)	(6,188)	15,447
Total recognised gains	24,054	41,604
Opening funds available to meet future liabilities	111,736	70,132
Closing funds available to meet future liabilities	135,790	111,736

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 1994 and after estimated recoveries from underwriters is £89 million (1993 £74million).

17 Guarantee

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