

THE MEDICAL PROTECTION SOCIETY

36142

ANNUAL ACCOUNTS

31ST DECEMBER 1990

COMPANIES HOUSE  
31 OCT 1991  
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## REPORT OF THE COUNCIL

The Council present their report and accounts for the year ended 31st December 1990.

### PRINCIPAL ACTIVITIES

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 2 to 11.

The review of the business appears in the Chief Executive's Report on pages      and      above.

### FIXED ASSETS

The movement in the fixed asset account is set out in Note 9. Freehold and long leasehold properties are included at their open market value at 31st December 1988.

### MEMBERS OF COUNCIL

The present members of Council of the Society are set out on page      .

All members of Council served throughout the year, with the exception of R. Gray, C. Stewart-Munro, W.M. Styles, A.R. Tyrrell and D.J. Youngman who were appointed on 17th October 1990, and D.St.J. McGee who was appointed on 1st March 1991.

The following members of Council retired on 17th October 1990:

D. Brinkley	D.J. Lovelock	D. W. Sumner
A.D.G. Brown	T.K. Marshall	W.J. Tulley
J.O.M.C. Craig	M.A. Pugh	R.A. Williams
R.A. Green	A.J. Robertson	J. Winstanley
J.V. Jeffs	J. Stevens	J.B. Evans

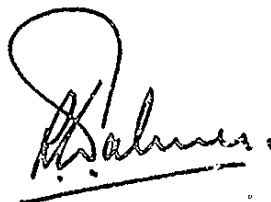
### INDEMNITY FOR MEMBERS OF COUNCIL

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

50 Hallam Street  
London WIN 6DE



By order of the Council  
R.N. Palmer  
Secretary

Date: 20 May 1991

The Medical Protection Society Limited  
(A company limited by Guarantee)

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT  
Year ended 31 December 1990

	Notes	1990 £'000	1989 Restated £'000
<i>Income</i>			
Members' subscriptions and other income		<u>28,515</u>	<u>33,586</u>
<i>Expenditure</i>			
Costs and damages (including cost of insurance)		7,015	17,973
Insurance recoveries		(1,046)	(459)
Legal expenses		6,841	6,592
Medical and dental advisory services	3	4,608	4,997
Administration expenses	3	5,611	4,046
Exchange adjustments		<u>356</u>	<u>(201)</u>
		<u>23,385</u>	<u>32,948</u>
<i>Excess of Income over Expenditure</i>		5,130	638
<i>Income from Investments</i>	4	2,218	2,670
<i>Realised gains from disposal of Investments</i>		85	1,607
		<u>7,433</u>	<u>4,915</u>
<i>Surplus on ordinary activities before taxation</i>		7,433	4,915
<i>Tax on income and realised gains from Investments</i>	5	<u>(1,039)</u>	<u>(1,099)</u>
		<u>6,394</u>	<u>3,816</u>
<i>Surplus representing the contribution for the year available to meet future liabilities and charges</i>	15	<u>6,394</u>	<u>3,816</u>

The notes on pages 5 to 11 form part of these accounts.

The Medical Protection Society Limited  
(A company limited by Guarantee)

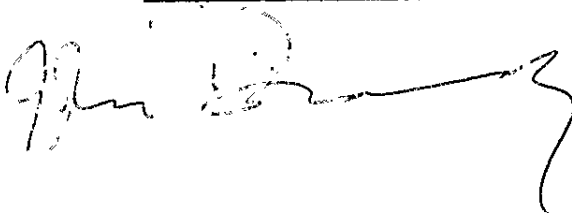
CONSOLIDATED AND COMPANY BALANCE SHEETS  
As at 31 December 1990

	Notes	1990 Group £'000	1989 Restated Group £'000	1990 Company £'000	1989 Restated Company £'000
<b>Fixed assets</b>					
Tangible assets	9	4,849	4,891	4,849	4,891
Investments	10	25,574	36,447	25,574	36,447
		<u>30,423</u>	<u>41,338</u>	<u>30,423</u>	<u>41,338</u>
<b>Current assets</b>					
Work in progress		57	0	0	0
Debtors	12	5,640	4,692	6,000	4,692
Bank deposit accounts		16,965	11,641	16,965	11,641
Cash at bank and in hand		1,595	849	1,253	849
		<u>24,257</u>	<u>17,182</u>	<u>24,218</u>	<u>17,182</u>
<b>Creditors:</b>					
amounts falling due within one year	13	<u>(7,355)</u>	<u>(8,309)</u>	<u>(7,313)</u>	<u>(8,309)</u>
<b>Net current assets</b>		<u>16,902</u>	<u>8,873</u>	<u>16,905</u>	<u>8,873</u>
<b>Total assets less current liabilities</b>		<u>47,325</u>	<u>50,211</u>	<u>47,328</u>	<u>50,211</u>
<b>Creditors :</b>					
amounts falling due after more than one year	14	<u>(9,052)</u>	<u>(11,141)</u>	<u>(9,052)</u>	<u>(11,141)</u>
<b>Net assets</b>		<u>38,273</u>	<u>39,070</u>	<u>38,276</u>	<u>39,070</u>
<b>Accumulated funds</b>					
Income and expenditure	15	31,647	25,253	31,650	25,253
Revaluation reserve		6,626	13,817	6,626	13,817
<b>Fund available to meet future liabilities and charges</b>	16	<u>38,273</u>	<u>39,070</u>	<u>38,276</u>	<u>39,070</u>

The notes on pages 5 to 11 form part of these accounts.

John Jennery Bradley - Chairman of Council

Date 20.4.91



The Medical Protection Society Limited  
(A company limited by Guarantee)

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
Year ended 31 December 1990

	1990	1989
		<i>Restated</i>
	£'000	£'000
<b>Source of funds</b>		
Surplus on ordinary activities before taxation	<u>7,433</u>	<u>4,915</u>
Items not involving movement of funds		
Depreciation	380	363
Realised gains on disposal of investments and fixed assets	<u>(85)</u>	<u>(1,607)</u>
	<u>295</u>	<u>(1,244)</u>
<b>Funds generated by operations</b>	7,728	3,671
<b>Funds from other sources</b>		
Proceeds from sale of investments	8,651	13,055
Proceeds from sale of fixed assets	69	48
<b>Total funds generated</b>	<u>16,448</u>	<u>16,774</u>
<b>Application of funds</b>		
Purchase of investments	4,907	12,762
Purchase of fixed assets	383	487
Taxation paid	<u>1,109</u>	<u>527</u>
	<u>6,399</u>	<u>13,776</u>
<b>Movements in working capital</b>	<u>10,049</u>	<u>2,998</u>
<b>Represented by:</b>		
Increase/(decrease) in debtors	948	(2,521)
Decrease in creditors	2,474	878
Increase in work in progress	57	-
<b>Movements in net liquid funds</b>		
Increase in cash and bank balances	<u>6,570</u>	<u>4,641</u>
	<u>10,049</u>	<u>2,990</u>

The notes on pages 5 to 11 form part of these accounts.

The Medical Protection Society Limited  
(A company limited by Guarantee)

**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 surplus 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 but the value 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 of incidents, in claims and damages, 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, freehold and long leasehold 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. This is a change of accounting policy and the corresponding amounts in the preceding year have been restated, as shown in Note 15. Pursuant to Schedule 4 para 55 (5) of the Companies Act 1985 no geographical analysis of subscription income is shown.

**(d) Work in progress**

Work in progress is valued at the lower of cost and estimated net realisable value. The cost of work in progress comprises direct staff cost and attributable overheads.

**(e) Depreciation**

Depreciation is not provided in respect of freehold land. On other assets it is provided in equal annual instalments over their anticipated useful lives. The rates of depreciation are as follows:

Freehold property	- 2% per annum
Leasehold properties	- over life of leases
Furniture and fittings	- 5% per annum
Heating	- 10% per annum
Office equipment	- 15% per annum
Motor Vehicles	- 25% per annum
Computers	- 20% per annum

**The Medical Protection Society Limited**  
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**NOTES TO THE ACCOUNTS**

**2 Accounting Policies**

**(f) 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 31st December.

**(g) Dividends**

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

**(h) Investments**

Listed investments are included in the balance sheet at market valuation. The net surplus or deficit on revaluation is credited or charged to the revaluation reserve. On disposal the net proceeds are compared with original cost and the profit or loss credited or charged to the income and expenditure account.

**(i) Costs and damages**

Provision is made in the accounts for all costs and damages paid in the financial period. This is a change of accounting policy and the corresponding amounts in the preceding year have been restated, as shown in Note 15.

**(j) Taxation**

Provision is made in the accounts for taxation 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.

**(k) 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

In principle the Society contributes to the scheme an amount equal to the regular cost of pensions as calculated by a qualified actuary based on a constant percentage of current pensionable payroll. The regular pension costs so calculated are charged to the income and expenditure account.

Triennial valuations of the pension scheme are performed by the actuary using the projected unit method. These valuations may reveal a surplus or deficit, which the Society then eliminates by temporarily varying its contributions to the scheme.

The Medical Protection Society Limited  
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NOTES TO THE ACCOUNTS

3 Medical and dental advisory services and administration expenses

	1990 £'000	1989 £'000
Charged under this classification are:		
Audit fee	50	4
Emoluments and expenses of members of Council (Note 6)	159	15
Depreciation on fixed assets	380	36

4 Income from Investments

	1990 £'000	1989 £'000
Dividends: listed investments		
- franked	1,089	1,043
- unfranked	231	38
Bank interest	1,946	1,181
Rental income	52	1
Other income	18	3
	<u>3,336</u>	<u>2,677</u>
Attributable to HCHS fund	(1,118)	(1,118)
	<u>2,218</u>	<u>1,559</u>

5 Tax on income and realised gains from Investments

	1990 £'000	1989 £'000
Tax on franked income	266	25
Corporation tax at 34.2% on income and realised gains from investments	773	84
Overseas tax payable	21	1
Overseas tax recoverable	(21)	(1)
	<u>1,039</u>	<u>1,05</u>

No provision has been made for taxation of approximately £90,000 (1989 £3,250,000), which would arise should the Society's investments, freehold and long leasehold properties be sold at the market value included in the balance sheet.

6 Emoluments of members of Council

	1990 £'000	1989 £'000
Chairman	18	7
Highest paid member of Council (1990 : Chairman)	-	7

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

	1990	1989
£0 - £5,000	21	19
£5,001 - £10,000	5	7
£10,001 - £15,000	3	7
£15,001 - £20,000	1	7



The Medical Protection Society Limited  
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NOTES TO THE ACCOUNTS

7 *Employees' remuneration*

The average number of people employed by the Society during the year was 150 (1989 - 151)

Costs in respect of these employees:

	1990 £'000	1989 £'000
Wages and salaries	3,310	3,014
Social security costs	292	260
Pension costs	475	380
	<u>4,077</u>	<u>3,662</u>

8 *Pensions*

The most recent, formal actuarial review of the pension scheme was at 1st January 1988. The market value of the scheme assets as shown in the scheme accounts at that date was £2.0m and the level of funding was 134%. The main actuarial assumptions used in the valuation were:

Investment returns	9.0% p.a.
Salary increases	7.0% p.a.
Future pension increases	5.0% p.a.
New entrants - a constant age profile for the pension scheme.	

As the valuation revealed a surplus funding, the actuary recommended a reduction in the contribution rate from 29% (excluding employees' contribution) to 20.3% with effect from 1st January 1989.

The Medical Protection Society Limited  
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NOTES TO THE ACCOUNTS

9 Tangible assets : Group and company

	Freehold property	Leasehold property	Computers, furniture, fittings, and office equipment	Motor cars	Total
	£	£	£	£	£
Cost or valuation					
As at 1st January 1990	464	3,573	1,469	351	5,857
Additions	-	8	161	214	383
Disposals	-	-	-	(133)	(133)
As at 31st December 1990	464	3,581	1,630	432	6,107
Depreciation					
As at 1st January 1990	9	89	717	151	966
Provided in year	9	71	212	88	380
Released on disposals	-	-	-	(88)	(88)
As at 31st December 1990	18	160	929	151	1,258
Net book values					
As at 31st December 1989	455	3,484	752	200	4,891
As at 31st December 1990	446	3,421	701	281	4,849

Included in leasehold property are short leaseholds with a net book value of £326,477 (1989 -£349,566).

The revaluation of Freehold and long Leasehold property was performed at 31 December, 1988, by Messrs Stanley Hicks & Sons, Chartered Surveyors, on the basis of their open market value.

If the land and buildings had not been revalued they would have been stated in the accounts at the following amounts.

	Freehold Property £'000	Leasehold Property £'000
Cost	106	1,044
Depreciation	(19)	(130)
At 31st December 1990	87	914
At 31st December 1989	89	939

Capital commitments

There was no capital expenditure approved but not contracted for (1989 £9,350).  
There was no capital expenditure approved and contracted for a(1989 £14,350).

The Medical Protection Society Limited  
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NOTES TO THE ACCOUNTS

10 Investments - Group and Company	1990 £'000	1989 £'000
Valuation at 1st January	36,447	29,659
Additions	4,907	12,762
Disposals	(10,221)	(12,519)
(Deficit)/surplus on revaluation of listed investments	(5,559)	6,545
At 31st December	<u>25,574</u>	<u>36,447</u>
Investments at 31st December 1990 comprise:		
General fund - listed	25,474	35,461
- on UK stock exchange	-	903
- on foreign stock exchanges	100	3
Other	<u>25,574</u>	<u>36,447</u>
Historical cost	21,806	25,586
Listed investments		

11 Investment in subsidiary undertakings

The following subsidiaries are wholly owned by The Medical Protection Society Limited and are registered in England

<u>Name</u>	<u>Nature of business</u>
Dental Protection Limited	To manage the advisory and administrative affairs of the dental division of the Society
Medical Claims Management Services Limited	To provide management services and advice in respect of medical and dental negligence or malpractice claims.
Medical Protection Europe Limited	To manage the advisory and administrative affairs of the European division of the Society

The following subsidiary is wholly owned by the Medical Protection Europe Limited and is incorporated in Germany

Medical Protection GMBH	To manage the administrative affairs of the German operation of Medical Protection Europe Limited
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12 Debtors

	1990 £'000	1989 £'000	1990 £'000	1989 £'000
	Group	Group	Company	Company
Subscriptions owing	3,584	3,135	3,584	3,135
Trade debtors	49	-	41	-
Amounts owed by subsidiary undertakings	-	-	390	-
Employee loans	15	14	15	14
Investment debtors	830	525	830	525
Other debtors	534	339	512	339
Prepayments	628	679	628	679
	<u>5,640</u>	<u>4,692</u>	<u>6,000</u>	<u>4,692</u>

13 Creditors: amounts falling due within one year

	1990 £'000	1989 £'000	1990 £'000	1989 £'000
	Group	Group	Company	Company
		Restated		Restated
Bank overdraft	238	738	238	738
Corporation tax	712	781	712	781
Other taxes and social security	120	103	134	103
Deferred income	2,986	3,329	2,986	3,329
Other creditors and accruals	2,099	2,158	2,043	2,158
HCHS fund	1,200	1,200	1,200	1,200
	<u>7,355</u>	<u>8,309</u>	<u>7,313</u>	<u>8,309</u>

**The Medical Protection Society Limited**  
(A company limited by Guarantee)

**NOTES TO THE ACCOUNTS**

**14 Creditors: amounts falling due after more than one year**  
*Group and Company*

	1990 £'000	1989 £'000
<i>HCHS fund</i>	<u>9,052</u>	<u>11,141</u>

Under the NHS Indemnity scheme, the Society has agreed with the Department of Health to create a fund, known as the HCHS fund, as a contribution to the liability being accepted by the NHS health departments at 31 December 1989. The fund is made available to Health Authorities to help meet the costs and damages of medical or dental negligence cases under an agreed arrangement, until the fund is exhausted.

**15 Movement on reserves - Group**

	Revaluation reserve £'000	Income and expenditure £'000	Accumulated funds £'000
As at 1 January 1990			
as previously reported	13,817	25,482	39,299
prior year adjustment		(229)	(229)
as restated	<u>13,817</u>	<u>25,253</u>	<u>39,070</u>
(Deficit) on revaluation of listed investments	(5,559)	-	(5,559)
Release on disposal of investment	(1,632)	-	(1,632)
Surplus for the year after taxation	-	6,394	6,394
At 31 December 1990	<u>6,626</u>	<u>31,647</u>	<u>38,273</u>

*Movement on reserves - Company*

	Revaluation reserve £'000	Income and expenditure £'000	Accumulated funds £'000
As at 1 January 1990			
as previously reported	13,817	25,482	39,299
prior year adjustment		(229)	(229)
as restated	<u>13,817</u>	<u>25,253</u>	<u>39,070</u>
(Deficit) on revaluation of listed investments	(5,559)	-	(5,559)
Release on disposal of investment	(1,632)	-	(1,632)
Surplus for the year after taxation	-	6,397	6,397
At 31 December 1990	<u>6,626</u>	<u>31,650</u>	<u>38,276</u>

The prior year adjustment represents the effect of the change of accounting policies for subscription and costs and damages as set out in note 2 above. The adoption of the revised policies has resulted in a reduction of £1.001 million to the reported surplus for the year ended 31st December 1989.

**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 31st December 1990 and after estimated recoveries from underwriters is £45 million (1989 £41 million).

**17 Guarantee**

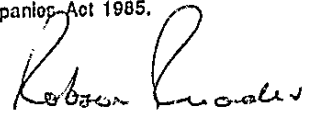
The Society is limited by guarantee of up to £1 per member.

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

We have audited the accounts set out on pages 2 to 11 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Society and the group at 31 December 1990 and of the surplus and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

186 City Road  
London EC1V 2NU

  
ROBSON RHODES  
Chartered Accountants

Date: 20 May 1991