

**SOLICITORS INDEMNITY FUND**

**ACCOUNTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2007**

**SOLICITORS INDEMNITY FUND**

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## **SOLICITORS INDEMNITY FUND**

### **DIRECTORS OF THE COMPANY**

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The Solicitors Indemnity Fund Limited (the “Company”) is responsible for the administration of the Fund and its Board comprises non-executive Directors drawn from the legal profession or with relevant insurance expertise. The following were Directors during the financial period under review.

D. A. McIntosh (Chairman)  
P. H. Marsh (resigned 15<sup>th</sup> February 2007)  
B. V. Day OBE  
J. K. Holder  
D. Hudson (appointed 24 May 2007)  
T. G. R. Lawrence  
D. C. Mander (resigned 31 July 2007)  
M. R. Mathews  
W. R. Treen  
P. M. Venton (resigned 26 July 2007)  
D. Ward (resigned 31 July 2007)

### **THE BOARD AND ITS COMMITTEES**

The Board has delegated certain powers and duties to committees established by it and receives reports of their proceedings. The Board Committees, together with a brief description of their remit is as follows:

#### **Finance and Audit Committees (incorporating Investment Committee)**

**T. G. R. Lawrence** – *Chairman*  
**J. K. Holder** – *appointed 18 September 2007*  
**D. Hudson** – *appointed 18 September 2007*  
**P. H. Marsh** - *resigned 15 February 2007*  
**M. R. Mathews**  
**D. A. McIntosh** - *appointed 16 February 2007*  
**P. M. Venton** – *resigned 26 July 2007*

The Committees review the Annual Report and Accounts and interim financial reporting, the annual expenditure budget and ad hoc financial matters and keep under review the investment performance and asset allocation. The Committees review the effectiveness of the internal processes with financial management representatives and external auditors and reports on it to the Board.

#### **Remuneration Committee**

**D. A. McIntosh** - *Appointed Chairman 16 February 2007*  
**P. H. Marsh** – *resigned 15 February 2007*  
**W. R. Treen**

The responsibilities of the Remuneration Committee are determining the remuneration of senior executives and approving the remuneration of all employees.

#### **Claims Committee**

**B. V. Day OBE** – *Chairman*  
**P. H. Marsh** - *resigned 15 February 2007*  
**D. A. McIntosh** - *appointed 16 February 2007*  
**W. R. Treen**

The Claims Committee was established in April 1998 to review claims handling procedures, the cost of legal advice on claims from an external panel of solicitors and appointments to that panel.

## **SOLICITORS INDEMNITY FUND**

### **OPERATIONAL AND FINANCIAL REVIEW**

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#### **FUND ADMINISTRATION AND CLAIMS HANDLING**

On 26 July 2007 the Fund sold its holding of 100% of the shares of Solicitors Indemnity Fund Operations Limited (SIFOL) to the Law Society. This was to allow SIFOL to offer services to third parties which, whilst owned by the Fund, it was not able to do due to the constraints of Section 37 of the Solicitors Act 1974. Up until this time SIFOL had provided all the staff to Solicitors Indemnity Fund Limited that were engaged in handling the administration and claims for the run-off of the Fund. Also, on 26 July 2007, SIFOL's name was changed to Legal and Professional Claims Limited (LPClaims) and it entered into an administrative services agreement with Solicitors Indemnity Fund Limited (SIFL) and the Law Society for the provision of various administrative and claims handling services in respect of the run-off of the Fund for a period of five years until 31 July 2012 and thereafter upon twelve months' written notice of termination. This restructuring and the ability to offer services to third parties will enable the organisation to retain staff with the necessary level of expertise in order to maintain the high standards of claims handling during the run off of the remainder of claims.

#### **LOSS DEVELOPMENT PROGRAMME**

The Fund's claims liabilities in excess of £90 million and up to a limit of £205 million with effect from 1 October 2004 are covered by an Adverse Loss Development Programme (ALDP) entered into with a leading insurer.

#### **CLAIMS**

The number of the Fund's open claims has reduced by 536 in the financial period from 1,250 at 31 December 2006 to 714 at 31 December 2007. During the period there were further savings on gross claims of £11.1 million, brought about by a reduction in gross claims provisions of £23.2 million, from £62.5 million at 31 December 2006 to £39.3 million at 31 December 2007, whilst claims payments, including internal claims costs, were £12.1 million. Amounts recoverable from reinsurers reduced by £12.2 million in the period, reflecting the savings in gross claims, whilst reinsurance recoveries were £550,000.

The claims provisions continue to be discounted at a rate of 3% and include provisions in respect of the estimated future claims costs for the ongoing protection of firms that ceased prior to 31 August 2000.

#### **INVESTMENTS**

The Fund's investment strategy is to hold a portfolio of mainly UK Government Securities, the interest coupons and maturities of which provide the funds to deal with the settlement of projected claims and expenses. This Matching Portfolio minimises any further risk of devaluation of investments as their maturity values are guaranteed. The market value of this portfolio at 31 December 2007 was £36.2 million. As claims' settlements continue to be less than expected this has led to a further accumulation of cash from maturities and interest which was invested in cash deposits at 31 December 2007. Other investments, not held for the payment of claims and management expenses, have largely been liquidated during the period to fund the repayment of the 2001/2002 and 2002/2003 shortfall contributions to the profession. The market value of these other investments at 31 December 2007 was £9.7 million.

#### **CONTRIBUTIONS**

Following the Law Society Council's decision to return shortfall contributions paid by the profession in the 2001/2002 and 2002/2003 indemnity years, the Law Society directed the Fund to commence payments for the earlier indemnity year during the twelve months ended 30 September 2006 and for the latter indemnity year, during the twelve months ended 30 September 2007. Further considerable progress has been made in the payment process during the period with only £175,000 left at 31 December 2007 to be paid out of total shortfall contribution refunds of £50.1 million.

## **SOLICITORS INDEMNITY FUND**

### **OPERATIONAL AND FINANCIAL REVIEW - continued**

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#### **OPERATING EXPENDITURE**

Until 26 July 2007 the Fund directly incurred all operating costs with the exception of staff costs which were borne by Solicitors Indemnity Fund Operations Limited and recharged at cost to the Fund. From that date the Fund continued to incur costs in connection with its tangible assets as well as accommodation costs but has recharged them to LPClaims as a fee in accordance with a contract entered into with LPClaims for the use of its assets and premises. The fee charged to LPClaims by the Fund for the use of its assets during the period was £442,000. With effect from 26 July 2007 LPClaims has incurred all operating costs which it has recharged to the Fund as an administrative services charge for services provided in administering the run-off of the Fund in accordance with the administrative services contract. The charge in the period for these services was £1.314 million.

The overall operating expenditure during the period, net of the fee received from LPClaims in respect the use of its assets was £3.472 million. This represents a considerable cost saving from £5.556 million of operating costs incurred during the fifteen month period ended 31 December 2006.

#### **STAFF NUMBERS**

A further 4 staff were made redundant during 2007. At 31 December 2007 there were 25 staff remaining to deal with the claims handling and administration of the run-off.

#### **RESULT FOR THE YEAR**

The surplus for the period before tax was £3.147 million as shown in the Revenue Account. Overprovisions of tax in prior periods has given rise to a credit of tax in the Revenue Account of £18,000 giving a net surplus after tax for the period of £3.165 million.

#### **SURPLUS**

Under the authority given to it by the Council of The Law Society, The Law Society directed the Fund, under Rule 11 of the Solicitors Indemnity Rules 2006, to release £1.5 million from surplus to The Law Society.

#### **THE LAW SOCIETY**

The accounts of the Fund are consolidated with the financial statements of The Law Society as at 31 December 2007. Copies of The Law Society accounts can be obtained from The Law Society, Law Society Hall, 113 Chancery Lane, London, WC2A 1PL.

## **SOLICITORS INDEMNITY FUND**

### **STATEMENT ON FINANCIAL CONTROL**

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The Company acknowledges that it is responsible for the system of internal financial control and has reviewed its effectiveness, having regard to the following key procedures:

- a clearly defined management structure with open lines of communication;
- an on-going review by the Company of the cost of claims in relation to the income and assets of the Fund;
- approval of annual expenditure budgets;
- a quarterly review of actual expenditure against budget;
- a quarterly review by the Company of investment activity and the performance of external investment managers against suitable benchmarks.

The Audit Committee reviews the effectiveness of the internal financial processes with financial management representatives and external auditors and reports on it to the Board.

It must be stated that a system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

## **SOLICITORS INDEMNITY FUND**

### **STATEMENT OF RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

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The Company is responsible for preparing the financial statements for the Fund for each period which give a true and fair view of the financial transactions of the Fund during the period under review and of the disposition at the end of the period of its assets and liabilities. The Company has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing those financial statements, the Company:

- selects suitable accounting policies and applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Company is also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial transactions and the assets and liabilities of the Fund. It is further responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **SOLICITORS INDEMNITY FUND**

### **INDEPENDENT AUDITORS' REPORT**

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#### **To Solicitors Indemnity Fund Limited**

We have audited the financial statements of Solicitors Indemnity Fund for the year ended 31 December 2007 which comprise the Revenue Account, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to Solicitors Indemnity Fund Limited. Our audit work has been undertaken so that we might state to Solicitors Indemnity Fund Limited those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Solicitors Indemnity Fund Limited, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of the Company and Auditors**

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

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.

In addition we report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Operational and Financial Review and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

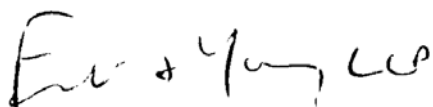
#### **Basis of Audit Opinion**

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 circumstances of the Fund, 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.

#### **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 affairs of the Fund as at 31 December 2007 and of the result of the Fund for the period then ended.



Ernst & Young LLP  
Registered Auditor  
London

Dated: 27 March 2008

**SOLICITORS INDEMNITY FUND**

**REVENUE ACCOUNT FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2007**

	Notes	12 months ended 31 December 2007 £000	12 months ended 31 December 2007 £000	15 months ended 31 December 2006 £000
<b>DISCONTINUED OPERATIONS</b>	1(a)			
Gross claims paid		(12,089)		(26,622)
Reinsurance recoveries		550		729
Net claims paid		<u>(11,539)</u>		(25,893)
Decrease in gross provision for claims	9	23,202		57,520
Decrease in amount recoverable from reinsurers	9	(12,191)		(23,156)
Decrease in net provision for claims		<u>11,011</u>		34,364
<b>Decrease in claims incurred net of reinsurance</b>			(528)	8,471
Reinsurance premiums recoverable			-	160
			<u>(528)</u>	8,631
Investment income	2	3,947		9,179
Decrease in value of investments	3	(58)		(1,948)
Investment expenses		<u>(36)</u>		(104)
<b>Investment return</b>			3,853	7,127
Administrative expenses charge	4		(133)	(157)
Profit on sale of fixed assets			-	6,274
Interest on underpaid tax			(44)	-
			<u>3,148</u>	21,875
Contributions payable/(receivable)	1(f)		(1)	70
<b>Surplus before tax</b>			<u>3,147</u>	21,945
Taxation credit/(charge)	5		18	(4,656)
<b>Surplus after tax</b>			<u>3,165</u>	17,289
Surplus brought forward			3,000	9,254
Release of Surplus to The Law Society			(1,500)	(23,543)
<b>Surplus carried forward</b>			<u>4,665</u>	<u>3,000</u>

**SOLICITORS INDEMNITY FUND****BALANCE SHEET AS AT 31 DECEMBER 2007**

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		<b>31 December 2007</b>	31 December 2006
	<u>Notes</u>	<u>£000</u>	<u>£000</u>
<b>Assets</b>			
Investments	6	<b>45,999</b>	78,276
Reinsurers' Share of Claims Provision	9	<b>3,560</b>	15,751
Debtors	7	<b>882</b>	3,336
Fixed Assets	8	<b>407</b>	416
Bank Balances		<u><b>3,435</b></u>	<u>4,855</u>
<b>Total Assets</b>		<u><b>54,283</b></u>	<u>102,634</u>
<b>Liabilities</b>			
Gross Claims Provision	9	<b>39,318</b>	62,520
Provision for Other Liabilities and Charges	10	<b>2,646</b>	3,144
Creditors	11	<u><b>7,654</b></u>	<u>33,908</u>
<b>Total Liabilities</b>		<u><b>49,618</b></u>	<u>99,572</u>
<b>Net Assets</b>		<u><b>4,665</b></u>	<u>3,000</u>
<b>Retained Surplus</b>		<u><b>4,665</b></u>	<u>3,000</u>

Approved on behalf of Solicitors Indemnity Fund Limited



D. A. McIntosh  
Chairman

27 March 2008

## SOLICITORS INDEMNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2007

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#### 1. ACCOUNTING POLICIES

(a) **Basis of preparation**

Following the decision of the Council of the Law Society in June 1999 to move to market insurance, the Fund went into run-off on 1 September 2000. Consequently, in order to comply with Financial Reporting Standard (FRS) 3 (Reporting Financial Performance) it is necessary to report the activities of the Fund as "Discontinued operations". It is also necessary to provide for all future anticipated administration costs which are referred to as run-off costs.

(b) **Reporting standards**

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

(c) **Basis of accounting**

The financial statements are prepared under the historical cost convention with the exception of the valuation of investments (see (d) below), the claims provisions (see (h) below) and the run-off provisions (see (a) above).

(d) **Valuation of investments**

Investments, comprising listed securities, are valued at their mid-market value at Balance Sheet date.

(e) **Investment income**

Interest on fixed interest securities and deposits is accounted for on an accruals basis.

(f) **Contributions**

Contributions are accounted for on the accruals basis.

(g) **Claims paid**

Claims are accounted for as and when payment is authorised. They include the costs of panel solicitors and the cost of internal claims handling staff, including an appropriate share of overheads.

(h) **Claims provisions**

Estimation techniques are used to determine the Gross Claims Provision which represents the estimated outstanding liabilities relating to all indemnity years.

Ultimate claim settlements are estimated by the use of statistical projections of historical data, together with case by case reviews of notified losses, and are based on information available at the time the estimates are made. There is uncertainty as to the quantum of the ultimate settlement of the liabilities which is inherent in the process of estimating such that, in the normal course of events, unforeseen or unexpected future developments cause the ultimate cost of settling the outstanding liabilities to differ from that currently estimated. Any differences between provisions and subsequent settlements are dealt with in later accounting periods. Claims provisions include the estimated costs of panel solicitors and of internal claims handling staff, including an appropriate share of overheads.

Claims provisions are discounted to take account of future investment income which will be earned on the assets held for meeting claims. It is considered appropriate to discount claims provisions because contributions to the Fund were determined after taking account of future investment income. The discount is calculated using the rate of interest which corresponds to the Fund's estimated long term rate of investment return and an estimate of the time to settlement based on the historic trend.

(i) **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences (except those noted as exceptions in the accounting standard) that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

## SOLICITORS INDEMNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2007

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#### 1. ACCOUNTING POLICIES - continued

(k) **Depreciation**

Depreciation is provided to write off the cost less estimated residual value of fixed assets over their useful life as follows:

Computer Equipment	- Four years, straight line.
Fixtures and Fittings	- Four/five years, straight line.

(j) **Cash Flow Statement**

As the financial statements of the Fund are consolidated within the financial statements of The Law Society, which are available at 113 Chancery Lane, London, WC2A 1PL, the Fund has taken advantage of the exemption contained in Financial Reporting Standard (FRS) 1 (Cash Flow Statements).

#### 2. INVESTMENT INCOME

	<b>12 months ended 31 December 2007 £000</b>	15 months ended 31 December 2006 £000
Equities	-	90
Fixed interest and deposits	<b>3,542</b>	8,190
Interest on payments into court	<b>405</b>	899
	<b>3,947</b>	9,179

#### 3. DECREASE IN VALUE OF INVESTMENTS

Net realised (losses)	<b>(928)</b>	(3,645)
Net unrealised gains	<b>870</b>	1,697
	<b>(58)</b>	(1,948)

## SOLICITORS INDEMNITY FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2007

#### 4. ADMINISTRATIVE EXPENSES

	<b>12 months ended 31 December 2007 £000</b>	<b>15 months ended 31 December 2006 £000</b>
<b>Operating Expenditure in the period</b>		
Administration service charges	<b>1,314</b>	-
Staff	<b>1,153</b>	3,129
Premises	<b>317</b>	574
Computer	<b>490</b>	697
Legal & professional	<b>124</b>	271
Audit	<b>91</b>	120
Insurance	<b>111</b>	262
Depreciation	<b>184</b>	215
Other operating costs	<b>130</b>	288
Total operating expenditure in the period	<b>3,914</b>	5,556
Less: Asset Licence Fee received	<b>(442)</b>	-
	<b>3,472</b>	5,556
Less: Cost of internal claims handling staff, including share of overheads	<b>(2,778)</b>	(4,445)
	<b>694</b>	1,111
Administrative expenditure in the period	<b>694</b>	1,111
Movement in provision for run-off costs - Note 10	<b>(561)</b>	(954)
	<b>133</b>	157

As at 26 July 2007 the Fund entered into an administrative services agreement with Legal and Professional Claims Limited for the provision of run-off services. The fee charged for these services is included under the heading of Administration service charges.

As at 26 July 2007 the Fund entered into a licence agreement with Legal and Professional Claims Limited for its use of the Fund's premises, computer software and fixed assets. The fee charged by the Fund to Legal and Professional Claims Limited for their use is included under the heading of Asset Licence Fee received.

The provision for run-off costs represents future anticipated administration costs as set out in Accounting Policy 1(a). The cost of internal claims handling staff, including an appropriate share of overheads has been included in claims paid as described in Accounting Policy 1(g).

Audit expenditure of £91,000 (15 months to 31 December 2006: £120,000) is in respect of the audit of the financial statements. Legal and professional costs include £47,000 (15 months to 31 December 2006: £53,000) paid to the auditors in respect of tax advisory work and nil (15 months to 31 December 2006: £73,000) paid to the auditors in respect of consultancy work.

**SOLICITORS INDEMNITY FUND****NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2007****5. TAXATION**

	<b>12 months ended 31 December 2007 £000</b>	<b>15 months ended 31 December 2006 £000</b>
(a) Analysis of (credit)/charge in period		
Current Tax - Income tax (credit)/charge on surplus for the period	(25)	6,215
Deferred tax	7	(1,559)
Tax (credit)/charge on surplus for the year	<b>(18)</b>	<b>4,656</b>
(b) Factors affecting tax charge for the period		
Surplus for the year	<b>3,147</b>	21,945
Tax at 22%	<b>692</b>	4,828
Mark-to Market transitional adjustment	-	1,579
Dividends received and interest not taxable	-	(20)
Adjustment of tax value for sale of fixed assets	-	(234)
Capital allowances more than than depreciation	(7)	(16)
Expenses disallowed for tax purposes	<b>23</b>	16
Other timing differences	<b>(185)</b>	-
(Over)/Underprovisions from prior periods	<b>(548)</b>	62
Actual current tax (credit)/charge	<b>(25)</b>	6,215

**6. INVESTMENTS**

	<b>31 December 2007 £000</b>	<b>31 December 2006 £000</b>
Fixed interest stocks	<b>10,679</b>	27,280
Deposits	<b>35,320</b>	50,996
	<b>45,999</b>	78,276

**SOLICITORS INDEMNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2007**

**7. DEBTORS**

	<b>31 December 2007 £000</b>	31 December 2006 £000
Loan to Law Society	-	1,457
Claims recoveries receivable	20	13
Accrued income	179	608
Reinsurance premiums recoverable	-	544
Claims recoverable under master policies	37	37
Deferred tax asset	55	62
VAT	358	394
Other	233	221
	<b>882</b>	<b>3,336</b>

**8. FIXED ASSETS**

	<b>Fixtures &amp; Fittings £000</b>	<b>Computer Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2007	552	617	1,169
Additions	8	166	174
<b>As at 31 December 2007</b>	<b>560</b>	<b>783</b>	<b>1,343</b>
<b>Depreciation</b>			
At 1 January 2007	195	558	753
Charge for the period	99	84	183
<b>As at 31 December 2007</b>	<b>294</b>	<b>642</b>	<b>936</b>
<b>Net book value</b>			
<b>As at 31 December 2007</b>	<b>266</b>	<b>141</b>	<b>407</b>
As at 31 December 2006	357	59	416

**SOLICITORS INDEMNITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2007**

**9. CLAIMS PROVISION**

	<b>31 December 2007 Gross £000</b>	<b>31 December 2007 Reinsurance £000</b>	<b>31 December 2007 Net £000</b>	<b>31 December 2006 Net £000</b>
Total provision	42,223	(3,995)	38,228	50,048
Discount adjustment	(2,905)	435	(2,470)	(3,279)
Provision at discounted value	39,318	(3,560)	35,758	46,769
Provision brought forward	62,520	(15,751)	46,769	81,133
Credit to revenue account	(23,202)	12,191	(11,011)	(34,364)

Claims provisions have been discounted using the long-term rate of investment return of 3% (31 December 2006: 3%). The investment return on the assets supporting the liabilities being discounted was £2,572,000 (15 months to 31 December 2006: £3,323,000).

**10. PROVISION FOR OTHER LIABILITIES AND CHARGES**

	<b>£000</b>	<b>Provision for Run-off Costs £000</b>
<b>As at 1 January 2007</b>		
Total provision	3,712	
Discount adjustment	(505)	
Provision at discounted value		3,207
Transfer to Revenue Account		(561)
<b>As at 31 December 2007</b>		
Total provision	3,017	
Discount adjustment	(371)	
Provision at discounted value		2,646

**11. CREDITORS**

	<b>31 December 2007 £000</b>	<b>31 December 2006 £000</b>
Contributions refundable within one year	175	25,767
Stop loss insurance recoveries repayable	135	132
Excess of loss insurance recoveries repayable	492	492
Taxation Payable	5,750	6,152
PAYE and social security	11	-
Amount due to Legal and Professional Claims Limited	787	
Accrued expenses	238	817
Claims payable	2	479
Amount due to the Law Society	1	
Claims payable under master policy scheme	63	69
	<b>7,654</b>	<b>33,908</b>