

MDU Services Limited
(Registered number 3957086)

Annual Report and Accounts
for the year ended 31 December 2012



MDU Services Limited

for the year ended 31 December 2012

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MDU Services Limited

Directors' Report

for the year ended 31 December 2012

The directors present their report for the year ended 31 December 2012

Results and dividends

Profit after taxation for the year amounted to £119,000 (2011 £93,000)

The current aim of the directors is to build up the reserves of the company and therefore the company does not recommend the payment of a dividend for this year (2011 £nil)

Principal activity

The principal activity of the company in the year was the administration of indemnity and advisory services to members of The Medical Defence Union Limited (the MDU) as agent of the MDU. This is expected to remain the company's principal activity for the foreseeable future. The company recovers all the costs it incurs in these activities from the MDU. The principal source of the company's profit is investment interest earned from subscriptions received on behalf of the MDU.

Business Review

Strategy

The company's strategy is to maximise shareholder value. This is achieved by recruiting and retaining members for the MDU. The company provides the highest quality of medico-legal support through the provision of specialist advice from doctors, dentists and other professionals who combine an understanding of the realities of clinical practice with medico-legal expertise.

Principal risks and uncertainties

The key challenge for the company is the competitive market it operates in. The company monitors this carefully, aiming to provide to members of the MDU the highest quality of service.

The company has an established risk management procedure that is regularly reviewed by the Board and seeks to ensure that procedures and strategies are in place so that risk can be managed appropriately.

Key performance indicators

The company monitors its business activity by means of a number of key performance indicators designed to track the activity and achievements of the company. The Board considers the following on a quarterly basis:

- i) Membership Statistics
The company monitors all areas of membership of the MDU and evaluates any movement in renewals activity, leavers, junior doctors, graduate and student applications, and recruitment overall.

MDU Services Limited

Directors' Report (continued)

Key performance indicators (continued)

- i) Quality of Service
The company monitors, by means of a regular membership survey, satisfaction with service levels provided by the company through the Medical and Dental Advisory, Claims and Membership Departments
- ii) Financial Performance
The Board reviews on a quarterly basis its overall financial performance including its income, which is derived from the MDU activities, investment income and its control of overheads and claims handling expenditure

The company is committed to maintaining a strong management team, the organisational effectiveness of the company, tight cost control and appropriate investment in systems and technology

Financial Review

The company's turnover in the year was £38m (2011 £35m), with administrative expenses similarly increased. Net subscriptions collected on behalf of the MDU were £214m (2011: £195m), an increase of £19m (10%)

The key determinant of the company's size will be the number of members that the MDU has, whilst the key determinants of the company's profitability will be the amount of subscriptions collected on behalf of the MDU and the company's investment income performance.

Financial instruments

The company does not actively use financial instruments as part of its financial risk management and therefore is not subject to price risk or liquidity risk. The company has few non-sterling transactions and so does not consider that it is subject to significant currency risk. As over 99% of its income is from the MDU and the MDU also reimburses the company for any unrecovered income from third parties the company is not subject to credit risk.

Employment policies

The company gives full consideration to applications for employment from disabled people where the requirements of the job can be adequately filled by a handicapped or disabled person. Where existing employees become disabled it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion where possible.

Employees are kept informed of all matters affecting them as employees by means of regular briefings, consultation and newsletters.

MDU Services Limited

Directors' Report (continued)

Directors

The following served as directors in the year

C C Evans (Chairman retired 19th September 2012)
P R Williams (Chairman since 19th September 2012)

H E Clarke
N A Dungay
C L A Edginton (appointed 24th April 2012)
M M Gallivan
M T W Lee
R J C Pearson
K F Richardson
P Riordan-Eva (appointed 18th September 2012)
P D Robinson
C M Tomkins
P D Webster

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements the directors are required to

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PKF (UK) LLP have merged their business into BDO LLP and a resolution to appoint BDO LLP as auditors of the company will be put to the Annual General Meeting.

MDU Services Limited

Directors' Report (continued)

Provision of information to the auditor

In the case of each of the directors who are directors of the company at the date when this report is approved

- so far as they are individually aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of the information

By order of the Board



N J Bowman
Company Secretary

Independent Auditor's Report to the members of MDU Services Limited

We have audited the financial statements of MDU Services Limited for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the members of MDU Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

PKF (UK) LLP

Timothy Drew (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor

London, UK
2013 25 April

MDU Services Limited
Profit and Loss Account
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover		37,725	35,116
Administrative expenses		(36,529)	(34,072)
Profit before investment income, interest payable and taxation		1,196	1,044
Interest receivable and similar income	3a	119	129
Interest payable and similar charges	3b	(1,144)	(1,044)
Profit on ordinary activities before taxation	4	171	129
Taxation	6	(52)	(36)
Retained profit for the year transferred to reserves	14	119	93

All amounts relate to continuing activities

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Retained profit for the year transferred to reserves		119	93
Actuarial loss on pension scheme	16	(500)	(800)
Transfer from surplus payable/deferred asset recoverable	16	500	800
Total Recognised Gains and Losses since the last annual report		119	93

MDU Services Limited

Registered number 3957086


Balance Sheet

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible Assets	7	<u>4,475</u>	<u>4,416</u>
		<u>4,475</u>	<u>4,416</u>
Current assets			
Debtors	9	2,189	1,996
Cash at bank and in hand		<u>19,367</u>	<u>10,129</u>
		<u>21,556</u>	<u>12,125</u>
Creditors - amounts falling due within one year	10	<u>(19,037)</u>	<u>(9,666)</u>
Net current assets		<u>2,519</u>	<u>2,459</u>
Total assets less current liabilities		6,994	6,875
Provisions for liabilities and charges			
Pension scheme	11	1,800	(6,000)
Deferred asset recoverable	11	-	6,000
Surplus payable	11	<u>(1,800)</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Net assets		<u>6,994</u>	<u>6,875</u>
Capital and reserves			
Called up share capital	13	1	1
Share premium account	14	2,357	2,357
Profit and loss account	14	4,636	4,517
Shareholders' funds	15	<u>6,994</u>	<u>6,875</u>

The financial statements were approved and authorised for issue by the Board on 23rd April 2013 and were signed on its behalf by

 P R Williams - Director

 C M Tomkins - Director

MDU Services Limited

Notes to the Financial Statements

for the year ended 31 December 2012

1. Accounting Policies

(a) Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK

(b) Consolidated accounts

The company is exempt from the obligation to prepare and deliver a cash flow statement and group financial statements as its ultimate holding company is The Medical Defence Union Limited (the MDU) a company registered in England & Wales which prepares a consolidated cash flow statement and group financial statements. These financial statements present information only in relation to MDU Services Limited and not of the group as a whole

(c) Turnover

Turnover principally represents the recharge of costs incurred on behalf of its parent undertaking, the MDU. Any monies collected by the company as agent, for its parent undertaking, are not included in turnover. Turnover is accounted for on an accruals basis.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are written off evenly over their useful economic lives. Reviews are made periodically of the estimated remaining lives of individual assets, taking account of commercial and technological obsolescence as well as normal wear and tear. The principal rates of depreciation per annum, on a straight line basis, are as follows:

Furniture, office equipment, computer equipment and software	20% – 33%
Motor vehicles	25%

(e) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date or the appropriate forward contract rate. All differences are taken to the profit and loss account.

(f) Deferred Tax

Deferred taxation is provided using the full provision method. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred taxation assets and liabilities are calculated at the taxation rate expected to be effective at the time that the timing differences are expected to reverse, and are not discounted. Deferred taxation assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

MDU Services Limited

Notes to the Financial Statements

for the year ended 31 December 2012

1. Accounting Policies (continued)

(g) Investment income

Investment income is accounted for on an accruals basis

(h) Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease

(i) Pension costs

The company operates two pension schemes; a defined benefit pension scheme and a defined contribution pension scheme

Contributions to the defined contribution pension scheme are charged to the profit and loss account in the year to which they relate. Under the terms of the arrangement between the company and its parent undertaking, the MDU, any deficit in the defined benefit pension scheme is matched by a deferred asset which will be recoverable from the MDU; in the event of an asset in the defined benefit pension scheme this is matched by a liability which will be payable to the MDU. Accordingly the charge or credit to the company's profit and loss account in respect of pension costs includes the actuarial pension cost for the year. The net offset of the overall movement in the amount of the defined benefit pension scheme deficit or surplus for the year is reflected in the Statement of Total Recognised Gains and Losses. These costs are matched by a credit from the MDU.

The assets of the defined benefit pension scheme are measured at their market value at the balance sheet date and the liabilities of the scheme are measured using the projected unit method. The discount rate used is the current rate of return on an AA corporate bond of equivalent term and currency to the liabilities. The extent to which the scheme's assets exceed/fall short of their liabilities is shown as a surplus/deficit in the balance sheet to the extent that a surplus is recoverable by the company or that a deficit represents an obligation of the company.

The following are charged to operating profit

- the increase in the present value of pension scheme liabilities arising from employee service in the current period,
- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest,
- gains and losses arising on settlements/curtailments,
- a credit in respect of the expected return on the scheme's assets, and
- a charge in respect of the increase during the period in the present value of the scheme's liabilities because the benefits are one period closer to settlement

Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

2 Employee information

	2012	2011
	£'000	£'000
Staff costs including directors' remuneration		
Salaries	19,046	17,359
Social security costs	2,157	1,932
Pension costs - defined benefit scheme	1,224	1,400
- defined contribution scheme	776	600
Other staff costs	1,239	1,236
	24,442	22,527

	2012	2011
Average number of employees in the year	369	343

3a Interest receivable and similar income

	2012	2011
	£'000	£'000
Bank interest	119	129

3b Interest payable and similar charges

	2012	2011
	£'000	£'000
Interest on finance scheme for membership subscriptions	1,144	1,044

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts

	2012	2011
	£'000	£'000
Depreciation	1,468	1,241
(Loss)/profit on disposal of fixed assets	(52)	258
Operating lease rentals	1,024	986
- land and buildings		
- office equipment	4	17
- motor vehicles	191	162
Fees payable to the company's auditor and its associates		
- for the audit of the company's annual accounts	48	55
- for tax services	5	2
- fees in respect of the audit of the MDU Services Limited pension scheme	15	14

5 Directors' emoluments

	2012	2011
	£'000	£'000
Directors' emoluments	387	477
Amounts due and receivable under long term incentive plans	168	186
	<u>555</u>	<u>663</u>

Retirement benefits are accruing to three directors (2011 four) under a defined benefit pension scheme

Amounts included under directors' emoluments and amounts due and receivable under long term incentive plans represent that proportion of the total remuneration of the executive directors attributable to their services for MDU Services Limited. The total remuneration for their services is reflected in the consolidated accounts of The Medical Defence Union Limited

6 Taxation

	2012	2011
	£'000	£'000
Analysis of tax charge in the year		
UK corporation tax at 24.5% (2011 26.5%)	129	29
Adjustment in respect of previous years	(5)	-
	<u>124</u>	<u>29</u>
Deferred Tax	(72)	7
	<u>52</u>	<u>36</u>

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

6 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is greater than the standard rate of corporation tax in the UK (24.5%)
Reconciling items are explained below

	2012 £'000	2011 £'000
Profit before taxation	<u>171</u>	<u>129</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	42	34
Effects of		
Capital allowances less/(more) than depreciation	86	(7)
Expenses not allowable	1	2
Adjustments to tax charge in previous periods	<u>(5)</u>	<u>-</u>
	<u>124</u>	<u>29</u>

7 Tangible fixed assets

	Motor vehicles £'000	Furniture, office equipment, computer equipment and software £'000	Total £'000
Cost			
At 1 January 2012	37	9,871	9,908
Additions	-	1,582	1,582
Disposals	<u>(37)</u>	<u>(71)</u>	<u>(108)</u>
At 31 December 2012	<u>-</u>	<u>11,382</u>	<u>11,382</u>
Depreciation			
At 1 January 2012	35	5,457	5,492
Charge for the year	-	1,468	1,468
Disposals	<u>(35)</u>	<u>(18)</u>	<u>(53)</u>
At 31 December 2012	<u>-</u>	<u>6,907</u>	<u>6,907</u>
Net book value			
At 31 December 2012	<u>-</u>	<u>4,475</u>	<u>4,475</u>
At 31 December 2011	<u>2</u>	<u>4,414</u>	<u>4,416</u>

Included in furniture, office equipment, computer equipment and software is £nil in respect of assets in the course of construction (2011: £181,000)

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

8 Fixed assets - Investments

£

Subsidiary Undertakings

Cost - as at 1 January & 31 December 2012

1

This investment comprises the entire issued share capital of Medical Liability Services Limited. This company is incorporated as a limited liability company in England and has not traded.

9 Debtors

	2012	2011
	£'000	£'000
Due within one year		
Trade debtors	3	3
Other debtors	517	227
Prepayments and accrued income	1,535	1,704
Deferred taxation (see note 12)	134	62
	<u>2,189</u>	<u>1,996</u>

10 Creditors - amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	5,850	1,700
Amounts owed to parent undertaking	10,701	5,560
Corporation tax	124	29
Taxation and other social security	637	573
Other creditors and accruals	1,725	1,804
	<u>19,037</u>	<u>9,666</u>

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

11 Provisions for liabilities and charges

Pension Scheme

	2012	2011
	£'000	£'000
At 1 January	6,000	5,700
Current & past service cost	2,000	2,000
Contributions	(10,600)	(2,500)
Other finance cost	300	-
Actuarial loss	500	800
(Decrease)/increase in the year	(7,800)	300
At 31 December	<u>(1,800)</u>	<u>6,000</u>

As explained in accounting policy note 1(i) the company operates two pension schemes, a defined benefit pension scheme and a defined contribution pension scheme. If there is a deficit on the defined benefit pension scheme it is recoverable from The Medical Defence Union Limited as a deferred asset. In the event of a surplus on the defined benefit pension scheme it is payable to The Medical Defence Union Limited as a surplus payable. Accordingly the movements outlined above are matched by movements in the pension surplus payable/deferred asset recoverable.

12 Deferred Taxation

	2012	2011
	£'000	£'000
Deferred taxation asset		
At 1 January	62	69
Credited/(charged) to the profit and loss account	72	(7)
At 31 December	<u>134</u>	<u>62</u>

The deferred tax asset represents potential relief due to capital allowances on tangible fixed assets held by the company being less than the depreciation that has been charged in the financial statements.

13 Share capital

	Allotted, called up and fully paid	
	Number of shares	Nominal value £
Ordinary shares of £1 each	<u>999</u>	<u>999</u>

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

14 Reserves

	Share premium £'000	Profit and Loss £'000	Total £'000
At 1 January 2012	2,357	4,517	6,874
Actuarial loss on the pension scheme	-	(500)	(500)
Amount transferred from surplus payable in respect of pension scheme asset	-	500	500
Retained profit for the year	-	119	119
At 31 December 2012	<u>2,357</u>	<u>4,636</u>	<u>6,993</u>

15 Reconciliation of shareholders' funds

	£'000
Shareholders' funds as at 1 January 2012	6,875
Total Recognised Gains and Losses since the last annual report	119
Shareholders' funds as at 31 December 2012	<u>6,994</u>

16 Pension costs

As explained in accounting policy note 1(i) the company operates two pension schemes, a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit pension scheme provides defined benefits for employees who accepted employment before 1 January 2003. The company also manages the defined contributions for employees who accepted employment after 31 December 2002. The assets of both pension schemes are held under trust separately from those of MDU Services Limited. The funding of the defined benefit pension scheme is based on regular triennial actuarial valuations. The last full actuarial valuation of the scheme was carried out as at 31 March 2012 and has been updated to 31 December 2012 by qualified independent actuaries for the purpose of reporting pension costs.

The major assumptions made by the actuary in the update were:

	2012	2011	2010
Rate of increase in salaries	3.8%	3.8%	4.2%
Rate of increase in pensions pre 16 February 2009 retirees	2.6%	2.3%	2.7%
Rate of increase in pensions post 16 February 2009 retirees	3.2%	3.2%	3.5%
Discount rate	4.6%	4.7%	5.3%
RPI Inflation assumption	3.3%	3.3%	3.7%
CPI Inflation assumption	2.6%	2.3%	2.8%

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

16 Pension costs (continued)

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23 years if they are male and a further 26 years if they are female. For a member who retires in 2032 at the age of 65 the assumptions are they will live on average for a further 25 years after retirement if they are male and a further 27 years after retirement if they are female.

Long term rate of return expected:	2012	2011	2010
Equities	7.0%	7.2%	7.8%
Property	6.0%	6.2%	7.3%
Government bonds	2.9%	2.9%	4.3%
Corporate bonds	4.0%	4.3%	5.2%
Other	1.0%	1.8%	1.4%

Fair value:	£'000	£'000	£'000
Equities	14,000	12,200	12,200
Property	11,300	11,200	10,500
Government bonds	12,600	12,500	10,100
Corporate bonds	53,200	47,300	42,300
Other	8,200	300	300

The approximate fair value of assets and liabilities of the schemes were:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Total market value of assets	99,300	83,500	75,400	67,400	53,600
Present value of scheme liabilities	97,500	<u>89,500</u>	<u>81,100</u>	<u>71,800</u>	<u>60,000</u>
Net pension asset/(liability) before deferred taxation	<u>1,800</u>	<u>(6,000)</u>	<u>(5,700)</u>	<u>(4,400)</u>	<u>(6,400)</u>
Assets as a percentage of liabilities	101.8%	93.3%	93.0%	93.9%	89.3%

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

16 Pension costs (continued)

Movement in the present value of the schemes liabilities during the year

	2012	2011
	£'000	£'000
Opening defined benefit obligations	89,500	81,100
Current service cost	2,000	2,000
Interest cost	4,000	4,100
Contributions by scheme participants	700	700
Actuarial losses on the scheme liabilities	4,300	3,900
Net benefits paid out	(3,000)	(2,300)
Closing defined benefit obligations	97,500	89,500

Movement in the fair value of the schemes assets during the year

	2012	2011
	£'000	£'000
Opening fair value of scheme assets	83,500	75,400
Expected return on scheme assets	3,700	4,100
Actuarial gains on scheme assets	3,800	3,100
Contributions by employer	10,600	2,500
Contributions by scheme participants	700	700
Net benefits paid out	(3,000)	(2,300)
Closing fair value of scheme assets	99,300	83,500

The assets of both pension schemes do not include any of MDU Services Limited's own financial instruments or any property occupied by MDU Services Limited

MDU Services Limited employs a building block approach in determining the long-term rate of return on the defined benefit pension scheme's assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at the 31 December 2012.

Analysis of the amount charged to Income & Expenditure

	2012	2011
	£'000	£'000
Current service cost	2,000	2,000
Total operating charge	2,000	2,000

MDU Services Limited
Notes to the Financial Statements
for the year ended 31 December 2012

16 Pension costs (continued)

Analysis of the amount charged to other finance cost

	2012	2011
	£'000	£'000
Expected return on scheme assets	(3,700)	(4,100)
Interest on scheme liabilities	4,000	4,100
Net return	300	-

As explained in accounting policy note 1(i) the amount charged to other finance cost is charged to The Medical Defence Union Limited

Analysis of amounts recognised in the statement of total recognised gains and losses (STRGL)

	2012	2011
	£'000	£'000
Actuarial gains on scheme assets	3,800	3,100
Actuarial losses on scheme liabilities	(4,300)	(3,900)
Actuarial loss recognised in the STRGL	(500)	(800)

History of experience gains and losses:

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on scheme assets	3,800	3,100	3,700	3,700	(12,600)
As a percentage of the scheme assets	3.8%	3.7%	4.9%	5.5%	23.5%
Experience gains/(losses) arising on the scheme liabilities	(600)	200	(400)	600	0
As a percentage of the present value of the scheme liabilities	0.6%	0.2%	0.5%	0.8%	0.0%
Actuarial loss recognised in the STRGL	(500)	(800)	(2,000)	(5,400)	(4,200)
As a percentage of the present value of the scheme liabilities	0.5%	0.9%	2.5%	7.5%	7.0%

As explained in accounting policy note 1(i) the defined benefit pension scheme asset/deficit is payable to/recoverable from The Medical Defence Union Limited as a surplus payable/deferred asset. Accordingly the movements outlined above are matched by movements in the pension surplus payable/deferred asset recoverable.

MDU Services Limited
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17 Financial commitments

Annual commitments in respect of non cancellable operating leases are as follows

	Other		Land & buildings	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	16	26	9	9
Between one and five years	152	142	1,204	977
	=====	=====	=====	=====

18 Related party transactions

The company has taken advantage of the exemptions under FRS8 conferred on 100% subsidiaries from disclosing transactions with other group companies

19 Parent undertaking and controlling party

The parent undertaking of the group for which consolidated accounts are prepared is The Medical Defence Union Limited a company incorporated in England Consolidated accounts are available from Companies House, Cardiff, CF4 3UZ

In the opinion of the directors this is the company's ultimate parent company and controlling party and the smallest and largest group accounts in which this company is included