

**MDU Services Limited**

**Annual Report and Accounts  
for the year ended 31 December 2013**

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# **MDU SERVICES LIMITED**

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## **MDU SERVICES LIMITED**

### **Strategic report for the year ended 31 December 2013**

#### **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.

#### **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.

#### **Business Review**

##### **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.

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 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.

#### **Financial Review**

The company's turnover in the year was £42m (2012: £38m), with administrative expenses similarly increased. Net subscriptions collected on behalf of the MDU were £225m (2012: £214m), an increase of £11m (5%).

## **MDU SERVICES LIMITED**

### **Strategic report (continued)**

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.

By order of the Board



**N J Bowman**  
**Company Secretary**

## **MDU SERVICES LIMITED**

### **Directors' report for the year ended 31 December 2013**

The directors present their report for the year ended 31 December 2013.

#### **Results and dividends**

Profit after taxation for the year amounted to £41,000 (2012 - £119,000).

The current aim of the directors is to build up the reserve of the company and therefore the company does not recommend the payment of a dividend for this year (2012: £nil).

#### **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.

#### **Directors**

The directors who served during the year were:

P R Williams  
H E Clarke  
N A Dungay  
C L A Edginton  
M M Gallivan  
I D Hutchinson (appointed 11 February 2013)  
M T W Lee  
R J C Pearson (resigned 17 September 2013)  
K F Richardson  
P Riordan-Eva  
P D Robinson  
C M Tomkins  
P D Webster

MDU Services Limited's articles of association give the members of the Board an indemnity (including qualifying third party indemnity provisions within the meaning of section 234 Companies Act 2006, which were in force during the year ended 31 December 2013 and remain in force) against liabilities incurred in relation to the affairs of MDU Services Limited. The Group also purchases directors and officers liability insurance which gives appropriate cover for legal action brought against directors of Group companies.

## **MDU SERVICES LIMITED**

### **Directors' report for the year ended 31 December 2013**

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare the 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 judgements and accounting 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.

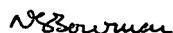
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

#### **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 auditors are unaware, and
- each of the directors has taken all the steps that they ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



N J Bowman  
Company Secretary

## **MDU SERVICES LIMITED**

### **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 2013 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2013 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 matters prescribed by the Companies Act 2006**

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

## **MDU SERVICES LIMITED**

### **Independent auditor's report to the members of MDU Services Limited**

#### **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.

*BDO UK*

Jason Homewood (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
Date *22/5/2014*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# MDU SERVICES LIMITED

## Profit and loss account for the year ended 31 December 2013

	Note	2013 £000	2012 £000
<b>Turnover</b>		<b>41,735</b>	37,725
<b>Administrative expenses</b>		<b>(40,434)</b>	(36,529)
<b>Profit before investment income, interest payable and tax</b>		<b>1,301</b>	1,196
Interest receivable and similar income	3	47	119
Interest payable and similar charges	4	(1,258)	(1,144)
<b>Profit on ordinary activities before taxation</b>	5,6	<b>90</b>	171
Taxation	8	(49)	(52)
<b>Retained profit for the year transferred to reserves</b>	16	<b>41</b>	119

All amounts relate to continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

**MDU SERVICES LIMITED****Statement of Total Recognised Gains and Losses  
for the year ended 31 December 2013**

	Note	2013 £000	2012 £000
Retained profit for the year transferred to reserves		41	119
Actuarial loss on pension scheme	18	(2,300)	(500)
Transfer from deferred asset recoverable/surplus payable	16	2,300	500
<b>Total Recognised Gains and Losses since the last annual report</b>		<b>41</b>	<b>119</b>

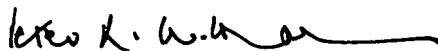
**MDU SERVICES LIMITED**  
**Registered number: 3957086**

**Balance Sheet**  
**as at 31 December 2013**

	Note	£000	2013 £000	£000	2012 £000
<b>Fixed assets</b>					
Tangible Assets	9		6,066		4,475
<b>Current assets</b>					
Debtors	11	2,978		2,189	
Cash at bank and in hand		2,249		19,367	
		<u>5,227</u>		<u>21,556</u>	
<b>Creditors</b> - amounts falling due within one year	12	(4,258)		(19,037)	
<b>Net current assets</b>			<u>969</u>		<u>2,519</u>
<b>Total assets less current liabilities</b>			<u>7,035</u>		<u>6,994</u>
Pension scheme	13,18	(300)			1,800
Deferred asset recoverable/surplus payable	13	300			(1,800)
<b>Net assets</b>			<u><u>7,035</u></u>		<u><u>6,994</u></u>
<b>Capital and reserves</b>					
Called up share capital	15		1		1
Share premium account	16	2,357			2,357
Profit and loss account	16	4,677			4,636
<b>Shareholders' funds</b>	17		<u><u>7,035</u></u>		<u><u>6,994</u></u>

The financial statements were approved and authorised for issue by the Board on 29th April 2014 and were signed on its behalf by

**P R Williams**  
 Director



**C M Tomkins**  
 Director



The notes on pages 10 to 21 form part of these financial statements.

## **MDU SERVICES LIMITED**

### **Notes to the financial statements for the year ended 31 December 2013**

#### **1. Accounting policies**

##### **1.1 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.

##### **1.2 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.

##### **1.3 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.

##### **1.4 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%
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##### **1.5 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.

##### **1.6 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.

##### **1.7 Investment income**

Investment income is accounted for on an accruals basis.

## MDU SERVICES LIMITED

### Notes to the financial statements for the year ended 31 December 2013

#### 1. Accounting policies (continued)

##### 1.8 Operating leases

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

##### 1.9 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 2013

### 2. Employee information

Staff costs including directors' remuneration:

	2013 £000	2012 £000
Salaries	20,873	19,046
Social security costs	2,367	2,157
Pension costs - defined benefit scheme	2,000	1,224
Pension costs - defined contribution scheme	932	776
Other staff costs	1,439	1,239
	<u>27,611</u>	<u>24,442</u>

	2013	2012
Average number of employees in the year	<u>401</u>	<u>369</u>

### 3. Interest receivable and similar income

	2013 £000	2012 £000
Bank interest	<u>47</u>	<u>119</u>

### 4. Interest payable and similar charges

	2013 £000	2012 £000
Interest on finance scheme for membership subscriptions	<u>1,258</u>	<u>1,144</u>

### 5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following amounts

	2013 £000	2012 £000
Depreciation	1,565	1,468
Loss on disposal of fixed assets	1	52
Operating lease rentals:		
- land and buildings	1,163	1,024
- office equipment	4	4
- motor vehicles	177	191

## MDU SERVICES LIMITED

### Notes to the financial statements for the year ended 31 December 2013

#### 6. Auditor's remuneration

Fees payable to the company's auditor and its associates

	2013 £000	2012 £000
- for the audit of the company's annual accounts	50	48
- for tax services	-	5
- fees in respect of the audit of the MDU Services Limited pension scheme	1	15
	<u>51</u>	<u>68</u>

#### 7. Directors' emoluments

	2013 £000	2012 £000
Directors' emoluments	461	387
Amounts due and receivable under long term incentive plans	88	168
	<u>549</u>	<u>555</u>

Retirement benefits are accruing to three directors (2012: three) 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.

#### 8. Taxation

	2013 £000	2012 £000
<b>Analysis of tax charge in the year</b>		
UK corporation tax at 23.25% (2012: 24.5%)	7	129
Adjustments in respect of previous years	(17)	(5)
	<u>(10)</u>	<u>124</u>
 Deferred Tax	 59	 (72)
	<u>49</u>	<u>52</u>

# MDU SERVICES LIMITED

## Notes to the financial statements for the year ended 31 December 2013

### 8. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - higher than) the standard rate of corporation tax in the UK of 23.25% (2012 : 24.5%). Reconciling items are explained below:

	2013 £000	2012 £000
Profit before taxation	<u>90</u>	<u>171</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 23.25% (2012 : 24.5%)	21	42
Effects of:		
Expenses not allowable	1	1
Capital allowances (more)/less than depreciation	(15)	86
Adjustments to tax charge in previous periods	(17)	(5)
	<u>(10)</u>	<u>124</u>

### 9. Tangible fixed assets

	Furniture, office equipment, computer equipment and software £000
<b>Cost</b>	
At 1 January 2013	11,382
Additions	3,157
Disposals	(1,536)
At 31 December 2013	<u>13,003</u>
<b>Depreciation</b>	
At 1 January 2013	6,907
Charge for the year	1,565
Disposals	(1,535)
At 31 December 2013	<u>6,937</u>
<b>Net book value</b>	
At 31 December 2013	<u>6,066</u>
At 31 December 2012	<u>4,475</u>

Included in furniture, office equipment, computer equipment and software is £1,309,000 in respect of assets in the course of construction (2012 : nil)



# MDU SERVICES LIMITED

## Notes to the financial statements for the year ended 31 December 2013

### 10. Fixed assets - Investments

#### Subsidiary Undertakings

	£
	1
Cost - as at 1 January & 31 December 2013	
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.	

### 11. Debtors

	2013 £000	2012 £000
<b>Due within one year</b>		
Trade debtors	2	3
Amounts owed by parent undertaking	944	-
Other debtors	404	517
Prepayments and accrued income	1,553	1,535
Deferred taxation (see note 14)	75	134
	<u>2,978</u>	<u>2,189</u>

### 12. Creditors: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	1,417	5,850
Amounts owed to parent undertaking	-	10,701
Corporation tax	7	124
Taxation and other social security	695	637
Other creditors and accruals	2,139	1,725
	<u>4,258</u>	<u>19,037</u>

# MDU SERVICES LIMITED

## Notes to the financial statements for the year ended 31 December 2013

### 13. Provisions for liabilities and charges

#### Pension Scheme

	2013 £000	Restated 2012 £000
At 1 January	(1,800)	6,000
Current & past service cost	2,000	1,224
Contributions	(2,400)	(9,824)
Other finance cost	200	300
Actuarial loss	2,300	500
Increase/(decrease) in the year	2,100	(7,800)
At 31 December	300	(1,800)

As explained in accounting policy note 1.9 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.

### 14. Deferred Taxation

	2013 £000	2012 £000
At 1 January	134	62
(Charged)/credited to the profit and loss account	(59)	72
At 31 December	75	134

The deferred tax asset is made up as follows:

	2013 £000	2012 £000
Accelerated capital allowances	75	134

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

### 15. Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
999 Ordinary shares of £1 each	1	1

## MDU SERVICES LIMITED

### Notes to the financial statements for the year ended 31 December 2013

#### 16. Reserves

	Share premium account £000	Profit and Loss account £000
At 1 January 2013	2,357	4,636
Retained profit for the year	-	40
Actuarial loss on the pension scheme	-	(2,300)
Amount transferred from deferred asset recoverable in respect of pension scheme liability	-	2,300
At 31 December 2013	<u>2,357</u>	<u>4,676</u>

#### 17. Reconciliation of shareholders' funds

	2013 £000	2012 £000
Shareholders' funds as at 1 January 2013	6,994	6,875
Total Recognised Gains and Losses since the last annual report	41	119
Shareholders' funds as at 31 December 2013	<u>7,035</u>	<u>6,994</u>

#### 18. Pension costs

As explained in accounting policy note 1.9 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 2013 by qualified independent actuaries for the purpose of reporting pension costs.

The funded status as at 31 December 2013 reflects the status of the Defined Benefit Section of the Scheme only. The funded status reported for previous years included the value of the Defined Contribution Section at the relevant dates, these figures have now been restated to exclude the amounts that related to the Defined Contribution Section of the Scheme. At 31 December 2012, the previously reported figure included £5.3m in assets and liabilities (in respect of Defined Contribution assets and liabilities). At 31 December 2013, the Defined Contribution funds were worth £7.8m.

## MDU SERVICES LIMITED

### Notes to the financial statements for the year ended 31 December 2013

The major assumptions made by the actuary were:

	2013	2012	2011
Rate of increase in salaries	3.7%	3.8%	3.8%
Rate of increase in pensions pre 16 February 2009 retirees	2.5%	2.6%	2.3%
Rate of increase in pensions post 16 February 2009	3.3%	3.2%	3.0%
Discount rate	4.6%	4.6%	4.0%
RPI Inflation assumption	3.5%	3.3%	3.3%
CPI Inflation assumption	2.5%	2.6%	2.3%

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 25 years if they are female. For a member who retires in 2033 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:

	2013	2012	2011
Equities	7.7%	7.0%	7.2%
Property	7.3%	6.0%	6.2%
Government bonds	3.4%	2.9%	2.9%
Corporate bonds	3.8%	4.0%	4.3%
Other	0.8%	1.0%	1.8%

#### Fair Value:

	£000	Restated £000	Restated £000
Equities	10,800	8,800	8,600
Property	12,400	11,300	11,200
Government bonds	19,700	12,500	12,400
Corporate bonds	52,600	53,200	47,300
Other	800	8,200	300

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

	2013 £000	Restated 2012 £000	Restated 2011 £000	Restated 2010 £000	Restated 2009 £000
Total market value of assets	96,300	94,000	79,800	72,460	65,560
Present value of scheme liabilities	96,600	92,200	85,800	78,160	69,960
Net pension (liability)/asset before deferred taxation	(300)	1,800	(6,000)	(5,700)	(4,400)
Assets as a percentage of liabilities	99.7%	102.0%	93.0%	92.7%	93.7%

## MDU SERVICES LIMITED

### Notes to the financial statements for the year ended 31 December 2013

#### Movement in the present value of the scheme liabilities during the year

	2013 £000	Restated 2012 £000
Opening defined benefit obligations	92,200	85,800
Current service cost	2,000	1,224
Interest cost	4,200	4,000
Contributions by scheme participants	300	300
Actuarial losses on the scheme liabilities	600	3,876
Net benefits paid out	(2,700)	(3,000)
	<u>96,600</u>	<u>92,200</u>
Closing defined benefit obligations		

#### Movement in the fair value of the scheme assets during the year

	2013 £000	Restated 2012 £000
Opening fair value of scheme assets	94,000	79,800
Expected return on scheme assets	4,000	3,700
Actuarial gain on scheme assets	(1,700)	3,376
Contributions by employer	2,400	9,824
Contributions by scheme participants	300	300
Net benefits paid out	(2,700)	(3,000)
	<u>96,300</u>	<u>94,000</u>
Closing fair value of scheme assets		

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 2013.

#### Analysis of the amount charged to Income & Expenditure

	2013 £000	Restated 2012 £000
Current service cost	2,000	1,224

The total estimated pension expense in 2014 is £2.0m.

# MDU SERVICES LIMITED

## Notes to the financial statements for the year ended 31 December 2013

### Analysis of the amount charged to other finance costs

	2013 £000	Restated 2012 £000
Expected return on scheme assets	(4,000)	(3,700)
Interest on scheme liabilities	4,200	4,000
Net return	<u>200</u>	<u>300</u>

As explained in accounting policy note 1.9 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)

	2013 £000	Restated 2012 £000
Actuarial (losses)/gains on scheme assets	(1,700)	3,376
Actuarial losses on scheme liabilities	(600)	(3,876)
Actuarial loss recognised in the STRGL	<u>(2,300)</u>	<u>(500)</u>

### History of experience gains and losses:

	2013 £000	Restated 2012 £000	Restated 2011 £000	Restated 2010 £000	Restated 2009 £000
Actual return less expected return on scheme assets	(1,700)	3,376	3,300	3,400	3,400
As a percentage of the scheme assets	1.8%	3.6%	4.1%	4.7%	5.2%
Experience (losses)/gains arising on the scheme liabilities	-	(600)	200	(400)	600
As a percentage of the present value of the scheme liabilities	0.0%	0.7%	0.2%	0.5%	0.9%
Actuarial loss recognised in the STRGL	(2,300)	(500)	(800)	(2,000)	(5,400)
As a percentage of the present value of the scheme liabilities	2.4%	0.5%	0.9%	2.6%	7.7%

As explained in accounting policy note 1.9 the defined benefit pension scheme deficit/asset is recoverable from/payable to the Medical Defence Union Limited as a deferred asset/surplus payable. Accordingly the movements outlined above are matched by movements in the pension deferred asset recoverable/surplus payable.

## MDU SERVICES LIMITED

### Notes to the financial statements for the year ended 31 December 2013

#### 19. Financial commitments

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

	Land and buildings		Other	
	2013	2012	2013	2012
	£000	£000	£000	£000
<b>Operating leases which expire:</b>				
Within one year	-	9	56	16
Between one and five years	1,203	1,204	85	152

#### 20. Related party transactions

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

#### 21. 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.