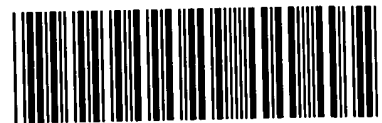


Registered number: 3957086

MDU Services Limited
Annual Report and Financial Statements
For the year ended 31 December 2021

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MDU SERVICES LIMITED

Company Information

Registered number	3957086
Registered office	One Canada Square London E14 5GS
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

MDU SERVICES LIMITED

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MDU SERVICES LIMITED

Strategic report For the year ended 31 December 2021

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 the management fee charged to 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 company has a risk management policy which is designed to identify, assess, manage and mitigate risks.

This policy takes into account the different types of risks such as financial, operational risk e.g. people, technology and processes, and legal and regulatory. The Board receives regular reports on the management of risks.

Employees, suppliers, customers and others

The company recognises the importance of delivering its strategy to employees, customers, suppliers, representative bodies and regulators. Employee views are regularly sought and information is shared via annual staff briefings and through the company intranet site. There is a continuous engagement with customers when providing advice and other benefits of membership. For suppliers, there is a procurement and supplier management policy and relationship managers from each department. MDU Services Ltd is regulated by the Financial Conduct Authority for insurance mediation and consumer credit activities and there is regular engagement with the regulator.

Greenhouse gas and carbon reporting

Information required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, is included in the Directors' Report within the parent undertaking of the group, The Medical Defence Union Limited (registered number: 21708), incorporated in England and Wales.

Going concern

As at the date of signing the financial statements, the directors' forecasts for a period of at least one year following the date of signing these financial statements indicate that the company will be able to maintain liquidity and will therefore be able to continue to trade as a going concern. The directors are constantly monitoring the position which could change this assessment in case any adverse scenarios become more likely than is judged to be the case currently.

MDU SERVICES LIMITED

Strategic report (continued) For the year ended 31 December 2021

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.
- ii) 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.
- iii) 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. Cash deposits are largely held within a well-diversified AAA Money Market Fund, and consequently, the credit risk is considered to be low. In addition, over 99% of its income is from the MDU, as such, there is minimal exposure to third party credit risk.

Financial review

The company's turnover in the year was £54m (2020: £54m). Subscriptions collected on behalf of the MDU were £123m (2020: £116m), an increase of £7m (6%).

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 management fee charged to the MDU.

By order of the Board on 25 May 2022



N J Bowman
Company Secretary

MDU SERVICES LIMITED

Director's report

For the year ended 31 December 2021

The directors' presents their report and the financial statements for the year ended 31 December 2021.

Statement of directors' responsibilities

The directors' are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 and
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £1.8m (2020 £2.7m).

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 (2020: £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.

MDU SERVICES LIMITED

For the year ended 31 December 2021

Directors

The directors who served during the year were:

C Aghadiuno
A R Archibald (appointed on 23 August 2021)
S E Beaumont
N A Dungay (retired on 6 April 2021)
I D Hutchinson
M T W Lee
G S McAusland (appointed on 27 July 2021)
K Miller (appointed on 16 September 2021)
J H Riley
P Riordan-Eva
C M Tomkins (retired on 21 September 21)
S W Watkin
E C J Wells
A R Wright

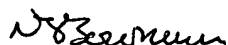
MDU Services Limited's articles of association give the members of the Board an indemnity (including qualifying third party indemnity provisions within the meaning of section 234 Companies Act 2006, which were in force during the year ended 31 December 2021 and remain in force) against liabilities incurred 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.

Provision of information to the auditor

In the case of each of the directors who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the board on 25 May 2022 and signed on its behalf.



N J Bowman
Company Secretary

MDU SERVICES LIMITED

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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.

We have audited the financial statements of MDU Services Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors' with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

MDU SERVICES LIMITED

Independent auditor's report to the members of MDU Services Limited (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities on page 3, the Directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors' determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors' are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors' either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

MDU SERVICES LIMITED

Independent auditor's report to the members of MDU Services Limited (continued)

Extent to which the audit was capable of detecting irregularities , including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Audit procedures performed by the engagement team included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Reading minutes of management meetings and of those charged with governance and reviewing correspondence with regulatory bodies, such as HMRC, and reviewing documentation for indications of non-compliance with laws and regulations;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud and testing accordingly;
- Assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with applicable Company Law and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice);
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- In addressing the risk of fraud through management override of controls; including testing a sample of journals and evaluating whether there was evidence of bias by the Directors that might reasonably represent a risk of material misstatement due to fraud.

We did not identify any matters relating to irregularities, including fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

MDU SERVICES LIMITED

Independent auditor's report to the members of MDU Services Limited (continued)

John Perry (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London,
United Kingdom

Date:

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

MDU SERVICES LIMITED

Statement of total comprehensive income For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover		53,703	54,067
Administrative expenses		(51,030)	(51,119)
Operating profit		2,673	2,948
Interest receivable and similar income	4	-	167
Interest payable and similar charges	5	(283)	(286)
Profit before taxation	6	2,390	2,829
Tax on profit	7	(633)	(129)
Profit for the financial year		1,757	2,700
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme		21,700	1,100
Movement in deferred amount (payable to) parent company	18	(21,700)	(1,100)
Total comprehensive income for the year		1,757	2,700

The notes on pages 13 to 26 form part of these financial statements.

MDU SERVICES LIMITED
Registered number:3957086

Statement of financial position
As at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	9	10,656	12,341
		<u>10,656</u>	<u>12,341</u>
Current assets			
Debtors: amounts falling due within one year	11	3,353	3,180
Cash at bank and in hand		34,032	40,538
		<u>37,385</u>	<u>43,718</u>
Creditors: amounts falling due within one year	12	(19,299)	(27,616)
Net current assets		<u>18,086</u>	<u>16,102</u>
Total assets less current liabilities		<u>28,742</u>	<u>28,443</u>
Creditors: amounts falling due after more than one year	13	(6,097)	(7,439)
Provisions for liabilities			
Other provisions	15	(1,987)	(2,103)
		<u>(1,987)</u>	<u>(2,103)</u>
Pension asset	14	26,557	4,493
Deferred amount (payable to) parent company		(26,557)	(4,493)
Net assets		<u><u>20,658</u></u>	<u><u>18,901</u></u>
Capital and reserves			
Called up share capital	17	1	1
Share premium account		2,357	2,357
Profit and loss account		18,300	16,543
		<u><u>20,658</u></u>	<u><u>18,901</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 May 2022.


P Riordan-Eva
Director


M T W Lee
Director

The notes on pages 13 to 26 form part of these financial statements.

MDU SERVICES LIMITED

Statement of changes in equity As at 31 December 2021

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2021	1	2,357	16,543	18,901
Comprehensive income for the year				
Profit for the year	-	-	1,757	1,757
Actuarial gains on pension scheme	-	-	21,700	21,700
Deferred amount payable	-	-	(21,700)	(21,700)
Total comprehensive income for the year	-	-	1,757	1,757
At 31 December 2021	1	2,357	18,300	20,658

Statement of changes in equity As at 31 December 2020

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2020	1	2,357	13,843	16,201
Comprehensive income for the year				
Profit for the year	-	-	2,700	2,700
Actuarial gains on pension scheme	-	-	1,100	1,100
Deferred amount payable	-	-	(1,100)	(1,100)
Total comprehensive income for the year	-	-	2,700	2,700
At 31 December 2020	1	2,357	16,543	18,901

The notes on pages 13 to 26 form part of these financial statements.

MDU SERVICES LIMITED

Statement of cash flows For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit for the financial year		1,757	2,700
Adjustments for:			
Depreciation of tangible assets	9	2,787	2,956
Loss on disposal of fixed assets	9	7	-
Deferred taxation	16	146	100
(Increase)/decrease in debtors	11	(172)	706
(Decrease) in current creditors	12	(8,485)	(18,702)
(Decrease) in provisions	15	(116)	(187)
Corporation tax charge		487	29
Corporation tax paid		(467)	(118)
(Decrease)/increase in non current creditors	13	(1,342)	5,518
Net cash (deficit) from operating activities (cash utilised in current period)		(5,398)	(6,998)
Cash flows from investing activities			
Purchase of tangible fixed assets	9	(1,108)	(1,063)
Net cash from investing activities		(1,108)	(1,063)
Net (decrease) in cash and cash equivalents		(6,506)	(8,061)
Cash and cash equivalents at beginning of year		40,538	48,599
Cash and cash equivalents at the end of year		34,032	40,538
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand		34,032	40,538

The notes on pages 13 to 26 form part of these financial statements.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies

1.1 General information

MDU Services Limited is a private company limited by shares incorporated in England & Wales (registered number: 3957086) with registered office One Canada Square, Canary Wharf, London E14 5GS.

1.2 Basis of preparation of statements

MDU Services Limited financial statements have been prepared in compliance with FRS 102.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

In preparing the financial statements of the company, advantage has been taken of the following disclosure exemption available in FRS 102 to subsidiary undertakings:

- Related party transactions entered into between two or more members of the group.

The following principal accounting policies have been applied:

1.3 Consolidated accounts

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

1.4 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.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Tangible fixed assets and depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property improvements	- 15 years
Furniture and office equipment	- 5-10 years
Computer equipment and software	- 3-10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.6 Operating leases

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Lease incentives:

(i) Landlord contributions are initially recognised as a deferred income liability on the Statement of Financial Position. These contributions are then released to administrative expenses on a straight line basis over the length of the lease.

(ii) During a rent-free period, a liability is built up on the Statement of Financial Position which is then charged to the Statement of Comprehensive Income on a straight line basis over the life of the lease. Rent free periods are not discounted.

1.7 Investment income

Investment income is accounted for on an accruals basis.

1.8 Foreign currencies

Transactions in foreign currencies are translated at a budgeted exchange rate, which applies for the entirety of the year. The budgeted exchange rate is a proxy for the transaction date rate. Monetary assets and liabilities denominated in foreign currencies are recorded at the prevailing rate of exchange at each month end. All foreign exchange differences are taken to the Consolidated Statement of Comprehensive Income. The financial statements are presented in sterling, which is the company's functional and presentation currency.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in respect of pension costs includes the actuarial pension cost for the year. The movement in the amount of defined benefit pension scheme deficit or surplus for the year is reflected in the Statement of Other Comprehensive Income. These costs are matched by an equal and opposite movement in the amount due from/to the parent company.

The assets of the defined benefit pension scheme are measured at their market value at the Statement of Financial Position 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 Statement of Financial Position to the extent that a surplus is recoverable by the company or that a deficit represents an obligation of the company. Any such surplus or deficit is matched by an equal and opposite amount due to/from the parent company.

The following are charged to operating profit:

- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvement vest;
- gains and losses arising on settlement/curtailments;
- a credit in the 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 Other Comprehensive Income.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

1.10 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Unless these conditions are met, no provision is recognised.

Subsequently, provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. If it is no longer probable that the transfer of economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are discounted using the yield curve of a generic financial instrument with a matching term to maturity.

1.11 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 Statement of Financial Position 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 reversed.

2. Employee information

Staff costs including directors' remuneration:

	2021 £000	2020 £000
Salaries	28,303	28,646
Social security costs	3,371	3,404
Pension costs - defined contribution scheme	3,116	3,111
Other staff costs	1,016	860
	<u>35,806</u>	<u>36,021</u>
	2021	2020
Average number of employees in the year	<u>436</u>	<u>445</u>

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

3. Directors' emoluments

	2021 £000	2020 £000
Directors' emoluments	512	682
Amounts due and receivable under long term incentive plans	103	165
	<u>615</u>	<u>847</u>

There are no retirement benefits accruing to directors under a defined benefit pension scheme (2020: none).

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.

The highest paid director in MDU Services Limited earned emoluments (including short-term incentive plans and benefits under the long-term incentive plan) of £218,000 (2020: £320,000).

Key management personnel are considered to be the same as the directors of the company, therefore the emoluments for key management personnel are considered to be the same as above.

4. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest	-	167
	<u>-</u>	<u>167</u>

5. Interest payable and similar charges

	2021 £000	2020 £000
Bank interest payable	11	-
Interest on finance scheme for membership subscriptions	272	286
	<u>283</u>	<u>286</u>

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

6. Profit on ordinary activities before taxation

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

	2021 £000	2020 £000
Depreciation	2,787	2,956
Other operating lease rentals:		
- land and buildings	1,182	1,201
- motor vehicles	185	191
Defined contribution pension cost	3,116	3,111

7. Taxation

	2021 £000	2020 £000
Current tax on profits for the year	516	30
Current period tax charge	(29)	-
Deferred tax		
Origination and reversal of timing differences	25	(45)
Effects of changes in tax rates	(171)	(54)
Total deferred tax (charge)	(146)	(99)
Taxation on profit on ordinary activities	633	129

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	2,390	2,829
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	454	538
Effects of:		
Income not taxable for tax purposes	-	(34)
Expenses not deductible for tax purposes	72	3
Group relief surrendered/(claimed)	-	(509)
Adjustments from previous periods	(29)	-
Fixed asset differences	-	77
Restriction of release of deferred income from landlord contribution	(35)	-
Difference in tax rate on deferred tax movement	171	54
Total tax charge for the year	633	129

The March 2021 Budget announced an increase in corporation tax rate from 19% to 25% effective from 1 April 2023. This has been substantively enacted on 24 May 2021 and will affect the tax charge for the company in the future accordingly.

8. Auditor's remuneration

Fees payable to the company's auditor and its associates:

	2021 £000	2020 £000
- for the audit of the company's annual accounts	52	52
- for tax services	45	48
- in respect of the audit of the MDU Services Limited pension scheme	24	21
	121	121

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

9. Tangible fixed assets

	Leasehold property improvements £000	Furniture and office equipment £000	Computer equipment and software £000	Total £000
Cost or valuation				
At 1 January 2021	10,265	1,083	18,144	29,492
Additions	-	8	1,100	1,108
Disposals	-	(511)	(2,728)	(3,239)
At 31 December 2021	10,265	580	16,516	27,361
Depreciation				
At 1 January 2021	4,082	1,055	12,013	17,150
Charge for the year on owned assets	685	17	2,085	2,787
Disposals	-	(511)	(2,721)	(3,232)
At 31 December 2021	4,767	561	11,377	16,705
Net book value				
At 31 December 2021	5,498	19	5,139	10,656
At 31 December 2020	6,182	28	6,131	12,341

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

10. Fixed assets - Investments

Subsidiary Undertakings

	2021 £	2020 £
Cost	<u>1</u>	<u>1</u>

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

11. Debtors

	2021 £000	2020 £000
Trade debtors	-	2
Other debtors	715	645
Prepayments and accrued income	2,638	2,533
	<u>3,353</u>	<u>3,180</u>

12. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	842	771
Deferred taxation (see note 16) [i]	714	567
Amounts owed to group undertakings	7,338	15,628
Corporation tax	35	15
Other taxation and social security	942	959
Other creditors and accruals [ii]	9,246	9,492
Deferred income	182	184
	<u>19,299</u>	<u>27,616</u>

[i] The deferred tax liability recognised (and further explained in note 16) will reverse over future accounting periods as depreciation is charged to the Statement of Comprehensive Income.

[ii] Other creditors includes "cash floats held for insurers": £6.2m (2020: £6.2m).
Creditors falling due within one year are held at amortised cost.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

13. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Deferred income	1,181	1,361
Other creditors	4,916	6,078
	<u>6,097</u>	<u>7,439</u>

Creditors falling due after more than one year are held at amortised cost.

14. Pension Scheme

	2021 £000	2020 £000
Pension scheme		
At 1 January	4,500	2,000
Current & past service cost	-	-
Contributions	300	1,300
Other finance income	100	100
Actuarial gain	21,700	1,100
At 31 December	<u>26,600</u>	<u>4,500</u>

As explained in accounting policy 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 deferred amount payable. Accordingly, the movements outlined above are matched by movements in the pension scheme related to deferred amounts due from/to the parent company.

15. Other provisions

	2021 £000	2020 £000
At 1 January	2,103	2,288
(Decrease)	(116)	(185)
At 31 December*	<u>1,987</u>	<u>2,103</u>

*Building dilapidations are recognised on two (2020: two) buildings.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

16. Deferred taxation

	2021 £000	2020 £000
Deferred taxation		
At 1 January	(567)	(467)
(Charge) to the statement of total comprehensive income	(147)	(100)
At 31 December	(714)	(567)
	2021 £000	2020 £000
The deferred tax liability is made up as follows:		
Fixed asset timing differences	(714)	(567)
	(714)	(567)

The deferred tax liability represents the potential relief for capital allowances available on tangible assets held by the company which to date has been less than the depreciation that has been charged in the financial statements.

The March 2021 Budget announced an increase in corporation tax rate from 19% to 25% effective from 1 April 2023. This has been substantively enacted on 24 May 2021, which means that the substantively enacted rate at the balance sheet date of 31 December 2021 is 25%. We have therefore used the 25% tax rate for calculating the deferred tax position at 31 December 2021.

17. Share capital

	2021 £000	2020 £000
Authorised, called up and fully paid		
999 (2020 - 999) Ordinary shares of £1.00 each	1	1

18. Pension costs

As explained in accounting policy 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, and, after 31 December 2019, for employees who accepted employment before 1 January 2003. The assets of both pensions 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 1 April 2018 and has been updated to 31 December 2021 by qualified independent actuaries for the purpose of reporting pension costs.

The following disclosure as at 31 December 2021 reflects the status of the defined benefit section of the scheme only.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

18. Pension costs (continued)

The major assumptions made by the actuary were:

	2021	2020	2019	2018
Rate of increase in salaries	3.5%	3.2%	3.3%	3.5%
Rate of increase in pensions pre 16 February 2009 retirees	2.6%	2.3%	2.1%	2.2%
Rate of increase in pensions post 16 February 2009	3.1%	2.8%	2.9%	3.1%
Discount rate	2.0%	1.5%	2.0%	2.9%
RPI inflation assumption	3.3%	2.9%	3.0%	3.3%
CPI inflation assumption	2.7%	2.3%	2.1%	2.2%

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 22.5 years if they are male and a further 24.8 years if they are female. Members currently aged 45 are expected to live for a further 24.1 years from age 65 if they are male and for a further 26.5 years from age 65 if they are female.

Fair value on scheme assets:

	2021 £000	2020 £000	2019 £000	2018 £000
Equities	18,400	19,500	17,700	14,600
Property	20,600	16,900	20,600	21,700
Government bonds	82,100	45,700	28,900	20,500
Corporate bonds	34,000	91,900	89,400	83,100
Other	25,100	1,700	200	100
	180,200	175,700	156,800	140,000

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

	2021 £000	2020 £000	2019 £000	2018 £000
Total market value of assets	180,200	175,700	156,800	140,000
Present value of scheme liabilities	(153,600)	(171,200)	(154,800)	(130,700)
Pension asset before deferred taxation	26,600	4,500	2,000	9,300
	2021	2020	2019	2018
Assets as a percentage of a liabilities	117.3%	102.6%	101.3%	107.0%

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

18. Pension costs (continued)

Movement in the fair value of the scheme liabilities during the year

	2021 £000	2020 £000
Opening defined benefit obligations	171,200	154,800
Interest cost	2,500	3,000
Actuarial (gain)/loss on the scheme liabilities	(15,700)	17,900
Net benefits paid out	(4,400)	(4,500)
	<u>153,600</u>	<u>171,200</u>
Closing defined benefit obligations	<u>153,600</u>	<u>171,200</u>

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

	2021 £000	2020 £000
Opening fair value of scheme assets	175,700	156,800
Expected return on scheme assets	2,600	3,100
Actuarial gain on scheme assets	6,000	19,000
Contributions by employer	300	1,300
Net benefits paid out	(4,400)	(4,500)
	<u>180,200</u>	<u>175,700</u>
Closing fair value of scheme assets	<u>180,200</u>	<u>175,700</u>

The total estimated pension expense in 2021 is £nil (2020: £nil). This is because the DB pension scheme closed with effect from 1 January 2020.

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.

MDU SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2021

18. Pension costs (continued)

Analysis of the amount credited to other finance credits

	2021 £000	2020 £000
Expected return on scheme assets	(2,600)	(3,100)
Interest on scheme liabilities	2,500	3,000
Net return	<u>(100)</u>	<u>(100)</u>

As explained in accounting policy note 1.9 the amount credited to other finance credits is credited to the Medical Defence Union Limited.

Analysis of amounts recognised in other comprehensive income

	2021 £000	2020 £000
Actuarial gains on scheme assets	6,000	19,000
Actuarial gains/(losses) on scheme liabilities	15,700	(17,900)
Actuarial gain recognised in other comprehensive income	<u>21,700</u>	<u>1,100</u>

19. Commitments under operating leases

The company had minimum lease payments under non-cancellable operating leases as set out below:

	2021 £000	2020 £000
Not later than 1 year	1,343	1,382
Later than 1 year but not later than 5 years	4,807	4,827
Later than 5 years	2,913	4,078
	<u>9,063</u>	<u>10,287</u>

20. Related party transactions

The company has taken advantage of the exemptions under FRS102 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 & Wales (registered number: 21708). 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.



MDU

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55 Baker Street
London
W1U 7EU

Dear Madam/Sirs

Financial Statements of MDU Services Limited for the period ended 31 December 2021

We confirm that the following representations given to you in connection with your audit of the company's financial statements (the "financial statements") for the year ended 31 December 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other directors and officials of the company.

We have fulfilled our responsibilities as directors for the preparation and presentation of the financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of company as at 31 December 2021 and of the results of the company's operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the company have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings have been made available to you.

Going concern

We have made an assessment of the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment, we consider that the company is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the company's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which our business is conducted, and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

MDU Services Limited (MDUSL) is authorised and regulated by the Financial Conduct Authority for insurance mediation and consumer credit activities only. MDUSL is an agent for The Medical Defence Union Limited (MDU). MDU is not an insurance company. The benefits of MDU membership are all discretionary and are subject to the Memorandum and Articles of Association.

MDU Services Limited, registered in England 3957086. Registered Office: One Canada Square, London E14 5GS

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge, we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge, we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the annual report.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable accounting framework.

Other than as disclosed in note 20 to the financial statements, there were no loans, transactions or arrangements between the company and the company's directors or their connected persons at any time in the year which were required to be disclosed.

In the opinion of the directors the company has no controlling party.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

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FCA regulation

We confirm that we have informed you of any actual or potential non-compliance with the laws and regulations prescribed by the Financial Services and Markets Act 2000 and Financial Services Act 2012 and any known breaches of the Financial Conduct Authority rules.

Any complaints received in respect of regulated business and any events, which involve possible non-compliance with the Financial Conduct Authority rules have been disclosed to you and appropriately provided for and disclosed in the financial statements, where applicable.

All communication with the Financial Conduct Authority including correspondence, minutes of meetings and notes of inspection visits have been made available to you.

We acknowledge our responsibility for ensuring that the accounting records and systems of control have been established and maintained in accordance with the Financial Conduct Authority rules. We confirm that the company has kept proper accounting records for the year.

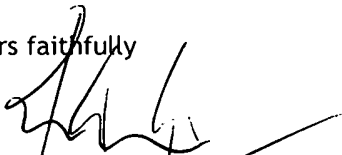
Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully



(Signed on behalf of the board of directors)

Date: 25 May 2022

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