

**MDU Services Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2020**



## **MDU SERVICES LIMITED**

### **Company Information**

<b>Registered number</b>	3957086
<b>Registered office</b>	One Canada Square London E14 5GS
<b>Independent auditor</b>	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 2020**

#### **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 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.

##### **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 2020

#### 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 (2019: £56m). Subscriptions collected on behalf of the MDU were £116m (2019: £144m), a decrease of £28m (19%).

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 27 April 2021



**N J Bowman**  
Company Secretary

## **MDU SERVICES LIMITED**

### **DIRECTORS' REPORT**

**For the year ended 31 December 2020**

The directors' presents their report and the financial statements for the year ended 31 December 2020.

#### **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 £2.7m (2019: £2.1m).

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 (2019: £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**

### **DIRECTORS' REPORT (CONTINUED)** **For the year ended 31 December 2020**

#### **Directors**

The directors who served during the year were:

C Aghadiuno  
S E Beaumont  
N A Dungay  
P Goldsmith  
I D Hutchinson  
M T W Lee  
J H Riley  
P Riordan-Eva  
C M Tomkins  
S W Watkin  
E C J Wells (appointed on 23 November 2020)  
A R Wright

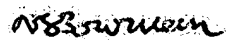
MDU Services Limited's articles of association give the members of the Board an indemnity (including qualifying third party indemnity provisions within the meaning of section 234 Companies Act 2006, which were in force during the year ended 31 December 2020 and remain in force) against liabilities incurred 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 27 April 2021 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 2020 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 2020, 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.

#### 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 Strategic Report and Directors' 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. 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.



## **MDU SERVICES LIMITED**

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

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.

**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:

Based on our understanding of the Company and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the UK Companies Act and relevant tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: FCA regulations; Health & Safety; Data Protection Legislation (ie. GDPR). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- 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 tested accordingly;
- Assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with 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) and Financial Reporting Standard 103 Insurance Contracts and whether there are instances of potential bias in areas with significant degrees of judgement;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- Challenging assumptions made by management in their significant accounting estimates;
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management or with unusual accounts combinations; and
- Carrying out detailed testing, on a sample basis, of material transactions, financial statement categories and balances to appropriate documentary evidence to verify the completeness, occurrence and accuracy of the reported financial statements.

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.

## **MDU SERVICES LIMITED**

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

#### **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.



#### **John Perry (Senior Statutory Auditor)**

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

Date: 30 April 2021

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 2020

	Note	2020 £000	2019 £000
Turnover		54,067	55,827
Administrative expenses		(51,119)	(52,876)
<b>Operating profit</b>	6	<b>2,948</b>	2,951
Interest receivable and similar income	4	167	144
Interest payable and similar charges	5	(286)	(423)
<b>Profit before taxation</b>	6	<b>2,829</b>	2,672
Tax on profit	7	(129)	(586)
<b>Profit for the financial year</b>		<b>2,700</b>	2,086
<b>Other comprehensive income for the year</b>			
Actuarial gain/ (loss) on pension scheme	18	1,100	(8,300)
Movement in deferred amount (payable to)/recoverable from parent company		(1,100)	8,300
<b>Total comprehensive income for the year</b>		<b>2,700</b>	2,086

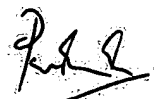
The notes on pages 13 to 25 form part of these financial statements.

**MDU SERVICES LIMITED**  
Registered number:3957086

**Statement of financial position**  
**As at 31 December 2020**

	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible assets	9	12,341	14,235
		<u>12,341</u>	<u>14,235</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	3,180	3,888
Cash at bank and in hand		40,538	48,599
		<u>43,718</u>	<u>52,487</u>
Creditors: amounts falling due within one year	12	(27,616)	(46,314)
<b>Net current assets</b>		<u>16,102</u>	<u>6,173</u>
<b>Total assets less current liabilities</b>		<u>28,443</u>	<u>20,408</u>
Creditors: amounts falling due after more than one year	13	(7,439)	(1,919)
<b>Provisions for liabilities</b>			
Other provisions	15	(2,103)	(2,288)
		<u>(2,103)</u>	<u>(2,288)</u>
Pension asset	14	4,493	2,000
Deferred amount (payable to) parent company		(4,493)	(2,000)
<b>Net assets</b>		<u>18,901</u>	<u>16,201</u>
<b>Capital and reserves</b>			
Called up share capital	17	1	1
Share premium account		2,357	2,357
Profit and loss account		16,543	13,843
		<u>18,901</u>	<u>16,201</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2021.



**P Riordan-Eva**  
Director



**C M Tomkins**  
Director

The notes on pages 13 to 25 form part of these financial statements.

# MDU SERVICES LIMITED

## 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
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,700	2,700
Actuarial gains on pension scheme	-	-	1,100	1,100
Deferred amount payable	-	-	(1,100)	(1,100)
<b>Total comprehensive income for the year</b>	-	-	2,700	2,700
<b>At 31 December 2020</b>	<b>1</b>	<b>2,357</b>	<b>16,543</b>	<b>18,901</b>

## Statement of changes in equity As at 31 December 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2019	1	2,357	11,757	14,115
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,086	2,086
Actuarial losses on pension scheme	-	-	(8,300)	(8,300)
Deferred amount recoverable	-	-	8,300	8,300
<b>Total comprehensive income for the year</b>	-	-	2,086	2,086
<b>At 31 December 2019</b>	<b>1</b>	<b>2,357</b>	<b>13,843</b>	<b>16,201</b>

The notes on pages 13 to 25 form part of these financial statements.

# MDU SERVICES LIMITED

## Statement of cash flows For the year ended 31 December 2020

	Note	2020 £000	2019 £000
<b>Cash flows from operating activities</b>			
Profit for the financial year		2,700	2,086
<b>Adjustments for:</b>			
Depreciation of tangible assets	9	2,956	3,247
Deferred taxation	16	100	68
Decrease in debtors	11	706	121
(Decrease)/increase in current creditors	12	(18,702)	4,872
(Decrease)/increase in provisions		(187)	10
Change in corporation tax		(89)	166
(Decrease) in non current creditors	13	5,518	(157)
<b>Net cash surplus/(deficit) from operating activities (cash utilised in current period)</b>		<b>(6,998)</b>	<b>10,413</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	9	(1,063)	(1,566)
<b>Net cash from investing activities</b>		<b>(1,063)</b>	<b>(1,566)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8,061)</b>	<b>8,847</b>
Cash and cash equivalents at beginning of year		48,599	39,752
<b>Cash and cash equivalents at the end of year</b>		<b>40,538</b>	<b>48,599</b>
<b>Cash and cash equivalents at the end of year comprise:</b>			
Cash at bank and in hand		40,538	48,599

The notes on pages 13 to 25 form part of these financial statements.

## **MDU SERVICES LIMITED**

### **Notes to the financial statements For the year ended 31 December 2020**

#### **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 Going Concern**

In assessing the impact of COVID-19 on the MDU group the directors have considered all matters described in the Strategic report, including the group's operations, the impact on subscriptions and claims and the impact on the group's investment portfolio. In particular, in order to support the directors' assessment of the sustainability of the group's activities, management has prepared cashflow forecasts based on alternative assumptions that reflect possible scenarios arising from the impact of COVID-19. As at the date of signing these financial statements, the directors' forecasts indicate that the company will be able to maintain liquidity for a period of at least one year following the date of signing these financial statements and will therefore be able to continue to trade as a going concern. The directors are constantly monitoring the position in case any adverse scenarios which could change this assessment become more likely than is judged to be the case currently.

##### **1.4 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.



## **MDU SERVICES LIMITED**

### **Notes to the financial statements For the year ended 31 December 2020**

#### **1. Accounting policies (continued)**

##### **1.5 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.

##### **1.6 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.

##### **1.7 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.

##### **1.8 Investment income**

Investment income is accounted for on an accruals basis.

**Notes to the financial statements  
For the year ended 31 December 2020**

**1. Accounting policies (continued)**

**1.9 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.

**1.10 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;
- 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; and
- the increase in the present value of pension scheme liabilities arising from employee service in the current period.

Actuarial gains and losses are recognised in Other Comprehensive Income.

## MDU SERVICES LIMITED

### Notes to the financial statements For the year ended 31 December 2020

#### 1. Accounting policies (continued)

##### 1.11 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.

##### 1.12 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:

	2020 £000	2019 £000
Salaries	28,646	27,553
Social security costs	3,404	3,303
Pension costs - defined benefit scheme	-	2,200
Pension costs - defined contribution scheme	3,111	1,865
Other staff costs	860	1,108
	<u>36,021</u>	<u>36,029</u>
	2020	2019
Average number of employees in the year	<u>445</u>	<u>453</u>

## MDU SERVICES LIMITED

### Notes to the financial statements For the year ended 31 December 2020

#### 3. Directors' emoluments

	2020 £000	2019 £000
Directors' emoluments	682	628
Amounts due and receivable under long term incentive plans	165	176
	<u>847</u>	<u>804</u>

There are no retirement benefits accruing to directors under a defined benefit pension scheme (2019: two).

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 £320,000 (2019: £296,000).

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

	2020 £000	2019 £000
Bank interest	167	144
	<u>167</u>	<u>144</u>

#### 5. Interest payable and similar charges

	2020 £000	2019 £000
Interest on finance scheme for membership subscriptions	286	423
	<u>286</u>	<u>423</u>

## MDU SERVICES LIMITED

### Notes to the financial statements For the year ended 31 December 2020

#### 6. Profit on ordinary activities before taxation

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

	2020 £000	2019 £000
Depreciation	2,956	3,247
Other operating lease rentals:		
- land and buildings	1,201	1,184
- motor vehicles	191	208
Defined contribution pension cost	3,111	1,865
Defined benefit pension cost (note 18)	-	2,200
	<u>2,956</u>	<u>3,247</u>

#### 7. Taxation

	2020 £000	2019 £000
Current tax on profits for the year	30	518
<b>Deferred tax</b>		
Origination and reversal of timing differences	(99)	(68)
<b>Total deferred tax (charge)</b>	<u>(99)</u>	<u>(68)</u>
<b>Taxation on profit on ordinary activities</b>	<u>129</u>	<u>586</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	538	508
<b>Effects of:</b>		
Income not taxable for tax purposes	(34)	(35)
Expenses not deductible for tax purposes	3	-
Group relief surrendered/(claimed)	(509)	-
Fixed asset differences	77	92
Adjustments to tax charge in respect of prior periods	-	29
Difference in tax rate on deferred tax movement	54	(8)
<b>Total tax charge for the year</b>	<u>129</u>	<u>586</u>

# MDU SERVICES LIMITED

## Notes to the financial statements For the year ended 31 December 2020

### 8. Auditor's remuneration

Fees payable to the company's auditor and its associates

	2020 £000	2019 £000
- for the audit of the company's annual accounts	52	51
- for tax services	48	57
- fees in respect of the audit of the MDU Services Limited pension scheme	21	20
	<u>121</u>	<u>128</u>

### 9. Tangible fixed assets

	Leasehold property improvements £000	Furniture and office equipment £000	Computer equipment and software £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2020	10,265	1,082	17,827	29,174
Additions	-	1	1,062	1,063
Disposals	-	-	(745)	(745)
At 31 December 2020	<u>10,265</u>	<u>1,083</u>	<u>18,144</u>	<u>29,492</u>
<b>Depreciation</b>				
At 1 January 2020	3,398	1,012	10,530	14,940
Charge for the year on owned assets	684	43	2,229	2,956
Disposals	-	-	(745)	(745)
At 31 December 2020	<u>4,082</u>	<u>1,055</u>	<u>12,014</u>	<u>17,151</u>
<b>Net book value</b>				
At 31 December 2020	<u>6,183</u>	<u>28</u>	<u>6,130</u>	<u>12,341</u>
At 31 December 2019	<u>6,867</u>	<u>71</u>	<u>7,297</u>	<u>14,235</u>

# MDU SERVICES LIMITED

## Notes to the financial statements For the year ended 31 December 2020

### 10. Fixed assets - Investments

#### Subsidiary Undertakings

	2020 £	2019 £
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

	2020 £000	2019 £000
Trade debtors	2	15
Other debtors	645	963
Prepayments and accrued income	2,533	2,910
	<u>3,180</u>	<u>3,888</u>

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

	2020 £000	2019 £000
Trade creditors	771	1,109
Deferred taxation (see note 16) [i]	567	467
Amounts owed to group undertakings	15,628	27,055
Corporation tax	15	103
Other taxation and social security	959	890
Other creditors and accruals [ii]	9,492	16,509
Deferred income	184	181
	<u>27,616</u>	<u>46,314</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: £6.1m" (2019: £7.5m). 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 2020

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

	2020 £000	2019 £000
Deferred income	1,361	1,545
Other creditors	6,078	374
	<u>7,439</u>	<u>1,919</u>

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

#### 14. Pension Scheme

	2020 £000	2019 £000
<b>Pension scheme</b>		
At 1 January	2,000	9,300
Current & past service cost	-	(2,300)
Contributions	1,300	3,000
Other finance income	100	300
Actuarial gain/(loss)	1,100	(8,300)
<b>At 31 December</b>	<u>4,500</u>	<u>2,000</u>

As explained in accounting policy 1.10 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

	2020 £000	2019 £000
At 1 January	2,288	2,278
(Decrease)/increase	(185)	10
<b>At 31 December*</b>	<u>2,103</u>	<u>2,288</u>

\*Building dilapidations are recognised on two (2019: two) buildings.



## MDU SERVICES LIMITED

### Notes to the financial statements For the year ended 31 December 2020

#### 16. Deferred taxation

	2020 £000	2019 £000
<b>Deferred taxation</b>		
At 1 January	(467)	(399)
(Charge) to the statement of total comprehensive income	(100)	(68)
<b>At 31 December</b>	<b>(567)</b>	<b>(467)</b>

	2020 £000	2019 £000
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#### The deferred tax liability is made up as follows:

Fixed asset timing differences	(567)	(467)
	<b>(567)</b>	<b>(467)</b>

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.

#### 17. Share capital

	2020 £000	2019 £000
<b>Authorised, called up and fully paid</b>		
999 (2019 - 999) Ordinary shares of £1.00 each	1	1

#### 18. Pension costs

As explained in accounting policy 1.10 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 2020 by qualified independent actuaries for the purpose of reporting pension costs.

The following disclosure as at 31 December 2020 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 2020

### 18. Pension costs (continued)

The major assumptions made by the actuary were:

	2020	2019	2018	2017
Rate of increase in salaries	3.2%	3.3%	3.5%	3.5%
Rate of increase in pensions pre 16 February 2009 retirees	2.3%	2.1%	2.2%	2.2%
Rate of increase in pensions post 16 February 2009	2.8%	2.9%	3.1%	3.1%
Discount rate	1.5%	2.0%	2.9%	2.5%
RPI inflation assumption	2.9%	3.0%	3.3%	3.3%
CPI inflation assumption	2.3%	2.1%	2.2%	2.1%

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 23.4 years if they are male and a further 25.3 years if they are female. Members currently aged 45 are expected to live for a further 25.2 years from age 65 if they are male and for a further 27.1 years from age 65 if they are female.

#### Fair value on scheme assets:

	2020 £000	2019 £000	2018 £000	2017 £000
Equities	19,500	17,700	14,600	16,900
Property	16,900	20,600	21,700	20,500
Government bonds	45,700	28,900	20,500	16,300
Corporate bonds	91,900	89,400	83,100	90,100
Other	1,700	200	100	400
	<b>175,700</b>	<b>156,800</b>	<b>140,000</b>	<b>144,200</b>

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

	2020 £000	2019 £000	2018 £000	2017 £000
Total market value of assets	175,700	156,800	140,000	144,200
Present value of scheme liabilities	(171,200)	(154,800)	(130,700)	(146,300)
Pension asset/(liability) before deferred taxation	<b>4,500</b>	<b>2,000</b>	<b>9,300</b>	<b>(2,100)</b>

	2020	2019	2018	2017
Assets as a percentage of a liabilities	102.6%	101.3%	107.0%	98.6%

## MDU SERVICES LIMITED

### Notes to the financial statements For the year ended 31 December 2020

#### 18. Pension costs (continued)

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

	2020 £000	2019 £000
Opening defined benefit obligations	154,800	130,700
Current service cost	-	2,200
Interest cost	3,000	3,800
Contributions by scheme participants	-	200
Actuarial loss on the scheme liabilities	17,900	21,700
Net benefits paid out	(4,500)	(3,800)
	<u>171,200</u>	<u>154,800</u>
Closing defined benefit obligations		

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

	2020 £000	2019 £000
Opening fair value of scheme assets	156,800	140,000
Expected return on scheme assets	3,100	4,000
Actuarial gain on scheme assets	19,000	13,400
Contributions by employer	1,300	3,000
Contributions by scheme participants	-	200
Net benefits paid out	(4,500)	(3,800)
	<u>175,700</u>	<u>156,800</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.

#### Analysis of the amount charged to Statement of Comprehensive Income

	2020 £000	2019 £000
Current service cost	-	2,200
	<u>-</u>	<u>2,200</u>

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

## MDU SERVICES LIMITED

### Notes to the financial statements For the year ended 31 December 2020

#### 18. Pension costs (continued)

Analysis of the amount charged to other finance costs

	2020 £000	2019 £000
Expected return on scheme assets	(3,100)	(4,000)
Interest on scheme liabilities	3,000	3,800
Net return	<u>(100)</u>	<u>(200)</u>

As explained in accounting policy note 1.10 the amount charged to other finance costs is charged to the Medical Defence Union Limited.

#### Analysis of amounts recognised in other comprehensive income

	2020 £000	2019 £000
Actuarial gains on scheme assets	19,000	13,400
Actuarial (losses) on scheme liabilities	(17,900)	(21,700)
Actuarial gain/(loss) recognised in other comprehensive income	<u>1,100</u>	<u>(8,300)</u>

#### 19. Commitments under operating leases

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

	2020 £000	2019 £000
Not later than 1 year	1,373	1,404
Later than 1 year but not later than 5 years	4,782	4,860
Later than 5 years	4,078	5,328
	<u>10,233</u>	<u>11,592</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.