

The Medical Defence Union Limited
(A company limited by guarantee)

Directors' report and financial statements
for the year ended 31 December 2014



THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Contents

	Page
Report of the chairman	1 - 2
Strategic report	3 - 9
Directors' report	10 - 14
Independent auditor's report	15 - 16
Consolidated income and expenditure account	17
Consolidated statement of total recognised gains and losses	18
Note of historical cost profit and loss	19
Consolidated balance sheet	20
Company balance sheet	21
Consolidated cash flow statement	22
Notes to the financial statements	23 - 43

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Report of the chairman
for the year ended 31 December 2014

Medicine and dentistry are not zero-risk professions, nor will they ever be. Mistakes happen and unintended consequences will continue to occur. We can therefore expect that patients who have been harmed as a result of negligence will claim compensation, and rightly so. What is frustrating is the continuing rise in the volume of claims notified to us, even though there is no evidence of any decline in professional standards.

The year January-December 2014 saw another sharp increase in the numbers of both claims and complaints. This was particularly noticeable in primary care, where there is a high level of diagnostic uncertainty (a fact not always appreciated by patients) and where continuity of care remains a key issue. Hospital practice continues to be in the spotlight, as the media rushes to publicise every allegation of poor care, which generates its own problems.

In this climate of criticism, it can be overlooked that the vast majority of care delivered in hospitals, GP practices and dental surgeries is excellent. However, when things do go wrong, and a patient decides to sue or complain, the need for a strong, responsive organisation to fight your corner is more important than ever. This is why your continuing membership of the MDU or DDU matters.

I am pleased to report that we continue to close the majority of claims for negligence with no payment to the claimant. Over the last five years, our rebuttal rate for medical claims was 70% and in 2014, almost 80% were repudiated. Such a success rate is a measure of the immense effort we put into defending claims on behalf of individual members.

Criminalisation of poor care

One of the more disturbing developments in 2014 was the introduction of two Bills (now enacted) making standards of care subject to criminal sanctions. These were thought necessary despite the paucity of evidence of the kind of neglect or lack of candour that the laws are intended to address. Of course bad practice should be eradicated, but criminalising it will, we believe, only serve to erode trust in the health professions.

The new offence of ill-treatment or wilful neglect applies to doctors, dentists, nurses and even NHS organisations. Although we believe the offence will be prosecuted very rarely, we anticipate that it will result in unnecessary criminal investigations into the conduct of healthcare professionals. There is a risk that doctors and dentists will find their reputations unfairly maligned.

Duty of candour has been much spoken about in the past few years. For over 50 years the MDU has encouraged members to be open and honest with patients when something goes wrong and an ethical duty of candour already exists, as set out in the GMC's Good medical practice and in the GDC's standards guidance. However, in November 2014 a statutory duty was introduced for organisations, many of which were already subject to a contractual duty of candour. There remain some unresolved uncertainties about the threshold of harm at which the NHS body must notify an incident under the duty. We advise MDU members to make sure their NHS body has an appropriate policy in place and supports staff in identifying incidents that fall within the duty.

Communication

The importance of clear communication cannot be overemphasised. In fact, it is a particular hobby horse of mine. Misunderstandings between healthcare professionals, and with patients, are a real threat when practitioners are stretched to the limit, or under considerable time pressure. More than 15% of complaints to doctors in recently opened MDU case files involved problems with communication. In claims, the figure is approximately 30%.

In medicine and dentistry, clear and contemporaneous records are vital. The next practitioner to see the patient must understand exactly what you found on examination, what you did and what should happen next. While records are primarily for the benefit of patients, writing full and contemporaneous notes may also help to head off errors, and can strengthen the defence if the member is challenged about their practice.

The principles of good communication apply equally to interactions between our members and ourselves. We continually strive to improve channels of communication to make it easy for you to stay in touch, and to access

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Report of the chairman
for the year ended 31 December 2014

medico- or dento-legal advice. For example, we have extended our normal medico-legal and dento-legal helplines' opening hours to 8am-6pm Monday-Friday, in addition to an out-of-hours emergency service. We are here to help, and the threshold for calling us about a medico-legal problem should be low.

Our liaison managers are an important link for our members, providing vital personal contact that allows members to resolve questions about their membership on the spot. The dedicated teams visit GP and dental practices, hospitals and medical schools to deliver seminars and presentations on a wide range of medico-legal topics. Members tell us they find the personal service provided by our liaison managers very useful, and there is a high demand for their visits.

The MDU and DDU websites continue to extend their comprehensive libraries of medico-legal and dento-legal advice and guidance. The sites had over 2.6 million page views in 2014, from more than 370,000 visitors. The most searched-for term in our Guidance and advice section was 'complaint', a reflection perhaps of the climate in which members practise.

We extended our digital presence to include online MDU and DDU journals, and a brand new online publication for students. Meanwhile, our electronic communications to members reached almost 2 million emails about MDU and DDU benefits and services. Feedback from members indicates that they are increasingly using digital media to learn about ethical and legal matters affecting their practice, and also to communicate with us.

Some 63,500 members used the 'My membership' section of the website to manage their account. Many more phoned the call centre for individual service – over 158,000 calls were received in 2014, 80% of which were answered within the 20 seconds target. And with a complaints rate of just 0.05%, it is no surprise that the call centre was reaccredited under the Customer Service Excellence Standard.

Move to Canary Wharf

In December 2014 the company relocated from Blackfriars Road to new offices in One Canada Square, the iconic building at the heart of the Canary Wharf complex. It was a huge logistical exercise and achieved on time with no interruption to service to members, thanks to excellent planning and hard work by everyone in the company.

We continue to have your interests at heart and our experienced teams, led by doctors and dentists with real-life experience of the challenges you face in your every day practice, are ready to assist you in meeting those challenges.

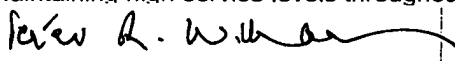
MDU Board and Council update

We were sad to bid farewell to Mr Kerry Richardson, who retired from the Board in September. He had been a non-executive director for seven years, and also served on the remuneration and audit committees. We thank him for his service to the company, his expertise and his wise counsel.

Joining the Board as non-executive director was Mr William Dinning, head of investment strategy at Coal Pension Trustees Services Ltd.

We were also pleased to welcome new faces to the Council and dental advisory committee. Dr Anne Whaley, anaesthetist at Bristol Royal Infirmary, and Professor Sunil Shaunak, professor of infectious diseases at Imperial College, joined the MDU Council. Ms Baldeesh Chana, former president of the British Association of Dental Therapists, now sits on the dental advisory committee and Council.

Finally, I should like to thank the staff of the MDU and DDU for their dedication to our members' interests, and for maintaining high service levels throughout the company move.



Dr Peter R Williams
Chairman of the board of management and President of the MDU

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Strategic report
for the year ended 31 December 2014

2014 was another extremely busy year medico-legally and dento-legally. There were more claims against MDU members and increasing activity in the regulation of healthcare professionals and the organisations in which they work. It has been suggested by some commentators that this is a sign of deterioration in clinical standards. While that might be an understandable perception, given the pressures members are under and the increasing administrative, financial and other burdens associated with modern clinical practice, it is not true. If you take the GMC and GDC's fitness to practise findings as a marker, there is no evidence that clinical standards have deteriorated.

The truth is that while there are many and varied motives for patients to make claims and complaints against healthcare professionals, it has never been easier for them to do so. Processes and procedures are now designed to encourage members of the public and interested parties to use them. And with the exception of the clinical negligence procedure, they are free to complainants.

It is also important to bear in mind that the mere fact of a claim or complaint is no indicator of the outcome. The number of negligence claims has increased dramatically over the last few years but this has nothing to do with clinical standards. It is largely attributable to changes made to civil costs arrangements from 1 April 2013. Equally importantly, the increase must be seen in the context of the rise in the number of claims successfully repudiated by the MDU on behalf of members in the last year. The same is true of the MDU's robust defence of members who seek assistance from our medico-legal and dento-legal teams.

The rise in challenges to clinicians inevitably place serious professional and personal pressure on doctors and dentists who are called to account. All members who are exposed to these challenges can look to us to provide the highest standard of service. With MDU assistance you are fully supported by experienced and skilled individuals and teams whose results in defending members demonstrate they are the best in their fields.

As a result of the adversarial climate, 2014 saw another year on year increase in the number of members seeking assistance from our medico-legal and dento-legal teams. For the first time we opened over 14,000 new case files in a year. These teams guide, support and defend members facing complaints, disciplinary procedures, regulatory body enquiries, coroners' inquests, criminal investigations and other legal or ethical difficulties arising out of their clinical practice.

On the medical side, the increase in case notifications was spread across all case types but, of notable concern, was the practical effect of the changes introduced by the Parliamentary and Health Service Ombudsman which included 'dramatically increasing the number of investigations' she undertakes. The MDU has been assisting members with Ombudsman's complaints for many years and we will continue to work hard at ensuring they are investigated and resolved in a manner that is fair to our members.

On the dental side, the increase in our dento-legal work was notably fuelled by the number of members seeking assistance with GDC investigations, which rose by over 60% compared to the previous year.

To meet the increased demand for our services we have extended our core opening hours for routine enquiries from 8am to 6pm, and recruited additional professional staff to our medico-legal and dento-legal teams.

Because of the claims environment the increase in demand for our services came as no surprise, and we anticipated the initially dramatic rises in claims in 2012 and 2013 in advance of and after the 'Jackson reforms' implemented in April 2013. We had hoped that claimants' solicitors might have exhausted their supply of 'old style conditional fee agreement' cases and that there might be a drop in new clinical negligence claims brought against members in 2014. Disappointingly, this did not happen. This appears to be the result of new claimant law firms entering the clinical negligence market, some of whom are advertising their services widely on the internet and television.

Pleasingly, our claims team has risen to the challenge and our success rates in defending claims were the best they had been for 10 years. Almost 80% of the medical claims closed in 2014 were successfully defended with no damages or claimant costs paid. Claims have increased but, more significantly for our members, so has the proportion of claims that we can show were without merit.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Strategic report (continued)

We continued to expand our specialist in-house legal team who support members facing GMC and GDC hearings, inquests, criminal investigations and litigated claims. The team is growing through recruitment and, more recently, through in-house trainees completing their training in the department. If we need to instruct a solicitor on behalf of a member we can instruct an in-house specialist or a solicitor from our panel of expert firms located around the country, depending on the requirements of the case. Our in-house legal team, for the first time, took over 700 new instructions in 2014 and member feedback about the quality of the support they received from in-house and external panel solicitors was higher than ever.

During 2014 the MDU was very active in representing members' interests with the government, regulators and other bodies. We are moving forward with our Fair Compensation campaign for tort reform and many members joined us by writing to their MPs to draw their attention to the rising cost of claims and the need for reform. Details of the MDU's Fair Compensation campaign are available on the MDU's website at themdu.com/faircomp

Trying to engage politicians in advance of a fixed general election date is difficult, but the fact that all English taxpayers will ultimately have to fund the NHS Litigation Authority's £25.6bn, and rising, clinical negligence liabilities provides a compelling reason for addressing the problem of spiralling claims. Claims inflation (including the number and size of awards) has been about 10% for a number of years, and compensation awards are doubling every seven years. This sort of claims inflation is not sustainable, whether paid by the taxpayer or by individual doctors, and we will continue to press for change in this, as in other policy areas. Patients who are negligently damaged must receive compensation, but awards must be fair and affordable for all of us who are funding them.

With increased regulation of members and increasing complaints to regulators, it becomes even more important that regulators' procedures are as fair, proportionate and swift as they can be, consistent with their primary duties to protect the public. Our multidisciplinary teams spent a good deal of time in 2014 engaging with the GMC, GDC and CQC, making suggestions for improvements to the fitness to practise procedures and providing input into the design of CQC's new inspection regimes to protect members' medico-legal interests. To be so closely regulated on all fronts puts tremendous additional pressure on clinicians individually and collectively and we work tirelessly to make it as fair and proportionate as we can. Much of our work with regulators, and all the other organisations that have the power to affect our members' clinical practice and careers, does not get publicity but it is an essential part of what we do to protect your interests.

Business review

Strategy

In each annual report I explain the combination of factors that create the backdrop against which we need to plan the MDU's long-term strategy.

As I explained above, the medico-legal climate remains harsh, and we influence development of policy and procedures through which members are scrutinised and held accountable for their treatment of patients, to the extent that we can. We also make sure we fully understand the environment in which members work, including the various economic, societal and other pressures, and the impact all this has on decisions you make, both personally and professionally.

This is important to our success in meeting the company's objective of providing the highest quality support to members at the lowest cost compatible with financial security. Our core services must always meet members' needs and we must ensure we remain in the best position to provide members with specialist advice from doctors, dentists, lawyers and other professionals who combine an understanding of the realities of clinical practice with medico-legal expertise.

Office accommodation

In January 2015 the MDU's lease on its offices at 230 Blackfriars Road expired, obliging us to move at the end of 2014. Our new office at One Canada Square, Canary Wharf, provides us with more space for staff and for meetings with members. The terms for this office were economically favourable and we secured a long lease that will help provide certainty around our cost base, which is good news for members.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Strategic report (continued)

Key performance indicators

The company is committed to maintaining strong management, organisational effectiveness, tight cost control and appropriate investment in systems and technology, to deliver the optimal service to members.

The MDU monitors its business activity by means of a number of key performance indicators (KPIs) which the Board considers on a quarterly basis. These KPIs are designed to track the activity and achievement of the company. They are described below in conjunction with relevant results, in order to illustrate the MDU's achievements during 2014.

Membership statistics

The MDU monitors all areas of membership and evaluates any movements in renewals activity; leavers; junior doctor, graduate and student applications; and recruitment overall.

Quality of service

We understand how important it is to members that your calls are answered as quickly as possible. I am pleased to report that our membership staff answered 99% of the 158,000 calls received. In addition, despite a 40% increase in volume, we answered 98% of members' correspondence within five days.

We take the quality of our service seriously. We aim to provide service of such a high quality that members have no cause for complaint but acknowledge that, occasionally, things do go wrong. Our aim is therefore to keep complaints from members as low as possible and when members do complain, to ensure we respond swiftly, fully and courteously.

In recognition of the high standard of service we provide to members, our membership department was once again successfully reaccredited under the Customer Service Excellence Standard. This is a recognised independent benchmark of excellent service. The Standard tests in depth the areas that research shows are important to you – timeliness, accuracy, professionalism and staff attitude – and places great emphasis on how well the MDU understands our members' experience of service.

Our GP liaison managers provide medico-legal seminars for practices in our **GROUPCARE** scheme, which offer valuable training for GPs and practice staff on topics of relevance to the CQC, such as equality and diversity, and infection control.

At a time when claims and complaints against members are rising and their incomes have been hit by economic pressures, we must ensure our pricing accurately represents risk. Over the years we have developed sophisticated actuarial, underwriting and clinical risk management capabilities enabling us to have an increasingly comprehensive and detailed understanding of the risk resulting from the clinical practice of each individual member.

As a reflection of the dynamic nature of medical practice and the claims environment, our calculation of risk is constantly evolving. This can result in subscription changes for individual members, either up or down to reflect our assessment of the risk in their practice from year to year.

One particular area where we have been able to reduce our subscriptions is for members working in Scotland, where medico-legal conditions are more favourable than other areas of the UK. As a result we have seen MDU membership in Scotland grow substantially during the past 12 months. Scottish members have commented on the value of having a liaison manager who is able to visit them in their practice, surgery or hospital to discuss membership matters and to offer medico-legal training. We believe this personalised service, which is a reflection of the approach we take to providing professional support to all UK members, has been a key driver for growth in membership across the whole of the UK among GP, consultant and dental members.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Strategic report (continued)

Principal risks and uncertainties

The MDU is always looking at the options open to us to ensure we best serve members' needs to the first class standard they expect, and as economically as is feasible, while still ensuring subscription income is sufficient to provide members with long-term security and peace of mind.

The MDU has an established risk management procedure which includes assessment of reinsurance security including credit risk, currency risk and risks associated with financial instruments. More information is set out below. The MDU also has a staff development and retention policy and a conflict of interest policy and a strategy to ensure members are treated fairly. These are regularly reviewed by the Board to ensure the necessary procedures and strategies are in place to manage risks appropriately.

An assessment is given below of the principal risks:

Increasing claims cost

A significant increase in claims cost could affect the funding levels of the MDU. The MDU mitigates this risk in the following ways. First, by having in place highly trained claims and legal staff, managing claims on behalf of members. Second, by the purchase of a well-established programme of reinsurance cover to protect against unexpected changes to claims frequency and inflation, including an assessment of the reinsurance security. Third, by continuing to lobby for reform on how medical claims can best be funded. This is explained earlier in this report where on your behalf we continue to pursue a package of reforms, including caps on future care costs and loss of earnings awards.

Government changes that impact members

The MDU actively represents members' interests with the government, regulators and other bodies where there may be a medico-legal or dento-legal impact.

Competition

The MDU aims to differentiate itself from the competition on the quality of service it provides to its members. The MDU continuously monitors its status in the market and has processes in place to respond quickly to potential threats. The MDU monitors all areas of membership and evaluates any movements in renewals activity; leavers; junior doctor, graduate and student applications; and recruitment overall.

Loss of confidential information

The MDU has information management and security policies and procedures in place. These policies and procedures are subject to monitoring and review by the IT and knowledge and information management departments and the information risk and security officer.

Failure of internal controls

The MDU has department procedures and controls in place and ensures ongoing investment in our IT systems to support the service. We also have a risk management process in place. Risks and internal controls are subject to review by internal and external audit. We have an audit committee that assesses the adequacy of internal controls and reports to the Board.

Lack of effective corporate governance

The directors' report explains the committee structures in place which help to mitigate this risk.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Strategic report (continued)

Investment risk

The MDU, through MDU Investments Limited (MDUIL), is assisted by advice from an independent investment adviser. The MDU is responsible for setting the company's investment strategy and for reviewing the investment performance of its third party fund managers. In setting its investment objectives it takes into account the estimated provision for future indemnity payments, and the effect of general economic risks which include market, credit, interest rate, inflation, liquidity and currency risks.

During the year the fund managers held derivative financial instruments in order to achieve the group's financial risk management objective. These instruments involve the purchase or sale of an underlying asset at a price fixed today for delivery at some date in the future. The net finance income and cost of these contracts are included in note 3 to the financial statements.

Risk characteristics of financial instruments

Market risk

The MDU has adopted a prudent investment strategy that identifies the levels of risk and return acceptable in its portfolio. External professional advice is regularly sought and investment performance is subject to regular review.

Asset volatility is addressed as follows. First, by the majority of its assets being in corporate and government bonds and pooled funds which have a relatively low level of volatility compared to equities. Second, by the fact that exposure to a single issuer of any corporate bond is limited to 3% of the fund, unless specifically agreed otherwise. Third, by the use of derivative financial instruments.

Credit risk

The MDU manages this risk through its investment policy, which sets out the type and quality of investments that can be held and the maximum exposure to any particular investment.

Interest rate risk

The group's financial risk management objective is broadly to seek to realise neither profit nor loss from exposure to interest rate risks. Derivatives are sensitive to interest rate movements so it is necessary to determine the interest rate risk that such contracts will be exposed to. This is done by comparing the risk of the underlying asset against the risk of the derivative to determine the number and type of derivatives that need to be held.

Inflation risk

The estimate of the MDU's indemnity provision is influenced by the likely cost of future claims, some of which can take many years to settle and are affected by compensation for future costs and losses, such as loss of earnings and cost of future care. Such costs are affected by inflation and therefore to mitigate this risk the MDU holds the majority of its investments in UK index-linked government gilts and UK index-linked corporate bonds, which by their very nature provide protection against movements in inflation.

Liquidity risk

This year the level of total assets less current liabilities and creditors has increased by £153m while the estimate of known provisions and pension liability has increased by £127m. The MDU group monitors the likely timing of the payment of its claims liabilities and its policy is to finance these through matching subscription and other receipts, and investment assets. As the group's investment assets are mostly in easily traded financial instruments or cash, the group ensures that any liquidity risk is minimal.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Strategic report (continued)

Currency risk

The MDU group's financial risk management objective is broadly to seek to realise neither profit nor loss from exposure to currency rate risks. The group monitors its likely exposure to non-sterling claims and advisory costs and its policy is, where possible, to finance these through matching subscription and other receipts, and investment assets, held in the same currency. Where investments are held in non-sterling currencies, the exchange rate risk is hedged.

Financial performance

Every quarter the Board reviews the MDU's overall financial performance including subscription levels, insurance premiums, claims payments, legal costs and claims reserves. Details are given in the financial review, but the key figures are:

The MDU's net assets now total £199m (2013: £174m) after indemnity, insurance, other provisions and pension liabilities of £320m (2013: £192m). This figure does not represent the total potential liability of our members since it excludes incurred but not reported cases (IBNR). As these are notified they will be picked up by the MDU under its discretionary indemnity provided to members.

Financial review

Income

Total subscription income for the year ended 31 December 2014 was £233.0m (2013: £225.2m), of which 98.4% was received from our UK members, the remainder, amounting to £3.8m, being from our members in Ireland.

Expenditure

In 2014 the MDU paid out £43.5m (2013: £28.5m) in discretionary indemnity claims and legal costs, of which £12.3m relates to our Irish members' claims.

Insurance and reinsurance premiums in 2014 were £20.1m (2013: £42.6m), following the decision, first reported in 2012, to no longer provide an insurance policy to members renewing from 1 April 2013.

Medical and dental advisory costs amounted to £26.5m in 2014 (2013: £24.7m), the increase of £1.8m reflecting enhancements in the medico-legal and dento-legal services for our members.

Administration costs in 2014 were £21.2m (2013: £16.5m), the increase relating to fitting out new office premises and investment in IT systems.

Result after tax

The net result after tax, including investment income, is £40.6m in 2014 (2013: £44.8m). This surplus is to fund future expenditure on indemnity, legal and advisory costs, supporting our members throughout their professional lives.

Assets/indemnity provision

The balance sheet for the MDU now shows total assets less current liabilities and creditors of £519m compared to £366m in 2013. This increase is primarily due to the reduction in insurance and reinsurance premiums paid out in 2014 following the decision to no longer provide an insurance policy to members renewing from 1 April 2013.

In assessing the provision for indemnity, the MDU takes account of all reported incidents notified up to the balance sheet date. This includes all notifications from members, including incidents relating to potential claims, pre-claims where incidents are still being investigated and actual claims where there has been a demand for compensation or where legal proceedings have been served. It does not include any case where the Board has declined to exercise or to continue to exercise its discretion to assist.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)


Strategic report (continued)

No provision is made for discretionary indemnity claims that may arise from incidents occurring before the balance sheet date but not reported to the MDU at that date, or for defendant legal costs. As these claims are notified to us they will be picked up by the MDU under its discretionary indemnity provided to members.

The level of indemnity and insurance provision, see note 14, has been estimated on the advice of the company actuary, taking all the above factors into consideration, and is shown in the accounts at £313m (2013: £192m).

In summary the MDU is a not-for-profit mutual owned by its members. We concentrate on providing the best medico-legal and dento-legal, risk management and claims handling service to members, while controlling costs and managing funds prudently for members' financial security.

This strategic report was approved by order of the board of management


Dr Christine Tomkins
Chief executive

For and on behalf of the board of management

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Directors' report
for the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Activities

The Medical Defence Union Limited's (MDU) activities include the discretionary provision, in accordance with the memorandum and articles of association, of indemnity and medico-legal and dento-legal services for its members.

The MDU continues to set subscriptions which the directors, on the advice of the company actuary, consider sufficient for overheads and foreseeable discretionary indemnity payments and legal costs.

The MDU represents members' medico-legal interests by informing and thereby influencing the government and other bodies on matters relating to healthcare law and the regulatory environment with a view to ensuring that any changes in these areas are equitable and fair.

Until the end of March 2013, through MDU Services Limited (MDUSL), the group provided paying members in the UK with insurance policies against claims of clinical negligence. These are underwritten by SCOR UK Company Limited and International Insurance Company of Hannover SE. MDUSL, a wholly-owned subsidiary of the MDU, is authorised and regulated by the Financial Conduct Authority as an insurance intermediary.

MDU Investments Limited (MDUIL), a wholly-owned subsidiary of the MDU, manages investments on behalf of the MDU. Funds are invested with third party investment managers and MDUIL does not undertake any direct investment activity.

The MDU takes its corporate social responsibility seriously as reflected in its commitment to treating its members and employees fairly, and managing its business with due regard to its impact on the environment.

Directors

The following served as directors in 2014:

Board member	No. of meetings attended
P R Williams 1 3 4 5	5
K A V Cartwright 1	4
H E Clarke 1 2 4 5	5
Sir Alan W Craft	3
W R J Dinning 6	2
N A Dungay 4	5
C L A Edginton 1 2 4 5	3
M M Gallivan 4 5	5
C W Heron	5
I D Hutchinson 1 2 3 4 5	5
M T Lee 4	5
K F Richardson 1 2 4 7	3
P Riordan-Eva 1 2 3 4 5	5
P D Robinson 2 4	4
C M Tomkins 1 3 4 5	5
P D Webster 1 2 4 5	5

- 1 Members of the remuneration committee**
- 2 Members of the audit committee**
- 3 Members of the nomination committee**
- 4 Directors of MDU Services Limited**
- 5 Members of the investments committee of MDU Investments Limited**
- 6 Appointed 16 September 2014**
- 7 Retired 16 September 2014**

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Directors' report
for the year ended 31 December 2014

In accordance with the articles of association, the following directors are due to retire by rotation and, being eligible, offer themselves for re-election at the next annual general meeting:

N A Dungay
C L A Edginton
M M Gallivan
P R Williams

Prof Sir Alan Craft retires by rotation under article 49 but will not put himself forward for re-election.

Mr W R J Dinning and Mr O C E Sparrow were appointed by the Board and will stand for election at the next annual general meeting in accordance with article 54.

The MDU'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 2014 and remain in force) against liabilities incurred in relation to the affairs of the MDU. The group also purchases directors' and officers' liability insurance which gives appropriate cover for legal action brought against directors of group companies.

Corporate governance

Set out below is a summary of the MDU's approach to corporate governance. The participation of MDU members on the Board is a particular feature and strength of the governance arrangements.

There are four executive directors, two of whom are also MDU members. The Board now has five non-executive directors who are not members of the MDU and have no financial interest in the MDU other than their fees as Board members. There are six non-executives with MDU membership, who receive fees as Board members and as expert witnesses. The Board does not consider that this compromises their independence as Board members. All the non-executive directors are therefore considered to be independent. The non-executive directors are sufficiently strong in numbers and independence to provide a proper balance on the Board.

The posts of chairman and chief executive are separate. This distinguishes the running of the Board from executive responsibility for the business. The roles of chairman and chief executive are defined in writing.

There is an induction process for new directors. This is tailored to meet the needs of individuals. It is designed to give new directors knowledge of the business and of their role in it as directors.

The Board undertakes an annual evaluation of its performance by questionnaire. The chairman reports back to the Board on the results of the evaluation.

All Board members are subject to election by MDU members at the first annual general meeting after their appointment. All, including the executive directors, are also subject to retirement by rotation and re-election at least every three years.

The Board met five times in the year. The attendance record of the directors at the Board meetings is set out on page 10. The Board has a schedule of matters reserved to it for decision, including the following:

- Approval of commercial strategy
- Changes to corporate structure
- Internal control arrangements
- Board and committee appointments
- Contracts not in the ordinary course of business

The Board has a procedure for directors to obtain independent advice. All Board members have access to the advice and services of the company secretary.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Directors' report
for the year ended 31 December 2014

Audit committee

The Board has an audit committee, which meets as often as necessary. The committee is chaired by Mr I D Hutchinson, a non-executive director without MDU membership. Mr Hutchinson is a chartered accountant. The committee now includes five other non-executive members of the Board. The committee meets, and spends time alone with, the internal and external auditors. The committee reviews risk management and internal control arrangements, and their effectiveness. It guides the activities and reviews the results of internal audit. The committee also reviews the scope and results of the external audit, and reviews the annual financial statements and other information in the annual report before publication. The committee meets the company actuary each year, reviews the results of his work and receives and considers a report from consulting actuaries on their peer review.

The audit committee has a written policy dealing with any recommendation to the Board concerning the appointment of the external auditors, and with their remuneration including fees for non-audit work.

Nomination committee

The Board's nomination committee, chaired by the chairman of the Board, makes recommendations on the appointment of directors. Membership of the nomination committee comprises the chairman and vice-chairman of the Board, the chairman of the audit committee and the chief executive. Other Board members may be co-opted by the committee according to the nature of the vacancy under consideration. The committee prepares a description of the role and capabilities required for a particular appointment. It selects a shortlist of candidates for consideration by the Board, on merit and against objective criteria.

Remuneration committee

The remuneration committee, also chaired by the chairman of the Board, makes recommendations on the remuneration of the executive directors, non-executive directors and members of the Council and of committees. The remuneration committee works on the basis that remuneration should be sufficient to attract, retain and motivate individuals of the quality required but without paying more than is necessary.

Internal control

The Board is ultimately responsible for the internal control and risk management of the MDU and for the effectiveness of these systems. The audit committee has authority to advise the Board on these matters. Management is responsible for identifying, assessing, managing and monitoring risk, and for developing, operating and monitoring the system of internal control. Control is exercised through an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. Information is regularly provided at all levels and compared with budgeted targets which are reviewed on a quarterly basis. The Board considers regular reports on the risks inherent in the business. The principal risks are identified in the strategic report at pages 3 to 9.

The internal control and risk management systems cannot eliminate risks to the business, but they are designed to manage them. Internal controls can provide only reasonable and not absolute assurance against material misstatement or loss. The Board, with advice from the audit committee, has reviewed the effectiveness of the risk management and internal control of the group.

Going concern

The financial statements are prepared on a going concern basis. In deciding to adopt the going concern basis the directors have reviewed the group's business plans and budgets and taken account of the discretionary nature of the company's indemnity obligations.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Directors' report
for the year ended 31 December 2014

Relations with members

The MDU uses the annual report and annual general meeting to communicate with members about the business. It values highly communications with members, and encourages members to attend the annual general meeting. Members of the audit, remuneration and nomination committees attend the AGM to respond to any relevant questions if necessary. The notice for the AGM is sent to members at least 14 days before the meeting.

Disabled employees

The MDU group gives full and fair consideration to applications for employment from disabled people where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the MDU's policy wherever practicable to provide continuing employment under normal terms and conditions.

Training, career development and promotion are provided to disabled employees where possible.

Staff involvement

Employees are provided with information about the group's performance at annual staff briefings and more frequently through the group's intranet.

Employees' views are sought when decisions are required which are likely to affect their interests.

Statement of directors' responsibilities

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

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

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

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Directors' report
for the year ended 31 December 2014

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Provision of information to auditor

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

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

By order of the board of management.



N J Bowman
Company secretary
28 April 2015

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Independent auditor's report to the members of The Medical Defence Union Limited

We have audited the financial statements of The Medical Defence Union Limited for the year ended 31 December 2014 which comprise the consolidated income and expenditure account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2014 and of the group's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Independent auditor's report to the members of The Medical Defence Union Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Jason Homewood (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

Date 11/5/15

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

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

**Consolidated income and expenditure account
for the year ended 31 December 2014**

	Note	2014 £000	2013 £000
Members' subscriptions		232,988	225,157
Less:			
Medical and dental advisory services		26,489	24,710
Indemnity, legal, reinsurance and insurance costs	5	148,087	142,080
Administrative costs		21,229	16,544
Finance cost	6	2,189	1,428
		<u>197,994</u>	<u>184,762</u>
Operating surplus/(deficit)		34,994	40,395
Net investment income	3	5,935	4,895
Interest payable	4	(707)	(111)
		<u>40,222</u>	<u>45,179</u>
Result before taxation		40,222	45,179
Taxation	9	369	(340)
Result after taxation transferred to accumulated fund		40,591	44,839
All activities relate to continuing operations			

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Result after taxation		40,591	44,839
Revaluation gain/(loss) on investments	11	25,616	(1,212)
Revaluation (loss) on derivatives	13,15	(37,524)	-
Actuarial loss on pension scheme	17,22	(5,600)	(2,300)
Deferred tax	16	2,455	300
Tax credit on unrealised gain on investments		-	1,158
Total recognised gains and losses since the last annual report		<u>25,538</u>	<u>42,785</u>

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

**Note of historical cost profit and loss
for the year ended 31 December 2014**

	2014	2013
	£000	£000
Reported profit on activities before taxation	40,222	45,179
Realisation of revaluation gains of previous years	287	6,085
	40,509	51,264
Historical cost profit on activities before taxation		
	40,878	50,924

The notes on pages 23 to 43 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)
Registered number: 21708

Consolidated balance sheet
as at 31 December 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	10		18,778		6,092
Investments	11		585,771		436,454
			<u>604,549</u>		<u>442,546</u>
Current assets					
Debtors: amounts falling due after more than one year	12	22,365		7,305	
Debtors: amounts falling due within one year	12	50,850		25,346	
Cash at bank and in hand		14,293		17,488	
		<u>87,508</u>		<u>50,139</u>	
Creditors: amounts falling due within one year	13	(140,670)		(126,579)	
Net current liabilities			<u>(53,162)</u>		<u>(76,440)</u>
Total assets less current liabilities			<u>551,387</u>		<u>366,106</u>
Creditors: amounts falling due after more than one year	15		<u>(32,248)</u>		<u>-</u>
Provisions					
Indemnity and insurance	14		(312,738)		(192,243)
Other provisions	14		<u>(2,300)</u>		<u>-</u>
Net assets excluding pension scheme liability			<u>204,101</u>		<u>173,863</u>
Pension liability	22		<u>(5,000)</u>		<u>(300)</u>
Net assets including pension scheme liability			<u><u>199,101</u></u>		<u><u>173,563</u></u>
Reserves					
Revaluation reserve	17		1,054		13,249
Income and expenditure account	17		<u>198,047</u>		<u>160,314</u>
			<u><u>199,101</u></u>		<u><u>173,563</u></u>

The financial statements were approved and authorised for issue by the Board on 28 April 2015 and signed on its behalf by


C M Tomkins - Chief executive


P R Williams - Chairman

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)
Registered number: 21708

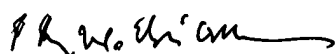
Company balance sheet
as at 31 December 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Tangible assets	10		-		26
Investments	11		5,160		5,160
			<u>5,160</u>		<u>5,186</u>
Current assets					
Debtors: amounts falling due after more than one year	12	22,365		7,305	
Debtors: amounts falling due within one year	12	470,655		323,562	
Cash at bank		6,403		14,472	
		<u>499,423</u>		<u>345,339</u>	
Creditors: amounts falling due within one year	13	(136)		(2,226)	
Net current assets			<u>499,287</u>		<u>343,113</u>
Total assets less current liabilities			<u>504,447</u>		<u>348,299</u>
Provisions					
Indemnity and insurance	14		(312,738)		(192,243)
Net assets excluding pension scheme (liability)/asset			<u>191,709</u>		<u>156,056</u>
Defined benefit pension scheme liability	22		(5,000)		(300)
Net assets including pension scheme (liability)/asset			<u><u>186,709</u></u>		<u><u>155,756</u></u>
Capital and Reserves					
Income and expenditure account	17		<u>186,709</u>		<u>155,756</u>
			<u><u>186,709</u></u>		<u><u>155,756</u></u>

The financial statements were approved and authorised for issue by the Board on 28 April 2015 and signed on its behalf by



C M Tomkins - Chief executive



P R Williams - Chairman

The notes on pages 23 to 43 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Consolidated cash flow statement
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	18	123,605	91,519
Returns on investments	19	5,602	4,516
Taxation		1,062	(2,213)
Capital expenditure and financial investment	19	(114,994)	(222,594)
Movement in other liquid funds	19	(25,770)	(1,985)
Cash outflow before financing		(10,495)	(130,757)
Financing	19	7,300	116,961
Decrease in cash		(3,195)	(13,796)

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The group financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain fixed asset investments and derivatives included within creditors, and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. As permitted by the Companies Act 2006, the financial statements formats have been adapted, as necessary, to give a true and fair view of the state of affairs of the company and group.

1.2 Basis of consolidation

The group income and expenditure account and balance sheet consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2014. No income and expenditure account is presented for The Medical Defence Union Limited as permitted by section 408 of the Companies Act 2006.

1.3 Members' subscriptions

Members' subscriptions consist of subscriptions for members' services. These are accounted for on the basis of amounts received by the group before the balance sheet date, without apportionment.

Subscriptions retained by the company and group represent additional income for the funding of indemnity payments and the provision of advisory services to members. It is not practical to allocate a separate fair value to these two components.

1.4 Insurance premiums

The insurance arrangements in place provide for an adjustment in premiums if the actual claims experience is better than envisaged at the time the premium is initially established. Such amounts are brought into the accounts as debtors (premium element adjustment) when they can be reliably measured and are re-assessed each year.

1.5 Indemnity, legal, reinsurance and insurance costs

Expenditure on indemnity payments, including the movement on the indemnity and insurance provision between the beginning and end of the year, and on legal charges covers the aggregate of all indemnity payments, and legal services provided for members, together with insurance premiums. These costs include claimants' costs, payments on account, legal costs, representation at service committee appeals, at hospital enquiries and at the General Medical and Dental Councils, and legal assistance to members.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

1. Accounting Policies (continued)

1.6 Indemnity and insurance provision

Provision is made for the estimated outstanding cost of settlement including insurance premiums and for related claimants' costs for discretionary indemnity cases from all reported incidents notified as at the balance sheet date. The gross provision is calculated by the company actuary and peer reviewed by consulting actuaries. The provision has been discounted to allow for future investment returns in accordance with FRS12.

No provision is made for claims that may arise from incidents occurring before the balance sheet date but not reported to the group at that date (IBNR) nor for defendant legal costs, nor for claims where The Medical Defence Union Limited has not exercised its discretion to assist.

The estimated value of this provision is stated before estimated recoveries from insurers, which are disclosed separately as debtors and calculated by the company actuary. The provision will be paid over an extended period and subject to agreement by all parties. It is not practical to estimate the periods in which the indemnity provision might be paid. The movement on the provision separately identifies the unwinding of the discount which is disclosed as a finance cost in the income and expenditure account. The principal financial assumption used in the calculation of the finance cost is that the rate used to unwind the discount is 1.04% (2013: 1.26%) per annum.

The principal financial assumptions used in the actuary's calculation of the gross indemnity provision for the company and the group are that claims inflation will be RPI plus 4.5% per annum (2013: 8.0% per annum) over the period of settlement and that a gross discount rate of 0.95% per annum (2013: 0.99% net per annum) is used to discount the claims payments to the balance sheet date.

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

1.7 Other 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 balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

1.8 Tangible fixed assets and depreciation

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

Long-term leasehold property	-	The shorter of the length of the lease and 10 years
Furniture, office equipment, computer equipment and software	-	3 - 5 years

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

1. Accounting Policies (continued)

1.9 Investments

(i) Recognition

Initial recognition of investment financial assets/liabilities occurs when the entity becomes party to the contractual provisions of the instrument. The investment financial asset/liability is recognised initially at the transaction price (including transaction costs). For commercial real estate loans, arrangement fees paid upfront by the borrower are recognised as deferred income on the date the facility is drawn.

Investments in subsidiaries are included at cost less any necessary provision for impairment.

(ii) Subsequent Measurement

Investment financial assets and liabilities at the balance sheet date are subsequently measured at market value. Movements on revaluation are accounted for through the investment revaluation reserve.

Commercial real estate loans are carried at cost with a consideration for impairment. Arrangement fees are credited to the income and expenditure account over the term to maturity of the facility.

(iii) Derecognition

A financial asset is derecognised when: the contractual rights to cash flows expire or are settled, substantially all the risks and rewards of ownership are transferred to another party, or some of the risks and rewards are transferred to another party, in addition, control of the asset is transferred to that party such that the other party will be able to sell the whole asset externally without any restrictions.

When some significant risks and rewards are retained by the entity and the entity retains control of the asset, this does not result in derecognition of the asset, but instead the recognition of a financial liability for the consideration received. These are not offset. On derecognition, the proceeds are compared to the carrying value and the resulting gain or loss credited or charged to the income and expenditure account; and the amount of the unrealised gain or loss included in the carrying value is transferred from the revaluation reserve to the income and expenditure reserve.

(iv) Hedging

Derivative financial instruments "derivatives" are held and traded in conjunction with the groups' risk management objectives. Derivatives are defined as a financial instrument that derives its value from the price or rate of some underlying item. Derivatives are carried on the balance sheet at market value ("marked to market") with changes in that value recognised in the investment revaluation reserve. This method is used for all derivatives which are held for trading purposes.

1.10 Foreign currencies

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

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

1. Accounting Policies (continued)

1.11 Taxation

Provision is made in the financial statements for tax on investment and trading income received and receivable in the year and revaluation gains and losses realised on investments disposed of in the year.

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

Where gains and losses on investments are recognised in the Statement of Total Recognised Gains and Losses, the related taxation is also taken directly to the Statement of Total Recognised Gains and Losses.

1.12 Investment income

Investment income is accounted for on an accruals basis.

1.13 Operating leases

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the lease term.

Lease incentives

- (i) Landlord contributions are initially recognised as a deferred income liability on the balance sheet. These contributions are then released to administrative expenses over the shorter of the length of the lease and 10 years.
- (ii) During a rent-free period, a liability is built up on the balance sheet which is then charged to the income and expenditure account over the life of the lease. Rent free periods are not discounted.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

1. Accounting Policies (continued)

1.14 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.15 Pension costs

The group 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 income and expenditure account in the year to which they relate.

Under the terms of the arrangements between the company and MDU Services Limited the company is responsible for any deficit, or can recover any surplus, of the defined benefit pension scheme for which MDU Services Limited is the principal employer.

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

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

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

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

2. Employee Information

	2014	2013
	£000	£000
Salaries	23,654	21,501
Social security costs	2,734	2,426
Pension costs - defined benefit scheme	2,000	2,000
Pension costs - defined contribution scheme	1,269	932
Other staff costs	1,199	1,507
	<u>30,856</u>	<u>28,366</u>
	2014	2013
	421	401
Average number of employees in the year	<u>421</u>	<u>401</u>

3. Net investment income/(expense)

	2014	2013
	£000	£000
Loss on investments re exchange rate movements	(35)	(1,175)
Bond and interest income	5,289	3,874
Bank interest	254	175
Other investment income	1,963	1,033
(Loss)/gain on disposal of investments	(1,536)	988
	<u>5,935</u>	<u>4,895</u>

4. Interest payable

	2014	2013
	£000	£000
Bank interest	<u>707</u>	<u>111</u>

5. Indemnity, Legal, Reinsurance and Insurance Costs

	2014	2013
	£000	£000
Insurance and reinsurance premiums	20,116	42,550
Increase in indemnity and insurance provision (see note 14)	154,879	93,349
Premium element adjustment (see note 1.4)	(35,536)	-
Legal costs	14,920	12,591
Reinsurance recoveries (including the movement in reinsurance provision)	(6,292)	(6,410)
	<u>148,087</u>	<u>142,080</u>

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

6. Finance cost

	2014	2013
	£000	£000
Finance cost relating to indemnity and insurance provision (note 14)	2,189	1,228
Finance cost relating to pension provision (note 22)	-	200
	<u>2,189</u>	<u>1,428</u>

7. Result Before Taxation

The result before taxation has been arrived at after charging the following:

	2014	2013
	£000	£000
Depreciation (note 10)	1,844	1,587
Loss on disposal of fixed assets	278	1
Operating lease rentals:		
- land and buildings	2,199	1,163
- office equipment	4	4
- motor vehicles	208	177
Fees payable to the company's auditor and its associates:		
- for the audit of the company's accounts	56	54
- for the audit of accounts of subsidiaries	70	90
- for tax services	232	174
Defined contribution pension cost	1,269	932
Defined benefit pension cost (note 22)	2,000	2,000

8. Directors' Remuneration

	2014	2013
	£000	£000
Fees	460	485
Directors' emoluments	1,128	1,051
Amounts due and receivable under long-term incentive plans	267	200
	<u>1,855</u>	<u>1,736</u>

The highest paid director in the Medical Defence Union Ltd earned

	2014	2013
	£000	£000
Emoluments (including short-term incentive plans (STIP)) and benefits under the long-term incentive plan (LTIP)	525	455
Accrued annual pension (excluding indexation)	177	163

Retirement benefits are accruing to three directors (2013: three) under a defined benefit scheme.

The fees disclosed above represent the remuneration of the non-executive directors of The Medical Defence Union Limited. In addition five (2013: five) of the non-executive directors received fees totalling £61,000 (2013: £36,000) for acting as expert witnesses on behalf of members.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

Executive directors

	Fees/Salary	Benefits (note1)	STIP (note2)	LTIP (note3)	2014	2013
	£000	£000	£000	£000	£000	£000
C M Tomkins	295	18	113	99	525	455
M M Gallivan	190	16	58	60	324	297
N A Dungay	119	15	37	41	212	195
M T Lee	193	15	59	67	334	304
	797	64	267	267	1,395	1,251

Non-executive directors

	Fees/Salary	Other (note4)	STIP (note2)	LTIP (note3)	2014	2013
	£000	£000	£000	£000	£000	£000
P R Williams	74	5	-	-	79	78
R J C Pearson	-	-	-	-	-	32
K A V Cartwright	23	27	-	-	50	45
H E Clarke	34	6	-	-	40	39
A W Craft	9	13	-	-	22	21
W R J Dinning	10	1	-	-	11	-
C L A Edginton	34	5	-	-	39	37
C W Heron	10	20	-	-	30	22
I D Hutchinson	42	6	-	-	48	35
K F Richardson	24	3	-	-	27	38
M S Richmond	-	-	-	-	-	14
P Riordan-Eva	41	13	-	-	54	64
P D Robinson	9	11	-	-	20	21
P D Webster	34	6	-	-	40	39
	344	116	-	-	460	485

Note 1 Benefits include car allowances, medical and other benefits in kind or their equivalent monetary value.

Note 2 STIP represents those amounts that have been paid in 2014 and amounts accrued in respect of the year to 31 December 2014. The STIP is determined by comparing actual performance against set targets for key performance indicators over the year.

Note 3 LTIP represents those amounts that have been paid in 2014 and amounts accrued in respect of the year to 31 December 2014. The LTIP is determined by comparing actual performance against set targets over a three year period; and relates primarily to the overall financial position of the company and its key membership statistics.

Note 4 "Other" represents expenses paid to Board members and any fees and expenses for attendance at council and committee meetings other than the MDU Board and its related committees.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

9. Taxation

	2014	2013
	£000	£000
Income and expenditure account		
Corporation tax for the year at 21.49% (2013: 23.25%)	-	425
Adjustments in respect of previous years	-	(158)
	<u>-</u>	<u>267</u>
Deferred taxation (note 16)	<u>(369)</u>	<u>73</u>
Taxation charge/(credit)	<u><u>(369)</u></u>	<u><u>340</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). Reconciling items are explained below:

	2014	2013
	£000	£000
Result from mutual activities before taxation	<u><u>40,222</u></u>	<u><u>45,179</u></u>
Result before taxation multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	8,644	10,504
Effects of:		
Net mutual income not subject to corporation tax	(7,852)	(9,736)
Other income not subject to corporation tax	(82)	(202)
Capital allowances (less)/more than depreciation	329	(14)
Losses not allowable	-	134
Expenses not allowable	117	1
Gains offset against losses brought forward	-	(262)
Adjustments in respect of previous years	-	(158)
Fixed asset differences	125	-
Adjustments to brought forward values	(3,869)	-
Other permanent differences	110	-
Unrelieved tax losses and other deductions in the period	2,478	-
	<u><u>-</u></u>	<u><u>267</u></u>

Statement of Total Recognised Gains and Losses

	2014	2013
	£000	£000
Deferred tax for the year on unrealised (losses)/gains on investments	<u><u>(2,455)</u></u>	<u><u>(1,158)</u></u>

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

10. Fixed Assets - Tangible

Group	Long-term leasehold property £000	Furniture, office equipment, computer equipment and software £000	Total £000
Cost			
At 1 January 2014	1,933	11,708	13,641
Additions in year	10,577	4,235	14,812
Disposals	(1,933)	(1,826)	(3,759)
At 31 December 2014	10,577	14,117	24,694
Depreciation			
At 1 January 2014	1,907	5,642	7,549
Charge for the year	26	1,818	1,844
Disposals	(1,933)	(1,544)	(3,477)
At 31 December 2014	-	5,916	5,916
Net Book Amount			
At 31 December 2014	10,577	8,201	18,778
At 31 December 2013	26	6,066	6,092

Included in furniture, office equipment, computer equipment and software is £2,137,000 in respect of assets in the course of construction (2013 : 1,309,000)

Company	Long-term leasehold property £000
Cost	
At 1 January 2014	1,933
Disposals	(1,933)
At 31 December 2014	-
Depreciation	
At 1 January 2014	1,907
Charge for the year	26
Disposals	(1,933)
At 31 December 2014	-
Net Book Amount	
At 31 December 2014	-
At 31 December 2013	26

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

11. Fixed Assets - Investments

Group

	Cash & investment in cash fund £000	Funds held by investment managers £000	2014 £000	2013 £000
Value at 1 January 2014	7,973	428,481	436,454	215,977
Additions	-	188,267	188,267	332,515
Disposals at carrying value	-	(88,081)	(88,081)	(112,090)
Foreign exchange (losses)	-	(35)	(35)	(1,175)
Movement in cash and accrued income	27,303	(3,753)	23,550	2,439
Revaluation of investments	-	25,616	25,616	(1,212)
Value at 31 December 2014	<u>35,276</u>	<u>550,495</u>	<u>585,771</u>	<u>436,454</u>

Analysis of funds held by investment managers

	%	2014 £000	%	2013 £000
UK index-linked Government gilts - [1]	42.3	232,829	47.9	205,152
Sterling index-linked corporate bonds	11.8	65,223	14.7	62,888
UK fixed interest Government gilts	-	-	-	-
Sterling fixed interest corporate bonds	2.4	13,195	3.7	15,898
Non-sterling bonds	-	-	-	-
UK equities	2.6	14,177	3.3	14,079
Overseas equities	4.1	22,656	5.0	21,365
Forward and future contracts	-	-	0.8	3,283
Cash and liquidity balances	1.4	7,571	2.1	9,104
Pooled funds - [2]	28.5	156,743	22.5	96,712
Commercial real estate loans - [3]	6.9	38,101	-	-
	<u>100.0</u>	<u>550,495</u>	<u>100.0</u>	<u>428,481</u>

[1] Index-linked gilts include the assets with a carrying value of £127.0m (2013: £115.0m) provided as collateral against the bank borrowings detailed in note 13.

[2] Pooled funds represent investments in funds that hold short-term debt and similar instruments; medium- to long-term debt; and diversified assets that aim to balance equity, interest rate and inflation risks.

[3] Commercial real estate loans are syndicated loans made via an investment manager to the UK's commercial property sector.

The historic cost of funds held by investment managers is £476.5m (2013 : £415.2m).

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

13. Creditors - falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Bank borrowings [1]	124,565	116,961	-	-
Derivative contracts [2]	4,757	-	-	-
Taxation and social security	732	723	30	27
Other creditors and accruals	10,616	8,895	106	2,199
	140,670	126,579	136	2,226

[1] Bank borrowings are secured against the index-linked gilts as in note 11 as part of a sale and repurchase agreement, with repurchase to occur within one year.

[2] As at 31st December 2013, derivative contracts valued at £3.5m (cost: £0.2m) were included within investments. As at 31st December 2014, derivative contracts were valued at (£33.9)m (cost £0.3m), a movement of (£37.5)m in unrealised losses throughout the year.

14. Provisions - indemnity and insurance

Group and company

	2014	2013
	£000	£000
At 1 January	192,243	124,205
Finance costs	2,189	1,228
Indemnity and insurance paid	(36,573)	(26,539)
Increase in indemnity and insurance provision (note 5)	154,879	93,349
At 31 December	312,738	192,243

Provisions - other

	2014	2013
	£000	£000
At 1 January	-	-
Increase in the year*	2,300	-
At 31 December	2,300	-

*Building dilapidations were recognised on three MDU leased buildings in the year.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

15. Creditors - falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
Deferred income (see note 1.13)	2,455	-	-	-
Other creditors and accruals	649	-	-	-
Derivative contracts*	29,144	-	-	-
	32,248	-	-	-

* See note 13 - [2]

16. Deferred tax

	Group		Company	
	2014	2013	2014	2013
	£000	£000	£000	£000
At 1 January	375	148	-	-
(Charged)/credited to income and expenditure account	369	(73)	-	-
Released during the year (STRGL)	2,455	300	-	-
At 31 December	3,199	375	-	-

The deferred taxation balance is made up as follows:

	Group	
	2014	2013
	£000	£000
Accelerated capital allowances	371	75
Tax losses carried forward	2,828	300
	3,199	375

The deferred tax asset for the group represents potential relief due to capital allowances on tangible fixed assets held by the group being less than the depreciation that has been charged in the financial statements and the timing difference between when gains or losses on certain investments are recognised for tax and accounting purposes.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

17. Reserves

	Revaluation reserve £000	Income and expenditure £000
Group		
At 1 January 2014	13,249	160,314
Result for year	-	40,591
Actuarial loss on pension scheme	-	(5,600)
Revaluation of fixed asset investments	(11,908)	-
Realised on disposal of investments	(287)	287
Tax credit on unrealised loss on investments	-	2,455
	<u>1,054</u>	<u>198,047</u>
At 31 December 2014		
Company		Income and expenditure £000
At 1 January 2014		155,756
Result for year		36,553
Actuarial loss on pension scheme		(5,600)
		<u>186,709</u>
At 31 December 2014		

18. Net cash flow from operating activities

	2014 £000	2013 £000
Operating surplus	34,994	40,395
Depreciation	1,818	1,587
Loss on disposal of fixed assets	278	1
(Increase) in debtors due within one year (excluding tax)	(24,111)	(10,958)
(Increase)/decrease in debtors due in more than one year	(15,060)	5,388
Increase/(decrease) in creditors (excluding corporation tax and bank borrowings)	6,091	(12,732)
Increase in indemnity and insurance provision	120,495	68,038
Cash contributions (more) than current service cost and past service gain/loss	(900)	(200)
	<u>123,605</u>	<u>91,519</u>
Net cash inflow from operating activities		

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

19. Analysis of cash flows for headings netted in cash flow statements

	2014	2013
	£000	£000
Return on investments		
Investment income	7,471	3,907
Movement in accrued interest	(1,162)	609
Interest paid	(707)	-
	<u>5,602</u>	<u>4,516</u>
	2014	2013
	£000	£000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(14,812)	(3,157)
Sale of tangible fixed assets	4	-
Purchase of investments	(188,267)	(332,515)
Sale of investments	89,617	112,090
(Loss)/gain on disposal of investments	(1,536)	988
	<u>(114,994)</u>	<u>(222,594)</u>
	2014	2013
	£000	£000
Movement in other liquid funds		
Movements in other liquid resources (note 21)	(25,770)	(1,985)
	<u>(25,770)</u>	<u>(1,985)</u>
	2014	2013
	£000	£000
Financing		
Bank borrowings	7,604	116,961
Movement in accrued interest	(304)	-
	<u>7,300</u>	<u>116,961</u>
Net cash inflow from financing	<u>7,300</u>	<u>116,961</u>

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

20. Analysis of changes in net funds

	At 1 January 2014 £000	Cash flows £000	At 31 December 2014 £000
Cash at bank and in hand	17,488	(3,195)	14,293
Debt:			
Due within one year	(116,961)	(7,604)	(124,565)
Net debt	(99,473)	(10,799)	(110,272)

21. Movements in other liquid resources

	At 1 January 2014 £000	Cash flows £000	At 31 December 2014 £000
Cash held for investment and investment in cash funds	7,973	27,303	35,276
Cash with investment managers	9,104	(1,533)	7,571
	17,077	25,770	42,847

22. Pension costs

As explained in accounting policy note 1.15 the company operates two pension schemes; a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit pension scheme provides defined benefits for employees who accepted employment before 1 January 2003. The company also manages the defined contributions for employees who accepted employment after 31 December 2002. The assets of both pension schemes are held under trust separately from those of MDU Services Limited. The funding of the defined benefit pension scheme is based on regular triennial actuarial valuations. The last full actuarial valuation of the scheme was carried out as at 31 March 2012 and has been updated to 31 December 2014 by qualified independent actuaries for the purpose of reporting pension costs.

The funded status as at 31 December 2014 reflects the status of the defined benefit section of the Scheme only. The funded status reported for years prior to 2013 included the value of the defined contribution section at the relevant dates, these figures have been restated to exclude the amounts that related to the defined contribution section of the Scheme.

The major assumptions made by the actuary were:

	2014	2013	2012
Rate of increase in salaries	3.4%	3.7%	3.8%
Rate of increase in pensions pre 16 February 2009 retirees	2.1%	2.5%	2.6%
Rate of increase in pensions post 16 February 2009	3.0%	3.3%	3.2%
Discount rate	3.7%	4.6%	4.6%
RPI Inflation assumption	3.1%	3.5%	3.3%
CPI Inflation assumption	2.0%	2.5%	2.6%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23 years if they are male and a further 25 years if they are female. For a member who retires in 2033 at the age of 65 the assumptions are they will live on average for a further 25 years after retirement if they are male and a further 27 years after retirement if they are female.

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

**Notes to the financial statements
for the year ended 31 December 2014**

Long-term rate of return expected:

	2014	2013	2012
Equities	7.7%	7.0%	7.2%
Property	7.3%	6.0%	6.2%
Government bonds	3.4%	2.9%	2.9%
Corporate bonds	3.8%	4.0%	4.3%
Other	0.8%	1.0%	1.8%

Fair Value:

	£000	£000	£000
Equities	12,000	10,800	8,800
Property	14,700	12,400	11,300
Government bonds	19,300	19,700	12,500
Corporate bonds	60,200	52,600	53,200
Other	600	800	8,200

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

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Total market value of assets	106,800	96,300	94,000	79,800	72,460
Present value of scheme liabilities	111,800	96,600	92,200	85,800	78,160
Net pension (liability)/asset before deferred taxation	(5,000)	(300)	1,800	(6,000)	(5,700)
Assets as a percentage of liabilities	95.5%	99.7%	102.0%	93.0%	92.7%

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

	2014 £000	2013 £000
Opening defined benefit obligations	96,600	92,200
Current service cost	2,000	2,000
Interest cost	4,400	4,200
Contributions by scheme participants	300	300
Actuarial losses on the scheme liabilities	11,900	600
Net benefits paid out	(3,400)	(2,700)
Closing defined benefit obligations	111,800	96,600

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

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

	2014	2013
	£000	£000
Opening fair value of scheme assets	96,300	94,000
Expected return on scheme assets	4,400	4,000
Actuarial gain on scheme assets	6,300	(1,700)
Contributions by employer	2,900	2,400
Contributions by scheme participants	300	300
Net benefits paid out	(3,400)	(2,700)
	<u>106,800</u>	<u>96,300</u>
Closing fair value of scheme assets		

The assets of both pension schemes do not include any of the group's own financial instruments or any property occupied by the Medical Defence Union Limited or its subsidiary undertakings.

A building block approach is employed in determining the long-term rate of return on the defined benefit pension scheme's assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at the 31 December 2014.

Analysis of the amount charged to Income & Expenditure

	2014	2013
	£000	£000
Current service cost	2,000	2,000
The total estimated pension expense in 2015 is £2.6m		

Analysis of the amount charged to other finance costs

	2014	2013
	£000	£000
Expected return on scheme assets	(4,400)	(4,000)
Interest on scheme liabilities	4,400	4,200
	<u>-</u>	<u>200</u>
Net return		

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

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

	2014	2013
	£000	£000
Actuarial gains on scheme assets	6,300	(1,700)
Actuarial losses on scheme liabilities	(11,900)	(600)
	<u>(5,600)</u>	<u>(2,300)</u>
Actuarial loss recognised in the STRGL	<u>(5,600)</u>	<u>(2,300)</u>

History of experience gains and losses:

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Actual return less expected return on scheme assets	6,300	(1,700)	3,376	3,300	3,400
As a percentage of the scheme assets	5.9%	1.8%	3.6%	4.1%	4.7%
Experience (losses)/gains arising on the scheme liabilities	-	-	(600)	200	(400)
As a percentage of the present value of the scheme liabilities	0.0%	0.0%	0.7%	0.2%	0.5%
Actuarial loss recognised in the STRGL	(5,600)	(2,300)	(500)	(800)	(2,000)
As a percentage of the present value of the scheme liabilities	5.0%	2.4%	0.5%	0.9%	2.6%

THE MEDICAL DEFENCE UNION LIMITED
(A company limited by guarantee)

Notes to the financial statements
for the year ended 31 December 2014

23. Financial commitments

Group

	<u>Other</u>		<u>Land & buildings</u>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	13	56	71	-
Between one and five years	126	85	1,184	1,203

Company

	<u>Land & buildings</u>	
	2014	2013
	£000	£000
Operating leases which expire:		
Between one and five years	43	977

24. Contingent liabilities

Claims are made against The Medical Defence Union Limited in the ordinary course of business. Having obtained legal advice on such claims and on the basis of the information available, in the opinion of the directors no provision is needed for such claims.

25. Members' liability

The Medical Defence Union Limited is a company limited by guarantee not exceeding £1 per member.

26. Related party transactions

The group has taken advantage of the exemptions available in respect of its wholly-owned subsidiary undertakings and the disclosure of related party transactions within the group and balances eliminated on consolidation.