

The Medical Defence Union Limited
(A Company Limited by Guarantee)
Annual Report and Financial Statements
for the year ended 31 December 2022

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THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Company Information

Registered number	21708
Registered office	One Canada Square London E14 5GS
Independent Auditors	BDO LLP 55 Baker Street London W1U 7EU

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

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THE MEDICAL DEFENCE UNION LIMITED
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Report of the Chairman
For the Year Ended 31 December 2022

Ever since I became a doctor, I have been a member of the MDU. I have spent a lifetime working in the NHS as a respiratory and general physician, but this is my first report as MDU chairman, so I have cause to reflect on my own career and the MDU's constant presence throughout it. As a fellow healthcare professional - and as a fellow member - I am proud to be the chairman of *our* company.

Much has changed in healthcare since I first became a doctor in the 1980s. Change is a constant and so too is the enduring presence of the MDU. Throughout my career, it has been a source of comfort to know that were the need to arise, the MDU was and is only ever a phone call away.

Just as important is the person on the other end of that call. The MDU is best placed to assist when medico-legal or dento-legal issues arise because we have the skilled staff to help members - fellow doctors, dentists, in-house lawyers, claims professionals and many more. Members who have needed our help tell us that they have received expert assistance and support throughout, and this means a lot to us. The chief executive discusses this in more detail in the group strategic report.

I am keen to emphasise that the MDU is owned by you, its members. It is a mutual, not-for-profit organisation. The company is run for your benefit rather than shareholders'. As such, we actively seek your views and opinions on how we are performing. If you receive one of our surveys, I encourage you to take a moment to respond. Your feedback is presented to the board, who I can assure you, take the views of our members very seriously.

Our pledge to 'guide, support, defend' has never been more relevant. The Covid-19 pandemic has left a lasting impact on healthcare delivery across the UK, and the workforce in particular. A recent survey of our members found that 88% of healthcare professionals said workplace pressures have increased in the past two to three years, and 63% said they felt relationships with patients and colleagues had become more strained.

At a time of such pressure, we are clear that members' interests are at the heart of everything we do. We seek to be a reassuring and reliable presence in your career, and you will find that the services and products available to you from the MDU stand out, both in quality and in the level of expertise behind them. The steady growth in members we have seen in 2022 is, I believe, testament to that.

The MDU is conscious of the need to reflect the values of our members in what we do, and how we do it. We take our responsibilities as a good corporate citizen seriously, committing considerable focus to our environmental impact and identifying where improvements can be made. In my tenure as chairman, I will have a particular focus on our environmental, societal and governance work.

Before I turn my attention to personnel changes at the MDU in the past year, I regret to report the passing of a longstanding former member of council – Professor Malcolm Symonds.

Professor Symonds served on council and cases committee for 30 years, from 1974 to 2004. An eminent obstetrician and gynaecologist, he made an invaluable contribution to the company over many decades. On behalf of everyone at the MDU, I offer our condolences to Malcolm's wife, children and grandchildren.

In respect of the board and council, I want to start by paying tribute to my predecessor as chairman, Mr Paul Riordan-Eva. Paul's exemplary and dedicated service to the MDU and its members, over many years, is appreciated by us all. As Paul steps down from his positions at the MDU, we all send him every good wish for the next chapter. As I begin my term as chairman, I am delighted to be working alongside Dr Tom Norfolk, who has become vice-chairman. Tom is the first dentist to become vice-chairman, and dental members can be assured they have a strong voice in him. Indeed, Tom will be especially focused on being an advocate for all members, as he has been appointed as our designated 'member champion' on the board.

Mr Ian Hutchinson has stepped down from the board and as chair of the audit and risk committee, where he is replaced as chair by Mr Graeme McAusland. We also welcome Dr Lynnette Hykin to the board. Dr Nigel Lord, a GP, and Dr Curtis Offiah, a consultant radiologist, are both new additions to the council and cases committee.

There was also change in 2022 for the leadership team at the MDU. Dr Caroline Fryar was promoted to the role of director of medical services and now sits as a member of the executive committee, which provides the overall strategic direction for the company. In turn, Dr Udvitha Nandasoma has been promoted to the role of head of advisory services, leading our team of expert and dedicated medico-legal advisers.

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Report of the Chairman
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These appointments underscore that we are an organisation that exists for healthcare professionals, led and served by healthcare professionals. However, this is just part of the story, as an organisation like the MDU relies on the expertise of a range of professionals within its leadership. The MDU is a strong voice for the professions we serve, advocating for positive change on their behalf; Thomas Reynolds has been promoted to the role of head of policy and strategic communications, to ensure that the communication and advocacy agenda is front and centre in the MDU's activities. Our efficient case handling on behalf of members is supported by a team of committed colleagues, and Christina Sparman has been appointed head of case administration services to oversee this important work.

We also welcome two new colleagues to the leadership team. James Hendry is our new chief information officer, overseeing key operational functions at the MDU, and Umberto Fieno joins us in a new role as head of product – a role focused on ensuring we are developing the products and services our members want to see from us.

I am proud of what the MDU does, and I am proud of how we do it. From the board to council, from the executive to the leadership team, and to every single MDU colleague – we are all united in delivering the best service possible for members.



Dr S W Watkin

Chairman of the board of management and President of the MDU

23 May 2023

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Group Strategic Report
For the Year Ended 31 December 2022

Guide. Support. Defend.

In these three words, we have the mission of the MDU.

These words also represent an unwavering commitment to the professions we exist to serve. In an ever-changing world, with the practice and delivery of medicine and dentistry constantly evolving, we are here to enable our members to practise with confidence.

In this group strategic report for 2022, I am proud to say that your company continues to go from strength to strength. Fully funded, staffed and led by fellow professionals, the MDU sets the standard.

Healthcare professionals pursue varied, rewarding and challenging careers. From anaesthetists to dental hygienists, GPs to orthodontists - all members of the MDU can be assured that while the medico-legal and dento-legal landscape remains challenging, we are by their side and on their side. That statement is born out in our acceptance of requests for assistance, where the figure consistently stands at well over 99%.

In this report, I share more details about how my colleagues across the MDU have supported members throughout the course of the past year.

Our status as a mutual, member-owned, not-for-profit organisation continues to define everything that we do. As chief executive, I am especially proud of the fact that the MDU has an uncompromising focus on safeguarding the longevity of our members' company, with a commitment to delivery and excellence every step of the way.

That is why the MDU has stood the test of time. Founded in 1885 by a small group of doctors and lawyers who joined together to overturn a miscarriage of justice. They succeeded, and from there the MDU was born. Their legacy can be found in the more than 200,000 healthcare professionals who today are members of the world's first medical defence organisation, an organisation that is constantly adapting to meet members' changing needs.

A champion for members

One of the many things that makes membership of the MDU special is that you are part of an organisation that unapologetically champions your professional interests.

Whether it is newly proposed legislation that could have adverse – or positive – medico-legal and/or dento-legal consequences, or new guidance from one of the regulators that will have a direct impact on the way healthcare professionals practice, we actively champion members' interests and seek to influence change. And 2022 was a particularly busy year for this work.

During the passage of the Health and Social Care Act through the Westminster parliament, the MDU successfully campaigned to strengthen 'safe spaces' in the newly created Health Services Safety Investigations Body (HSSIB). These safe spaces prohibit the disclosure of information provided to investigators by healthcare professionals during their investigation, thus, we hope, inspiring greater confidence for all to engage fully with the process with a view to improving patient safety and learning from adverse events. Before our campaigning efforts, coroners were set to be exempt from this prohibition. We believed this would undermine the whole notion of a safe space, so on behalf of our members we lobbied the government, MPs and peers to secure this crucial change.

We know how important it is for regulators, such as the General Medical Council (GMC) and General Dental Council (GDC), to deliver guidance that reflects the realities of front-line healthcare, and for their processes to be fair, timely and robust. We work closely with all the regulators to promote your interests. A particular focus this year has been the proposed new version of the GMC's 'Good medical practice' guidance. This guidance sits at the very centre of how the GMC regulates doctors, so we scrutinised every single word and provided the regulator with detailed feedback and our own proposals for change. The MDU is urging regulators to produce guidance that delivers for the professions they regulate, so they in turn can deliver for patients.

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Group Strategic Report (continued)
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Medical & Dental Advisory

At the MDU, whenever you need us, getting your call answered without delay is a top priority. We know that situations and issues can occur at any time, so we are here for you 24 hours a day, seven days a week, 365 days a year.

More than that, something that makes the MDU such a leader in the field is that we connect you with a fellow professional – someone who is immediately to-hand. I know how much our members value this. The importance of speaking to people who have walked those wards, sat in that surgery, taken that phone call from a patient in the middle of the night – it is invaluable.

It has been a busy year for our brilliant team of medico-legal and dento-legal advisers, with over 21,000 calls received to our advice lines.

I am happy to report that in 2022, 99% of the calls to our advice line were answered within 20 seconds – with the average call answered in just over 10 seconds. We are there for you when you need us.

What the MDU does is personal. It is especially so because it is doctor for doctor, dentist for dentist. That's why feedback such as this means so much to us:

"I am quite overcome with emotion as I was not expecting such a speedy response ... I am so relieved and there aren't quite the words to express my gratitude. Thank you so much."

and

"I have received excellent support and advice over the last few years - wouldn't dream of going elsewhere."

Legal

Our medical and dental teams work closely with an exceptional team of in-house lawyers, as well as with UK and Irish panels of specialist law firms. Together, they provide members with expert advice and uncompromising defence. Their results speak for themselves.

In 2022, of the GMC cases where our in-house team assisted with representations to case examiners, less than one fifth were referred on to a fitness to practise tribunal run by the Medical Practitioners Tribunal Service (MPTS).

Looking at a five-year period (2017 to 2021); the MPTS average outcomes were that only 24.9% of hearings were concluded with no finding of impairment. Comparing that to the results of our in-house legal team, I am proud to report that their outcomes for the same period stood at over 40%.

My colleagues in the legal department have a relentless commitment to members. The feedback we receive from members, I am pleased to say, shows that this is recognised:

"Being investigated by the GMC is as stressful time as a doctor. However, having consistent and expert legal advice was very reassuring and significantly reduced the stress of the GMC investigation/undertakings process. The quality of the legal service provided by the MDU has given me a newfound appreciation for professionals who do their job well, and what a service that is."

Turning to dental cases, where our solicitors assisted members with representations to the GDC's case examiners, almost 80% were not referred to a hearing. Where cases progressed to a hearing before the GDC's Professional Conduct Committee, our legal team once again secured strong and positive outcomes. The latest GDC figures from 2021 show that the Professional Conduct Committee concluded 27% of hearings with no finding of impairment. Compare this to those cases conducted by a solicitor in our in-house legal department in the same year, where 50% of hearings concluded with no finding of impairment.

We are proud of these results, because of what they mean to the people at the heart of this company - our members..

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Group Strategic Report (continued)
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Claims

For any healthcare professional, being the subject of a clinical negligence claim can be one of the most stressful episodes of their career. Sadly, given these claims can sometimes take many years to resolve, it can be an especially challenging time.

Our claims team understand this. That is why they seek to build a close relationship with member(s) involved, involving them throughout the process and keeping them informed. Their support for members is unwavering - and backed up by results.

"I would like to thank all of you involved in the claim and its settlement, for the professional and sensitive way it has been handled throughout."

During 2022, we closed 82% of medical claims without a payment of damages. In dental claims, the figure was 66%. In total, where cases made it to trial, we had a success rate of 60%.

The MDU continues to advocate for a package of legal reforms to bring the clinical negligence litigation environment under control. We are still awaiting a consultation on a potential package of reforms from the UK government. A start has been made, with a consultation on the introduction of fixed recoverable costs in clinical negligence claims up to £25,000.

These sorts of policy interventions matter. During 2022 the average sum paid in claimants' legal costs on medical claims settled for up to £10,000 was over £24,000, while for claims settled between £10,000 and £25,000, the average was around £46,000. For dental claims, the averages are £12,300 and over £21,000, respectively. These costs must be brought under control, and the sooner we see the introduction of the new fixed costs regime, the better. We believe it should then go further and look to extend the regime to claims up to £250,000..

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Group Strategic Report (continued)
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Business Review

In our annual reports, we explain the factors that determine how we build the MDU's long-term strategy.

The medico-legal climate is harsh and complex. We continue to make every effort to positively influence the development of policy and procedures through which members are scrutinised and held accountable for their treatment of patients. In this work, we engage with a significant number of medical, dental, legal, regulatory and other stakeholders so we can form the clearest view of the environment that members are working within, including the various economic, societal and other pressures, and the impact all this has can have on the decisions you make – be they personal or professional.

This forms the foundation of our success in meeting this company's objective of supporting members in all aspects of their professional lives.

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 several 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, to illustrate the MDU's achievements during 2022.

Membership statistics

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

Quality of service

When a member needs to contact the MDU, we aim to answer their call, email or letter as quickly as possible. Of the more than 102,000 calls made to our membership contact centre in 2022, 81% of calls were answered within 20 seconds. Looking at the 72,000 emails and letters we received, 100% were responded to within five working days. The team in our membership contact centre remains committed to providing an exemplary service to all our members. On the rare occasions things go wrong, we work hard to get that sorted fully and swiftly. Complaints to the MDU are dealt with courteously, and as a learning organisation we are always looking to identify opportunities to do things better.

Our membership department continues to maintain its accreditation under the Customer Service Excellence Standard. The team works hard to retain this prestigious accreditation, which recognises the quality of service we provide to members.

Business engagement (Section 172(1) statements)

This section outlines how directors engaged with stakeholders, how they had regard to the interests of stakeholders and the outcome of that.

We recognise the importance of our stakeholders in delivering our strategy. In addition to MDU members, our stakeholders include employees, suppliers, healthcare and financial regulators, representative bodies, government and legislative bodies.

Members

We engage with members as customers when we provide advice and other benefits of membership, and we conduct member satisfaction surveys and surveys of those who have recently been assisted by us. We invite members to provide suggestions for improvements to our service, which are greatly valued by the MDU.

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Group Strategic Report (continued)
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There is a formal process for investigating complaints and making improvements where required. The KPIs and results we achieve for members referred to in this group strategic report reflect prioritisation of members' interests.

As the directors' report explains, we also engage with members through the annual report and the annual general meeting (AGM). The participation of members on the board is a particular strength in our governance.

Employees

Employees are provided with information about the group's performance, major business decisions, and other matters that affect them at quarterly staff briefings and more frequently through the group's intranet and manager briefings.

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

There is a comprehensive suite of policies relating to employees' interests, wellbeing and safety. Continuing professional development is encouraged and the MDU's speak up procedure provides an opportunity for staff to raise concerns in confidence.

Suppliers

For our suppliers, the MDU has a procurement and supplier management policy and process and relationship managers in relevant departments. Our engagement with suppliers has due regard to risks around bribery and modern slavery.

The MDU publishes its supplier payment performance on the gov.uk website: [Check when large businesses pay their suppliers - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/check-when-large-businesses-pay-their-suppliers).

Healthcare regulators

The MDU engages constructively with healthcare regulators, government departments and other institutions in relation to regulation or legislation that affects the interests of members; for example, we respond to consultations and contribute to committees and working groups on relevant matters.

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.

Principal risks and uncertainties

The MDU has a risk management procedure that includes assessment of reinsurance security, including credit risk, currency risk and risks associated with financial instruments (more information below). The MDU's policies and processes encompass areas such as staff development and training, conflicts of interest, and fair treatment of members.

Risks are regularly reviewed by the board to ensure the necessary procedures and strategies are in place to manage risks appropriately. Below is an assessment of the principal risks.

Increasing claims costs

A significant increase in claims cost could affect the funding levels of the MDU, and we mitigate this risk in the following ways; by having in place highly trained claims and legal staff who manage claims on behalf of members, 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, and by continuing to lobby for reform of the law governing claims.

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Group Strategic Report (continued)
For the Year Ended 31 December 2022

Competition and meeting members' needs

The MDU differentiates itself from the competition on the quality of service it provides to its members. We continuously monitor our status in the market and have processes in place to respond quickly to potential threats.

We also monitor all areas of membership and evaluate any movements in renewals activity, leavers, junior doctor, graduate and student applications, and recruitment overall. We undertake research to monitor members' service and product needs and will evolve the products and services we provide to members to meet identified needs

Cybersecurity

The MDU has IT and information management and security policies and procedures in place. Staff are trained to mitigate against the risk of cyber threats and the security of our IT systems is tested regularly. Measures in place are subject to monitoring and review by a dedicated information security team and the information risk committee.

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 our investment objectives we take 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.

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. We regularly seek external professional advice and investment performance is subject to regular review.

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. Cash deposits are largely held within a well-diversified AAA Money Market Fund, and as a result the credit risk is considered to be low.

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. This is achieved by holding derivatives and/or bonds that have the required level of interest rate sensitivity deemed necessary to control the MDU's interest rate risk.

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. Therefore, the MDU will hold such investments in inflation-sensitive financial derivatives and/or UK index linked gilts and bonds, which are necessary to mitigate this risk.

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Group Strategic Report (continued)
For the Year Ended 31 December 2022

Liquidity risk

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.

Currency risk

The MDU group's financial risk management objective is broadly to not make a profit or 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 largely hedged.

Financial performance

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

The MDU's net assets now total £641.8m (2021: £606.7m) after indemnity, insurance and other provisions of £495.9m (2021: £562.6m). This figure does not include an estimate of the cost of claims that might be brought against our members in the future. Such cases are recognised as liabilities when they are notified to the MDU and assistance is granted.

Financial review

Subscription income

Total subscriptions collected for the year ended 31 December 2022 was £125.3m (2021: £122.5m), of which 98.6% was received from our UK members, the remainder, amounting to £1.7m, being from our members in Ireland.

Investment result

There were negative changes in the market value of investments in 2022 resulting in an unrealised loss of £40.8m (2021: gain of £74.9m). There was net realised investment income of £12.1m (2021: £7.8m) bringing the total net investment result to a loss of £28.7m (2021: gain of £82.8m).

Expenditure

In 2022 the MDU paid out £81.3 (2021: £93.7m) in discretionary indemnity claims and legal costs, of which £0.7m relates to our Irish members' claims.

Medical and dental advisory costs amounted to £31.9m in 2022 (2021: £30.1m).

Reinsurance premiums in 2022 were £4.0m (2020: £5.3m).

Administrative expenses in 2022 were £20.8m (2020: £20.0m).

Result after tax

The total comprehensive result is a gain of £35.1m (2021: £136.2m).

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Group Strategic Report (continued)
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Assets/indemnity provision

The Statement of Financial Position for the MDU shows total assets less current liabilities of £1,129m, compared to £1,149.0m in 2021.

In assessing the provision for indemnity, the MDU takes account of all reported incidents notified up to the statement of financial position 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.

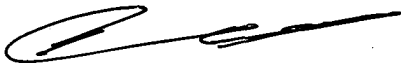
No provision is made for claims that may arise from incidents occurring before the statement of financial position date but not reported to the MDU at that date, or for defendant legal costs. As these claims are notified, they can be picked up by the MDU under the discretionary indemnity provided to members. An estimate of the potential cost of such claims is provided in note 25.

In summary, the MDU is a not-for-profit mutual owned by its members.

We focus on providing the best advisory, 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.

This Strategic Report was approved by order of the board of management.



Dr Matthew Lee

Chief executive officer

Date: 23 May 2023

For and on behalf of the board of management.

THE MEDICAL DEFENCE UNION LIMITED
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For the Year Ended 31 December 2022

The directors presents their report and the financial statements for the year ended 31 December 2022.

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 actuarial advice, 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.

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.

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Corporate governance

The MDU is a member of the Association of Financial Mutuals (AFM). The Board supports the principles expressed in the AFM Corporate Governance Code and has applied them as follows.

Principle One - Purpose and Leadership

An effective board promotes the purpose of the organisation, and ensures that its values, strategy and culture align with that purpose.

The Board activities in 2022 included a review of strategy, along with a review of values and culture to ensure that these continue to be aligned with the purpose of the MDU and to support the strategy.

The MDU continues to develop digital technology and products to support members and their changing needs in professional practice.

Principle Two - Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.

The participation of MDU members on the board is a particular feature and strength of the governance arrangements. There are five executive directors including the chief executive officer who is also an MDU member. The board has six 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 five 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 Board has not appointed a Senior Independent Director. While this is not in line with the AFM Code guidance, the Board considers that such a role is not a necessary part of the arrangements for effective appraisal of the chair's performance, and that there is no need for an intermediary between the directors and the chair.

All directors must stand for election at the first annual general meeting following their appointment.

The following served as directors in 2022:

Board member		No. of Board meetings attended*
S W Watkin (chairman)	1 3 4 5	7
C Aghadiuno	2 4	7
A Archibald	4	7
S E Beaumont	2 4	7
P Clark	1	7
P Goldsmith		6
I D Hutchinson	1 2 3 4 5 8	1
L R Hykin	6	2
M T Lee	3 4 5	7
G McAusland	1 2 3 4 5	7
K Miller	4	7
T J Norfolk	1 2 3 4 5	7
J H Riley	2 4	7
P Riordan-Eva	1 3 4 5 9	4
S Shaunak		5
H Stewart	4 7	7
E C J Wells	1 4 5	7
A R Wright	4 5	7

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- 1 Members of the Remuneration Committee
- 2 Members of the Audit & Risk 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 on 20 September 2022
- 7 Appointed on 26 January 2022
- 8 Retired on 22 February 2022
- 9 Retired on 20 September 2022
- * 7 meetings were held in the year

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:

A Archibald
G McAusland
T J Norfolk
J Riley

S Shaunak retires by rotation at the next annual general meeting and will not be standing for re-election.

P Goldsmith retires at the next annual general meeting and will not be standing for re-election.

L Hykin was appointed by the board during the year and will stand for election at the next annual general meeting in accordance with Article 54.

I Hutchinson retired on 22 February 2022 and P Riordan-Eva retired on 20 September 2022.

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For the Year Ended 31 December 2022

Nomination Committee

Membership of the Nomination Committee comprises the chair and vice-chair of the board, the chair of the Audit and Risk Committee and the chief executive officer. 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 and with due regard to the benefits of diversity.

The Nomination Committee is chaired by the chair of the board. While this is a departure from the AFM Code guidance, the Board considers it appropriate as the chair is responsible for the effectiveness of the Board.

Principle Three – Director Responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

The posts of chair and chief executive officer are separate. This distinguishes the running of the board from executive responsibility for the business. The roles of chair and chief executive officer are defined in writing. The chair's responsibilities include leadership of the board and facilitating the effective contribution of non-executive directors.

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. Directors are encouraged to undertake continuing professional development.

The board undertakes an annual evaluation of its performance by questionnaire, including self-assessment of non-executive directors. The chair 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 seven times in the year. The attendance record of the directors at the board meetings is set out on page 12. 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; and
- 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 MDU's articles of association give 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 2022 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.

Principle Four – Opportunity and Risk

A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Group Strategic Report provides a review of the business and how it has performed, and of the principal risks and how they are managed.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

For the Year Ended 31 December 2022

Audit and Risk Committee

The board has an Audit and Risk Committee, which meets as often as necessary. The committee is chaired by Mr Graeme McAusland, a non-executive director without MDU membership. Mr McAusland is an actuary. The committee includes four other non-executive members of the board.

The committee meets 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 reviews the indemnity provision and receives and considers a report from consulting actuaries on their peer review.

The Audit and Risk Committee has a written policy, approved by the Board, dealing with any recommendation to the Board concerning the appointment of the external auditors, and with their independence and remuneration.

Internal control

The board is ultimately responsible for the risk management and internal control management of the MDU and for the effectiveness of these systems. The Audit and Risk 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 reporting lines. 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 in the business. The principal risks are identified in the Strategic Report on page 7.

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 and Risk Committee, reviews 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 and other risk factors (discussed on pages 9 and 10)

Principle Five – Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, considering pay and conditions elsewhere in the organisation.

Remuneration Committee

The committee makes recommendations on the remuneration of the executive directors, non-executive directors and members of the Council and of Committees. In addition to the chair, the committee comprises two non-executive directors who are MDU members and two non-executive directors without MDU membership. 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, and that remuneration should be aligned to the long-term success of the company. The committee has regard to pay and conditions elsewhere in the organisation.

The Remuneration Committee is chaired by the chair of the board. While this is a departure from the AFM Code guidance, the Board considers it appropriate as the chair is responsible for taking a lead in setting and embedding the company's values. The chair takes no part in discussion of the chair's own remuneration.

THE MEDICAL DEFENCE UNION LIMITED
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For the Year Ended 31 December 2022

Principle Six – Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regards to their views when taking decisions.

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 participate in the annual general meeting, either in person or by proxy. The Executive and Members of the Audit and Risk, Remuneration and Nomination committees always remain available to respond to any questions. The notice for the AGM is sent to members at least 14 days before the meeting.

Employees are provided with information about the group's performance at regular staff forums and through the group's intranet. Employees' views are sought when decisions are required which are likely to affect their interests.

Information required by the Companies (Miscellaneous Reporting) Regulations 2018 is included in the Group Strategic Report.

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.

THE MEDICAL DEFENCE UNION LIMITED
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For the Year Ended 31 December 2022

Greenhouse gas and carbon reporting

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the MDU is required to report on its total energy consumption and greenhouse gas emissions (Streamlined Energy & Carbon Report (SECR)).

Energy consumption has been measured in kilowatt-hours (kWh), and greenhouse gas emissions have been measured in metric tonnes of Carbon Dioxide equivalent (tCO₂e).

Summary

In summary, the MDU's direct emissions (combustion of transportation fuels, such as company vehicles and employee-owned vehicles used for business travel) for the year were 49.64 tCO₂e (2021: 27.36tCO₂e), resulting from the direct combustion of 212,938 kWh of fuel (2021:117,150 kWh), an increase on the previous year's emissions figure after lockdown restrictions were lifted and normal activities resumed, which accommodate for virtual meetings where appropriate.

For both 2022 and 2021 the MDU purchased 100% renewable energy for the full reporting periods, with evidence of green certificates, resulting in nil tCO₂e consumption. For full disclosure, if this electricity were purchased from the national grid consumption in day-to-day business operations would have increased to 607,731 kWh (2021: 557,545 kWh).

The intensity metrics were calculated by dividing the 2022 reportable figure for tCO₂e (49.64) by the average number of full-time equivalents (412 FTE). The MDU's operations had an intensity metric of 0.12 tCO₂e per FTE, an increase compared with the previous year's figure of 0.06 tCO₂e per FTE.

Consumption (kWh) and Greenhouse Gas emissions (tCO₂e) Totals

The MDU's total consumption and greenhouse gas emissions is set out below:

Total consumption (kWh) figures for energy supplies:

Utility and Scope	2022 consumption (kWh)*	2021 consumption (kWh)*
Grid- Supplied Electricity (Indirect consumption)	607,731	557,545
Renewable Electricity (100%)	(607,731)	(557,454)
Gaseous and other fuels (Direct consumption)	0	0
Gaseous and other fuels (Direct consumption)	212,938	117,150
	212,938	117,150

The total emission (tCO₂e) figures for energy supplies:

Utility and Scope	2022 consumption (tCO ₂ e)*	2021 consumption (tCO ₂ e)*
Grid- Supplied Electricity (Indirect consumption)	117.5	118.4
Renewable energy (100%)	(117.5)	(118.4)
Gaseous and other fuels (Direct consumption)	0	0
Transportation (Direct emissions)	49.6	27.4
	49.6	27.4

* Consumption and emissions data was calculated in line with the Emission Factor Database 2022, Version 1.0 and is consistent with the 2019 UK Government environmental reporting guidance.

All consumption data for the MDU was complete for the reporting year, and data quality checks were carried out for data completeness and accuracy. 100% data coverage was achieved, consisting of 99.55% verifiable data coverage with 0.45% of consumption data estimated, to achieve the results.

THE MEDICAL DEFENCE UNION LIMITED
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For the Year Ended 31 December 2022

Energy Efficiency Review and Improvements

In 2022, the MDU implemented a number of energy-saving projects and successfully replaced all remaining personal computers with more energy-efficient laptops, reduced the number of printers in use, and significantly reduced the amount of photocopying by replacing with electronic records. The existing renewable electricity supply to the office was replaced with a long term arrangement, being a 100% renewable energy supply on a fully flexible green purchasing framework for the next ten years.

The MDU has established a register of energy efficiency measures to facilitate improvements over the next five years.

In 2023, the MDU will prioritise replacing the audio-visual equipment in its meeting rooms with more energy-efficient equipment, reviewing the general office lighting for replacement with more energy-efficient LED lighting, and reducing the number of printers, copiers, and scanners in the office by a further 25% to reduce energy consumption and paper waste.

Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, the Director's Report and the consolidated 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 group and company 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 the group and of the surplus or deficit of the group for that period.

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

- select suitable accounting policies for the group'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 group 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 the Group and to enable them to ensure that they comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

For the Year Ended 31 December 2022

Provision of information to auditor

Each of the persons who are directors at the time when the Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group'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 and the group's auditor is aware of that information.

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



N J Bowman
Company Secretary

Date: 23 May 2023

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of The Medical Defence Union Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Medical Defence Union Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity and the Consolidated and Company Statement of Cash Flows, and the notes to the financial statements, 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) as applied in accordance with the provision of the Companies act 2006.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent 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.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of The Medical Defence Union Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 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.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities on page 18, 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 determine 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 Group's and the Parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of The Medical Defence Union Limited (continued)

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.

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

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

Audit procedures performed by the engagement team included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Reading minutes of management meetings and of those charged with governance and reviewing correspondence with regulatory bodies, such as HMRC, and reviewing documentation for indications of non-compliance with laws and regulations;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud and tested accordingly;
- Assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with applicable Company Law and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice);
- Assessing whether there are instances of potential bias in areas with significant degrees of judgement. In particular we engaged an internal actuary as auditor's expert to review the assumptions and methodology applied by the Group in the valuation of the Indemnity Claims Provision to check that the methods utilised are appropriate;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- In addressing the risk of management override of controls, including testing a sample of journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

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.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of The Medical Defence Union Limited (continued)

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:


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John Perry (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London,
United Kingdom

Date: 24 May 2023

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 Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Members' subscriptions		124,860	116,343
Medical and dental advisory services		(31,924)	(30,144)
Administrative expenses		(20,812)	(19,950)
Indemnity, legal and reinsurance costs	6	13,505	(70,225)
Finance cost - indemnity/pension provision	7	(12,359)	(3,307)
Operating surplus	8	73,270	(7,283)
Changes in fair value of investments	3	(40,839)	74,933
Net investment income	4	12,139	7,842
Interest payable	5	(41)	(10)
Result before taxation	8	44,529	75,482
Taxation	10	5,689	39,030
Result after taxation		50,218	114,512
Other comprehensive income:			
Actuarial (loss)/gain on defined benefit schemes	21	(15,100)	21,700
		(15,100)	21,700
Total comprehensive income for the year		35,118	136,212

The notes on pages 31 to 56 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)
Registered number: 21708

Consolidated Statement of Financial Position
As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	12	9,096	10,656
Fixed asset investments	13	1,082,162	1,111,566
		<u>1,091,258</u>	<u>1,122,222</u>
Current assets			
Debtors: amounts falling due after more than one year	15	14,888	15,839
Debtors: amounts falling due within one year	15	8,334	13,789
Cash at bank and in hand		50,605	39,075
		<u>73,827</u>	<u>68,703</u>
Creditors: amounts falling due within one year	17	(36,089)	(42,085)
Net current assets		<u>37,738</u>	<u>26,618</u>
Total assets less current liabilities		<u>1,128,996</u>	<u>1,148,840</u>
Creditors: amounts falling due after more than one year	16	(3,843)	(6,097)
Provisions for liabilities			
Indemnity provision	19	(494,881)	(560,646)
Other provisions	19	(1,041)	(1,987)
Net assets excluding pension asset		<u>629,231</u>	<u>580,110</u>
Pension asset	21	12,554	26,557
Net assets		<u><u>641,785</u></u>	<u><u>606,667</u></u>
Capital and reserves			
Revaluation reserve		81,223	130,769
Retained earnings		560,562	475,898
		<u>641,785</u>	<u>606,667</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 May 2023.

M T W Lee
Chief executive officer

S W Watkin
Chairman

The notes on pages 31 to 56 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)
Registered number: 21708

Company Statement of Financial Position
As at 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Fixed asset investments	13	25,160	25,160
		<u>25,160</u>	<u>25,160</u>
Current assets			
Debtors: amounts falling due after more than one year	15	14,888	15,839
Debtors: amounts falling due within one year	15	923,654	927,603
Cash at bank and in hand		14,123	4,580
		<u>952,665</u>	<u>948,022</u>
Creditors: amounts falling due within one year	17	(20,966)	(20,240)
Net current assets		<u>931,699</u>	<u>927,782</u>
Total assets less current liabilities		<u>956,859</u>	<u>952,942</u>
Provisions for liabilities			
Indemnity provision	19	(494,881)	(560,646)
		<u>(494,881)</u>	<u>(560,646)</u>
Net assets excluding pension asset		<u>461,978</u>	<u>392,296</u>
Pension asset	21	12,554	26,557
Net assets		<u>474,532</u>	<u>418,853</u>
Capital and reserves			
Retained earnings		474,532	418,853
		<u>474,532</u>	<u>418,853</u>

The Statement of Comprehensive Income for the year ended 31 December 2022 for the parent company only was a gain of £70.8m (2021: gain of £47.7m).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 May 2023.



M T W Lee
Chief executive officer



S W Watkin
Chairman

The notes on pages 31 to 56 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022

	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2022	130,769	475,898	606,667
Result after taxation	-	50,218	50,218
Actuarial loss on pension scheme	-	(15,100)	(15,100)
Fair value adjustments from revaluation reserve	-	8,707	8,707
Fair value adjustments to retained earnings	(8,707)	-	(8,707)
Transfer to/from retained earnings	(40,839)	40,839	-
At 31 December 2022	81,223	560,562	641,785

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2021

	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000
At 1 January 2021	60,463	409,992	470,455
Result after taxation	-	114,512	114,512
Actuarial gains on pension scheme	-	21,700	21,700
Fair value adjustments from revaluation reserve	-	4,627	4,627
Fair value adjustments to retained earnings	(4,627)	-	(4,627)
Transfer to/from retained earnings	74,933	(74,933)	-
At 31 December 2021	130,769	475,898	606,667

The notes on pages 31 to 56 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Company Statement of Changes in Equity
For the Year Ended 31 December 2022

	Retained earnings	Total equity
	£000	£000
At 1 January 2022	418,853	418,853
Result after taxation	70,779	70,779
Actuarial losses on pension scheme	(15,100)	(15,100)
At 31 December 2022	474,532	474,532

Company Statement of Changes in Equity
For the Year Ended 31 December 2021

	Retained earnings	Total equity
	£000	£000
At 1 January 2021	349,494	349,494
Result after taxation	47,659	47,659
Actuarial gains on pension scheme	21,700	21,700
At 31 December 2021	418,853	418,853

The notes on pages 31 to 56 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2021

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Result after taxation		50,218	114,512
Adjustments for:			
Depreciation of tangible assets	12	3,946	2,788
Impairment of investments	13	387	-
Loss on disposal of tangible assets	12	-	6
Foreign exchange differences	4	(1,098)	2,331
Net changes in fair value of investments	3	40,839	(74,933)
(Decrease) in indemnity and other provisions	19	(66,001)	(31,935)
Loss on disposal of investments	4	4,242	110
Non cash investment expense	13	5,086	5,096
Finance credit on pension scheme	21	(500)	(100)
Movement in deferred taxation	20	(7,596)	12,297
Decrease in debtors	15	4,280	30,615
(Decrease)/increase in creditors	17	(727)	4,093
Past service cost on pension scheme	21	(600)	(300)
Corporation tax (credit)		1,814	(51,363)
Corporation tax paid		386	(11,942)
Provision paid	19	(1,372)	-
Net cash from operating activities		33,304	1,275
Cash flows from investing activities			
Purchase of tangible fixed assets	12	(1,725)	(1,108)
Purchase of investments	13	(215,535)	(70,000)
Sale of investments	13	111,931	42,313
Movement in other liquid resources	13	83,555	18,261
Net cash from investing activities		(21,774)	(10,534)
Net increase/(decrease) in cash and cash equivalents		11,530	(9,259)
Cash and cash equivalents at beginning of year		39,075	48,334
Cash and cash equivalents at the end of year		50,605	39,075

The notes on pages 31 to 56 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Company Statement of Cash Flows
As at 31 December 2022

		2022	2021
		£000	£000
Cash flows from operating activities			
Income and expenditure after taxation		70,779	47,659
Adjustments for:			
Decrease in debtors (excl. amounts owed by subsidiaries)	15	4,422	31,422
Increase in creditors (excl. corporation tax)	17	716	4,750
(Increase)/decrease in amounts receivable from subsidiary undertakings	15	(1,446)	6,265
Decrease in indemnity provision	19	(65,765)	(31,821)
Finance credit on pension scheme	21	(500)	(100)
Corporation tax paid		5,016	(3,651)
Corporation tax (credit)		(3,679)	(57,216)
Net cash generated from operating activities		9,543	(2,692)
 Net increase/(decrease) in cash and cash equivalents		 9,543	 (2,692)
Cash and cash equivalents at beginning of year		4,580	7,272
Cash and cash equivalents at the end of year		14,123	4,580

The notes on pages 33 to 57 form part of these financial statements.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements comply with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments, derivative assets and certain financial liabilities included within creditors and in accordance with Financial Reporting Standard FRS 102 and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. In preparing these financial statements, the directors consider the significant judgements and key estimates to be the indemnity provision. Further details are provided in note 1.6.

In preparing the financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Disclosures in respect of the parent company's financial instruments have not been presented where equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

1.2 Basis of consolidation

The group Statement of Comprehensive Income and Financial Position consolidate the financial results of the company and its subsidiary undertakings for the year ended 31 December 2022. No Statement of Comprehensive Income is presented for the Medical Defence Union Limited as permitted by section 408 of the Companies Act 2006.

1.3 Members' subscription

Members' subscriptions consist of subscriptions for members' services. For member segments with an indemnity dominant income profile, subscriptions are accounted for on the basis of amounts received/ receivable by the group before the Statement of Financial Position date, without apportionment.

For member segments with an advisory services dominant income profile, subscriptions are accounted for on an accruals basis and apportioned to accounting periods based upon the renewal term.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.4 Insurance premiums payable

The insurance arrangements described in the Directors' report 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 and reinsurance costs

The charge for indemnity costs includes indemnity payments, the movement on the indemnity provision, legal charges covering the aggregate of all indemnity payments and legal services provided for members, together with the cost of reinsurance premiums paid/payable. These include claimants' costs, payments on account, legal costs, representation at hospital enquiries and at the General Medical and Dental Councils, and legal assistance to members.

1.6 Indemnity provision

Provision is made for the estimated future cost of settlement, including related claimants costs of claims against members which have been notified at the date of the Statement of Financial Position and in respect of which the company has exercised its discretion to provide indemnity. The gross provision is calculated by the MDU's actuarial team.

No provision is made for claims that may arise from incidents occurring before the Statement of Financial Position date but not reported to the group at that date, 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 MDU's actuarial team. The provision will be paid over an extended period and subject to agreement by all parties. The provision is discounted to reflect the time value of money. The movement on the provision separately identifies the unwinding of the discount which is disclosed as a finance cost in the Consolidated Statement of Comprehensive Income.

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 Statement of Financial Position 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.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.8 Tangible fixed asset

The cost of tangible fixed assets is written off evenly over their useful economic lives. Reviews are made periodically of the estimated remaining lives of individual assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

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.

The estimated useful economic life ranges are as follows:

Long-term leasehold property	- 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 Consolidated Statement of Comprehensive Income.

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 consolidated financial statements are presented in sterling, which is the company's functional and the group's presentation currency.

1.10 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 Statement of Financial Position 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 are recognised in the Consolidated Statement of Comprehensive Income, the related taxation is also taken directly to the Consolidated Statement of Comprehensive Income.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.11 Investments

(i) Recognition

Initial recognition of investment financial assets 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 at the Statement of Financial Position date are subsequently measured at market value or amortised cost.

Financial assets at fair value:

Financial assets measured at fair value include: gilts, bonds, equities, pooled funds, short sold government bonds and derivative contracts. Subsequently, movements on revaluation are accounted for through the Consolidated Statement of Comprehensive Income. These revaluation movements are gross of investment management fees. At the year end, changes in gross fair value recognised through the Consolidated Statement of Comprehensive Income are transferred to the revaluation reserve. These are netted down by transferring investment management fees back to retained earnings from the revaluation reserve.

Financial assets at amortised cost:

Financial assets measured at amortised cost include: commercial real estate loans, certain loans receivable and cash and cash equivalents held with investment managers. Commercial real estate loans are carried at cost with an allowance for impairment. Fair value was not selected for commercial real estate loans since market valuations are not readily available. Arrangement fees are credited to the Consolidated Statement of Comprehensive Income 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, or 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.

(iv) Derivatives

Derivative financial instruments ("derivatives") are held and traded in conjunction with the group's 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 Statement of Financial Position at market value ("marked to market"). Derivatives with a positive market value are included within investments, those with a negative market value are shown as liabilities. Changes in that value are recognised in the Consolidated Statement of Comprehensive Income. This method is used for all derivatives which are held for trading purposes.

1.12 Investment income

Investment income includes; interest, dividends, coupons, foreign exchange gains/(losses), swap settlements and deferred arrangement fees (see note 1.11). Investment income is accounted for on an accruals basis.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.13 Operating lease

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

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 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 Consolidated Statement of Comprehensive Income over the life of the lease. The liability in respect of rent free periods are not discounted.

1.14 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 Consolidated Statement of Comprehensive Income 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 Statement of Financial Position date and the liabilities of the scheme are measured using the projected unit method. The discount rate at 31 December 2022 is based on the annualised yield on the AON GBP single agency AA (corporates) curve. A single equivalent discount rate is then calculated, which produces the same value of plan liabilities as applying each spot yield to that future year's projected benefit cashflow.

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. The following are charged to the Consolidated Statement of Comprehensive Income:-

- 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 other comprehensive income.

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.15 General information

The Medical Defence Union Limited is a private company limited by guarantee without share capital incorporated in England and Wales (registered number: 00021708) with registered office One Canada Square, Canary Wharf, London, E14 5GS.

1.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured and the undisclosed salary cost of the future holiday entitlement so accrued and the balance sheet date.

2. Employee information

	2022 £000	2021 £000
Salaries	28,891	28,822
Social security costs	3,599	3,417
Pension costs - defined contribution scheme	3,195	3,116
Other staff costs	1,399	1,016
	<u>37,084</u>	<u>36,371</u>
	<u>37,084</u>	<u>36,371</u>
	2022	2021
Average number of employees in the year	412	436
	<u>412</u>	<u>436</u>
	<u>412</u>	<u>436</u>

There are no staff employed by the parent company.

3. Changes in fair value of investments

	2022 £000	2021 £000
Changes in fair value	(40,839)	74,933
	<u>(40,839)</u>	<u>74,933</u>
	<u>(40,839)</u>	<u>74,933</u>

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

4. Net investment income

	2022 £000	2021 £000
Bond and interest income	1,009	184
Difference on exchange	1,098	(2,331)
Impairment of investments	(387)	-
Other investment income	20,428	15,454
(Loss) on disposal of investments	(4,242)	(110)
Investment management fees and related costs	(5,767)	(5,355)
	<u>12,139</u>	<u>7,842</u>

Investment income from listed investments in the year was £12.1m (2021: £8.18m)

5. Interest payable

	2022 £000	2021 £000
Bank interest payable	41	10
	<u>41</u>	<u>10</u>

6. Indemnity, legal and reinsurance costs

	2022 £000	2021 £000
Reinsurance premiums	4,035	5,318
(Decrease)/increase in incurred costs (see note 19)	(21,391)	32,926
Premium element adjustment (see note 1.4)	(22,000)	(2,292)
Legal costs	24,111	25,556
Reinsurance recoveries (including the movement in reinsurance provision)	1,740	8,717
	<u>(13,505)</u>	<u>70,225</u>

7. Finance cost - indemnity/pension provision

	2022 £000	2021 £000
Finance cost relating to indemnity provision (see note 19)	12,859	3,407
Finance income relating to pension provision (see note 21)	(500)	(100)
	<u>12,359</u>	<u>3,307</u>

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

8. Result before taxation

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

	2022	2021
	£000	£000
Research & development taxation credit	(45)	-
Depreciation of tangible fixed assets (see note 12)	3,946	2,787
Operating lease rentals - land and buildings	603	1,182
Operating lease rentals - motor vehicles	155	185
Defined contribution pension cost	3,195	3,116
	<u>3,195</u>	<u>3,116</u>

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

9. Directors' remuneration

	2022	2021
	£000	£000
Fees	521	477
Directors' emoluments	1,603	1,247
Amounts due and receivable under long-term incentive plans	172	340
	2,296	2,064

The highest paid director in the year earned:

	2022	2021
	£000	£000
Emoluments (including short-term incentive plans (STIP) and benefits under the long-term incentive plan (LTIP))	591	518
Accrued annual pension (excluding indexation)*	-	167

There are no retirement benefits accruing to directors under a defined benefit scheme (2021: zero).

The fees disclosed above in respect of services to the company represent the remuneration of the non-executive directors of The Medical Defence Union Limited. In addition six (2021: five) of the non-executive directors received fees totalling £18,207 (2021: £26,444) 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 2022

9. Directors remuneration (continued)

	Fee/Salary £000	Benefits [i] £000	STIP/LTIP [ii] £000	Cash alternative [iii] £000	Pension [v] £000	2022 £000	2021 £000
Executive Directors							
C M Tomkins	-	-	-	-	-	-	518
N A Dungay	-	-	-	-	-	-	56
M T Lee	318	1	216	56	-	591	484
A R Wright	216	18	138	19	-	390	383
A R Archibald	146	1	53	-	15	214	72
K Miller	146	1	94	-	17	259	74
H H A Stewart	196	1	71	53	-	321	-
	1,022	22	572	128	32	1,775	1,587
Non-executive directors							
P Riordan-Eva	63	-	-	1	-	64	86
J Buttigieg	-	-	-	-	-	-	4
E Wells	41	-	-	4	-	45	40
I D Hutchinson	8	-	-	5	-	13	51
O C E Sparrow	-	-	-	-	-	-	30
S W Watkin	64	-	-	22	-	86	61
J H Riley	44	-	-	1	-	45	40
C Aghadiuno	41	-	-	2	-	43	40
S Beaumont	41	-	-	2	-	43	40
P Goldsmith	12	-	-	4	-	16	13
S Shaunak	12	-	-	1	-	13	13
T J Norfolk	27	-	-	29	-	56	32
P I Clark	12	-	-	24	-	36	10
G S McAusland	47	-	-	3	-	50	17
L R Hykin	3	-	-	8	-	11	-
	415	-	-	106	-	521	477

[i] Benefits include car allowances, medical and other benefits in kind or their equivalent monetary value.

THE MEDICAL DEFENCE UNION LIMITED
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Notes to the Financial Statements
For the Year Ended 31 December 2022

- [ii] STIP represents those amounts accrued in respect of the year to 31 December 2022, and over/under accruals for 2021. The STIP is determined by comparing actual performance against set targets for the key performance indicators over the year.
 LTIP represents those amounts accrued in respect of the year to 31 December 2022, and over/under accruals for 2021. 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.
- [iii] Payments made as cash alternative to company contributions to defined contribution pension scheme.
- [iv] "Other" represents expenses paid to board members and any fees and expenses for attendance at council and committee meetings other than MDU board and its related committees.
- [v] Pension costs represents company contributions to defined contributon pension scheme

10. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on result for the year	-	8,075
Adjustments in respect of prior periods	1,906	(59,403)
Total current tax	1,906	(51,328)
Deferred tax		
Timing differences	(4,737)	9,888
Adjustments in respect of prior periods	(1,979)	-
Effect of tax rate change	(879)	2,410
Total deferred tax	(7,595)	12,298
Taxation	(5,689)	(39,030)

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%). Reconciling items are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	44,529	75,482
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	8,460	14,342
Effects of:		
Net mutual income not subject to corporation tax	(28,269)	(22,589)
Expenses not deductible for tax	15,084	24,523
Adjustments in respect of prior periods	(72)	(59,403)
Non-taxable income	(362)	(8,492)
Difference in tax rate on deferred tax movement	(880)	2,410
Recognition of deferred tax liability/(asset) in respect of unrealised gains/(losses) on equity investments	-	9,913
Allocation from transparent funds	350	301
Restrictions of release of deferred income from landlord contribution	-	(35)
Total tax (credit) for the year	(5,689)	(39,030)

11. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Group's auditor and its associates	242	234
Fees payable to the Group's auditor and its associates:		
- for the audit of the group's annual accounts	218	131
- for tax services	-	81
- in respect of the audit of the MDU Services Limited pension scheme	24	24

THE MEDICAL DEFENCE UNION LIMITED
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Notes to the Financial Statements
For the Year Ended 31 December 2022

12. Tangible fixed assets

Group

	Long-term leasehold property £000	Furniture and office equipment £000	Computer equipment and software £000	Total £000
Cost or valuation				
At 1 January 2022	10,265	580	16,118	26,963
Additions	662	29	1,696	2,387
Disposals	-	(155)	(974)	(1,129)
At 31 December 2022	10,927	454	16,840	28,221
Depreciation				
At 1 January 2022	4,767	561	10,979	16,307
Charge for the year on owned assets	1,940	11	1,995	3,946
Disposals	-	(154)	(974)	(1,128)
At 31 December 2022	6,707	418	12,000	19,125
Net book value				
At 31 December 2022	4,220	36	4,840	9,096
At 31 December 2021	5,498	19	5,139	10,656

THE MEDICAL DEFENCE UNION LIMITED
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 31 December 2022

13. Fixed asset investments

Group

	Investments in cash & cash equivalents £000	Funds held by Investment Managers £000	Total £000
Cost or valuation			
At 1 January 2022	109,358	1,002,208	1,111,566
Additions	-	215,535	215,535
Disposals	-	(111,931)	(111,931)
Foreign exchange movement	-	1,098	1,098
Revaluation of investments	-	(40,839)	(40,839)
Net movement of cash & accrued income	(83,555)	(5,471)	(89,026)
Loss on disposal	-	(4,242)	(4,242)
	<u>25,803</u>	<u>1,056,358</u>	<u>1,082,161</u>
At 31 December 2022			

THE MEDICAL DEFENCE UNION LIMITED
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Notes to the Financial Statements
For the Year Ended 31 December 2022

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	25,160
	<hr/>
At 31 December 2021	25,160
	<hr/> <hr/>

The company, either directly or indirectly, holds the entire issued ordinary share capital of the following subsidiaries which principally affect the figures shown in the company's financial statements: directly MDU Services Limited (reg number: 3957086) and MDU Investments Limited (reg number: 3291117) both incorporated in England and Wales, registration number: 21708 (registered offices: One Canada Square, London, E14 5GS) and indirectly MDU Reinsurance Limited, an insurance company, incorporated in Guernsey (registered office: PO Box 34, St. Martins House, Le Bordage, St. Peter Port, Guernsey, GY1 4AU).

Dormant companies are disclosed in note 26.

14. Analysis of funds held by investment managers

	2022 %	2022 £000	2021 %	2021 £000
Pooled funds [i]	95.7	1,010,450	94.9	951,069
Private credit [ii]	4.3	45,907	5.0	49,925
Commercial real estate loan [iii]	0	0	0.1	1,214
	<hr/>	<hr/>	<hr/>	<hr/>
	100	1,056,357	100	1,002,208
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE MEDICAL DEFENCE UNION LIMITED
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Notes to the Financial Statements
For the Year Ended 31 December 2022

Analysis of funds held by investment managers (continued)

	2022 £000	2021 £000
Valuation basis of investments		
Fair value	1,056,357	1,000,994
Amortised cost [iv]	-	1,214
	<u>1,056,357</u>	<u>1,002,208</u>

- [i] 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.
- [ii] Private credit represents investments in funds in order to access private secure income assets.
- [iii] The commercial real estate loan is a syndicated loan made via an investment manager to the UK's commercial property sector. This loan is secured against the underlying property.
- [iv] The fixed asset investment at amortised cost is a commercial real estate loan.

15. Debtors

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Due after more than one year				
Reinsurance recoveries	14,888	15,839	14,888	15,839
	<u>14,888</u>	<u>15,839</u>	<u>14,888</u>	<u>15,839</u>
Due within one year				
Reinsurance recoveries	846	2,268	846	2,268
Amounts owed by subsidiary undertakings	-	-	921,865	920,419
Other debtors	3,535	2,705	-	-
Prepayments and accrued income	3,953	4,397	943	1,297
Premium element adjustment	-	2,292	-	2,292
Corporation tax	-	2,127	-	1,327
	<u>8,334</u>	<u>13,789</u>	<u>923,654</u>	<u>927,603</u>

THE MEDICAL DEFENCE UNION LIMITED
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Notes to the Financial Statements
For the Year Ended 31 December 2022

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

	Group	Group
	2022	2021
	£000	£000
Deferred income	617	1,181
Other creditors and accruals	3,226	4,916
	<u>3,843</u>	<u>6,097</u>

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

17. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Corporation tax	73	-	-	-
Taxation and social security	1,362	912	418	30
Deferred taxation (see note 20)	2,444	10,040	-	-
Deferred subscription income	20,402	19,852	20,402	19,852
Accruals and deferred income	11,808	11,281	146	358
	<u>36,089</u>	<u>42,085</u>	<u>20,966</u>	<u>20,240</u>

All creditors falling due within one year are held at amortised cost.

THE MEDICAL DEFENCE UNION LIMITED
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Notes to the Financial Statements
For the Year Ended 31 December 2022

18. Net funds held by investment managers

	2022 £000	2021 £000
Financial assets: investments (see note 13)	1,056,357	1,002,208
	<u>1,056,357</u>	<u>1,002,208</u>

The historic cost of net funds held by investment managers is £976.2m (2021: £874.8m).

(a). Fair value hierarchy

Of the investments held, £1,056m were held at fair value (note 14), the following fair value hierarchy was used to estimate the value of these investments:

	2022 £000	2021 £000
Quoted prices - Level 1	-	-
Recent quoted prices - Level 2	1,056,357	1,000,994
Valuation technique (Unobservable inputs) - Level 3	-	-
Total net assets	<u>1,056,357</u>	<u>1,000,994</u>

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1	Valued using quoted prices in active markets for identical assets.
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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19. Provisions - indemnity

	2022	2021
	£000	£000
Group and company		
At 1 January	560,646	592,467
Finance costs	12,859	3,407
Indemnity and insurance paid	(57,233)	(68,154)
(Decrease)/increase in incurred costs (see note 6)	(21,391)	32,926
At 31 December	494,881	560,646

The principal financial assumption used in the calculation of the finance cost is that the rate used to unwind the discount is 2.52% (2021: 0.62%) per annum.

The principal financial assumptions used in the actuary's calculation of the gross indemnity provision for the company are that medium/large claims inflation will be 8% per annum (2021: RPI plus 8% per annum) over the period of settlement and that a net discount rate of 3.99% per annum (2021: 1.04%) is used to discount the claims payments to the Statement of Financial Position date.

Provisions - other

	2022	2021
	£000	£000
Group		
At 1 January	1,987	2,101
Increase in the year	426	(114)
Payments	(1,372)	-
At 31 December*	1,041	1,987

*Building dilapidations are recognised on one (2021: two) buildings.

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20. Deferred taxation

	2022	2021
	£000	£000
Group		
At 1 January	10,040	(2,258)
(Credit)/charge to profit or loss	(7,596)	12,298
At 31 December	2,444	10,040

The deferred tax liability is made up as follows:

	Group	Group
	2022	2021
	£000	£000
Fixed asset timing differences	13,622	714
Capital (losses)/gains	(11,178)	9,326
	2,444	10,040

The deferred tax liability is largely attributable to the unrealised gains on capital assets. The effective rate applied was 25% (2021: 25%) which is the corporation tax rate applicable for periods after 1 April 2023, which received royal assent on 30 November 2021. We have therefore used the 25% tax rate for calculating the deferred tax position at 31 December 2022.

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21. Pension costs

As explained in accounting policy note 1.14 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 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 1 April 2021 and has been updated to 31 December 2022 by qualified independent actuaries for the purpose of reporting pension costs.

The funded status as at 31 December 2022 reflects the status of the defined benefit section of the scheme only.

The major assumptions made by the actuary were:

	2022	2021	2020	2019
Rate of increase in salaries	3.6%	3.5%	3.2%	3.3%
Rate of increase in pension pre 16 February 2009 retirees	3.1%	3.1%	2.3%	2.1%
Rate of increase in pensions post 16 February	2.7%	2.6%	2.8%	2.9%
Discount rate	4.8%	2.0%	1.5%	2.0%
RPI inflation assumption	3.3%	3.3%	2.9%	3.0%
CPI inflation assumption	2.8%	2.7%	2.3%	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 22.6 years if they are male and a further 24.9 years if they are female. Members currently aged 45 are expected to live for a further 24.2 years from age 65 if they are male and for a further 26.6 years from age 65 if they are female.

Fair value of scheme assets:

	2022 £000	2021 £000	2020 £000	2019 £000
Equities	5,300	18,400	19,500	17,700
Property	-	20,600	16,900	20,600
Government bonds	64,300	82,100	45,700	28,900
Corporate bonds	21,000	34,000	91,900	89,400
Other	18,200	25,100	1,700	200
	<u>108,800</u>	<u>180,200</u>	<u>175,700</u>	<u>156,800</u>

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21. Pension costs (continued)

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

	2022 £000	2021 £000	2020 £000	2019 £000
Total market value of assets	108,800	180,200	175,700	156,800
Present value of scheme liabilities	(96,200)	(153,600)	(171,200)	(154,800)
Pension asset	<u>12,600</u>	<u>26,600</u>	<u>4,500</u>	<u>2,000</u>

	2022	2021	2020	2019
Assets as a percentage of liabilities	<u>113.1%</u>	<u>117.3%</u>	<u>102.6%</u>	<u>101.3%</u>

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

	2022 £000	2021 £000
Opening defined benefit obligations	153,600	171,200
Interest cost	3,000	2,500
Actuarial (gain) on the scheme liabilities	(56,900)	(15,700)
Net benefits paid out	(3,500)	(4,400)
Closing defined benefit obligations	<u>96,200</u>	<u>153,600</u>

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

	2022 £000	2021 £000
Opening fair value of scheme assets	180,200	175,700
Expected return on scheme assets	3,500	2,600
Actuarial (loss)/gain on scheme assets	(72,000)	6,000
Contributions by employer	600	300
Net benefits paid out	(3,500)	(4,400)
Closing fair value of scheme assets	<u>108,800</u>	<u>180,200</u>

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21. Pension costs (continued)

The total estimated pension expense in 2022 is £nil (2021: £nil). This is because the DB pension scheme closed with effect from 1 January 2020.

The assets of both pension schemes do not include any of 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.

Analysis of the amount credited to other finance credits

	2022	2021
	£000	£000
Expected return on scheme assets	(3,500)	(2,600)
Interest on scheme liabilities	3,000	2,500
Net return	(500)	(100)

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21. Pension costs (continued)

Analysis of amounts recognised in other comprehensive income:

	2022	2021
	£000	£000
Actuarial (losses)/gains on scheme assets	(72,000)	6,000
Actuarial gains on scheme liabilities	56,900	15,700
Actuarial (losses)/gains recognised in other comprehensive income	(15,100)	21,700

22. Members liability

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

23. 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.

24. Commitments under operating leases

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

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Not later than 1 year	731	1,343	-	-
Later than 1 year and not later than 5 years	2,381	4,807	-	-
Later than 5 years	3,752	2,913	-	-
	6,864	9,063	-	-

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25. Potential cost of future claims

As a not-for-profit, mutual organisation, the MDU exists exclusively for the benefit of its members. The company holds a mutual fund and manages it on members' behalf. This fund ensures that we are able to meet the costs of cases where the Board has exercised its discretion to assist, and that we are also able to consider requests for assistance which may be made in the future, whether from current or previous members.

The MDU recognises the uncertainty inherent in the amount and timing of claims payments to be made, and the performance of the investment fund between the present time and the time of payment. Given the long-tail nature of clinical negligence liabilities and the nature of associated claims, the ultimate cost of claims (both those notified and those yet to be notified) could end up differing considerably from that which was initially estimated.

For that reason, the MDU's investment strategy seeks to preserve a long-term surplus. This is achieved by investing in a diverse set of assets, seeking a reasonable rate of return while controlling the overall level of risk. The surplus of assets over known liabilities also provides funds to meet the cost of potential future claims against members for incidents that have already occurred but are not yet reported to the MDU, and on which the Board may exercise its discretion to assist.

The costs of these potential future claims are not recognised as a liability until the Board exercises its discretion to assist. However, the MDU still considers the value of these potential future claims to assess the strength of its funding position. The cost is evaluated by the MDU's actuarial team and is periodically subject to both external peer review and independent actuarial analysis.

In determining the potential cost of future claims, we factor in the historic level of acceptance of requests and make an estimate for the future on that basis. The estimate below is presented in today's terms. It is an estimate of the funds that would be required at the end of December 2022 to settle the damages and claimant legal costs of future claims that could not be defended. It does not include MDU claims handling or legal costs. Given the cost of future claims will not materialise for some time, the figure is adjusted for expected future inflation and discounted at a rate equal to our expected investment return after tax, over the period. This differs from the basis on which our known indemnity provision (note 19) is discounted, which is at a risk-free rate, gross of tax.

As of 31st December 2022, the Board has estimated that this potential future cost, were it to grant assistance, would be £264m:

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26. Dormant Companies

The MDU group had the following dormant companies as at 31 December 2022:

Hospital and Community Services Limited
Dental Defence Union Limited
General Practitioner Defence Union Limited
MDU Risk Management Limited
MDU Healthcare Risk Management Limited
Medical Defence Risk Management Limited
Medical Defence Healthcare Risk Management Limited
Healthcare Risk Management Limited
MDU Medirisk Limited
Nursing and Midwifery Defence Union Limited
Nursing and Midwifery Defence Limited
Dental Auxiliaries Defence Union Limited
Dental Hygienists Defence Union Limited
Practice Nurse Defence Union Limited
Practice Nurse Defence Limited
Nursing Defence Limited
Nursing Defence Union Limited
Nurse Practitioners Defence Limited
Community Nurse Defence Union Limited
Community Nurse Defence Limited
Nurse Practitioners Defence Union Limited
The Doctors Bank Limited
Doctors and Dentists Bank Limited
Just for Doctors Limited
MDU Healthcare Limited
Medical Liability Services Limited
The Dentists Bank Limited
No. 1515253 Limited

All of the above are wholly owned subsidiaries of the Medical Defence Union Limited, incorporated in England and Wales and included in the consolidation. The companies are exempt from an audit.