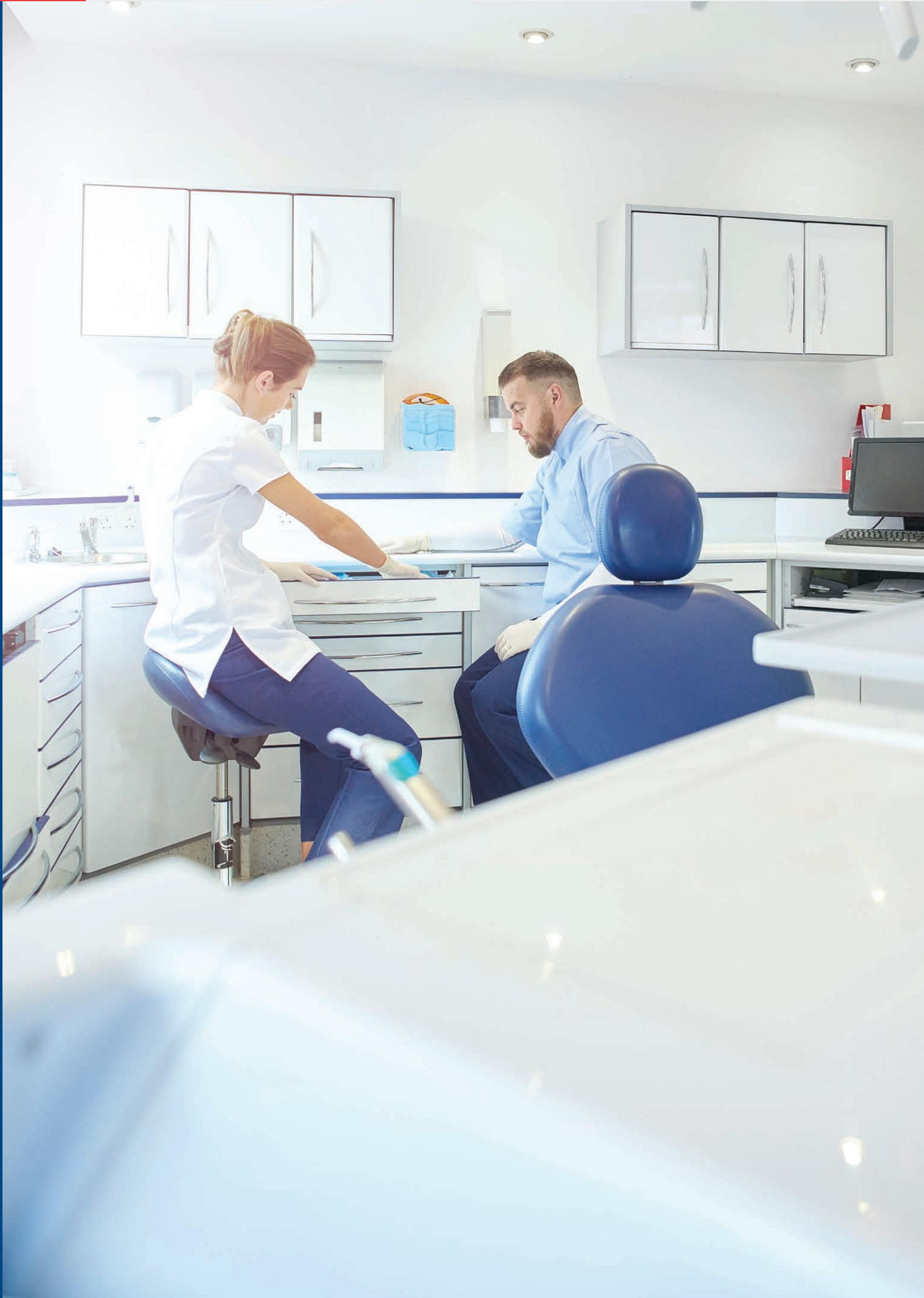




**2015**

# Annual Report & Accounts





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**2015**

# Annual Report & Accounts





# Principal activity

Founded in 1902, MDDUS is a mutual defence organisation offering expert advice, assistance and indemnity cover to doctors, dentists and other healthcare professionals across the UK. All the benefits of membership are discretionary as set out in the Articles of Association.

A private company limited by guarantee, MDDUS is the trading name of the holding company of the Group. There are three wholly owned subsidiaries: MDDUS Insurance Limited, an insurance company; MDDUS Education Limited, a risk and training company; and MDDUS Property Limited, which oversees the management and performance of MDDUS' investment property portfolio.

## MDDUS summary of activity - 2015

	2015	2014
Income	£82.3m	£70.7m
Total net income available for transfer to reserves	£48.3m	£20.2m
Fixed assets and cash on deposit	£601m	£551m
Provision for reported claims and non-claims	£173.4m	£172.6m

	2015	2014	%
Total active membership*	36,378	32,670	11.3
Total GP active membership	16,262	15,033	8.2
Total hospital doctor active membership	13,264	11,948	11.0
Total dental active membership	5,057	4,498	12.4

\*Includes associate and other membership categories



# Chairman's report



**Brendan Sweeney**

Chairman

16 August 2016

The purpose of this Annual Report is to inform members and others about MDDUS' achievements and financial performance in 2015 and our significant plans for 2016. I am pleased to commend it to readers, confident that it reports a sound financial base and continued striving for excellence in the advice and support we provide to doctors and dentists across the UK.

There has been a strong performance against the Business Plan for 2015, including significant recruitment of UK-wide GPs and GDPs. We have also seen the completion of Chris Kenny's first full year as Chief Executive, a role he has settled into extremely successfully. He has made some important new appointments, including Emma Parfitt as Director of Advisory and Legal Services and David Sturgeon as Director of Development, both based in London, and Bryan Hislop as Deputy Company Secretary, based in Glasgow. Chris also initiated a thorough programme of work between the Board and the executive to develop a challenging but exciting Strategic Plan for 2016 to 2018 and a review and update of the governance arrangements of MDDUS.

During 2015, we continued to strengthen our financial position. It is evident from the Finance Director's report and the Annual Accounts that our reserves are comfortably adequate to meet our known and anticipated liabilities, the latter relating to claims and non-claim matters that have occurred but have not yet been reported to MDDUS.

At the end of the year, Dr Amarjit Gill resigned from the Board to pursue his career in Singapore. We will also lose the benefit of Alan Fleming, our first 'lay' Board member, at the Annual General Meeting (AGM) in September. I thank them both for their valued contribution to Board discussions. There were two co-options to the Board during 2016: Professor Jason Leitch qualified as a dentist but has spent most of his professional life dealing with health policy, and his current

position is National Clinical Director in the Health and Social Care Directorate with the Scottish Government; Professor Nairn Wilson has very recently demitted office as President of the British Dental Association and was previously the President of the General Dental Council (GDC). They will both stand for re-appointment to the Board at the AGM.

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**"It is evident from the Finance Director's report and the Annual Accounts that our reserves are comfortably adequate to meet our known and anticipated liabilities."**

In the forthcoming year, the Board has to decide how to deal with two political and policy developments that are relevant to the core work of MDDUS. In Westminster, the government and NHS England are exploring with stakeholders, including MDDUS, ways of containing indemnity costs for GPs. In Holyrood, the Scottish Government is consulting on a 'no-blame' redress scheme, although it appears that, initially at any rate, this would be confined to clinical treatment by directly employed NHS staff in Scotland. As we respond, we will keep at the front of our mind the interests of our membership and the mutual fund.

My responsibilities as Chairman are greatly eased by excellent working relationships with the Chief Executive, the Finance Director and the Deputy Company Secretary. I am happy to acknowledge my indebtedness to them, and indeed to the entire staff of MDDUS, who ensure the smooth running of the organisation and the maintenance of our excellent standard of service to members. ●

# Chief Executive



**Chris Kenny**

Chief Executive Officer  
and Secretary

16 August 2016

I doubt if anybody involved in healthcare found 2015 to be anything other than very challenging. It brought both specific issues and more deeply rooted problems bubbling to the surface. I'd like to claim that my moving into the hotseat at MDDUS was one of the greatest challenges, but I am acutely conscious that our pressures are comparatively minor compared to those facing our members on the front line of care, day in and day out.

As the year progressed, the difficulties of protecting services in the face of probably the most demanding efficiency targets called for by the NHS, and doing so when faced with an historical legacy of poor workforce planning, have become ever greater. The particular demands of primary care have been more visible than its many attractions and, with pressure on GP numbers and career patterns in both Scotland and England, the need to think about changes to service design and new and extended professional roles has been moving towards the top of the agenda. Combining that kind of complex, if welcome, development with also moving work out of the acute sector is the proverbial 'double whammy'.

It would be nice to think that indemnity has been part of the solution to those pressures, but we are aware that we have had challenges of our own. For some of our members, the claims experience has continued to be, thankfully, a comparatively rare one. We have also been able to cut subscription rates for dental members in Scotland and hold our rates stable for doctors north of the border, and to keep increases in the rest of the UK usually less than those of our competitors. However, GPs outside of Scotland in particular continue to face increases in both the number and the level of claims, and our subscription rates unfortunately have had to follow suit. We have done our best to restrain costs to reduce the pressure on rates and, in 2016, to price support for out-of-hours working in order to make sure that the right incentives are in place to protect professionals doing this vital work. Unfortunately, those pressures will remain for some years to come.

However, we will not throw our hands up in this complex environment. It puts the organisation on its mettle to perform

and generates fascinating challenges which we are keen to tackle. Let me tell you about some of what has happened in the past 12-18 months.

First and foremost, we have stuck to the day job. Our members rely on us to deliver our services with the utmost professionalism. They rely on us to be responsive – quick, flexible and empathetic. They rely on us to provide good value. We have done all three and will continue to do so.

We continue also to achieve excellent results in both our claims and regulatory work, rebutting the often mistaken and sometimes malicious claims faced by our members. When they do make an honest mistake, we put things right as quickly as we can, with the minimum fuss and with claims on the mutual fund kept to the right amount. Everything that we do is designed to maintain and enhance that service and to make it available to more doctors and dentists. If it didn't, we wouldn't do it. End of story.

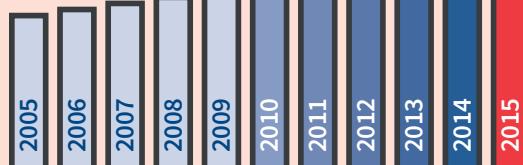
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**“We continue also to achieve excellent results in both our claims and regulatory work, rebutting the often mistaken and sometimes malicious claims faced by our members.”**

However, we are not resting on our laurels. In 2015 we upgraded to a new mobile-enabled website, for example. But that was just a staging post. We will soon launch what we expect to be sector-leading digital capability to improve the functionality and services available to current and prospective members.

We are tightening our focus on end-to-end service. We have appointed Emma Parfitt to the new post of Director of Advisory and Legal Services to ensure the smoothest possible integration between the work of our medico-legal advisers and our growing team of specialist in-house lawyers. Whilst retaining the distinct contribution of both groups – and, for the lawyers, their expertise in jurisdictions north and south of the

**Total active membership**  
has increased by  
**11 per cent**  
to **36,378 in 2015**



**mddus.com**  
upgraded to a  
mobile-enabled  
website

border – this will help to ensure the best possible use of resources and the most rapid spread of knowledge and best practice.

We are also boosting our ability to cope and respond to change in the NHS with the establishment of a new Development Directorate, headed by David Sturgeon, the former Director of Primary Care for NHS England in London. David is already helping the marketing and membership teams to focus on and respond to emerging new models of practice and organisation in primary care in the NHS and the different but related challenges in each of our jurisdictions.

All this springs from a thoroughgoing review of our forward strategy, which aims to spread more widely the benefits of MDDUS membership. It is supported by lean, but effective back office services, much enhanced by the appointment of Maria Charlesworth as Head of Systems and Projects. It rests on strong in-house analytic services, with both our underwriting and actuarial capability significantly enhanced in the course of the year so that we now interrogate our data better and draw out of it more insights that enable us to 'price smarter', to benefit both individual members and the mutual fund.

We are also making more noise about what we do to support members. We are talking to governments, regulators and other bodies to challenge misconceptions about a wide range of indemnity-related healthcare issues. We are making sure that they understand that moving to insurance-based models risks leaving professionals and patients alike without the necessary protection. We welcome the recent focus by the General Medical Council (GMC) on the mental health issues faced by doctors subject to complaints and we will continue to work with them and the Royal Medical Benevolent Fund to support particularly vulnerable members. And we press regulators, politely but firmly, to make sure that apparent good intentions are turned into consistently fair and timely process when they consider any complaint about one of our members.

MDDUS is also monitoring closely the potential impact of 'Brexit'. Our members' needs do not change as a result of the referendum vote and we are still here to give you a professional, responsive and high value service. This applies just as much to those members from other EU jurisdictions as it does to those from the four countries of the UK. However, we will likely face tougher economic conditions going forward, which we will need to manage carefully alongside the continued pressure on subscriptions from growing claims numbers and regulatory activity.

Last, but not least, we continue to look to extend our services. Partly, it is simply a matter of time – our core membership and advisory services are now available 8am to 6pm, and we continue to provide a 24-hour personal service of medico-legal and dento-legal advice. But we are also looking to help our members cope with a wider range of challenges. I am delighted to report the launch of a partnership with Capsticks Solicitors, one of our main legal suppliers, to provide non-clinical legal advice to members in England, Wales and the Channel Islands. We will launch a similar service in Northern Ireland shortly. This innovation builds on our very successful UK-wide employment law service that has been in place for a number of years. We know that members face challenges as owners, managers and administrators of their business and we want to help them get that right, as well as contributing to a safe and successful professional practice. Our toolkit to help members prepare for Care Quality Commission (CQC) inspections is a great example. And there will be more.

In short, the challenges are great. We do not face them in the spirit of Pollyanna or Mr Micawber. But we also know that we have exciting opportunities to continue to serve our members in a genuinely responsive and innovative way. Building from the great work of my predecessor, Professor Gordon Dickson, we have seen much progress in 2015. I look forward to the development and implementation of more of our plans in the coming 12 months. ●



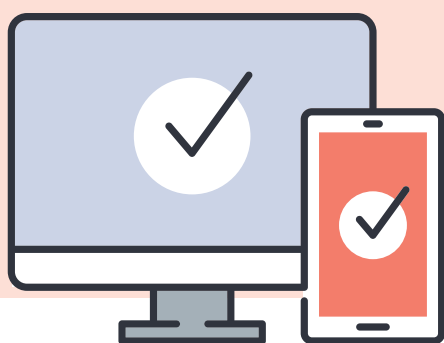
## Meet...

### Alison MacLeod

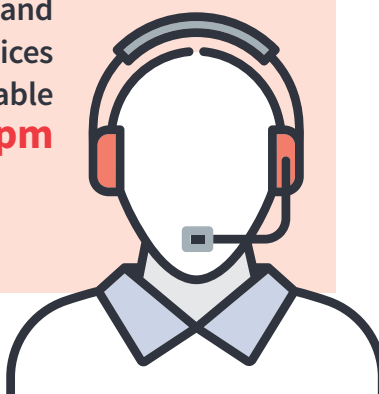
Executive PA to the  
Chief Executive

In the six years since Alison joined MDDUS, she has worked her way up from an office support assistant to Executive PA to CEO Chris Kenny, where she helps to keep his busy office running smoothly. She organises administrative support for both Chris and MDDUS Board Chairman Dr Brendan Sweeney: managing diaries and scheduling meetings, coordinating work and deadlines across various departments, collating and distributing committee papers, arranging corporate events and ensuring workflow in Chris' absence. Alison came to MDDUS direct from secondary school and now has a key role at the heart of leadership operations in the executive team.

"I thoroughly enjoy the responsibility, the challenge and the variety that comes with my role. It keeps me very busy and every day I work with different people both inside and outside the company."



Membership and  
advisory services  
now available  
**8am to 6pm**





## ADVISORY AND LEGAL SERVICES

# Medical team

## Meet...

### Dr Gregory Dollman

Medical Adviser

Greg has travelled a long way to reach MDDUS, qualifying in his native South Africa in 2003 where he worked in hospitals until moving to the UK in 2006. After working in psychiatry and then elderly medicine in hospitals as far and wide as Elgin and Dumfries, he settled in London where he completed a Masters in Medical Ethics and Law. He joined MDDUS as a medical adviser in 2014. Much of his time is now spent responding to calls from members seeking advice and support on a range of medico-legal and ethical issues. He assists those who are involved in GMC proceedings, coroner's inquests and disciplinary matters, and also finds time to lead teaching sessions with trainee doctors across the country.

"No case is ever straightforward – there is always something more to it and that is what is so interesting and challenging. It is also very satisfying to be able to help a member who is going through a stressful time in their lives."



Our team of medical advisers supports doctors, their colleagues and patients by providing members with expert advice and assistance on medico-legal issues. These range widely in terms of complexity and severity, but our aim always is to give members an informed, timely and personable response from a trained adviser based in Glasgow or London.

We are pleased to report that this continued in 2015, despite our medical membership increasing by 9.6 per cent to 30,350, with a corresponding rise in demand for our services. Over the year:

- we answered 9,994 telephone calls and replied to 1,269 emails - increases of 3.5 and 10.2 per cent from 2014
- 5,332 new case files were opened relating to complaints, claims, disciplinary and regulatory matters, coroner's inquests and fatal accident inquiries – an increase of 12 per cent
- our specialist employment law advisers answered 1,222 telephone calls and opened 203 new case files – increases of 1.1 per cent and 3.1 per cent
- we attended 61 educational events, providing medico-legal updates to the profession, including at our own practice managers' conference.

These increases look set to continue through 2016 and in response we are recruiting two new medico-legal

advisers and two telephone advisers, and continuing work with colleagues by attending and speaking at healthcare professional events and developing the medico-legal advice and guidance content of our refreshed website.

The team also supports MDDUS' regular engagement with a broad range of stakeholders, including the GMC, the British Medical Association, the royal colleges, ministers and departments from across the UK and the devolved NHS. Where possible, we aim to raise and address issues that might impact on our members. In 2015, for example, Dr Anthea Martin (Joint Head of Medical Division) appeared before the Scottish Parliament's Justice Committee as it took evidence about the Apologies (Scotland) Bill, and we participated successfully in a consultation about the Inquiries into Fatal Accidents and Sudden Deaths etc. (Scotland) Bill. More recently, Dr John Holden (Joint Head of Medical Division) participated in the Royal Medical Benevolent Fund's roundtable debate about supporting doctors with stress, which was sponsored by MDDUS.

We have also been considering and taking actions to respond to the potential impact on members of the *GP Forward View* (NHS England) and the *National Clinical Strategy for Scotland* publications, and the proposed 'no blame' redress scheme for Scotland.

In 2016, we will continue our work to provide seamless medico-legal advice and assistance services to members across the UK. ●

Medical membership rose by 9.6 per cent to **30,350**



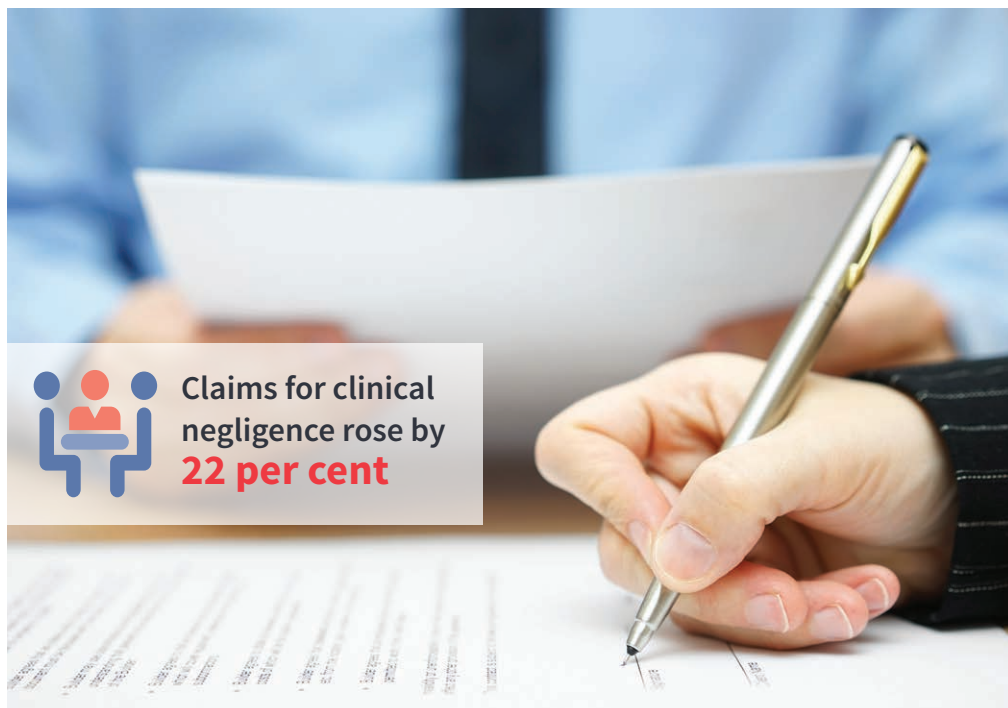
Medical advisers answered **9,994** telephone calls and replied to **1,269** emails





## ADVISORY AND LEGAL SERVICES

# Legal team



Claims for clinical negligence rose by **22 per cent**

During 2015, MDDUS continued a planned expansion to meet the anticipated increase in requests for legal advice and representation generated by the growing membership.

The increased casework has mainly involved claims for clinical negligence against medical and dental members across the UK, which rose by 22 per cent, continuing a growing trend in compensation claims/litigation. This included a 16.4 per cent rise in claims notified against GPs, a 20.6 per cent increase in claims against hospital doctors and a 45.1 per cent rise in claims notified against GPs and hospital dentists. Despite the increase in the number of claims, the trend in repudiation has remained consistent over recent years, with a significant majority being concluded successfully without any payment.

In contrast to the increase in claims notified, we have seen a levelling off in the number of members subject to investigation by their regulatory bodies – the GMC or the GDC (General Dental Council). We engage regularly with these bodies and welcome their ongoing efforts to introduce streamlined and more efficient investigatory processes. We forecast an ongoing trend for regulatory complaints to be managed in a more proportionate way and with less reliance on formal evidential hearings. We are also liaising closely with NHS England about disciplinary matters and,

whilst the number of regulatory and inquest cases continues to increase, our success rate in concluding these investigations without a referral to a regulatory practice committee remains at an exceptionally high level.

To meet the demands of increasing case activity and to ensure we continue to provide a high quality legal service to members, the team recruited two new lawyers in each of our Glasgow and London offices in 2015, increasing our cross-jurisdiction complement to over 30 lawyers. This is an ongoing process, with the creation this year of training posts for English legal graduates and plans to recruit a further two lawyers.

Claims continue to be managed by the team in accordance with an agreed philosophy and case management protocols, with claims handling reviewed through analysis of key performance indicators and

regular audits. Working procedures remain subject to review to ensure that the team is best placed to meet developments in law and procedure across the UK, such as the inception of an All-Scotland Sheriff Personal Injury Court in Edinburgh, the planned introduction of pre-action protocols in Scotland, and the consideration in England and Wales of the introduction of cost-capping to address disproportionate cost recovery. ●

Over **30**  
in-house lawyers  
now working  
in London and  
Glasgow



## Meet...

### Joanna Jervis

Solicitor

Dealing with a busy caseload of clinical negligence claims and regulatory work before the GMC and GDC, Joanna assists members with a broad range of issues as part of our Scottish in-house legal team. Whether it's allegations of clinical negligence, issues related to a clinician's health or other elements of their practice, her role is to offer advice and support through what can be a very daunting time. Joanna graduated with an honours degree in law from the University of Glasgow in 2004, then qualified as a solicitor in Scots law in 2007 following a traineeship with Shepherd & Wedderburn. She joined MDDUS in October 2011, putting to good use her knowledge and experience of professional indemnity insurance litigation.

"For our members, facing any form of accusation about their professional practice can be very difficult and I enjoy being able to formulate a strategy with them and reassure them that we will get through it together."

# Dental team

## Meet...

### Fiona Mackie

Advisory Services Supervisor

The busy advisory and legal services department needs a lot of day-to-day support. It is Fiona's role to plan and organise that support in our Glasgow office: monitoring staffing levels for the secretarial teams, planning medical advisory staff phone rotas and coordinating meeting schedules. She also arranges for visits from expert speakers as part of the in-house continuing professional development programme, handles external speaker requests for MDDUS' medical team and monitors service standards. She graduated with a science degree from the University of Glasgow before moving into business information management. She joined MDDUS in a temporary role following a stint at the British Library in London, but has since notched up almost 30 years' dedicated service.

"I enjoy the challenges and variety of the role, and the fact that you never know quite what each day will bring."



MDDUS continued to provide specialist advice and assistance to dental members in 2015. In a year when the active dental membership increased by 12.4 per cent to 5,057, there was a further significant increase in the workload of the team. Requests for advice by telephone call and email increased respectively by 25.2 per cent and 11.3 per cent, claims intimated increased by 45.3 per cent and complaints against members increased by 12.9 per cent. However, GDC cases intimated to the MDDUS decreased by 9.4 per cent.

In addition, dental advisers supported other MDDUS colleagues at events for the profession and by drafting articles for publication to the membership. We continued to provide a two-day bespoke training event to final year dental and hygienist/therapy students at the University of Dundee, we supported postgraduate teaching in law and ethics at the University of Bedfordshire and our advisers provided extensive postgraduate dental education throughout the UK. We also supported the NHS Education for Scotland Training Revision and Mentoring Support (TRaMS) programme at Broxden Dental Centre, which aims to provide a robust, quality-assured educational support programme for dentists. In addition, MDDUS spoke at the Scottish Dental Show and was the principal sponsor of the BDA Scottish Scientific Conference. We are pleased that these activities continued into 2016.

MDDUS engages regularly with the GDC, and we look forward to working with its new case examiners, who

should help to reduce costs and expedite outcomes to the benefit of the mutual fund and our members. In addition, Doug Hamilton (dental adviser) continues to represent the three dental defence organisations at

**"MDDUS engages regularly with the GDC, and we look forward to working with its new case examiners, who should help to reduce costs and expedite outcomes."**

various stakeholder meetings, led by the Chief Dental Officer for Scotland, about the Scottish Disciplinary Regulations and 'practitioners with performance issues'.

In support of the increased workload of the team, we were pleased to welcome George Taylor as a new dental adviser. George's additional skills as a former dental practice adviser, audit facilitator and practice inspector will help to enhance the knowledge of the team. His recruitment and the other initiatives mentioned in this report keep MDDUS well positioned to meet the demands

of our dental members into 2016, when we will also introduce an enhanced employment law service for employing Scottish dentists and appoint an early practitioner adviser to engage and assist recent graduates. ●



**Dental membership increased by 12.4 per cent to 5,057**

**GDC cases intimated to the MDDUS decreased by 9.4 per cent**



**Requests for advice by telephone increased by 25.2 per cent**

# Development

**M**DDUS offered a range of attractive products, services and competitive subscription rates in 2015, resulting in a further year-on-year growth in members. Total active membership rose to 36,378 in 2015, representing an increase of 11 per cent. Overall GP membership rose by 8 per cent, with those practising outside Scotland representing 70 per cent of the total. Dental membership rose by 12 per cent, with membership outside of Scotland now representing 54 per cent of the total. We continue to attract UK hospital doctors, emphasising the importance members attach to having access to expert medico-legal advice and assistance, with numbers increasing by over 11 per cent. This growth has continued in 2016 with total active membership at 30 June standing at over 37,700.

**“We continue to attract UK hospital doctors, emphasising the importance members attach to having access to expert medico-legal advice and assistance.”**

This expansion has been overseen by Gaelle Ainslie (Head of Marketing and External Relations) and her team, which has represented MDDUS at events throughout the UK, generating a range of opportunities to speak with current and prospective members. In addition, we were able to showcase MDDUS as the principal sponsor of the BMJ Awards and the RCGP Annual National Conference, where Dr John Holden (Joint Head of Medical Services) chaired two sessions and risk adviser Alan Frame led a workshop about avoiding harm in primary care. We are pleased to be principal sponsor of both of these events in 2016. Our

wide range of informative and interesting magazines – available both online and in print – provide a valuable risk management resource for members and are complemented by the excellent suite of online learning materials produced by our risk advisory service (see page 12).

In 2015, Stephen Kelly (Head of Membership) and his team dealt with over 45,000 telephone calls and 29,000 emails, increases respectively of 21 per cent and 43 per cent over 2014. Partly in response to the increased volume of membership queries, we will be launching enhanced functionality on our website, including the capability for members to review and update their membership details online.

The three-year strategy for 2016-18 sets goals of further growth in all areas of membership, and to support the achievement of these targets we appointed David Sturgeon as Director of Development in January 2016. David's experience and knowledge of primary care in London will help us to develop a range of products that meet the changing needs of the market, as new models of care and future organisational forms evolve across the UK. Early work has been centred on forming partnerships with organisations that can enhance the benefits of membership of MDDUS. ●



## Meet...

### Dermot Grenham

Company Actuary

Trying to work out what's going to happen in the future is just one of the many skills Dermot needs in his busy role. He came to MDDUS in January 2015 to bring in-house some key elements of our actuarial work. To ensure the financial security of the mutual fund, he projects forward the amount of money we will need to cover future claim payments and associated costs, making use of the many years' worth of data that we have accumulated. He must also take account of trends and future developments that may affect the results of his calculations and review subscription rates in the light of the emerging experience. Dermot qualified as an actuary in 1993 and is a Fellow of the Institute and Faculty of Actuaries.

“It's a very challenging and interesting job. It isn't just about managing numbers, but finding out what they tell us about our business – the more we understand, the more accurate our subscription setting can be.”



Over **45,000** calls and 29,000 emails to membership team

**Active membership**  
rose by 11 per cent



# Risk management

## Meet...

### Alex Lyons

Senior Information  
Governance Adviser

As data protection legislation becomes increasingly demanding, Alex was brought in to review and enhance MDDUS' information governance policy framework. He oversees the flow of information around the business to ensure it is available when and where needed, and in a way that complies with the law. As data protection officer, he responds to subject access requests and supports our members with advice about freedom of information requests, assists the advisory teams with data protection queries and ensures staff are up-to-date with best practice. Alex began his career in the police but soon developed an interest in computing and data protection, completing a degree in business information management and an ISEB in Data Protection. He joined MDDUS in October 2015 having held a number of privacy, IT and teaching roles in both the public and private sector.

"This is a new dawn for data protection regulations so it's more important than ever that people are aware of how their information is to be stored, shared and communicated."



The risk advisory service focuses on identifying key trends in medico- and dento-legal risk from MDDUS case data and using this specialist knowledge to generate practical advice and learning tools for our members. By doing this, we aim to support and improve patient safety.

The team has carried out extensive analysis of our case files to understand better where risks most commonly occur, and has produced a comprehensive range of online advice articles, CPD-verified learning modules and other practical tools for members. In response to popular demand, we released a third episode in our risk drama series, *Bleak Practice*, focused on prescribing risks in general practice, which was accompanied by a guide to help practices focus on these risks during protected learning time. GPs and practice managers can now easily review key risk areas using our new online GP risk toolbox, which pulls together key guidance for practices that want to learn more about, and mitigate risks associated with, patient complaints, confidentiality, results handling, prescribing and record keeping. A CQC toolbox for GPs is also available on our website, which aims to help practices to develop robust risk management knowledge and assessment tools across the key lines of enquiry followed by CQC inspectors.

Our interactive webinars provide a source of CPD for all members, covering topics including results risks, confidentiality, data subject access requests and information sharing agreements. For our dental members, we released a CPD-verifiable e-learning module about handling dental complaints, and an NHS

Education for Scotland-accredited dental risk training day has become a popular addition to our face-to-face learning programmes.

In addition to online resources, our five-day leadership and management programme for doctors, Leading through Uncertainty, was again over-subscribed. In November, 180 practice managers from across the UK attended our two-day practice managers' conference in St Andrews, which aims to equip participants with tools to reduce risk in their practices. The conference is planned again for 2017.

In 2016, our priorities are to explore how we can engage with members to influence risk reduction in practice and enhance the delivery of our extensive resources via our refreshed website. Our range of webinar topics will be increased to include consideration of risk in repeat prescribing, along with a new series examining aspects of the complaints handling process. We will also develop more online CPD resources for GPs and hospital doctors, for example the RCGP-accredited handling GP complaints module which was launched in June 2016. ●



2015 saw the release of the third episode of our educational risk drama, ***Bleak Practice***



# Finance Director



**Colin J Slevin**

Finance Director

16 August 2016

When MDDUS is called upon to exercise its discretion and to provide the appropriate assistance to members, it is imperative that we are able to give such support. The Board believes that our continuing healthy financial position provides the reassurance to members that MDDUS is able to offer that support.

## Financial overview

I am pleased to report that, building on the very strong performance in the previous year, the financial results for 2015 show a further consolidation of MDDUS' financial position. The consolidated statement of income and retained earnings details a surplus for the year on ordinary activities after taxation of £48.3m (2014: £20.2m). This represents an increase in the amount available to transfer to reserves this year, further strengthening the overall financial position. The major contributing factors to this increase in the surplus in the year were an increase in subscription income and a lower claims charge than the previous year.

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**“It is a continuing challenge to set subscription rates that are fair to members whilst at the same time ensuring that members have the necessary financial reassurance from MDDUS of its ability to meet the costs of claims and non-claims in the future.”**

At 31 December 2015, the balance sheet indicates that the total net assets of MDDUS increased by 13.7 per cent in the year to £400.7m (2014: £352.4m). Total assets before the provision for reported liabilities and charges increased by 9.2 per cent. Members will be aware that in addition to the claims and non-claims matters that have been reported to MDDUS at 31 December 2015 and incorporated in the financial statements, there will be claims and non-claims reported at a later date relating to incidents occurring before the year end – the so-called incurred but not reported (IBNR) liabilities.

This year's financial statements are presented using the Financial Reporting Standard 102 (FRS 102). The adoption of FRS 102 is mandatory from this year but MDDUS decided to go for early adoption last year as the standard provided a clearer view of the financial performance of the company. Two of the most significant changes for MDDUS provided for by FRS 102 relate to the value of investments and the provision for deferred tax. Under FRS 102, the increases or decreases in the fair value of investments are now fully reported in the



consolidated statement of income and retained earnings. In previous years this movement for the most part went directly to the balance sheet. The only figure that actually impacts on last year's total net assets value shown on the balance sheet is a provision for deferred tax. This was previously only reported by way of a note to the accounts.

## Financial performance

Members' subscriptions and other income rose by 16.4 per cent in the year to £82.3m (2014: £70.7m). The membership subscription income element amounted to a 15 per cent increase on the previous year, with the balance being an increase in the level of rental income from our investment properties in London. The increased subscription income was primarily a result of the recruitment of new members rather than as a result of the increase in subscriptions rates.

As in previous years it is important to stress that membership rates are set taking full account of actuarial advice, and the target is to collect sufficient funds to cover all payments that may become due in respect of claims and non-claims matters, as well as ensuring that general administration costs are met. Such claims and non-claims may of course take many years to be reported and to develop into matters necessary for MDDUS to deal with. It is a continuing challenge to set subscription rates that are fair to members whilst at the same time ensuring that members have the necessary financial reassurance from MDDUS of its ability to meet the costs of claims and non-claims in the future.

Claims costs and associated legal costs represent the largest expense item in the consolidated statement of income and retained earnings and it is pleasing to report that this year's total cost of £35.7m (2014: £52.2m) was significantly less than the previous year. Time will confirm the significance of this downward movement but it is encouraging. The figure of £35.7m not only relates to payments made in the year but the necessary adjustment in values of existing and newly reported claims at the year end. Over recent years I have cautioned that there is a considerable degree of uncertainty in the future value of such costs and this continues to be the case. However, the skilled management of existing cases by our legal and advisory teams means that the majority are either repudiated with no compensation costs or successfully defended in court, or settled out of court for far less than expected.

### Investments

The nature of indemnity is that it can be many years between the date that a member pays their subscription and when that money is used to pay for a claim or a non-claim matter such as representation at the GMC or GDC. During this period MDDUS has the opportunity to invest that money in order to manage the level that rates must be set at, as well as to ensure that the money is available to make payments when required.

Our current investment strategy is to select a cautious investment portfolio with a spread of asset classes in the expectation that over the long term (which is our timescale for investment) the portfolio will ride out the vagaries of the market. The year 2015 saw the purchase of a third property in central London to provide additional diversification to the investment portfolio, and a fourth property was purchased in early 2016. All these office buildings have high-profile blue chip tenants. In addition to the rents derived from the properties in 2015, there was an increase in the fair value of these properties by £13.7m.

At 31 December 2015, MDDUS had more than half of its investments held in cash, gilts, bonds and property investments with the balance in equities (see Fig. 1).

The aim of the portfolio is to ensure that there are sufficient funds for MDDUS to meet its liabilities when they fall due but also to support the subscription rate setting process. This means that members can benefit from lower rates than might otherwise have had to be set. In 2015, MDDUS had a total return on its managed non-property investments net of management fees of 2.5 per cent (2014: 5.9 per cent).



**Advisory and non-claims legal costs rose by 37.2 per cent**

### Advisory and non-claims legal costs

Advisory and non-claims legal costs apply to those matters with which members seek assistance that are not claims. These include regulatory matters such as those involving the GMC or GDC, as well as other general matters relating to a member's professional clinical practice such as coroner's inquests or fatal accident inquiries. These costs have increased in the year by 37.2 per cent to £11.8m (2014: £8.6m), which reflects the increase in requests for assistance in these areas. This figure represents not just payments made in the year but also the adjustment needed to increase the provision in the balance sheet for events that have been reported to MDDUS at 31 December 2015 but which will be paid at some time in the future.

### Administration costs

Administration costs are those overhead costs incurred in running MDDUS that are not related to claims or non-claims. The cost this year of £9.6m (2014: £8.9m) represents an increase in the year of 7.9 per cent. This reflects necessary growth within MDDUS to deal with the increased number of members.

Fig. 1 MDDUS investments and provisions for claims and non-claims

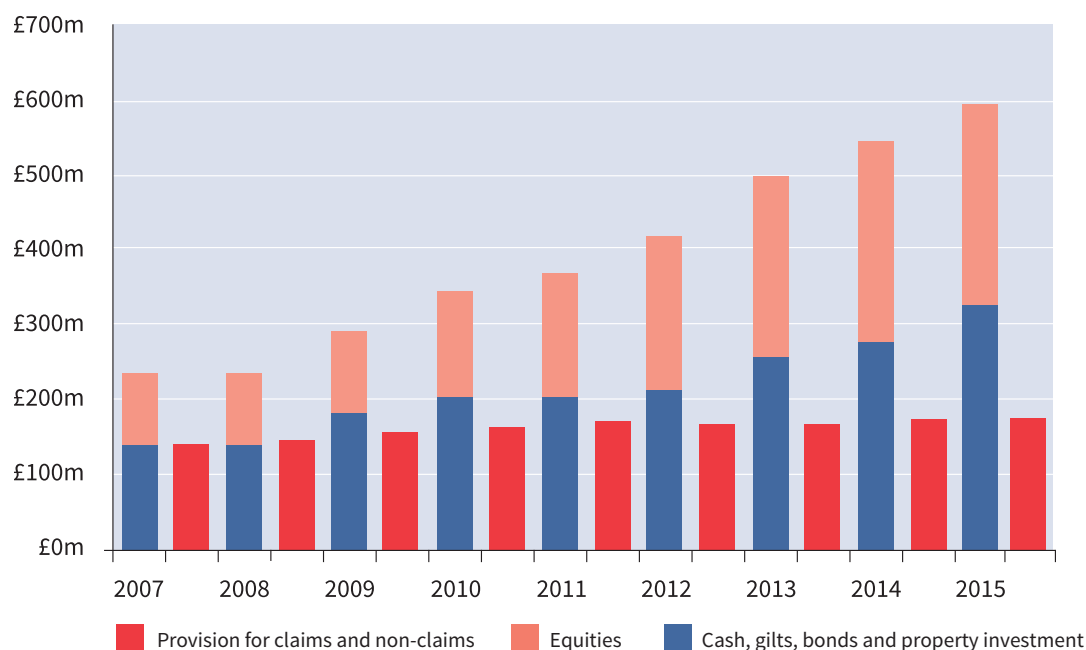
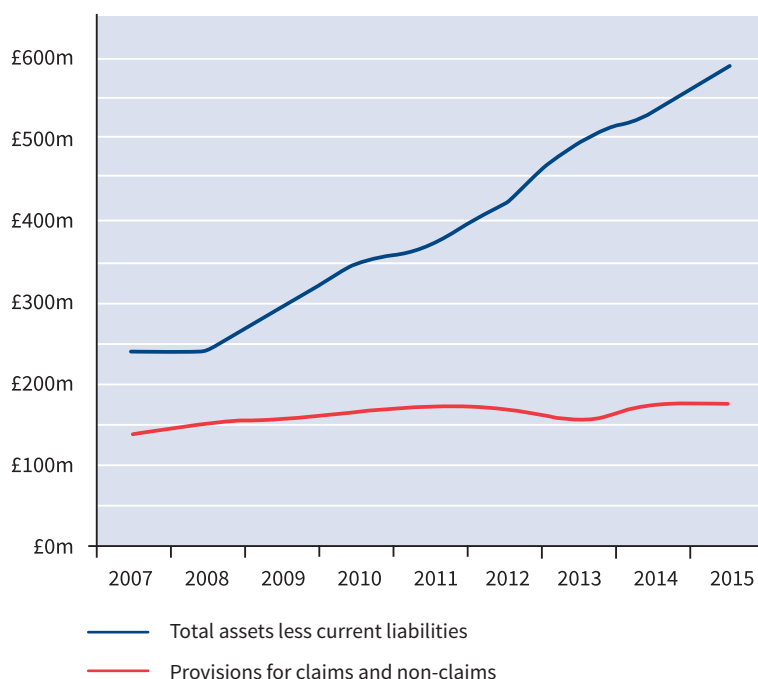


Fig. 2 Provision for claims and non-claims as seen against total assets less current liabilities



**“The Board believes that the financial results for 2015 provide continuing reassurance to members that the sound financial position achieved by MDDUS in recent years has been further consolidated.”**

#### *Provision for liabilities and charges*

MDDUS continues to believe that discretionary occurrence-based cover offers the most effective and reliable basis of protection for the medical and dental professions. Given that this cover will protect members for many years into the future for events occurring during the period of membership, the MDDUS balance sheet must have sufficient assets in order to make payments in the future for claims and non-claims matters reported at 31 December 2015. In determining the value of reported claims and non-claims, the Board relies upon the services of the in-house actuarial function as well as additional support from a firm of actuaries, highly experienced in medical and dental indemnity. The provision for liabilities and charges relating to all claims and non-claims matters notified to MDDUS at 31 December 2015 increased this year by less than 1 per cent to £173.4m (2014: £172.6m). Figure 2 details the reported provision for claims and non-claims and total assets less current liabilities. This indicates the level of assets available to meet the reported liabilities and is a good indication of the ability of MDDUS to provide financial security to its members.

In addition to those adverse events reported at the end of the accounting year in the balance sheet, MDDUS must also be aware of the potential costs of those events that occurred before the end of December 2015 but have not yet been reported. These are the IBNR claims and non-claims which at some point in the future will be brought to the attention of MDDUS. Although MDDUS has not yet exercised its discretion over these matters by the year end (as they have by their nature not been reported), the actuaries have estimated the value of these IBNR claims and non-claims. I can advise that the latest actuarial report confirms that MDDUS has sufficient funds to meet the IBNR liabilities in respect of which we may exercise our discretion in the future.

Therefore for both reported and IBNR claims and non-claims, the Board is confident that MDDUS continues to have sufficient assets to meet these liabilities when they fall due and that the capital adequacy levels it has set to manage the business remain adequate.

#### **Summary**

In the last few years there has been significant volatility in the world's financial markets, and against that backdrop we have seen increasing financial pressures on the medical and dental indemnity market, as well as significant uncertainty. However, the Board believes that the financial results for 2015 provide continuing reassurance to members that the sound financial position achieved by MDDUS in recent years has been further consolidated. ●



# Directors' report

## The Board

In 2015, the Board consisted of 19 directors, comprising 17 non-executive directors and two executive directors: the Chief Executive and the Finance Director. Following the appointment of Margaret McPhail in March 2015, the number of non-clinical 'external' non-executive directors increased to four, bringing experience from the fields of risk management, business development and financial services, and the actuarial and legal professions. Any member of MDDUS can stand for election to the Board. Since the AGM in 2005, non-executive directors can generally serve not more than 12 years in office, with no individual term extending to more than four years. All non-executive directors who are members of MDDUS must pay the appropriate membership subscription. Some also receive payments for expert fees at the standard rate, but in 2015 no such fees were paid (2014: £0).

Since 31 December 2015, one non-executive director stood down from the Board and two were appointed, bringing experience from the fields of dentistry, academia and public health policy. These new directors will be put forward for appointment by the members at the AGM on 9 September. In addition to agreeing pre-AGM appointments of non-executive directors, the Board also appoints directors to the positions of Chairman, Vice-Chairman and Senior Independent Director. The roles of Chairman and Chief Executive are separate and their profiles, which were recently reviewed and updated, distinguish clearly between leading the Board and executive responsibility for the running of the business. The Chairman has no external commitments that might detract from his ability to discharge the duties of Chairman.

There were six meetings of the Board in 2015 with an average attendance rate of 91 per cent. The attendance rates of individual directors are detailed in Table 1.

Following work that commenced in 2015, the Board now has terms of reference and there is an updated schedule of matters reserved to the Board, which includes the approval of the strategy, substantive changes to the services provided to members and the Annual Report and Accounts.

Table 1 Directors who served in 2015

Director	Number of Board meetings attended*
Anderson, I W R	4 (6)
Angiolini, E	5 (6)
Berry, J P	6 (6)
Black, J	5 (6)
Chambers, W A	5 (6)
Chapman, J M	6 (6)
Critchley, H O D	5 (6)
Donald, R	5 (6)
Fleming, A	6 (6)
Garner, J A M	6 (6)
Gill, A	5 (6)
Kenny, C	6 (6)
McDonald, P	6 (6)
McPhail, M	6 (6)
Needham, G	6 (6)
Pearson, D	5 (6)
Semple, L	5 (6)
Slevin, C J	6 (6)
Sweeney, B	6 (6)

\* The number of meetings the director was eligible to attend is in brackets. See page 37 for a current list of directors.

## Board committees

There are four committees supporting the work of the Board: Audit and Risk, Investment, Governance and Nominations, and Remuneration. All non-executive directors serve on at least one committee, but members of the Investment Committee are prohibited from serving also on the Audit and Risk Committee. These four committees are chaired by the Chairman (Governance and Nominations), the Vice-Chairman (Investment and Remuneration) and the Senior Independent Director (Audit and Risk).

Each committee has a clearly defined remit and recently reviewed terms of reference.

The work of the **Audit and Risk Committee** is described later in this report (see pages 18-19). There were three meetings of the Committee in 2015 with an average attendance rate of 89 per cent.

The **Governance and Nominations Committee** is charged with, amongst other things, leading an open and transparent process to identify and nominate candidates to fill vacancies on the Board. When nominating suitable candidates, the Committee takes into account the structure, size and composition of the Board. There is a recently revised role profile for non-executive directors (and each of the Board's office holders) and an induction programme for new directors. The Committee is also responsible for determining, and reviewing the outcomes of, the processes to evaluate in consecutive years the performance of the Board and individual directors. There were two meetings of the Committee in 2015 with an average attendance rate of 100 per cent.

The **Investment Committee** is charged with, amongst other things, recommending to the Board the MDDUS Investment and Asset Allocation Strategy and overseeing the performance of the investment managers. There were four meetings of the Committee in 2015 with an average attendance rate of 90 per cent.

The **Remuneration Committee** is charged with, amongst other things, determining and keeping under review the remuneration and terms and conditions of service of directors and certain senior staff, having regard to external benchmarking by expert external companies. There were two meetings of the Committee in 2015 with an average attendance rate of 100 per cent.

## Subsidiary boards

In addition to the Board and its committees, there are boards for each of the Group's three subsidiary companies.

The Board of **MDDUS Insurance Limited** manages MDDUS' captive insurance company in Guernsey. It



is constituted according to the relevant provisions of Guernsey legislation and, therefore, includes directors resident on the island and from the main MDDUS Board. There was one meeting of the Board in 2015.

The Board of **MDDUS Property Limited** oversees the performance and management of MDDUS' investment property portfolio. There were three meetings of the Board in 2015.

The Board of **MDDUS Education Limited** oversees the financial impact of a small number of revenue raising activities in the educational area. The Board did not meet in 2015.

The reports of these boards are incorporated in this Annual Report.

## Corporate governance

Companies listed on the main market of the London Stock Exchange are required to describe in their annual report and accounts how they comply with the 'good practice' principles outlined in the UK Corporate Governance Code (the Code) or to explain any significant variances.

MDDUS is not a listed company, but it aims to comply with the principles of the Code that are relevant to a mutual organisation. Our corporate governance arrangements were reviewed and updated during 2015/16 and more detailed reporting of our compliance with the Code is planned for 2016/17.

## Risk and controls

The Board is responsible for the effectiveness of the processes and systems employed in the management of risk and the exercising of internal controls. Management is responsible for the identification, assessment, management and monitoring of risk and for developing, operating and monitoring the system of internal control.

The main risks facing MDDUS are:

- **Market risk.** This is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the

volatility of market prices of any or all of MDDUS' assets, liabilities and financial instruments. To mitigate this risk, our investment policy takes into account our business, solvency position, long-term risk versus performance, and underlying exposure. MDDUS has clear investment guidelines in place and the Investment Committee receives regular updates from investment managers and a separate independent assessment of the performance of those managers.

- **Underwriting risk.** This is the risk of loss due to inadequate pricing or reserving assumptions or poor screening decisions at entry stage. MDDUS mitigates this risk by having suitable underwriting and reserving processes and procedures to ensure that statistical and accounting data are accurate and reliable. MDDUS obtains detailed actuarial advice with all costs identified and incorporated into its pricing model. We treat all actual and potential members and prospective members on a consistent basis, balancing the interests of the membership as a whole with the interests of individual members, so as to ensure best value for the mutual fund.

- **Operational risk.** This is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. To mitigate this risk, MDDUS has implemented an effective process to identify, document and monitor exposure to operational risk and to track relevant operational risk data.

A risk register is maintained that includes a description of key strategic risks together with an assessment of their likelihood and impact on MDDUS. The register also includes the management actions taken and an indication of their efficacy. This was reviewed once by the Audit and Risk Committee in 2015, which then recommended changes to the Board. From 2016, the Audit and Risk Committee will review the register biannually.

The Audit and Risk Committee is also charged with reviewing the internal financial controls of MDDUS and reporting to the Board. The system of control stems from the clear definition of powers reserved to the Board, its committees and the senior executive. There is regular reporting of financial information

at all levels within the organisational structure. This includes the production of actual departmental monthly spend against budgeted spend, monthly management accounts and listings of all payments made including settlements and legal expenses. The Board also receives reports on all core claims and non-claims activity.

The Group's investment managers operate on a discretionary basis, but acting in accordance with clear investment guidelines. Compliance with these guidelines is monitored regularly by a firm of external investment risk consultants. This work and the tracking of performance against relevant benchmarks allows the Investment Committee to assess the risks involved in the separate classes of investment.

To support financial accountability, a fully integrated system of departmental budgeting is in place. This is aimed at ensuring compliance with agreed budgets and with strategic and departmental plans.

## Going concern

The financial statements are prepared on the going concern basis. In adopting the going concern basis, the directors consider that the Group has sufficient assets to continue in operation for the foreseeable future.

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and MDDUS 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 and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

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

The directors are responsible for the preparation of the other information contained in the Annual Report, including the Strategic report and the Directors' report. Financial statements are published on MDDUS' 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 MDDUS' website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

#### Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which MDDUS' auditors are unaware, and each director has taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Auditors

The retiring auditors, BDO LLP, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

**Chris Kenny**

**Chief Executive and Secretary**

16 August 2016

#### Audit and Risk Committee report

The Audit and Risk Committee (formerly the Audit Committee) assists the Board in discharging its responsibilities for financial reporting, internal control, relationship with the external auditors and risk management.

The Board believes the Committee's members have the necessary range of financial, risk, control and commercial expertise to provide effective challenge to management. In addition, Jim Black, a qualified actuary with recent and relevant financial experience, was recently appointed a non-executive director member of the Committee. In May 2016, Margaret McPhail was appointed Vice-Chairman, as part of a Board and Committee succession planning process.

The Committee's major responsibilities during the year were:

- reviewing the final financial statements for 2015 and recommending their approval to the Board
- recommending the re-appointment of BDO LLP as the external auditors, agreeing the scope of their work and their remuneration
- reviewing the effectiveness and independence of the external auditors
- considering the appropriateness of non-audit work carried out by the external auditors
- reviewing the effectiveness of internal controls
- agreeing the programme of internal audit work, reviewing the results, agreeing actions needed and ensuring the actions were completed
- reviewing the effectiveness of the internal auditors
- reviewing the development of the internal compliance function

- consideration and approval of risk management processes, including the risk register.

The Committee also monitored the directors' register of interests and reviewed MDDUS' 'whistleblowing' policy. Following a review of MDDUS' corporate governance arrangements, the re-named Audit and Risk Committee's terms of reference were updated, and these are available on our website. The Committee's annual business cycle will be slightly modified as from 2017.

A verbal update on matters of note is given to the Board immediately following each Committee meeting and the agreed minutes are also formally received by the Board.

#### External audit

The lead partner from BDO LLP attended the Committee for all three meetings during 2015, and the new lead engagement partner met the non-executive committee members privately before presenting the audit results for the year ended 31 December 2015. The key accounting and audit risks remain similar to previous years and we were able to satisfy ourselves that they had been carefully and adequately addressed. With the development of our in-house actuarial function, particular attention was made to accounting estimates and provision for future liabilities. The independence of BDO LLP was discussed fully.

The Group financial statements for the year ended 31 December 2015 were recommended by the Committee to the Board in June 2016. The Committee also recommends to the AGM, via the Board, the re-appointment of BDO LLP as external auditors for the coming year. (The Committee agreed previously, when reviewing the Group's accounting policies, to recommend to the Board the early adoption of FRS 102, effective from the year ended 31 December 2014.)

Non-audit work carried out by BDO LLP was fully reported, discussed and agreed to be appropriately independent and proportionate. Particular attention was paid to work involved in compiling a capital allowances report in connection with MDDUS Property Limited and corporation tax

compliance. It was noted that this work was carried out by separate teams of tax specialists and provides technical advice to management only. More information is provided at Note 3 of the Accounts.

On the basis of our customised annual evaluation process, the Committee remains satisfied that BDO LLP has continued to provide the necessary degree of objectivity and scrutiny on behalf of members.

#### Internal audit

Deloitte LLP continued to provide an internal audit service during 2015 and, building on this relationship, MDDUS strengthened its internal compliance function and the Committee approved a programme of specific risk-based projects, ensuring balanced coverage across the organisation.

The Committee received regular updates from compliance studies, reviewed project outcomes, discussed potential actions required with executive directors and monitored implementation reports of agreed actions.

The Committee's annual evaluation process confirmed that Deloitte LLP has provided the level of service we require and value for money for our members.

#### Risk register

Effective and pre-emptive risk management, over both the short and the long-term, is essential to the continued success of MDDUS.

The framework and processes used to manage, assess and address risk for MDDUS are constantly updated and remain a top priority. The formal risk register was fully discussed by the Committee before being recommended to the Board and is now reviewed biannually, rather than annually, with key risks coming under more frequent scrutiny.

**Dr Judith M Chapman**  
Chairman, Audit and Risk Committee  
Senior Independent Director

16 August 2016

# Independent auditor's report

## Independent auditor's report to the members of the Medical and Dental Defence Union of Scotland

We have audited the financial statements of The Medical and Dental Defence Union of Scotland for the year ended 31 December 2015 which comprise the consolidated statement of income and retained earnings, the consolidated and company balance sheets, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

### Respective responsibilities of directors and auditors

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2015 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Martin Gill (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Glasgow, United Kingdom

16 August 2016

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



## FINANCIAL STATEMENTS FOR 2015

# Consolidated statement of income and retained earnings

For the year ended 31 December 2015

	Notes	2015	2014
		£'000	£'000
<b>Income</b>			
Members' subscriptions and other income	1[c]	82,326	70,723
<b>Expenditure</b>			
Claims costs and associated legal costs		35,749	52,187
Advisory and non-claims legal costs		11,753	8,635
Administration costs		9,561	8,858
		57,063	69,680
<b>Surplus of income over expenditure</b>	3	25,263	1,043
Realised gains/(losses) on disposal of fixed assets		618	(134)
Changes in fair value of investments		17,478	15,229
Investment income	1[g]&6	8,837	9,055
<b>Surplus on ordinary activities before taxation</b>		52,196	25,193
<b>Taxation</b>	1[i]&7	3,868	5,039
<b>Net and total comprehensive income available for transfer to reserves</b>		48,328	20,154
Accumulated fund brought forward		352,358	332,204
<b>Accumulated fund carried forward</b>		400,686	352,358

All amounts relate to continuing operations

# Consolidated and company balance sheets

As at 31 December 2015

Company Number SC005093

	Notes	Group 2015	Group 2014	Company 2015	Company 2014
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	8	77,816	38,966	3,557	3,620
Investments	10	493,903	506,288	534,554	521,667
		<b>571,719</b>	<b>545,254</b>	<b>538,111</b>	<b>525,287</b>
<b>Current assets</b>					
Debtors and payments in advance	11	32,033	33,630	30,032	29,536
Cash at bank, in hand and on deposit		29,248	6,025	26,272	5,225
		<b>61,281</b>	<b>39,655</b>	<b>56,304</b>	<b>34,761</b>
<b>Creditors: amounts falling due within one year</b>					
Sundry creditors and accrued charges	12	42,365	42,977	41,086	40,206
Corporation tax provision		5,139	6,019	5,187	5,936
		<b>47,504</b>	<b>48,996</b>	<b>46,273</b>	<b>46,142</b>
<b>Net current assets/(liabilities)</b>		13,777	(9,341)	10,031	(11,381)
<b>Total assets less current liabilities</b>		585,496	535,913	548,142	513,906
<b>Creditors: amounts falling due after more than one year</b>					
	13	-	960	-	960
<b>Provision for liabilities and charges</b>	14	184,810	182,595	181,818	182,465
<b>Total net assets</b>		<b>400,686</b>	<b>352,358</b>	<b>366,324</b>	<b>330,481</b>
<b>Reserves</b>					
Accumulated fund	16	400,686	352,358	366,324	330,481
		<b>400,686</b>	<b>352,358</b>	<b>366,324</b>	<b>330,481</b>

These financial statements were approved by the members of the Board on 17 June 2016.

**Brendan Sweeney**  
Chairman

**John Garner**  
Vice Chairman

The notes on pages 24 to 36 form part of these financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2015

	2015	2014
	£'000	£'000
<b>Cash flow from operating activities</b>		
<b>Surplus for the financial year</b>	<b>48,328</b>	<b>20,154</b>
Adjustments for:		
Depreciation of fixed assets	470	354
(Gains)/losses on sale of fixed assets	(618)	134
Net fair value gains recognised in the statement of income and retained earnings	(17,478)	(15,229)
Net interest receivable	(1,240)	(1,324)
Dividend income from fixed and current asset investments	(7,597)	(7,731)
Taxation expenses	3,868	5,039
Decrease/(increase) in trade and other debtors	1,597	(9,908)
(Decrease)/increase in creditors	(1,572)	9,878
Increase in provisions	842	20,750
<b>Cash from operations</b>	<b>26,600</b>	<b>22,117</b>
Taxation paid	(3,375)	(518)
<b>Net cash generated from operating activities</b>	<b>23,225</b>	<b>21,599</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	5	68
Purchases of tangible fixed assets	(25,676)	(20,812)
Purchases of intangible assets	(69,661)	(99,402)
Proceeds from sale of intangible fixed assets	86,493	61,602
Interest received	1,240	1,324
Dividends received on fixed and current asset investments	7,597	7,731
Movement on long-term deposits	(17,500)	-
<b>Net cash from investing activities</b>	<b>(17,502)</b>	<b>(49,489)</b>
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>5,723</b>	<b>(27,890)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>6,025</b>	<b>33,915</b>
<b>Cash and cash equivalents at end of year</b>	<b>11,748</b>	<b>6,025</b>
<b>Cash and cash equivalents at end of year comprise:</b>		
Cash at bank, in hand and on deposit	29,248	6,025
Long-term deposits	(17,500)	-
	<b>11,748</b>	<b>6,025</b>

# Notes to the accounts

For the year ended 31 December 2015

## 1. Accounting policies

### a) Accounting convention

MDDUS is a company incorporated in Scotland under the Companies Act. The address of the registered office is Mackintosh House, 120 Blythswood Street, Glasgow, G2 4EA and the nature of the Company's operations and its principal activity are set out in the Annual Report.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

### b) Basis of consolidation

The consolidated statement of income and retained earnings and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. No statement of income and retained earnings is presented for MDDUS as permitted by section 408 of the Companies Act 2006. The Group surplus for the year included a surplus after tax of £35.843m (2014: £20.207m) which is dealt with in the financial statements of the parent Company.

### c) Members' subscriptions and other income

Subscription income comprises amounts receivable during the year, apportioned to accounting periods on a time basis. All subscription income is generated within the UK.

Other income is derived from MDDUS Education Limited and MDDUS Property Limited. MDDUS Education Limited's income represents the invoiced sales for the year net of value added tax and trade discounts. Income is recognised in the period in which the goods or services are supplied.

MDDUS Property Limited's turnover consists of rental income net of value added tax. Income is recognised on an accruals basis in the period to which the rental relates. All income arises in the UK.

### d) Fixed assets

The fixed assets are stated at cost or revalued amount which is considered to be its fair value. Depreciation is provided on

bases which will write off the assets to an estimate of their residual value over their expected lives.

Depreciation on fixed assets has been provided as follows:

- i) Computer equipment has been depreciated on the straight line basis at the rate of 25% per annum.
- ii) Furniture, fittings, office equipment and motor vehicles have been depreciated on the reducing balance basis at the rate of 25% per annum.
- iii) Freehold property has been depreciated on the straight line basis over a period of 50 years.
- iv) The freehold element of mixed use property has been depreciated on the straight line basis over a period of 50 years.

Investment properties are revalued annually to open market value which the directors consider to be their fair value in accordance with FRS 102. No depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 2006 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is recognised in the statement of income and retained earnings.

### e) Operating leases

Rentals in respect of leasing agreements are charged to the statement of income and retained earnings on a straight line basis over the term of the lease.

### f) Provision for liabilities and charges

Full provision has been made in the financial statements for the estimated settlement and handling costs for all claims and non-claims notified to MDDUS as at 31 December 2015. The provision is the discounted value of the expected future settlement and handling costs. The provision relates to all incidents notified at 31 December 2015.

### g) Dividends and interest

Dividends are shown net of the tax credit, where applicable. Interest on investments and short-term deposits have been



shown gross. Accrued interest on short-term deposits and unfranked investment income dividends have been provided in the year. In addition only franked investment income dividends received in the year to 31 December 2015 have been included.

#### **h) Investments**

Listed investments held at 31 December 2015 are stated at the mid-market valuation on that date which the directors consider to be their fair value under FRS 102. Unlisted investments have been valued at the lower of cost or net asset value which the directors consider to be their fair value under FRS 102. Movements on revaluation are accounted for through the statement of income and retained earnings. In the Company's financial statements, investments in subsidiary undertakings are carried at the lower of cost or net asset value.

#### **i) Taxation**

Corporation tax has been provided on all investment income and capital gains and adjusted for tax deducted at source from unfranked investment income using the rate of 20% (2014: 21%). Tax credits on dividend income have not been included in the tax charge.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing differences. Deferred tax balances are not discounted.

#### **j) Pension costs**

Defined contribution pension arrangements are made for certain employees to which contributions are made by the Company. Amounts due to insurance companies in respect of these arrangements are charged to the statement of income and retained earnings in the year to which they relate. In addition, subject to certain conditions, a number of employees have had the return on the pension contributions guaranteed. The liability accruing under this arrangement is calculated annually and any shortfall or surplus arising (over and above the level of actual contributions made) is recognised as a charge or credit in the statement of income and retained earnings. The assets of pension schemes are held separately from those of the Company in independently administered funds.

#### **k) Going concern**

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### **2. Judgements in applying policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

Determining whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases: these decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.

Other key sources of estimation uncertainty:

#### **Tangible fixed assets (see Note 8)**

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually. Investment properties are professionally valued annually at market value. Market value is defined as being the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". There is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

#### **Provision for liabilities and charges (see Note 14)**

The provision for liabilities and charges represents the directors' best estimate of the timing and value of future claims settlements. The ultimate anticipated claims have been calculated by our in-house actuaries and peer reviewed by an independent firm of actuaries. Calculations include expected settlement frequency and amounts, using their extensive experience and knowledge of malpractice claims. Actual claims may differ from the pattern on which the estimate is made and the cost of settling claims may exceed that assumed.

# Notes to the accounts

For the year ended 31 December 2015 (continued)

## 3. Surplus of income over expenditure

	2015	2014
	£'000	£'000
This is stated after charging:		
Emoluments of directors (excluding benefits in kind)	1,175	1,410
Auditors' remuneration	92	61
Pension costs	1,057	1,085
Depreciation on owned assets	470	354
Leasing of property	260	156
Auditors' remuneration consists of:		
Group auditors - audit	49	39
Group auditors - taxation advisory	40	3
Group auditors - other advice	3	19
	<b>92</b>	<b>61</b>
Company only auditors' remuneration	<b>37</b>	<b>33</b>

## 4. Emoluments of directors

	2015	2014
	£'000	£'000
The detail of directors' emoluments (including executive directors) was as follows:		
Emoluments (including benefits in kind)	1,187	1,425
Pension costs	41	22
	<b>1,228</b>	<b>1,447</b>
The detail of the highest paid director's emoluments was as follows:		
Emoluments (including benefits in kind)	364	412
Pension entitlement taken as salary	72	121
Termination bonus	-	243
Pension costs	-	10
	<b>436</b>	<b>786</b>
	<b>Number</b>	<b>Number</b>
Number of directors to whom retirement benefits are accruing under money purchase pension schemes	<b>1</b>	<b>2</b>

**5. Employees' remuneration**

	2015	2014
	£'000	£'000
Salaries (including executive directors)	7,224	6,863
Social security costs	907	842
Pension costs	1,057	1,085
	<b>9,188</b>	<b>8,790</b>
Average number of employees in the year	<b>Number</b>	<b>Number</b>
Administrative	121	109
	<b>121</b>	<b>109</b>

**6. Investment income**

	2015	2014
	£'000	£'000
<b>Dividends</b>		
Franked	6,025	6,608
Unfranked	1,572	1,123
<b>Bank interest</b>	1,240	1,324
	<b>8,837</b>	<b>9,055</b>

# Notes to the accounts

For the year ended 31 December 2015 (continued)

## 7. Taxation

	2015	2014
	£'000	£'000
Corporation tax		
Corporation tax expense for the year	2,495	2,283
Foreign tax	-	4,000
<b>Total current tax</b>	<b>2,495</b>	<b>6,283</b>
Deferred tax		
Timing differences, origination and reversal	1,782	(288)
Change in tax rate	(409)	(956)
<b>Total deferred tax</b>	<b>1,373</b>	<b>(1,244)</b>
<b>Total tax charge through statement of income and retained earnings</b>	<b>3,868</b>	<b>5,039</b>

### Factors affecting the tax charge

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK. The difference is explained below.

	2015	2014
	£'000	£'000
<b>Surplus on ordinary activities before tax</b>	<b>52,196</b>	<b>25,193</b>
Surplus on ordinary activities before tax multiplied by the:		
standard rate of corporation tax in the UK of 21% (2014: 23%):	2,703	1,429
standard rate of corporation tax in the UK of 20% (2014: 21%):	7,865	3,986
Effects of:		
Surplus of income over expenditure not taxed	(5,115)	(224)
Non taxable franked investment income of Group	(1,220)	(1,420)
Unfranked and interest income of Guernsey subsidiary not taxed	(79)	(80)
Chargeable gains not recognised in current year	(1,575)	(3,273)
Deferred tax movement in year	1,373	(1,244)
Foreign tax	-	4,000
(Gain)/loss on disposal of investments & assets	(125)	1,730
Other	41	135
<b>Current tax charge through statement of income and retained earnings</b>	<b>3,868</b>	<b>5,039</b>

No net reversal of the deferred tax liability is expected to occur during the year to 31 December 2016 as a result of anticipated increases in the value of investments and investment properties during the year.

## 8. Tangible fixed assets

## Group

	Freehold property	Investment property	Furniture fittings & office equipment	Motor vehicles	Total
Cost/Valuation	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	5,350	33,222	696	420	39,688
Additions	427	24,907	328	14	25,676
Disposals	-	-	(99)	(19)	(118)
Revaluation	3,843	9,864	-	-	13,707
<b>At 31 December 2015</b>	<b>9,620</b>	<b>67,993</b>	<b>925</b>	<b>415</b>	<b>78,953</b>
<b>Depreciation</b>					
At 1 January 2015	170	-	350	202	722
Provided during year	192	-	221	57	470
On disposals	-	-	(42)	(13)	(55)
Revaluation	-	-	-	-	-
<b>At 31 December 2015</b>	<b>362</b>	<b>-</b>	<b>529</b>	<b>246</b>	<b>1,137</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>9,258</b>	<b>67,993</b>	<b>396</b>	<b>169</b>	<b>77,816</b>
<b>At 31 December 2014</b>	<b>5,180</b>	<b>33,222</b>	<b>346</b>	<b>218</b>	<b>38,966</b>



# Notes to the accounts

For the year ended 31 December 2015 (continued)

## 8. Tangible fixed assets (continued)

### Company

	Freehold property	Investment property	Furniture fittings & office equipment	Motor vehicles	Total
Cost/Valuation	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	3,183	-	696	420	4,299
Additions	-	-	328	14	342
Disposals	-	-	(99)	(19)	(118)
<b>At 31 December 2015</b>	<b>3,183</b>	<b>-</b>	<b>925</b>	<b>415</b>	<b>4,523</b>
<b>Depreciation</b>					
At 1 January 2015	127	-	350	202	679
Provided during year	64	-	221	57	342
On disposals	-	-	(42)	(13)	(55)
<b>At 31 December 2015</b>	<b>191</b>	<b>-</b>	<b>529</b>	<b>246</b>	<b>966</b>
<b>Net book value</b>					
<b>At 31 December 2015</b>	<b>2,992</b>	<b>-</b>	<b>396</b>	<b>169</b>	<b>3,557</b>
<b>At 31 December 2014</b>	<b>3,056</b>	<b>-</b>	<b>346</b>	<b>218</b>	<b>3,620</b>

### Group and Company

	Freehold property	Investment property	Furniture fittings & office equipment	Motor vehicles	Total
<b>Group</b>					
Carrying value based on historical cost	7,467	55,421	437	169	63,494
Accumulated depreciation based on historical cost	2,140	-	960	246	3,346
<b>Company</b>					
Carrying value based on historical cost	3,906	-	437	169	4,512
Accumulated depreciation based on historical cost	1,947	-	960	246	3,153

As reported in the 2011 Annual Report, MDDUS acquired the property at 167 Bath Street, which is the building adjacent to Mackintosh House. This property was refurbished during 2012 and the two buildings linked. This “new building” was valued by David Tuckett BSc MRICS of Rushtons International, an external firm of asset valuers, on an existing use value basis at 31 December 2012 at a value of £3.150m.

In addition, MDDUS Property Limited, a wholly owned subsidiary of MDDUS, in August 2012 acquired 1 Pemberton Row, London at a cost of £13.336m. At that time MDDUS already occupied the fourth floor as its London office. It now occupies the first and part of the ground floors. All other floors are leased to tenants on an open market basis. At 31 December 2015 this building was professionally valued by Daniel Watney LLP, on an open market value basis at a value of £27.7m which the directors believe to reflect its fair value at 31 December 2015. During 2015, this property underwent major refurbishment work. The value of the property has been split between Freehold and Investment Property based on the area used by the Group and the area leased to tenants.

On 22 December 2014, MDDUS Property Limited acquired another property, Bracton House, for £20.639m. At 31 December 2015 this building was professionally valued by Daniel Watney LLP on an open market value basis at a value of £25.63m which the directors believe to reflect its fair value at 31 December 2015.

On 6 February 2015, MDDUS Property Limited acquired another property, Hend House, for £22.422m. At 31 December 2015 this building was professionally valued by Daniel Watney LLP at a value of £21.1m which the directors believe to reflect its fair value at 31 December 2015.

The furniture, fittings and office equipment were revalued by Matthew Radmilo of Rushton International, an external firm of asset valuers, on a value to the business basis at 31 December 2012 at a value of £400k.

#### Capital commitments and subsequent events

Capital expenditure approved and contracted for amounted to £Nil (2014: £19.229m).

#### 9. Operating leases

MDDUS Property Limited holds investment properties which are let to third parties. These non-cancellable leases have remaining terms of between 2 and 25 years. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2015	2014
	£'000	£'000
Not later than one year	1,935	2,037
After one year but not more than five years	9,539	9,675
After five years	10,953	8,901
	<b>22,427</b>	<b>20,613</b>

# Notes to the accounts

For the year ended 31 December 2015 (continued)

## 10. Investments

	Group 2015	Group 2014	Company 2015	Company 2014
Valuation	£'000	£'000	£'000	£'000
Market value at 1 January 2015	506,288	453,362	521,667	447,144
Additions	69,661	99,403	90,392	120,379
Disposals	(85,816)	(61,706)	(81,271)	(61,082)
Changes in fair value of investments	3,770	15,229	3,766	15,226
<b>Market value at 31 December 2015</b>	<b>493,903</b>	<b>506,288</b>	<b>534,554</b>	<b>521,667</b>
Listed investments	493,903	506,288	444,360	452,469
Unlisted investments	-	-	90,194	69,198
	493,903	506,288	534,554	521,667
<b>Historical cost</b>	<b>431,420</b>	<b>436,832</b>	<b>473,597</b>	<b>452,231</b>

Unlisted investments at 31 December 2015 relate to the Company's holding of the entire issued share capital of 1,700,000 ordinary £1 shares of MDDUS Education Limited, a risk assessment and training company, incorporated in Great Britain, registered in Scotland whose registered office is Mackintosh House, 120 Blythswood Street, Glasgow, G2 4EA, the entire issued share capital of 30,000,000 ordinary £1 shares of MDDUS Insurance Limited, an insurance company incorporated and registered in Guernsey whose registered office is Maison Trinity, Trinity Square, St Peter Port, Guernsey GY1 4AT and the entire issued share capital of 60,000,000 ordinary £1 shares of MDDUS Property Limited, a property company incorporated in Great Britain, registered in Scotland whose registered office is Mackintosh House, 120 Blythswood Street, Glasgow G2 4EA.

## 11. Debtors and payments in advance

	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Trade debtors	30,696	30,503	29,114	28,933
Other debtors	972	2,917	675	392
Payments in advance	243	210	243	210
Other taxes and social security costs	122	-	-	-
Amounts owed by subsidiary undertakings	-	-	-	1
	<b>32,033</b>	<b>33,630</b>	<b>30,032</b>	<b>29,536</b>

Included in trade debtors is an amount of £Nil (2014: £825k) due after more than one year.

**12. Sundry creditors and accrued charges due within one year**

	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Deferred income	39,402	38,614	39,402	38,614
Other taxes and social security costs	289	443	294	413
Sundry creditors and accruals	2,674	3,920	1,217	1,179
Subsidiary undertakings	-	-	173	-
	<b>42,365</b>	<b>42,977</b>	<b>41,086</b>	<b>40,206</b>

**13. Creditors amount falling due after more than one year**

	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Deferred income	-	960	-	960

**14. Provision for liabilities and charges**

	Deferred taxation	Claims	Non claims	Total
Group	£'000	£'000	£'000	£'000
At 1 January 2015	10,037	154,486	18,072	182,595
Charged/(credited) to statement of income and retained earnings in year	1,373	35,749	11,753	48,875
Paid in year	-	(39,635)	(7,025)	(46,660)
<b>At 31 December 2015</b>	<b>11,410</b>	<b>150,600</b>	<b>22,800</b>	<b>184,810</b>
<b>Company</b>				
At 1 January 2015	9,907	154,486	18,072	182,465
Charged/(credited) to statement of income and retained earnings in year	(1,489)	35,749	11,753	46,013
Paid in year	-	(39,635)	(7,025)	(46,660)
<b>At 31 December 2015</b>	<b>8,418</b>	<b>150,600</b>	<b>22,800</b>	<b>181,818</b>

The provision includes the discounted value of expected settlement and handling costs for all claims and non-claims notified to MDDUS as at 31 December 2015.

# Notes to the accounts

For the year ended 31 December 2015 (continued)

## 15. Deferred taxation

Deferred taxation provided for at 20% (2014: 21%) in the financial statements is set out below:

	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Timing differences on fixed asset investments	8,417	9,907	8,418	9,907
Timing differences on property	2,993	130	-	-
<b>At 31 December 2015</b>	<b>11,410</b>	<b>10,037</b>	<b>8,418</b>	<b>9,907</b>

## 16. Reserves

	Group 2015	Group 2014	Company 2015	Company 2014
	£'000	£'000	£'000	£'000
Accumulated fund				
At 1 January 2015	352,358	332,204	330,481	310,274
Transferred from statement of income and retained earnings	48,328	20,154	35,843	20,207
<b>At 31 December 2015</b>	<b>400,686</b>	<b>352,358</b>	<b>366,324</b>	<b>330,481</b>

## 17. Reconciliation of movement in funds

	2015	2014
	£'000	£'000
Net surplus for the financial year	48,328	20,154
Other recognised gains relating to the year	-	-
Total recognised gains	48,328	20,154
Opening funds available to meet future liabilities	352,358	332,204
<b>Closing funds available to meet future liabilities</b>	<b>400,686</b>	<b>352,358</b>

### 18. Investments fair value determination

The Group and Company classifies financial instruments measured at fair value within investments using the following fair value hierarchy:

Category (a)	The quoted price for an identical asset in an active market at the reporting date.
Category (b)	When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary.
Category (c)	Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique.

The investment assets have been fair valued using the above hierarchy categories as follows:

#### Group

	Category (a)	Category (b)	Category (c)	Total
	£'000	£'000	£'000	£'000
Listed investments	493,903	-	-	493,903
<b>At 31 December 2015</b>	<b>493,903</b>	-	-	<b>493,903</b>
Listed investments	506,288	-	-	506,288
<b>At 31 December 2014</b>	<b>506,288</b>	-	-	<b>506,288</b>

#### Company

	Category (a)	Category (b)	Category (c)	Total
	£'000	£'000	£'000	£'000
Listed investments	444,360	-	-	444,360
<b>At 31 December 2015</b>	<b>444,360</b>	-	-	<b>444,360</b>
Listed investments	452,469	-	-	452,469
<b>At 31 December 2014</b>	<b>452,469</b>	-	-	<b>452,469</b>



# Notes to the accounts

For the year ended 31 December 2015 (continued)

## 19. Financial instruments

The Group's and Company's financial instruments may be analysed as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
Financial assets	£'000	£'000	£'000	£'000
Financial assets measured at fair value through surplus or deficit	493,903	506,288	444,360	452,469
Financial assets that are debt instruments measured at amortised cost	61,211	39,655	55,904	34,760
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	42,996	42,534	41,351	39,793

Financial assets measured at fair value through surplus or deficit comprise fixed asset listed investments.

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and payments in advance.

Financial liabilities measured at amortised cost comprise deferred income, sundry creditors and accruals.

Information regarding the Group's exposure to and management of risk is included in the Director's report.

## 20. Other financial commitments

### Group and Company

The following payments under non-cancellable operating leases are committed to be paid in respect of land and buildings:

	2015	2014
	£'000	£'000
Operating leases which expire:		
Not later than one year	345	164
Later than one year and not later than five years	1,381	642
Later than five years	1,582	-
<b>Total commitment</b>	<b>3,308</b>	<b>806</b>

## 21. Member's guarantee

The Medical and Dental Defence Union of Scotland is a company limited by guarantee of up to £1 per member.

## 22. Related party disclosures

The Company has taken advantage of the exemption conferred by s33.1A of FRS 102 not to disclose transactions with its wholly owned subsidiaries. The directors do not consider there to be any one single controlling party of the company. Key management personnel are considered to be the directors.

# MDDUS Board and honorary fellows

## Chairman

Brendan Sweeney<sup>2,3,4</sup>  
MBE MA MBChB DRCOG FRCGP

## Vice Chairman

John Garner<sup>2,3,4</sup>  
MBChB FRCGP FRCPEd DCH DRCOG

## Chief Executive Officer and Secretary

\*Chris Kenny  
MA FRSA  
(Appointed 5 January 2015)

## Chief Executive Officer and Secretary

\*Gordon C A Dickson<sup>2</sup>  
MLitt PhD FCII FIRM  
(Retired 4 January 2015)

## Other members of the Board

Ian W R Anderson<sup>3</sup>  
CBE FRCS (Glasg, Ed, Eng) FRCP  
(Glasg, Ed, Lond) FRCEM FIFEM Hon FACP DSc

The Right Honourable  
Dame Elish Angiolini<sup>3,4</sup>  
DBE QC

Jonathan P Berry<sup>2,3</sup>  
MB ChB MBA MA

James Black<sup>1(2016),4</sup>  
FFA

W Alastair Chambers<sup>1</sup>  
MD Med FRCA FFPMRCA

Judith M Chapman<sup>1</sup>  
MA MB BChir FRCGP DRCOG

Hilary O D Critchley<sup>1</sup>  
BSc(Hons) MBChB(Hons) MD FRCOG  
FRANZCOG FSB FMedSci FRSE

Robert Donald<sup>1,3</sup>  
BDS (Hons) DGDP (UK)

Alan J Fleming<sup>2</sup>  
ACII

Amarjit Gill<sup>2</sup>  
BDS (Lon) MFGDP  
(Retired 31 December 2015)

Jason Leitch<sup>2(2016)</sup>  
BDS DDS FDS RCS(Eng) FDSRCS(Edin)  
FDSRCPGSG(Glas) FRCS(Edin) MPH(Harvard)  
(Appointed 22 April 2016)

Peter McDonald<sup>2</sup>  
MBBS MS (Southampton) FRCS (Eng)

Margaret A McPhail<sup>1</sup>  
Dip Man MloD  
(Appointed 20 March 2015)

Gillian Needham<sup>2</sup>  
BSc(Hons) MBChB (Hons) FRCP (Edin)  
FRCS (Edin) FHEA FAcadMedEd

Donald W M Pearson<sup>2</sup>  
BSc (Hons) MBChB FRCP (Edin & Glasg)

Linsey C Semple<sup>1</sup>  
MB ChB FRCGP DRCOG

\*Colin J Slevin<sup>2</sup>  
MA (Hons) MBA CA

Nairn H F Wilson<sup>1(2016)</sup>  
CBE DSc(h.c.) PhD FDS FFGDP DRD  
(Appointed 1 June 2016)

## Honorary fellows

Alistair D Beattie  
MD FRCP (Glasg, Lond & Edin) FFPM

J Douglas Bell  
MBChB FRCP (Edin) FFOM DIH

John K Davidson  
OBE MD FRCP (Edin & Glasg)  
FRCR FACR (Hon) FRANZCR (Hon)

Gordon C A Dickson  
MLitt PhD FCII FIRM

Peter Edmond  
CBE TD MBChB FRCS (Ed & Glasg)  
FRCP (Edin)

Wallace S Foulds  
CBE MD ChM FRCS (Eng & Glasg)  
DO DSc (Hon) FRCOphth (Hon)  
FRACO (Hon) FCMSA (Hon)

Douglas G Garvie  
OBE FRCGP

James Graham  
MBChB FRCS (Ed & Glasg)

John R Griffiths  
BA (Oxon) LLB WS

Martin M Lees  
MD FRCP (Edin) FRCS (Ed) FRCOG  
(Deceased 22 June 2015)

## Key

1 Members of the Audit and Risk Committee (formerly the Audit Committee)

2 Members of the Investment Committee

3 Members of the Governance and Nominations Committee (formerly the Nominations Committee)

4 Members of the Remuneration Committee

\* Executive directors

Accurate at 1 July 2016

# Management and professional staff

## MDDUS senior management

### Chief Executive Officer and Secretary

\*Chris Kenny  
MA FRSA

### Finance Director

\*Colin J Slevin  
MA (Hons) MBA CA

### Director of Advisory and Legal Services

Emma Parfitt  
LLB (Hons) French Diploma of Law

### Director of Development

David Sturgeon

### General Counsel

Simon Dinnick  
BA (Hons)

### HR Director

Paul Gray  
BA FCIPD

## Heads

### Actuary

Dermot Grenham  
FIA DPhil MSc

### Advisory services (dental)

Aubrey Craig  
BDS FDS RCPS (Glasg) MPhil MBA

### Advisory services (medical)

John Holden  
MB BS MPhil MRCP FFFLM DCH DRCOG

Anthea Martin  
BMSc MBChB LLB MPhil MFFLM DRCOG PgCert

### Corporate governance / Deputy Company Secretary

Bryan Hislop  
LLB (Hons) ACIS

### Corporate services

Johanne Roberts  
BA (Hons)

### Finance

Rekha Bhatt  
BSc PgDipAcc FCCA PgCert

### Financial Controller

William G McMillan  
CA

### ICT

Theo Theodorou  
BSc (Hons) ONDA/ONMP PgD IT CCNA MCP  
PgCert

## Information systems

Ian Frame  
MCTS MIRM PgCert

## Marketing and external relations

Gaelle Ainslie  
BA (Hons) PgCert

## Membership services

Stephen G Kelly  
PgCert

## Programme and risk management

Peter Johnson  
BSc PgCert CQP FCQI FCMi SIRM

## Projects and systems

Maria Charlesworth  
BSc MSc

## Legal services

David Holmes  
LLB (Hons) Dip LP

## Underwriting

Chris Godeseth  
BMedSci(Hons) BM BS MRCS(Ed)

## Medical and dental advisers

Rachael Bell  
BDS MPhil MJDF RCSEng PgCert (Dental Anxiety)

Richard Brittain  
BMedSci BM BS PGDipLaw MRCP MFFLM

Gregory Dollman  
BA(Hons) Psych MBBCh DMH MRCP MA

Susan Gibson-Smith  
MBChB DRCOG MRCP MPhil

Gail Gilmartin  
MBChB MPhil

Doug Hamilton  
BDS LLM MJDF RCSEng PG Cert (Empl. Law)

Naeem Nazem  
MBChB BSc(Hons) MRCP LLB(Hons)

Caroline Osborne-White  
MA MB BChir (Cantab) MA (KCL) MRCP

J Barry Parker  
MBChB MSc MML FRCGP DRCOG DCCH

Claire Renton  
BDS FDS RCPS (Glasg) MML

George Taylor  
BDS MPH MFGDP

Desmond Watson  
MA(Oxon) LLM BM BCh FRCS(Eng) MFFLM

Mike Williams  
BDS LLM DGDP MGDS RCS (Eng) FFGDP (UK)

## Employment law advisers

Janice Sibbald  
BA (Hons) HRM MCIPD

Liz Symon  
MCIPD

## Practice advisers

Scott Obrzud  
RN (Dip) PMVTS MIHM

Helen Ormiston  
MBA PGDipBM PGCertMS

Jill Thomson  
PMVTS

## Solicitors

Lyn Beattie  
LLB Dip LP NP

Ciara Deasy  
BA (Hons) Dip Law

James Doake  
BSc (Hons) PG Dip Law

Catherine Flannery  
BSc (Hons) PG Dip Law

Sara Foster  
BA (Hons) Dip Law

Alexandra Godby  
LLB (Hons)

Joanna Jervis  
LLB (Hons) Dip LP

Lindsey M McGregor  
LLB (Hons) Dip LP NP

Nicola O'Connor  
BA (Hons) PG Dip Law

Sile O'Dowd  
BBLs (Hons) Dip Employment Law

Clare Pearce  
BA (Hons) PG Dip Law

Karen Purchase  
LLB (Hons)

Denise Ritchie  
LLB (Hons) Dip LP NP

Tristan Sayer  
LLB (Hons)

Jane Scott  
BSc LLB Dip LP NP

Susan Trigg  
BA (Joint Hons) MA PG Dip Law

Harriet Woodward  
LLB (Hons)

\* Executive directors

Accurate at 1 July 2016

# External professional advisers

**Auditors**

BDO LLP  
Chartered Accountants and Registered Auditors  
4 Atlantic Quay  
70 York Street  
Glasgow G2 8JX

**Bankers**

Bank of Scotland  
54-62 Sauchiehall Street  
Glasgow G2 3AH

**Internal auditors**

Deloitte LLP  
110 Queen Street  
Glasgow G1 3BX

**Investment consultants**

Broadstone Pensions & Investments Ltd  
55 Baker Street  
London W1U 8EW

**Investment managers**

Barclays Wealth  
Aurora Building, 5th Floor  
120 Bothwell Street  
Glasgow G2 7JT

Brewin Dolphin  
Sixth Floor  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

Standard Life Wealth  
1 George Street  
Edinburgh EH2 2LL

Royal London Asset  
Management CI Ltd  
30 Cornet Street  
St Peter Port  
Guernsey GY1 1LF

**Actuaries**

Milliman LLP  
Consultants & Actuaries  
11 Old Jewry  
London EC2R 8DU

**Insurance advisers**

Aon Risk Solutions UK  
Sentinel, 103 Waterloo Street  
Glasgow G2 7BW

**Insurance company managers**

Aon Insurance Managers  
(Guernsey) Limited  
PO Box 33  
Maison Trinity, Trinity Square  
St Peter Port  
Guernsey GY1 4AT

**Solicitors**

Morton Fraser LLP  
Quartermile Two  
2 Lister Square  
Edinburgh EH3 9GL

Shepherd and Wedderburn LLP  
5th Floor, 1 Exchange Crescent  
Conference Square  
Edinburgh EH3 8UL



**The Medical and Dental Defence Union of Scotland**

Mackintosh House  
120 Blythwood Street  
Glasgow G2 4EA

**London office**

1 Pemberton Row  
London EC4A 3BG

T: 0845 270 2034

Membership Services Department: 0845 270 2038

F: 0141 228 1208

E: [info@mddus.com](mailto:info@mddus.com)

[www.mddus.com](http://www.mddus.com)

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Registered in Scotland No 5093 at Mackintosh House,  
120 Blythwood Street, Glasgow G2 4EA.

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