



**ANNUAL REPORT AND
FINANCIAL STATEMENTS
2013**

THE DENTISTS' & GENERAL MUTUAL BENEFIT SOCIETY LIMITED

***The Choice of Professionals for over eighty years
1927 – 2013***

The Dentists' & General Mutual Benefit Society Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Dentists' & General Mutual Benefit Society Limited will be held at the Naval & Military Club, 4 St James's Square, London SW1Y 4JU on Thursday 12th June 2014 at 12.45p.m. for the following purposes:-

1. To receive the Chairman's Statement for the year ended 31st December 2013.
2. To receive the Financial Statements at 31st December 2013.
3. To elect members to the Board.

a) All Board members require Annual Re-election:-

Mr P. Mather	Chartered Surveyor	Elected 1992
Mr A. Wilman	Retired Police Officer	Elected 1992
Mr J. Lant	Osteopath	Elected 2000
Mr N. Lacey	Chartered Accountant	Elected 2006
Miss S. D. Pyle	Barrister	Elected 2004
Mr J. F. Reynolds	Retired Dental Surgeon	Elected 1972
Miss E. H. Pleasance	Equine Management	Elected 2007
Mr D. W. Thompson	Accountant	Elected 2010

4. To approve the Board Remuneration Report for the year ended 31st December 2013 by way of an advisory vote. This is not a legal requirement but your Board considers it best practice to enable members to express a view on this issue.
5. To consider, and if thought fit, to pass the following resolution:

'That Moore Stephens Chartered Accountants be re-appointed as auditors of the Society and to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Society, at a remuneration to be fixed by the Board'.
6. To re-appoint as Arbitrators

Mr R Frier, Mr M Harding and Mr R Leddington

St. James Court,
20 Calthorpe Road,
Edgbaston,
Birmingham B15 1RP
13th March 2014

By Order of the Board
DAVID THOMPSON
Chief Executive

A member entitled to attend and vote at a general meeting may appoint one proxy to attend and, on a poll, vote at the meeting instead of him. The proxy need not be a member of the Society and the member may direct the proxy how to vote at the meeting. The instrument appointing a proxy shall be in the form set out in Rule 42.3 or a form as near thereto as circumstances permit. Proxy forms are available from the Secretary at the registered address on request. They may also be downloaded from the Society's Website. The instrument appointing a proxy shall be deposited at the registered address not less than 48 hours before the day appointed for holding the meeting.

Registered Office

St. James Court, 20 Calthorpe Road, Edgbaston, Birmingham B15 1RP
Telephone 0121-452 1066 Fax 0121-452 1077
www.dengen.co.uk E-mail: mail@dengen.co.uk

Incorporated in 1999 under the Friendly Societies Act 1992 (Reg. No. 456F) ,
Member of the Association of Financial Mutuals.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

The Dentists' & General Mutual Benefit Society Limited

Board of Directors

Chairman P. Mather, BSc, FRICS

Vice-Chairman A. J. Wilman, BA(Hons)

Board
S. D. Eason BSc, FIA
N. D. Lacey, BSc, FCA
J. O. Lant, DO
Mrs C. V. Pleasance, EDH – Senior Independent Director
Miss E. H. Pleasance
Miss S. D. Pyle, LLB, Barrister
J. F. Reynolds, BDS(Lond), LDSRCS(Eng), MSc
D.W. Thompson BSc ACA

**Chief Executive
Secretary** D. W. Thompson, BSc, ACA
Mrs L. B. Griffin

Professional Advisers

Actuaries OAC Actuaries and Consultants
Auditors Moore Stephens, Chartered Accountants.
Internal Auditors CK Chartered Accountants
Medical Consultant Dr. R.W. Bell, MBBS, DRCOG, MRCGP
Solicitors Davisons
Investment Managers HSBC Investment Management

Committee Membership

Audit & Risk
N. D. Lacey (Chairman)
E. H. Pleasance
J. F. Reynolds
A. J. Wilman
D. W. Thompson

Resources & Marketing
J. O. Lant (Chairman)
P. Mather
C.V. Pleasance
E. H. Pleasance
S. D. Pyle

Investment & Finance
A. J. Wilman (Chairman)
S. D. Eason
J. O. Lant
P. Mather
D.W. Thompson

The Dentists' & General Mutual Benefit Society Limited

Chairman's Statement 2013

Welcome to all members of the Society to this my sixth Chairman's Report.

There have been many clouds on the horizon troubling investors in the past year, but 2013 has proved a very rewarding one for equity markets and a disappointing one for global sovereign debt. Evidently the improving economic outlook, together with some easing of political clouds surrounding Europe, ensured that equity markets took the initial US taper comfortably in their stride.

Thankfully, the Society's carefully devised investment strategy has enabled us to achieve overall gains of over 8% in the year. I am pleased to report that we will increase our capital apportionment rate to 4% (2012 3.5%) and all our apportionment rates will increase by just over 12% despite all time low interest rates.

In addition we have continued to review our risk and capital management approach to ensure that we fully understand the risks we are undertaking so that we can comfortably accommodate these in order to remain a safe and solvent haven for your capital.

Overall the claims in the year have remained at a similar number and value as the previous year. We appreciate the responsible attitude so clearly made by you the members in submitting claims and the Society continues to try and make payments within a week for all claims. We continue to carefully manage all our costs and strive to get further savings in future years coupled with greater efficiencies. More detail of our financial performance is available on page 10 of this report.

As one of UK's leading income protection specialists for self-employed professionals our product is a vital one in the current economic climate and offers considerable value and peace of mind for all professional people. We strive to recruit more suitable members to help strengthen still further our ability to withstand the challenges that lie ahead so once again I make no apology for urging you to commend your Society's product to friends and colleagues and particularly to young professionals starting out in their business life.

We have modernised our website and will continue to add articles, news and other content to enable members to access relevant and accurate information.

I would like to acknowledge the great efforts of my colleagues on the Board and the staff at Birmingham and thank our many advisers and IFAs for all the support the Society has received during the year.

In particular I would like to thank Christine Pleasance for her many years on the Board helping us to attract many dental hygienists and therapists. She will retire in June and I wish her and her family a well deserved retirement.

There are plenty of challenges that lie ahead, but I believe there continues to be a place for well-managed, forward thinking organisations with strong values in a Financial Services industry which is crying out for trust.

My colleagues and I have done our utmost to ensure that the Society maintains its prudent financial position while serving each member to the best of its ability. I thank you all for your continuing support and loyalty to the Holloway ethos and our mutual status, and look forward to seeing the Society prosper long into the future.

Paul Mather
Chairman

The Dentists' & General Mutual Benefit Society Limited

Strategic report

Aims of the Society

The Society continues to solely underwrite income protection contracts under the Holloway principle. The aims of the Society are to enable individuals to create a fund by voluntary subscription of the members thereof for

- relief and maintenance during sickness or infirmity
- securing a sum of money funded out of Society surpluses to be paid at or after the age of 55
- insuring a sum of money to be paid at the death of a member
- relief of members in distressed circumstances
- utilise the reserves for the benefit of future generations

To achieve the aims of the Society the strategies of the Society are:

- To treat its customers fairly and provide a high quality service particularly in the provision of Income Protection payments.
- To be a responsible employer and develop the skills and abilities of staff members in line with their potential.

To achieve prescribed financial targets in the areas of:

- Membership- recruit 250 new members for the year ended 31/12/14 (216 in 2013) with a target 5% increase year on year for the following years.
- Expenses -maintain acquisition and administration expenses to 40% of net subscription income for years ended 31 December 2014 to 2018.
- Sickness benefit as a ratio of subscription income -maintain sickness benefit at 35% of net subscription income for years ended 31 December 2014 to 2018.
- Apportionment and bonus rates- maintain apportionment rates at smoothed levels with previous years, and other similar products in the market.
- To maintain a diversified portfolio using a carefully devised investment strategy to grow the capital and achieve an annual return whilst carefully maintaining agreed levels of risk.

Business Review

The 2013 operating results for the Society were in line with both forecasts and 2012.

The financial targets referred to above were met except where noted .

99% of all claims were paid out for the 5th year running.

216 new members were recruited against a target of 150.

Acquisition and administrative expenses were maintained below 40% of net subscription income.

Sickness benefit as a ratio to subscription income was 32% against a target of 35%.

The Board has been able to declare the following apportionment rates for 2013 (2012 in parenthesis).

Bond Apportionment	£6.80	(£6.00)
Single Share Apportionment	£1.90	(£1.68)
Double Share Apportionment	£3.88	(£3.43)
Commutated Share Apportionment	£2.02	(£1.80)
Capital Apportionment	4.0%	(3.5%)
Terminal Bonus (Shares)	25%	(25%)
Terminal Bonus (Bonds)	25%	(25%)

Investment returns were in line with international market conditions and overall income was up to £1,477k (2012: £1,189k). Also unrealised gains on investments of £1,747k compared favourably with last year's gains of £1,194k. The Capital apportionment rate has been increased to 4% (2012: 3.5%) and the Membership of the Society stood at 5,422 (2012 5,534) with 216 new members joining in the year. Sickness benefit claims were £1,255k (2012 £1,191k) and the overall sickness provision has increased to £6,357k (2012 £5,559k). The Society continues to be a going concern.

The Dentists' & General Mutual Benefit Society Limited

Solvency

The Society had at 31st December 2013 the required margin of solvency in line with Chapter 1 of INSPRU.

Business Risk

As an integral part of the organisation's business planning it undertakes a constant review and assessment of all business risk.

Business risk is "the threat that an event or action will adversely affect a business's ability to achieve its ongoing objectives".

Risk is associated with both the external business environment and also the business itself.

Management of business risk involves first identifying the objectives of the Society across all areas before identifying the risks of not achieving them. The assessment of those risks is completed in both terms of probability and impact in order for the Society to consider how to eliminate, reduce, transfer or accept any potential problem. Ongoing monitoring is required and any significant risks identified should be allocated for action.

The risks that were identified by this process were:

- Financial-control of claims, investment fluctuations and control of expenses
- Increases in morbidity
- Operational risks and increases in expenses
- Reputational
- Governance

The Audit and Risk Committee in conjunction with the other Committees have developed a full Risk Map which is considered at each Audit and Risk Committee meeting. It is further reviewed and adopted by the Board at each meeting. The risk map is then embedded with the day to day operations of the Society. There is a robust mechanism of reporting changes to the risk profile and the subsequent amendments of controls to be adopted from staff to Committees and the Board.

The day to day running of the Society is carried out by the Chief Executive David Thompson, who is supported by his staff. Staff currently comprise:

- Compliance and Company Secretary – Lynette Griffin
- Underwriter – David Mason
- Claims Assessor – Kevin Yarnold
- Members Administrator – Yvonne Taylor
- Claims Administrator – Claire Woodhouse

Corporate Governance Report

The UK Corporate Governance Code

The Society's Board of Directors is committed to reaching and retaining a high level of corporate governance and has adopted the UK Corporate Governance Code (November 2012). The Board has implemented such requirements of the Code deemed appropriate and practical and explains any areas of non-compliance. It does not consider that its governance falls short of any of the requirements to such an extent that there exists an adverse and material departure from the provisions which would lead to a significant failure in ongoing control.

The roles of the Chairman and the Chief Executive are separate with a clear division of responsibilities. The Board, the Chairman, its committees and all Board members are subject to rigorous annual evaluation through a process of self-evaluation and then formal review by the Chairman and Chief Executive. The performance of the Chairman is evaluated by Board members and reviewed by the Chief Executive. There are currently ten members of the Board; five have served for more than nine years. The Board considers that length of service does not adversely affect the ability of the Board to act in the best interests of the Society's members. Those five members have retained their independence in attitude and application and bring to the Board stability knowledge and insight through long experience. All Board members meet the definition of independence as set out in the code.

All Board members are subject to re-election at each Annual General Meeting.

The Board considers the composition of the board as a crucial element of corporate governance. The Board do not consider quotas for diversity such as the proportion of women on the Board as appropriate because appointments are made on merit rather than through positive discrimination.

Board of Directors

Paul Mather - Chairman

Paul, aged 59 was elected to the Society's Board of Directors in 1992. He is a Director of BNP Paribas Real Estate and has 30 years experience of working in the City of London.

Andrew Wilman - Vice-Chairman, Investment & Finance Committee Chairman

Andrew, aged 57 was elected to the Board of Directors in 1992 and has been a member of the Society for 34 years. Although he trained as an accountant, he recently retired from the North Yorkshire Police.

Scott Eason

Scott, aged 40, was appointed to the Board of Directors in June 2008. A qualified actuary, he is a former Actuarial Function Holder of the Society and is employed as an Actuary with a major international bank.

Neville Lacey - Audit & Risk Committee Chairman

Neville, aged 61 was elected to the Board of Directors in 2006. He is a Chartered Accountant and senior director of a firm of chartered accountants in Chichester. He has been advising boards of various companies on corporate governance compliance and also advises and reports on audit matters to audit committees of those companies. Neville was treasurer and director of a nationally known theatre for five years.

John Lant - Resources & Marketing Committee Chairman

John, aged 66 was elected to the board of Directors in 2000 and heads a group osteopathic practice in Cambridge. He has experience in UK statutory and voluntary healthcare regulation as a Privy Council Appointee of the first General Osteopathic Council. He is Chairman of the Complementary & Natural Healthcare Council and Chairman of the British School of Osteopathy and has worked for the Prince's Foundation for Integrated Health.

The Dentists' & General Mutual Benefit Society Limited

Christine Pleasance – Senior Independent Director

Christine, aged 70 was elected to the Board of Directors in 1999. She is a Dental Hygienist who has spent most of her working career in private practice. She is now working as a tutor to the school of dental hygiene and therapy at Kings College London based at Guys Hospital. She is a past president of the British Dental Hygienist Association. Christine resigns at the AGM on 12th June 2014.

Emma Pleasance

Emma, aged 44 was appointed to the Board of Directors in March 2008. She has a background in marketing and now runs a successful equestrian training and consulting business.

Susan Pyle

Susan, aged 52 was elected to the Board of Directors in 2004. She was called to the Bar in 1985 and has been practising as a Barrister for over 20 years.

John Reynolds

John, aged 67 was elected to the Board of Directors in 1972 and was Chairman of the Society from 1987 to 1994. He recently retired as a Dental Surgeon and having worked previously in General Dental Practice and in the Dental Reference Service of the NHS.

David Thompson

David, aged 54, was appointed Chief Executive in 2007 and elected to the Board of Directors in 2010. He is a Chartered Accountant and has experience in the financial services sector for over 16 years. He is a former Chairman of the Holloways Society Committee.

Attendance		Board of Directors	Investment & Finance	Audit & Risk	Resources & Marketing
P Mather	Surveyor	4 (4)	4 (4)	2 (2)	2 (2)
A J Wilman	Accountant	3 (4)	4 (4)	2 (2)	
S.D Eason	Actuary	3 (4)	3 (4)		
N D Lacey	Accountant	4 (4)		2 (2)	
J O Lant	Osteopath	3 (4)	4 (4)		2 (2)
C V Pleasance	Dental Hygienist	3 (4)			1 (2)
E H Pleasance	Equestrian Trainer	4 (4)		1 (2)	2 (2)
S D Pyle	Barrister	3 (4)			2 (2)
J F Reynolds	Dental Surgeon	4 (4)		2 (2)	
D W Thompson	Accountant	4 (4)	3 (4)	2 (2)	2 (2)

Notes; 1) Figures in parenthesis indicate maximum possible attendances.

The remuneration paid to members of the Board of Directors in 2013 (2012 in parenthesis) were;

Chairman	£12,480	(£12,480)
Vice Chairman	£10,920	(£10,920)
Committee Chairman	£ 7,800	(£7,800)
Board Member	£ 4,164	(£4,164)

Pension payment was made to Mr D W Thompson as 10% of salary – no other payment made to other directors.

In addition, meeting attendance fees of £660 (£650) were paid where appropriate.

The Dentists' & General Mutual Benefit Society Limited

Corporate Governance *(Continued)*

Board of Directors Terms of Reference

- Objective: To bring an independent judgment to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.
- Requirements: To be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment.
To be competent and reliable persons able to achieve those objectives in a satisfactory manner.
- Responsibility: There is a joint and several responsibility for each member of the Board to ensure that the Board fulfils its obligations and controls its strategy, performance and resource plans.
A member of the Board is responsible for ensuring that arrangements are made for the fulfillment of the Society's statutory duties and may be liable to penalties should the Society fail to do so.
To ensure that the person appointed as Chief Executive has the requisite knowledge and experience to discharge the functions of the office.
To ensure that the Secretary is charged with the duty of complying with the statutory requirements and is a competent and reliable person able to discharge those duties satisfactorily.

Committees

Executive

Membership of the Executive Committee consists of the Chairman, Vice Chairman, Chief Executive and any other Board members deemed appropriate from time to time. It is authorised to act on behalf of the Board of Directors but always subject to their actions being ratified by that Board in due course.

Audit & Risk

This Committee reviews and reports to the Board of Directors on the integrity of the financial statements, the adequacy of the Society's systems of business risk and control including the adequacy and accuracy of reports made to the Board of Directors and the Financial Conduct Authority. It receives external and internal auditor's reports and reports to the Board of Directors on the adequacy of the inspection programme together with recommendations for improvements or changes. It reviews the performance and cost effectiveness of the internal and external auditors making recommendations as necessary. Meetings are held twice a year but provision is made to meet as needed. It also manages the process of the Board, Chairman, Committee and Board members annual evaluation.

Resources & Marketing

This Committee reviews the structure, size and composition of the Board of Directors giving full consideration to succession planning for the Board and senior management. It is responsible for identifying and nominating candidates to fill vacancies on the Board and its Committees. It also quantifies the resource requirements of the Society against the targets set in the Business model. Meetings are held twice a year but provision is made to meet as needed.

Investment & Finance

This Committee ensures that the acquisition and disposal of assets is reviewed in line with the strategy laid down by the Board of Directors and with the fund manager with reference to performance, future opportunities and targets. It ensures the financial management of the Society is reviewed in line with the Business model. The Committee meets at least four times a year.

The Dentists' & General Mutual Benefit Society Limited

Committees Terms of Reference

- Objective:** To ensure that the appropriate information is obtained and supplied to the Board of Directors.
To receive reports from management and the Society's advisers and report to the Board of Directors on the adequacy of these reports.
To make recommendations for improvements or changes.
- Requirements:** To be a member of the Board of Directors.
To be free from any business or other relationship which could materially interfere with fulfilling those obligations.
- Responsibility:** The Committee Chairmen are responsible for the submission of reports to the Board of Directors.
The Committee shall meet at such frequency as determined by the Board of Directors.

The Dentists' & General Mutual Benefit Society Limited

Report of the Board of Directors

The names of the Board of Directors and the Chief Executive are shown at the start of the report. All served throughout the year to 31st December 2013, except where stated.

Political and Charitable Donations

The Society made no political or charitable donations during 2013.

Auditors

Moore Stephens will be proposed for re-appointment at the Annual General Meeting on 12th June, 2014.

Disclosure of Information to Auditors

The members of the Board of Directors who held office at the date of approval of this Board of Directors report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditors are unaware; and each member of the Board of Directors has taken all steps that they ought to have taken as a member of the Board of Directors to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing the Report of the Board of Directors and the financial statements in accordance with applicable law and regulations.

Friendly society law requires the Board of Directors to prepare financial statements for each financial year. Under that law it has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period. In preparing these financial statements, the Board of Directors is required to:

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

The Board of Directors is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that its financial statements comply with the Friendly Societies Act 1992 and the regulations made under it.

The Board of Directors is also responsible for preparing a Report of the Board of Directors in accordance with the Friendly Societies Act 1992 and the regulations made under it.

The Board of Directors has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Board of Directors consider the Annual Report to be fair, balanced and understandable. All items referred by the auditors to the Audit & Risk committee are appropriately disclosed.

The **Strategic and Directors Report** were approved by the Board on the 13th March 2014.

.....
Paul Mather (Chairman)

.....
David Thompson (Chief Executive)

The Dentists' & General Mutual Benefit Society Limited

Income and Expenditure Account: Technical Account Long Term Business for the year ended 31st December 2013

	Notes	2013		2012	
		£	£	£	£
Earned Premiums Net of Reinsurance					
Gross Premiums Written		3,859,579		3,729,590	
Outward Reinsurance Premiums		(550,846)		(600,368)	
Net Premiums	2		3,308,733		3,129,222
Investment Income	3		1,477,414		1,189,155
Unrealised Gains/ (Losses) on Investments			1,747,141		1,194,035
Other Technical Income, Net of Reinsurance	4		54,228		67,887
Claims Incurred, Net of Reinsurance					
Claims Paid		(1,255,006)		(1,191,680)	
Reinsured		184,354		176,012	
			(1,070,652)		(1,015,668)
Change in Provision (Gross)	5		-		-
Change in other Technical Provisions, Net of Reinsurance, not shown under other headings	8		-		-
Long Term Business Provisions					
Gross		(798,252)		(129,924)	
Reinsurers Share		549,475		44,830	
Net			(248,777)		(85,094)
Net Operating Expenses	7				
Acquisition Costs			(355,262)		(308,128)
Administration Expenses			(704,300)		(716,600)
Investment Expenses and Charges			(142,032)		(135,280)
Non-recurring write back			-		35.676
Appropriations					
Terminal Bonus			(296,319)		(248,041)
Capital Apportionment			(782,538)		(685,233)
Share and Bond Apportionment			(701,684)		(654,147)
Transfer to / (from) Funds for Future Appropriations	6		2,285,952		1,767,784
Balance on Technical Account – Long Term Business			-		-

No note of Historical Cost Profit has been prepared as the Society's only material Gains and Losses on assets relate to the holding and disposal of investments.

The notes on pages 14 to 22 form part of these financial statements.

The Dentists' & General Mutual Benefit Society Limited

Balance Sheet as at 31st December 2013

	Notes	2013 £	2012 £
Assets			
Investments			
Financial Investments	9	34,984,198	32,956,401
Reinsurers Share of Long Term Business Provision	8	2,188,667	1,639,192
Debtors			
Debtors arising out of Direct Insurance Operations		-	-
Debtors arising out of Reinsurance Operations		94,527	53,964
Other Assets			
Cash at Bank and in Hand		2,921,994	2,253,431
Prepayments and accrued income			
Accrued interest		384,759	358,616
Other prepayments and Accrued income		20,390	17,966
Total Assets		40,594,535	37,279,570
Liabilities			
Funds for future appropriation			
General Reserve	6	13,104,755	10,818,803
Welfare Fund		30,000	30,000
Technical Provisions			
Long Term Business Provision	8	26,874,407	26,089,029
Claims Outstanding	5	40,000	40,000
Creditors arising out of Direct Insurance Operations		428,177	144,520
Accruals and Deferred Income		117,196	157,218
Total Liabilities		40,594,535	37,279,570

These financial statements were approved by the Board of Directors on 13th March 2014 and were signed on its behalf by:

Paul Mather (Chairman)

David Thompson (Chief Executive)

The notes on pages 13 to 21 form part of these financial statements

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements

1. Accounting Policies

- (i) The following accounting policies have been applied in dealing with items which are considered material to the Society's accounts.
- (ii) **Basis of Preparation**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and comply with the ABI Statement of Recommended Practice on Accounting for Insurance Business December 2005 (as amended in December 2007), and are in accordance with applicable Accounting Standards. The financial statements have been presented in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994.
- (iii) **Subscription Income**

Subscription income is accounted for on a cash basis; the difference between this and an accruals basis is considered immaterial. Outward reinsurance premiums are accounted for on a payable basis.
- (iv) **Sickness Benefits**

Sickness benefits which are deducted from the technical account include provision for liabilities incurred but not paid at the balance sheet date. No other claims related costs are included. The date of the claim is defined as the first day of incapacity although the actual payment may be determined by a contracted deferred date.
- (v) **Investment Income and Expenses**

Investment income and expenses includes dividends, interest, gains and losses on the realisation of investments and related expenses. Dividends are included as investment income on a receivables basis. Interest and expenses are included on an accruals basis.
- (vi) **Unrealised Gains and Losses on Investments**

Unrealised gains and losses on investments recognised during the year represent the difference between the current value of the investments and their value at the previous balance sheet date or their purchase price if acquired during the year.
- (vii) **Realised Gains and Losses on Investments**

Realised gains and losses on investments are calculated as the difference between net sale proceeds and the original cost.
- (viii) **Investments**

Investments consist of listed investments and deposits. Listed investments are stated at the mid market value ruling at the balance sheet date. Deposits are included at cost.
- (ix) **Funds for Future Appropriations**

The funds for future appropriations represent all funds the allocation of which to policyholders have not yet been determined at the end of the financial year. Any surplus or deficit arising on the technical account is transferred to or from the fund on an annual basis.
- (x) **Long Term Business Provision**

The Long Term Business Provision has been determined by the reporting actuary using methods and assumptions considered applicable to the Society. Further details are contained in Note 8.
- (xi) **Cash Flow Statement**

Under Financial Reporting Standard 1 the Society is exempt from the requirement to prepare a cash flow statement on the grounds that all major cash flows arise from long term insurance business and are for the benefit of the long term funds.

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

2. Earned Premiums Net of Reinsurance	2013	2012
	£	£
Gross Subscriptions		
Basic	615,720	656,951
Supplementary	1,062,065	1,088,399
Deferred	288,354	296,910
Mutual Bonds	1,893,440	1,687,330
	3,859,579	3,729,590
Reinsurance (relating to Deferred Subscriptions)	(173,772)	(181,200)
Reinsurance (relating to Mutual Bond Subscriptions)	(377,074)	(419,168)
	3,308,733	3,129,222

All premiums are periodic and relate to direct individual insurance contracts written in the EU. Basic premiums relate to participating shares whereas Supplementary and Deferred Premiums are nonparticipating.

3. Investment Income	2013	2012
	£	£
Income from Financial Investments		
Income from other Financial Investments	1,043,555	1,022,567
Realised Gains/(Losses) on Investments	433,859	166,588
	1,477,414	1,189,155

Income from other financial investments includes £626,726 from government bonds and debentures and £396,584 from listed investments (2012 £684,967 and £284,244 respectively).

4. Other Technical Income, Net of Reinsurance	2013	2012
	£	£
Forfeiture	36,822	49,449
Policy Fees	17,406	18,438
	54,228	67,887

5. Claims Outstanding	2013	2012
	£	£
Balance at start of the year	40,000	40,000
Change in provision	-	-
Balance at end of the year	40,000	40,000

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

6. Funds for Future Appropriations	2013 £			
Balance at beginning of year	10,818,803			
Transfer to Reserves	2,534,729			
Transfer to Sickness Provision	(248,777)			
Balance at end of year	<u>13,104,755</u>			
 Welfare Fund				
Balance at beginning of year	30,000			
Payments out of fund	(2,365)			
Transfer from General Reserve	2,365			
Balance at end of year	<u>30,000</u>			
7. Net Operating Expenses	£	2013	£	2012
			£	£
Acquisition Costs				
Introduction Commissions	205,924		142,446	
Marketing and Publicity	18,901		43,618	
Website	3,683		5,735	
Medical Costs	36,731		25,137	
Staff Costs	90,022		91,192	
Movement in Deferred Acquisition Costs				
	<u>355,262</u>		<u>308,128</u>	
 Administration Costs				
Staff and Accommodation Charges	325,839		333,318	
General Office and Financial Charges	32,839		36,441	
Directors Remuneration	127,172		128,706	
Meeting and Travelling Expenses	22,889		21,276	
Auditors' Remuneration – Audit Fees	30,000		30,000	
– Non Audit Fees	-		-	
Medical Fees – Sick Pay	4,716		5,238	
Actuarial Fees	69,541		66,431	
Professional Fees	23,309		19,207	
Computer Expenses	18,682		19,414	
Operating Lease Rentals – Property	48,000		48,000	
– Other	1,313		8,569	
Bad Debts	-		-	
	<u>704,300</u>		<u>716,600</u>	
 Investment Expenses and Charges				
Management Fees	142,032		135,280	
	<u>142,032</u>		<u>135,280</u>	

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

2013				
8. Technical Provisions: Long Term Business Provision	£	£	£	£
	Members Capital Account	Growth Life Bond	Sickness Reserve Fund	Total
Balance as per previous statement	20,341,859	187,968	5,559,202	26,089,029
Less reinsurers share	-	-	(1,639,192)	(1,639,192)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at beginning of year	20,341,859	187,968	3,920,010	24,449,837
Capital Apportionment	777,081	5,457	-	782,538
Share and Bond Apportionment	701,684	-	-	701,684
Transfer (to)/from Fund	-	-	248,777	248,777
	<hr/>	<hr/>	<hr/>	<hr/>
	21,820,624	193,425	4,168,787	26,182,836
Reinsurers Share	-	-	2,188,667	2,188,667
Less withdrawals	(1,485,181)	(11,915)	-	(1,497,096)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of the year	<u>20,335,442</u>	<u>181,511</u>	<u>6,357,454</u>	<u>26,874,407</u>

The amount of the sickness reserve fund within the long term business provision is calculated using a gross premium methodology. The reserve is the expected future value of the benefits less the expected future value of the premiums. The premiums are reduced to allow for expenses and future share apportionment. The Annuity Inception method of calculating the value of future sickness benefits is used. The sickness reserves are determined separately for individual contracts using a prospective method.

The amount of members' capital accounts within the long term business provision is held at face value. The amount of the provision for growth life bonds is calculated as the current surrender value of the members' policies. The principal assumptions underlying the calculation of the long term business provision are:

Rate of interest and discount – 1.5% (2012 1.25%).

Mortality – 30% AMC/AFC00 (2012: 30% AM/FC00).

Persistence – lapses are assumed at 10.0% for non-commuted members only (same as 2012)

Morbidity

Table of morbidity rates assumed for 2013:

UK Holloway Business

Deferred Period (All Products)	Inception rates (% of CMIR 12)	Termination rates (% of CMIR 12)	Female loading
0 weeks	35%	90%	65%
4 weeks	35%	90%	65%
13 weeks	35%	90%	65%
26 weeks	35%	90%	65%
52 weeks	35%	90%	65%

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

Irish Pure Protection Business

Deferred Period (All Products)	Inception rates (% of CMIR 12)	Termination rates (% of CMIR 12)	Female loading
0 weeks	45%	85%	65%
4 weeks	45%	85%	65%
13 weeks	45%	85%	65%
26 weeks	45%	85%	65%
52 weeks	45%	85%	65%

Allowance for future bonuses:

In calculating the reserves, a rate of future capital apportionment is assumed which is considered to be in line with Treating Customers Fairly and consistent with the assumed future investment returns. There is an implicit allowance for future share apportionment through the use of a modified premium rather than a full premium in calculating the sickness reserve fund. There is no allowance for terminal bonus.

In calculating the technical provisions the following factors give rise to uncertainty:

- The assumption for future morbidity experience
- The assumption for future investment returns

No significant estimation techniques have been used in determining these assumptions. The assumption for future morbidity experience has been determined by analysis of the past morbidity experience of the Society over the past two years, trends in the change in morbidity experience and industry knowledge of trends in morbidity experience. The assumption for future investment returns is based on expected investment returns, calculated in line with the valuation regulations

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

9. Financial Investments:	Fixed Interest Securities £	Equities £	Short Term Bank Deposits £	Total £
Investments at Market Value				
Balance as at 31st December 2013	18,337,712	15,926,584	719,902	34,984,198
Balance as at 31st December 2012	17,576,030	15,060,713	319,662	32,956,405
Investments at Cost				
Balance as at 31st December 2013	19,021,726	13,495,430	719,902	33,237,058
Balance as at 31st December 2012	17,588,203	13,854,505	319,661	31,762,369

Investments are listed on a UK investment exchange.

Fixed Interest Securities includes UK Government Securities and other fixed interest bonds.

10. Staff Numbers and Costs

The average number of persons employed by the Society (including Board Members) during the year, analysed by category, was as follows:

	2013	2012
Management	10	10
Administration	5	6
	<u>15</u>	<u>16</u>

The aggregate payroll costs of these persons were as follows:

	2013 £	2012 £
Wages and Salaries	444,226	446,287
Social Security Costs	42,509	47,188
Other Pension Costs	22,033	24,905
	<u>508,768</u>	<u>518,380</u>

Other pension costs consist of contributions made to a defined contribution scheme. There were no outstanding or pre-paid contributions at the balance sheet date.

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

The emoluments of Board Members, including pension contributions, were as follows:

	2013 £	2012 £
As Board Members	121,113	126,895
Management of the Society	117,166	113,958
	<u>238,279</u>	<u>240,853</u>

The emoluments of Board Members, excluding pension contributions, fell into the following bands:

	2013 No.	2012 No.
£0 -£5,000	0	0
£5,001 -£10,000	5	5
£10,001 – £15,000	3	3
£15,001 – £20,000	1	2
£20,001 - £255,000	1	-
£110,001 - £115,000	-	1
£115,001 - £120,000	1	-

The total emoluments of the Chairman were: £20,960 (2012: £18,980)

The total emoluments of the highest paid Board Member, including pension contributions, were £117,166 (2012: £113,958).

11. Commitments

Land and Buildings – Due in less than 5 years **£48,000**

12. FRS 27 Disclosure relating to liabilities and capital

12.1 Capital Statement

The following summaries the capital resources and requirements of the Dentists' & General Mutual Benefit Society as determined for UK regulatory purposes:

Available capital resources in respect of life assurance business	2013 (£000)	2012 (£000)
Total capital resources before deductions	12,855	10,818
Adjustment to assets	-	-
Total available capital resources	<u>12,855</u>	<u>10,818</u>
Capital resources requirement	2,446	2,374
Excess capital over regulatory requirements	<u>10,409</u>	<u>8,444</u>

12.2 The Society is a mutual organisation and as such, does not have any shareholders. As at 31 December 2013 the available capital resources were made up by the Fund for Future Appropriations (FFA). The FFA is the surplus accumulated that has not yet been allocated to policies. It forms the working capital of the Society and is available to meet risk and capital requirements, as well as any uncertain additional liabilities that may arise in the future.

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

12.3 The Society is required to hold sufficient capital to meet the minimum capital requirements determined in accordance with FSA regulations. Additional capital is required to cover risks as set out in the capital management section below. The Society's total available capital resources as show above are £12.855m (2012: £10.818m).

12.4 The Society has one UK fund for which the available capital is determined in accordance with the regulatory regime prescribed by the FSA, and there are no restrictions on the fund. The value of assets held by the Society is determined in accordance with the FSA regulations.

12.5 Movement in capital resources

The movement over 2013 is summarised below:

	Change in Available Capital 2013 (£000)
2012 available Capital resources	10,818
New business reserves and acquisition expenses	(355)
Increase in sickness claimants	22
Change in basis YE 2012 to YE 2013	(558)
Terminal Bonus paid	(296)
Bonuses Awarded	(1,484)
Investment profits	3,225
Insurance profits less expenses	1,392
Other items	91
Available Capital Resources at 31 December 2013	12,855

12.6 Basis for determining liabilities

The principal assumptions underlying the calculation of the long term business provision are as show in note 8 to the Financial Statements.

12.7 The Society has not written any contracts which contain guaranteed surrender of maturity values. The surrender values are not guaranteed at policy issue but he policies develop a guaranteed surrender value as bonuses are added. The reserves held are subject to a minimum of the surrender value at the valuation date.

12.8 Sensitivity of liabilities

The table presented below demonstrates the sensitivity of available capital to movements in assumptions.

Variable	Change in Variable	Change in Available Capital (£000)
Morbidity	+10%	591
Morbidity	-10%	(542)
Expenses	+10%	(284)
Expenses	-10%	234
Interest	+1%per annum	240
Interest	-1% per annum	(271)

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

	Change in Variable	Change in Market Value
Fixed Interest	-20%	564
Equities	-10%	(1,754)
Property	-10%	-

In a situation where morbidity increased by the levels in the table above the Society would review its allocation of profits accordingly.

The available capital is very sensitive to morbidity and also, to lesser extents, expenses and interest. It is insignificantly affected by mortality.

When interest rates change, any movement in the available capital is partially offset by an opposite change in asset values.

12.9 Capital and risk management policies

The Society's free asset position is regularly reviewed to ensure it maintains an acceptable level of solvency. If the Society's sees large changes in its available capital due to the morbidity experience of the members, it will amend the level of apportionments and bonuses payable to its members accordingly.

- 12.10 Additionally, the Society uses its Financial Condition Report and Individual Capital Assessment to monitor current and potential risks that could affect its solvency adversely. Both of these assessments calculate the estimated capital available under possible future risk scenarios.

The Dentists' & General Mutual Benefit Society Limited

Independent Auditors' Report to the Members of The Dentists' & General Mutual Benefit Society Limited

We have audited the financial statements of The Dentists' & General Mutual Benefit Society Limited for the year ended 31 December 2013 which comprises the Income and Expenditure Account, Balance Sheet and the related notes 1 – 12. 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), having regard to the statutory requirement to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2013, and the effect of the movement in those provisions during the year on the fund for future appropriations, the balance on the general business technical account and on excess of income over expenditure before tax are disclosed in notes 6 & 8.

This report is made solely for the society's members, as a body, in accordance with the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state, to the society'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 resume responsibility to anyone other than the society's members as a body, for our audit work, for this report or other opinions we have formed.

Respective responsibilities of the Committee of Management and auditor

As explained more fully in Board of Directors Responsibilities Statement set out on page 9, the Board of Directors is responsible for preparing financial statements which 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 Auditing Practices Boards [(APB's)] Ethical Standards for Auditors.

Our assessment of risks of material misstatement

We identified the following risks that we believe to have the greatest impact on our audit strategy and scope:

- the operation and effectiveness of the Society's Member's system during the year and specifically the operation of the system over premium income and claims paid to members
- the valuation and ownership of the Society's investments at the year end and the recording of transactions throughout the year; and
- the Society's compliance with applicable regulations

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Society to be £200,000 which is approximately 1% of net assets.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £5,000, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of directors; and the overall presentation of the financial statements.

The Dentists' & General Mutual Benefit Society Limited

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The way in which we scoped our response to the risks identified above was as follows:

- in order to address risk around the operation of the Society's Member's system during the year we have tested the operation of the controls over membership records, premium income and claims paid to members
- in order to address risk around ownership of the Society's investments held at the period end, we confirmed the holdings to independent third party confirmations provided by the Society's Custodian.
- In order to address the risk around the valuation of the Society's investment we obtained from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2013 and vouched these on a sample basis.
- In order to address the risk of associated with the recording of investment transactions through the year ended 31 December 2013 we have tested a sample of transactions to independent documentation.
- In order to address the risk over the Society's compliance with its regulatory environment we updated our understanding of the regulatory requirements and reviewed the Society's correspondence with its regulators and statutory filings.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the society's affairs as at 31 December 2013 and of the income and expenditure of the society and the group for the year then ended; and
- have been properly prepared in accordance with the Friendly Societies Act 1992.

Opinion on other matters prescribed by the Friendly Societies Act 1992

In our opinion the Report of the Committee of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and the information given therein is consistent with the financial statements for the financial year.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents that we require for our audit.

In accordance with our instructions from the Society we review whether the Corporate Governance Statement reflect the Society's compliance with the provisions of the Annotated Combined Code specified by the Association of Financial Mutuals.

D T Slocombe
Senior Statutory Auditor
For and on behalf of Moore Stephens
Chartered Accountants & Statutory Auditor

31st March 2014

The Dentists' & General Mutual Benefit Society Limited

Actuarial Function Holder

The actuarial function holder of the Society for the period from 1st January 2013 to 31st December 2013 was Mr D Lechmere – OAC Actuaries and Consultants

He was not a member of the Society at any time, nor held any pecuniary interest in any transaction between the actuary and the Society subsisting at any time during the period. The only remuneration was the fee for professional services paid to OAC Actuaries and Consultants for the services provided by the firm, and the amount payable in this respect during the period amounted to £66,431 inclusive of Value Added Tax. No other benefits of any kind were paid.

Data Protection

Any personal information you have provided will be used only in connection with your membership of the Society. All personal data about you is treated in confidence, and will not be disclosed to any third party except those permitted by law, or where you have given consent in advance.

Our purposes for holding personal information and a general description of the people and organisations to whom we may disclose it, are listed in the register of Data Controllers. You may inspect this, or obtain a copy of the relevant entry from the Office of the Information Commissioner (and at their website: www.dataprotection.gov.uk).



The Dentists' & General Mutual Benefit Society Limited

**St James Court, 20 Calthorpe Road,
Edgbaston, Birmingham B15 1RP**

Tel 0121 452 1066

E-mail help@dengen.co.uk

www.dengen.co.uk