



**ANNUAL REPORT AND
FINANCIAL STATEMENTS
2015**

THE DENTISTS' & GENERAL MUTUAL BENEFIT SOCIETY LIMITED

***The Choice of Professionals for over eighty years
1927 – 2015***

The Dentists' & General Mutual Benefit Society Limited

dg mutual

Key Performance Headlines – 31 December 2015

	<u>£</u> <u>2015</u>	<u>£</u> <u>2014</u>
Net Premiums	3,432,455	3,417,295
Investment Income	1,232,775	868,635
Sickness Benefit Paid	1,289,601	1,216,522
Net Operating Expenses	1,307,048	1,245,639
Total Assets	42,947,365	42,504,489
Members Capital Accounts	20,472,721	20,362,054
Growth Life Fund	170,030	175,610
Sickness Reserve Fund	7,120,672	7,163,285
<u>Apportionment Rates</u>		
Bond Apportionment	£6.80	£6.80
Single Share Apportionment	£1.90	£1.90
Double Share Apportionment	£3.88	£3.88
Commuted Share Apportionment	£2.02	£2.02
Capital Apportionment	4.0%	4.0%
Terminal Bonus	25.0%	25.0%

Highlights

- Another strong financial performance leading to bonus rates unchanged.
- Record total assets of over £43m held by the Society.
- Tight financial control to reduce Operating Expenses.
- Continued payout of over 90% of claims within 2 weeks.

WE'RE MUTUAL, WE ONLY WORK FOR YOU

PUTTING MEMBERS FIRST

PLEASE RECOMMEND TO YOUR COLLEAGUES, FAMILIES AND FRIENDS

Outlined above is an extract of significant figures taken from the financial statements. A copy of the full Report for the year ended 31st December 2015 can be downloaded from our website www.dengen.co.uk via the documents section or requested direct from the Society.

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 RAC Club, 89 Pall Mall, London, SW1Y 5HS on Thursday 16th June 2016 at 12.45p.m. for the following purposes:-

1. To receive the Chairman's Statement for the year ended 31st December 2015.
2. To receive the Financial Statements at 31st December 2015.
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 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	Chartered Accountant	Elected 2010
Mr N. Grainger	Actuary	Elected 2015
4. To approve the Board Remuneration Report for the year ended 31st December 2015 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 confirm the partial alteration of rules in accordance with the provisions of rule 57.
7. .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
17th March 2016

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 N. D. Lacey, BSc, FCA
J. O. Lant, DO – Died 1st February 2016
Miss E. H. Pleasance - Senior Independent Director
Miss S. D. Pyle, LLB, Barrister
J. F. Reynolds, BDS(Lond), LDSRCS(Eng), MSc
N Grainger, Actuary
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

Nomination & Resource S.D Pyle (Chairman)
J. O. Lant - Died 1st February 2016
P. Mather
E. H. Pleasance

Investment & Finance A. J. Wilman (Chairman)
J. O. Lant - Died 1st February 2016
P. Mather
N. Grainger
D.W. Thompson

Chairman's Statement 2015

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

Last year was another roller coaster ride for worldwide stock markets. In the summer markets hit 5 year highs but by autumn these gains were lost and world markets crashed below the starting position for the year. A slight last quarter rise did enable markets to recover towards overall profits for the year..

The markets still have major issues in oil prices, political issues in Europe and Syria and even the possibility of UK leaving the EU.

We hope the solid gains made in recent years can continue in 2016 – but expect a bumpy ride again.

Thankfully, the Society's carefully devised investment strategy has enabled us to achieve overall gains of over 5% in the year. I am pleased to report that we will maintain our capital apportionment rate at 4% and all our apportionment rates remain at last years level.

In addition we have introduced the Solvency II policies into the Society to ensure we maintain our high standards and 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 other pages of this report.

As specialised Income Protection providers 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 have introduced a new pure protection product in UK to recruit more members to help strengthen our ability to withstand the challenges that lie ahead. Please continue to recommend the Society's products to friends and colleagues and particularly to young professionals starting out in their business life.

We continue to add more information to our website and will continue to add further to our other social media activities to enable members to access all relevant information.

I would like to pay particular tribute to John Lant who passed away on 1st February 2016 after battling a brain tumour. John has been a member of the Society since 1993 and has been an active Board member since 2000 helping to align the Society with his Osteopathic colleagues. I shall miss his professionalism and dedication as well as his sense of humour. Our condolences go to his family and colleagues.

I will take this opportunity to introduce Nick Grainger to the Board as our qualified actuary. He has over 15 years of Financial Services experience and will help guide us through Solvency II legislation.

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.

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. 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
- option to fund a sum of money funded out of Society surpluses to be paid at/after retirement age
- option of 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 200 new members for the year ended 31/12/16 (165 in 2015) 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 2016 to 2020.
- Sickness benefit as a ratio of subscription income -maintain sickness benefit at 35% of net subscription income for years ended 31 December 2016 to 2020.
- 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 2015 operating results for the Society were in line with both forecasts and 2014.

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

99% of all claims were paid out for the 8th year running.

165 new members were recruited with a target of 200 for 2016.

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 2015 (2014 in parenthesis).

Bond Apportionment	£6.80	(£6.80)
Single Share Apportionment	£1.90	(£1.90)
Double Share Apportionment	£3.88	(£3.88)
Commutated Share Apportionment	£2.02	(£2.02)
Capital Apportionment	4.0%	(4.0%)
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 £1,233k (2014: £869k). Also unrealised losses on investments of £400k as compared with last year's gains of £1,306k. The Capital apportionment rate has been maintained at 4% (2014: 4.0%) and the Membership of the Society stood at 5,153 (2014 5,283) with 165 new members joining in the year. Sickness benefit claims were £1,290k (2014 £1,216k) and the overall sickness provision has fallen to £7,121k (2014 £7,163k). The Society continues to be a going concern.

The Dentists' & General Mutual Benefit Society Limited

Solvency

The Society had at 31st December 2015 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 – 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 Annotated Corporate Governance Code for Mutual Insurers. 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 were nine members of the Board at the year-end; six 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 61 was elected to the Society's Board of Directors in 1992. He is a former 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 59 was elected to the Board of Directors in 1992 and has been a member of the Society for 41 years. Although he trained as an accountant, he recently retired from the North Yorkshire Police.

Neville Lacey - Audit & Risk Committee Chairman

Neville, aged 63 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

John died on 1st February 2016 following a brain tumor. He was elected to the board of Directors in 2000 and headed a group osteopathic practice in Cambridge. He had experience in UK statutory and voluntary healthcare regulation as a Privy Council Appointee of the first General Osteopathic Council. He was Chairman of the Complementary & Natural Healthcare Council and Chairman of the British School of Osteopathy and had worked for the Prince's Foundation for Integrated Health.

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Emma Pleasance – Senior Independent Director

Emma, aged 46 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 - Nomination & Resource Committee Chairman

Susan, aged 54 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 30 years.

John Reynolds

John, aged 69 was elected to the Board of Directors in 1972 and was Chairman of the Society from 1987 to 1984. He recently retired as a Dental Surgeon having worked in General Dental Practice and in the Dental Reference Service of the NHS.

Nick Grainger

Nick, aged 35, was elected to the Board of Directors in 2015. He is a qualified Actuary and has worked in the Financial Services sector for over 15 years.

David Thompson

David, aged 56, 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 20 years. He is a former Chairman of the Holloways Society Committee.

Attendance		Board of Directors	Investment & Finance	Audit & Risk	Nomination & Resources
P Mather	Surveyor	4 (4)	4 (4)	2 (2)	2 (2)
A J Wilman	Accountant	4 (4)	4 (4)	2 (2)	1 (2)
N D Lacey	Accountant	4 (4)	2 (4)	2 (2)	
J O Lant	Osteopath	1 (4)			
E H Pleasance	Equestrian Trainer	4 (4)		2 (2)	2(2)
S D Pyle	Barrister	4 (4)			2 (2)
J F Reynolds	Dental Surgeon	4 (4)		2 (2)	
N Grainger	Actuary	2 (3)	3 (3)		
D W Thompson	Accountant	4 (4)	4 (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 2015 (2014 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 £700 (£680) 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. The Committee considers annually the performance and cost effectiveness of the Internal Auditors and make recommendations where necessary. The Committee consider each year the effectiveness of the performance of the external auditors and in particular the technical competence, service delivery, cost effectiveness, independence and objectivity taking into consideration UK professional and regulatory requirements.

Moore Stephens LLP were appointed as external auditors in 2008 following a competitive tender. The fees for audit service are considered annually by the Board.

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.

Nomination & Resource

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 2015, except where stated.

Political and Charitable Donations

The Society made no political or charitable donations during 2015.

Auditors

Moore Stephens will be proposed for re-appointment at the Annual General Meeting on 16th June, 2016.

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 17th March 2016.

.....
Paul Mather (Chairman)

.....
David Thompson (Chief Executive)

The Dentists' & General Mutual Benefit Society Limited

Statement of Comprehensive Income: Technical Account Long Term Business for the year ended 31st December 2015

	Notes	2015		2014	
		£	£	£	£
Earned Premiums Net of Reinsurance					
Gross Premiums Written		3,941,380		3,944,368	
Outward Reinsurance Premiums		(508,925)		(527,073)	
Net Premiums	2		3,432,455		3,417,295
Investment Income	3		1,232,775		868,635
Unrealised Gains/ (Losses) on Investments			(399,523)		1,306,263
Other Technical Income, Net of Reinsurance	4		29,816		31,110
Claims Incurred, Net of Reinsurance					
Claims Paid		(1,289,601)		(1,216,522)	
Reinsured		193,970		187,417	
			(1,095,631)		(1,029,105)
Change in Provision (Gross)	5		-		-
Change in other Technical Provisions, Net of Reinsurance, not shown under other headings	8		-		-
Long Term Business Provisions					
Gross		42,612		(805,831)	
Reinsurers Share		63,913		449,470	
Net			106,525		(356,361)
Net Operating Expenses					
Acquisition Costs	7		(438,838)		(379,043)
Administration Expenses			(713,345)		(713,526)
Investment Expenses and Charges			(154,865)		(153,070)
Non-recurring write back			-		-
Appropriations					
Terminal Bonus			(256,714)		(294,662)
Capital Apportionment			(791,288)		(783,310)
Share and Bond Apportionment			(615,930)		(656,777)
Transfer to / (from) Funds for Future Appropriations	6		335,437		1,257,449
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 15 to 23 form part of these financial statements.

The Dentists' & General Mutual Benefit Society Limited

Statement of Financial Position as at 31st December 2015

	Notes	2015 £	2014 £
Assets			
Investments			
Financial Investments	9	37,057,196	36,905,967
Reinsurers Share of Long Term Business Provision			
	8	2,702,050	2,638,137
Debtors			
Debtors arising out of Direct Insurance Operations		-	-
Debtors arising out of Reinsurance Operations		170,979	110,062
Other Assets			
Cash at Bank and in Hand		2,658,733	2,404,555
Prepayments and accrued income			
Accrued interest		403,846	425,655
Other prepayments and Accrued income		18,474	20,113
Total Assets		43,011,278	42,504,489
Liabilities			
Funds for future appropriation			
General Reserve	6	14,697,643	14,362,205
Welfare Fund		30,000	30,000
Technical Provisions			
Long Term Business Provision	8	27,763,423	27,700,949
Claims Outstanding	5	40,000	40,000
Creditors arising out of Direct Insurance Operations			
		340,825	247,080
Accruals and Deferred Income			
		139,387	124,255
Total Liabilities		43,011,278	42,504,489

These financial statements were approved by the Board of Directors on 17th March 2016 and were signed on its behalf by:

.....
Paul Mather (Chairman)

.....
David Thompson (Chief Executive)

The notes on pages 15 to 23 form part of these financial statements

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements

1. Significant Accounting Policies

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

(i) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and Financial Reporting Standard 103 as issued by the Financial Reporting Council and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 ('the Regulations').

In accordance with FRS 103 on Insurance Contracts, the Society has applied existing accounting practices for insurance contracts, modified as appropriate to comply with applicable standards.

Before 2014 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102 and FRS 103, as issued by the Financial Reporting Council, and referred to below as 'previous UK GAAP'. The financial effects of the transition to FRS 102 have made no material changes to the financial statements.

The financial statements have been prepared on the historical cost basis modified for the revaluation of investments.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Society.

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

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

	2015 £	2014 £
2. Earned Premiums Net of Reinsurance		
Gross Subscriptions		
Basic	552,403	585,643
Supplementary	961,918	1,018,841
Deferred	257,515	273,975
Mutual Bonds	2,169,544	2,065,909
	<u>3,941,380</u>	<u>3,944,368</u>
Reinsurance (relating to Deferred Subscriptions)	(153,465)	(163,646)
Reinsurance (relating to Mutual Bond Subscriptions)	(355,460)	(363,427)
	<u>3,432,455</u>	<u>3,417,295</u>

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.

	2015 £	2014 £
3. Investment Income		
Income from Financial Investments		
Income from other Financial Investments	1,061,256	1,045,301
Realised Gains / (Losses) on Investments	171,519	(176,666)
	<u>1,232,775</u>	<u>868,635</u>

Income from other financial investments includes £668,949 from fixed investments and £392,307 from other listed investments (2014 £638,716 and £406,585 respectively).

	2015 £	2014 £
4. Other Technical Income, Net of Reinsurance		
Forfeiture	14,870	14,974
Policy Fees	14,946	16,136
	<u>29,816</u>	<u>31,110</u>

	2015 £	2014 £
5. Claims Outstanding		
Balance at start of the year	40,000	40,000
Change in provision	-	-
	<u>40,000</u>	<u>40,000</u>

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

6. Funds for Future Appropriations	2015 £			
Balance at beginning of year	14,362,205			
Transfer to Reserves	228,912			
Transfer to Sickness Provision	106,526			
Balance at end of year	<u>14,697,643</u>			
Welfare Fund				
Balance at beginning of year	30,000			
Payments out of fund	(6,507)			
Transfer from General Reserve	6,507			
Balance at end of year	<u>30,000</u>			
7. Net Operating Expenses	2015		2014	
	£	£	£	£
Acquisition Costs				
Introduction Commissions	293,103		237,013	
Marketing and Publicity	14,733		17,845	
Website	9,925		5,380	
Medical Costs	33,625		25,925	
Staff Costs	87,452		92,880	
Movement in Deferred Acquisition Costs				
	<u>438,838</u>		<u>379,043</u>	
Administration Costs				
Staff and Accommodation Charges	327,996		340,804	
General Office and Financial Charges	31,682		31,270	
Directors Remuneration	108,128		123,560	
Meeting and Travelling Expenses	18,434		19,302	
Auditors' Remuneration – Audit Fees	30,000		28,800	
– Non Audit Fees	-		-	
Medical Fees – Sick Pay	3,635		2,246	
Actuarial Fees	89,854		74,985	
Professional Fees	20,286		24,604	
Computer Expenses	35,330		18,833	
Operating Lease Rentals – Property	48,000		48,000	
– Other			1,122	
	<u>713,345</u>		<u>715,526</u>	
Investment Expenses and Charges				
Management Fees	154,865		153,070	
	<u>154,865</u>		<u>153,070</u>	

The Dentists' & General Mutual Benefit Society Limited

Notes to the Financial Statements (continued)

8. Technical Provisions: Long Term Business Provision	2015			
	£ Members Capital Account	£ Growth Life Bond	£ Sickness Reserve Fund	£ Total
Balance as per previous statement	20,362,054	175,610	7,163,285	27,700,949
Less reinsurers share	-	-	(2,638,137)	(2,638,137)
Balance at beginning of year	20,362,054	175,610	4,525,148	25,062,812
Capital Apportionment	786,036	5,252	-	791,288
Share and Bond Apportionment	615,930	-	-	615,930
Transfer (to)/from Fund	-	-	(106,525)	(106,525)
	21,764,020	180,862	4,418,623	26,363,505
Reinsurers Share	-	-	2,702,050	2,702,050
Less withdrawals	(1,291,299)	(10,832)	-	(1,302,131)
Balance at end of the year	20,472,721	170,030	7,120,673	27,763,424

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% (2014 1.5%).

Mortality – 30% AMC/AFC00 (2014: 30% AM/FC00).

Persistency – lapses are assumed at 10.0% for non-commuted members only (same as 2014)

Morbidity

Table of morbidity rates assumed for 2015:

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 2015	21,858,281	14,742,661	456,254	37,057,196
	=====	=====	=====	=====
Balance as at 31st December 2014	19,208,426	17,199,659	497,882	36,905,967
	=====	=====	=====	=====
Investments at Cost				
Balance as at 31st December 2015	22,278,332	14,722,136	456,254	37,456,722
	=====	=====	=====	=====
Balance as at 31st December 2014	18,683,566	16,418,256	497,882	35,599,704
	=====	=====	=====	=====

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:

	2015	2014
Management	9	9
Administration	5	5
	-----	-----
	14	14
	=====	=====

	2015 £	Restated 2014 £
The aggregate payroll costs of these persons were as follows:		

Wages and Salaries	406,167	432,203
Social Security Costs	38,183	42,596
Other Pension Costs	19,223	19,636
	-----	-----
	463,573	494,435
	=====	=====

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)

No board members had an interest in any transaction during the year ended 31st December 2015, nor for the previous year ended 31st December 2014.

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

	2015 £	2014 £
As Board Members	108,128	123,560
Management of the Society	126,685	126,155
	234,813	249,715

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

	2015 No.	2014 No.
£0 -£5,000	0	0
£5,001 -£10,000	4	5
£10,001 – £15,000	3	3
£15,001 – £20,000	1	1
£20,001 - £25,000	1	1
£125.001 - £130,000	1	1

The total emoluments of the Chairman were: £20,880 (2014: £20,640)

The total emoluments of the highest paid Board Member, including pension contributions, were £126,685 (2014: £126,255).

11. Commitments

Land and Buildings – Due within 1 year	£48,000
Land and Buildings – Due within 2 -5 years Expiring December 2017	£48,000

12. Transition to FRS 102 and FRS 103

These financial statements for the year ended 31st December 2015 are the Society's first that comply with FRS 102 and FRS 103. The Society's date of transition to FRs 102 and FRS 103 is 1st January 2015. The Society's last financial statements prepared in accordance with previous UK GAAP were for the year ended 31st December 2014.

This transition has resulted in no significant changes to accounting policies and there are no significant adjustments resulting from these changes in policy.

13 Mutual Organisation

The Society is a mutual organisation and as such, does not have any shareholders. As at 31 December 2015 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.

Notes to the Financial Statements (continued)

14 Critical Accounting Judgements and Estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Fair value of financial assets

Market observable inputs are used wherever possible. In the absence of an active market, estimation of fair value is achieved by using valuation techniques such as recent arm's length transactions, discounted cash flow analysis and option pricing models. For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. This valuation will also take into account the marketability of the assets being valued.

Long term business provision

The valuation of participating contract liabilities is based on assumptions reflecting the best estimate at the time. The valuation of non-participating insurance contracts is based on prudent assumptions; a separate calculation is also performed to assess the non-participating value of in-force business which is based on best estimate assumptions allowing for a margin of risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

The assumptions used for mortality, morbidity and longevity are based on standard industry or reinsurers' tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for investment returns, expenses, lapse and surrender rates are based on current market yields, product characteristics, and relevant claims experience.

The assumptions used for discount rates are based on current market risk rates, adjusted for the Society's own risk exposure. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty.

The main assumption underlying these techniques is that past claims development experience is used to project ultimate claims costs. Allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix are also made in arriving at the estimated ultimate cost of claims in order that it represents the most likely outcome, taking account of all the uncertainties involved. To the extent that the ultimate cost is different from the estimate, where experience is better or worse than that assumed, the surplus or deficit will be credited or charged to gross benefits and claims within the Statement of Comprehensive Income in future years.

15 Capital Management

This section details the capital and risk management approach of the Society. The Society seeks to create value for its members by investing in the development of the business while maintaining an appropriate level of capital available.

The risk appetite for each type of principal risk is set based on the amount necessary to meet the PRA's capital requirements.

Policies and objectives

The Society's key capital management objectives are:

- To ensure the Society's strategy can be implemented and is sustainable;
- To ensure the Society's financial strength and to support the risks it takes on as part of its business;
- To give confidence to policyholders and other stakeholders who have relationships with the Society; and
- To comply with capital requirements imposed by its UK regulator, the PRA.

The Dentists' & General Mutual Benefit Society Limited

Details of the Society's objectives and its strategy to achieve them are provided in the Strategic Report – Business Review on page 6.

These objectives are reviewed at least annually, and benchmarks are set by which to judge the adequacy of the Society's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Society.

The assessment depends on various actuarial and other assumptions about potential changes in market prices, future operating experience and the actions management would take in the event of particular adverse changes in market conditions.

The capital requirement in the annual PRA return is the statutory minimum capital requirement plus an additional component for each with-profits fund. The statutory minimum capital requirement is based on EU directives.

Management intends to maintain surplus capital in excess of the PRA's total requirements and to maintain an appropriate additional margin over this to absorb changes in both capital and capital requirements.

The Society complied with all externally imposed capital requirements to which it was subject throughout the reporting period.

Capital Statement

The following summarises the capital resources and requirements of the Society as determined for UK regulatory purposes.

The Society does not write with-profits to the scale required to calculate a realistic balance sheet. Therefore the capital statement below covers all their life assurance business. There are no specific constraints on the capital of the Society.

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

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	2015 (£000)	2014 (£000)
Total capital resources before deductions	14,484	14,103
Adjustment to assets	-	-
Total available capital resources	14,484	14,103
Capital resources requirement	1,993	2,176
Excess capital over regulatory requirements	12,491	11,927

Movement in capital resources

The movement over 2015 is summarised below:

	Change in Available Capital (£000)
2014 available Capital resources	14,103
Acquisition expenses	(439)
Release in reserves	313
Change in basis YE 2014 to YE 2015	(151)
Terminal Bonus paid	(257)
Bonuses Awarded	(1,371)
Investment profits	830
Insurance profits less expenses	1,469
Change in current liabilities	(109)
Other items	96
Available Capital Resources at 31 December 2015	14,484

The Dentists' & General Mutual Benefit Society Limited

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.

The Society has not written any contracts which contain guaranteed surrender of maturity values. The surrender values are not guaranteed at policy issue but the 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.

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%	(1,989)
Morbidity	-10%	462
Expenses	+10%	(344)
Expenses	-10%	281
Interest	+1%per annum	303
Interest	-1% per annum	(278)
	Change in Variable	Change in Market Value
Fixed Interest	-20%	422
Equities	-10%	(1,804)
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.

16 Risk management and control

This note provides information on the main risks to which the Society is exposed and how the Society manages these risks.

Underlying approach to risk management

The following key principles outline the Society's approach to risk management and internal control:

- The Board has responsibility for overseeing risk management.
- The Audit & Risk Committee handle a number of delegated functions on behalf of the Board.
- An open and receptive approach to solving risk problems is adopted by the Board.
- The Management Team supports, advises and implements policies approved by the Board.
- The Society makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- Managers are responsible for encouraging good risk management practice.
- Identified Key risk indicators are regularly reviewed and are closely monitored.

The Dentists' & General Mutual Benefit Society Limited

Overview of risk identification, assessment, management and mitigation process

The Society has a Risk Register which is reviewed and re-assessed at least annually through the Audit & risk committee. Risk is an agenda item on the agendas for all meetings of the Board and its Committees.

Insurance Risk (Health Risk)

- **Morbidity Risk** is the risk that sickness claims are significantly more than expected in terms of numbers and value.
- **Lapse Risk** is the risk the policies cease and therefore contributions from future premiums are not as high as anticipated.
- **Expense Risk** is the risk that the future costs of administering claims are higher than anticipated.

Providing insurance policies is the business of the Society and we must accept these risks to remain in business. Some of the risk can be mitigated by reinsurance. The major risks are in poor underwriting and claims assessment and management. This would increase the level of claims. There are also risks associated with medical advancements which improve longevity.

The current product range is currently profitable and therefore the levels of persistency would also impact on the business. This is because the Long Term Business Provisions recognise the expected future profits generated by these policies which would not be achieved if policy lapses were higher than anticipated.

Most of the Society's current book is self-insured however for some old products there is an amount of reinsurance. Reinsurance is used to mitigate the potential cost of the claims risk where these could have a significant impact on the Society's reserves.

The Society also mitigates risk through internal claims and underwriting audits together with making use of external reviews on a regular basis.

Note 8 sets out the Long Term Business Provisions and the changes over the year.

New Business Risks

Accepting these risks is a result of being open to new business. Higher new business volumes have in the past exposed the Society to potential free asset issues whilst low new business levels may result in an inability to recover the costs of writing that new business.

The Society has continued to monitor new business levels although the implications of new business strain have reduced in recent years. The Society does continue to have a risk in falling customer service levels should business levels outpace the Society's ability to deliver a high standard of service.

The stagnation in demand and increasing competition increases the risk of writing too little business. The Society's strategy is to diversify into new product areas with alternative distribution methods to mitigate this risk.

Financial Risks (Market Risk, Credit Risk, Liquidity Risk)

Market Risk is the risk of losses due to changes in the value of investment assets or the income from those assets.

Credit Risk is the risk of loss due to default by debtors, reinsurers and counterparties of the Society in meeting their financial obligations.

Liquidity Risk is the risk that the Society is unable to meet its own commitments to pay its liabilities when they become due.

The Society operates an Investment & Finance Committee which oversees investment activity, monitors investment managers and ensures that the investment policy and asset allocations are adhered to.

The Society manages its assets for the benefit of its members. The asset allocation policy, counterparty limits and other controls provided in the Investment Policy balance the risks against the rewards.

Investment managers are used to manage much of the Society's investment portfolio with the Actuarial Function Holder being asked to review the Investment Policy. Investor Policy statements are used to assist in the portfolio management with investment managers.

The Dentists' & General Mutual Benefit Society Limited

Independent Auditor's Report to the Members of the Dentists' and General Mutual Benefit Society Limited

We have audited the financial statements of The Dentists' and General Mutual Benefit Society Limited for the year ended 31 December 2015 which comprise the Society's Income and Expenditure Account, the Society's Balance sheet and the related notes 1 to 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), including Financial Reporting Standards 102 and 103 'The Financial Reporting Standards applicable in the UK and Republic of Ireland', having regard to the statutory requirement to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2015, 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 the notes to these financial statements.

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 assume 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 Board of Management and auditor

As explained more fully in the Board of Management's Responsibilities Statement set out on page 12, the Board of Management 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 had 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;
- the Society's compliance with applicable regulations; and
- the risk of fraud arising from management override of internal controls.

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. We determined materiality for the Society to be £70,000 for items impacting the Income and Expenditure account, which is approximately 1.7% of income. We determined materiality of £700,000 for items which require reclassification on the balance sheet, which is approximately 1.6% of gross assets.

We agreed with the Audit & Risk Committee that we would report to the Committee and management all audit differences in excess of £1,000, 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 Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Committee of Management; and the overall presentation of the financial statements. In addition, we read all the

The Dentists' & General Mutual Benefit Society Limited

Independent Auditor's Report to the Members of the Dentists' and General Mutual Benefit Society Limited

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 formed our response to the risks identified above was as follows:

- In order to address the 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. The controls were tested on a sample basis and the extent of testing varied depending on the frequency with which the control is operated.
- In order to address the risk around ownership of the Society's investments held at the year end, we confirmed the entirety of 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 investments 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 2015.
- In order to address the risk associated with the recording of investment transactions through at the year ended 31 December 2015 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, statutory filings and management's records of compliance with appropriate regulations.
- In order to address the risk relating to management override of controls we have reviewed all significant or unusual entries to ensure they are appropriate and reasonable. We have also reviewed key estimates and judgements for bias.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice including Financial Reporting Standards 102 and 103 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', of the state of the Society's affairs as at 31 December 2015 and of the income and expenditure of the Society 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.

Opinion on corporate governance statement

In accordance with our instructions from the Society we review whether the Corporate Governance Statement reflects the Society's compliance with the ten provisions of the Annotated UK Corporate Governance Code specified by the Association of Financial Mutuals. We have nothing to report in respect of this review.

The Dentists' & General Mutual Benefit Society Limited

Independent Auditor's Report to the Members of the Dentists' and General Mutual Benefit Society Limited

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.

D T Slocombe
Senior Statutory Auditor
For and on behalf of Moore Stephens
Chartered Accountants & Statutory Auditor
24th March 2016

Actuarial Function Holder

The actuarial function holder of the Society for the period from 1st January 2015 to 31st December 2015 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 £89,854 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

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