



2010 Annual Report and Financial Statements

DENTISTS'
PROVIDENT

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Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the eighteenth Annual General Meeting of the Members will be held at 9 Gayfere Street, London SW1P 3HN on Wednesday 18 May 2011 at 1.00 p.m. precisely for the following purposes, namely:

The following business to be transacted as Ordinary Business:

1. To elect the Officers of the Society:

a. The following Directors retire by rotation and have indicated their willingness to offer themselves for re-election:

1. Miss K F Woollass
2. Mr F M Mirza
3. Miss H M Harrison
4. Mr G E Kidner
5. Mr T R King
6. Mr D S Kooner
7. Mr R K Raja Rayan, OBE

b. Mr M E Green was co-opted to the Board of Directors on 28 October 2010 and under the Rules of the Society offers himself for re-election.

2. To appoint the following as Arbitrators of the Society:

1. Mr R F Austin, MBE
2. Miss H Cain
3. Mr D M Lambert
4. Prof R T Lee
5. Mr S Malhan
6. Mr S Malik
7. Mr S B Pabary
8. Mr P B Protheroe
9. Mr R Rattan, MBE
10. Mrs S Sanderson
11. Mr J Staffurth
12. Mr R Toone

3. To adopt the Remuneration Report of Dentists' Provident Society Limited for the year ended 31 December 2010

4. To adopt the Annual Report and Financial Statements of Dentists' Provident Society Limited for the year ended 31 December 2010

5. To appoint Buzzacott LLP as Auditors and to authorise the Board of Directors to fix their remuneration

By order of the Board of Directors
24 March 2011

Mrs Johanna Drinan

Secretary

Note

All members are entitled to attend, take part and vote on any item on the Agenda. Members who wish to attend shall be admitted subject to satisfactory evidence of their membership and identity being produced.

Members unable to attend may avail themselves of the Form of Proxy.

Performance and Key Metrics

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Key Performance Headlines

	2010 £	2009 £	2008 £	2007 £
Group Operating Highlights				
Premium Income	12,175,370	<i>11,412,218</i>	<i>10,504,851</i>	<i>10,139,692</i>
Sickness Claims Paid	(3,193,050)	<i>(3,208,827)</i>	<i>(3,235,891)</i>	<i>(2,729,239)</i>
Net Surplus / (Deficit) from Investments	16,466,554	<i>17,427,089</i>	<i>(27,925,314)</i>	<i>10,912,482</i>
Bonuses Paid to Members	(5,943,097)	<i>(5,698,820)</i>	<i>(6,525,689)</i>	<i>(7,677,866)</i>
Operating Expenses	(4,595,459)	<i>(4,014,224)</i>	<i>(3,758,109)</i>	<i>(2,437,907)</i>
Total Assets	167,359,043	<i>151,148,702</i>	<i>133,819,169</i>	<i>164,783,018</i>
Investment Assets	164,800,990	<i>148,228,272</i>	<i>130,539,549</i>	<i>162,338,138</i>
Members' Bonus Accounts	77,254,258	<i>76,023,911</i>	<i>74,199,306</i>	<i>74,267,987</i>

Year End Bonus Declarations

Dividends				
Insured Members	£1.56	<i>£1.56</i>	<i>£1.56</i>	<i>£1.68</i>
Commutated Members	£1.80	<i>£1.80</i>	<i>£1.80</i>	<i>£1.80</i>
Interest on Members' Bonus Accounts	4.00%	<i>4.00%</i>	<i>4.00%</i>	<i>5.50%</i>
Terminal Bonus - Surrenders	15.00%	<i>10.00%</i>	<i>5.00%</i>	<i>25.00%</i>
Terminal Bonus - Death Payments	25.00%	<i>25.00%</i>	<i>25.00%</i>	<i>25.00%</i>

Directors

Directors



Miss K F WOOLASS, BDS, FDS, DOrth (56)

Non-Executive Director, Chairman, Member of the Nomination / Remuneration Committee

Miss K F Woollass has been a Director since 1984 and was elected as Chairman in May 2010. She is a specialist orthodontic practitioner in South Yorkshire, an examiner for the Royal College of Surgeons for the Diploma in Orthodontic Therapy and past Treasurer and Chair of the Rotherham Local Dental Committee. She is also a past member of the South Yorkshire Council of the British Dental Association, past Secretary of the South Yorkshire branch of the British Society for Paediatric Dentistry, past Secretary of the Local Orthodontic Committee of the South Yorkshire Strategic Health Authority, past Postgraduate Dental Tutor for Doncaster, Barnsley and Rotherham and past member of the Rotherham Oral Health Advisory Group.



F M MIRZA, ACA (40)

Executive Director, Chief Executive, Chairman of the Investment Committee

F M Mirza joined the Society as Head of Finance in 1999. He was appointed to the Board in January 2008 and as Chief Executive in May 2008. A Chartered Accountant, specialising in financial services with a focus on insurance, fund management and retail banking, he has previously enjoyed successful roles at Fraser Russell (now part of Baker Tilly), PricewaterhouseCoopers and Bayern LB.



J P SCOTT, BDS, MPhil, MFGDP(UK) (64)

Non-Executive Director, Vice-Chairman, Chairman of the Risk Committee, Member of the Nomination / Remuneration Committee

J P Scott has been a member of the Board of Directors since 1987 and Vice-Chairman 1998 to date. He was a general dental practitioner for 27 years and a Regional Advisor in general dental practice between 1987 and 1995. He was appointed to the NHS Dental Practice Board (now the Dental Services division of the NHS Business Services Authority) as Dental Reference Officer in 1996 and appointed as full-time Clinical Probity Officer in 2000, retiring in 2008. He was a Research Fellow of the Institute of General Practice at Exeter University, founding Board member of the Faculty of General Dental Practice at the Royal College of Surgeons of England and also founding Editor of the publication 'Primary Dental Care'.



K W ALEXANDER, BDS, MGDSRCS Eng., FFGDP(UK) (65)

Non-Executive Director, Chairman of the Audit Committee, Chairman of the Nomination / Remuneration Committee, Member of the Investment Committee

K W Alexander was appointed to the Board in 1993. He worked in general dental practice between 1968 and 2005 and was an Advisor in general dental practice to the Northern Ireland Medical and Dental Training Agency from 1987 until 2005. He was an Examiner for the Diploma of Membership in General Dental Surgery at the Royal College of Surgeons (Ireland) 1991 to 1999 and a Core Examiner for the Diploma of Membership of the Faculty of General Dental Practice (UK) 1992 to 1998. He was also a Faculty of General Dental Practice Board member between 1995 and 1997 and was admitted to the specialist list in orthodontics in 2002. He has been in orthodontics-only practice since 2005 and was elected as a Fellow of the Faculty of General Dental Practice (UK) in 2008.



M E GREEN, BDS, FDSRCPs, MFGDP(UK), DPDS (57)

Non-Executive Director

M E Green was appointed to the Board on 28 October 2010. He has been a practice owner in NHS general dental practice since 1984 and is Associate Dental Post Graduate Dean (DF1) at the University of Bristol. He has been a member of the General Dental Council's Fitness to Practise Panel since 2003 and the Chairman since 2006. In the South West region, he was a Vocational Trainer from 1990 to 1994, was appointed as Vocational Training Advisor in 1994 and as the Regional Advisor in General Dental Practice in 1997, a post he still holds. He is a past President of the Christian Dental Fellowship and is on the advisory board of the dental charity Bridge2Aid.



Miss H M HARRISON, BDS, MFGDP (47)

Non-Executive Director, Member of the Risk Committee

Miss H M Harrison joined the Board in 2004. She is Principal of a multi-disciplinary general and specialist dental practice in Cambridge. She has previously been a member of the Representative Body of the British Dental Association (BDA) and the BDA Council, Ethics, Practice Management and Healthcare Policy Committees and Chairman of the Eastern Counties Branch. She is also a past member of the Cambridgeshire Local Dental Committee, a member of the Cambridge Postgraduate Education Committee

and a past dental nursing Tutor and Examiner.



G E KIDNER, BDS, MSc, LDS, FDS(Orth), MOrthRCS (45)

Non-Executive Director, Member of the Audit Committee

G E Kidner was appointed to the Board in 2004. He has been a Consultant Orthodontist at the Buckinghamshire and Oxford Radcliffe Hospitals NHS Trusts since 2000 and also works part-time in private practice. He is a lead orthodontist for the regional cleft lip and palate service and a member of the Consultant Orthodontic Group Committee of the British Orthodontic Society.



T R KING, BDS, FPC (62)

Non-Executive Director

T R King has been a Director since 1998. He was a dental surgeon with the Royal Navy for 15 years and later ran a successful locum service in Peterborough. He subsequently joined the insurance profession and worked for 20 years as an independent financial advisor, specialising in all aspects of health insurance.



D S KOONER, JP, BDS, LDSRCS, MGDSRCS, DGDP(UK), Dip MDE(Lon) (56)

Non-Executive Director, Member of the Audit Committee

D S Kooner was appointed as Director in 2004. He has been a general dental practitioner since 1981 and is Regional Advisor in General Dental Practice and Vocational Training Advisor (Barnet Scheme) for the London Deanery. He has been a Justice of the Peace since 1990 and previously served as a General Commissioner of Income Taxes (Middlesex Division) from 2000 to 2009. He is a member of the Health, Education and Social Care Chamber of the First-tier Tribunal (Formerly Family Health Service Appeals Authority). He is a

Fellow of the Pierre Fauchard Academy, an Examiner for the National Examination Board for Dental Nurses and the Royal College of Surgeons of England for the Diploma of Membership of the Faculty of General Dental Practice. He is a member of the Ealing, Hammersmith and Hounslow Local Dental Committee and Hounslow Primary Care Trust and was a professional member of the Fitness to Practice Panel of the General Dental Council (2003 to 2010). He also sits on the Board of Dental Protection Limited.



M C MACE, MB, BS, FDS, MRCS (65)

Non-Executive Director

M C Mace has been a Director since 1982, serving as Vice-Chairman between 1982 and 1998, and as Chairman from 1998 to May 2010. He was a part-time Consultant in Oral and Maxillofacial surgery at Stoke Mandeville Hospital from 1978 until 2003 and had a private Oral and Maxillofacial practice in London and Buckinghamshire. He is a member and past President of the Council of the Craniofacial Society of Great Britain and Ireland. He is also a past Examiner for the Fellowship of the Royal College of Surgeons of

England and an Honorary Member, former Trustee and Director of The Healing Foundation.



R K RAJA RAYAN, OBE, MSc, BDS, MGDS, DRD, LDS, MRD, FDS, FFGDP, MREC, RPF, Cert P (57)

Non-Executive Director, Member of the Risk Committee

R K Raja Rayan was appointed to the Board in 1989. He is also the current Chairman of the charity AOG Foundation Limited. He is a former Dean of the Faculty of General Dental Practice at the Royal College of Surgeons of England and has served as Chairman of Finance, Chairman of Examinations and Vice Dean. He has also served as an elected Council Member of the General Dental Council and examined for the Diploma, Membership and Fellowship examinations of the College. He is currently Associate Dean at

the London Deanery.

Chairman's Statement

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It is an enormous pleasure to present my first Chairman's statement. I am delighted to begin by reporting that 2010 was an extremely successful year for the Society. We produced a surplus before bonus declarations of £13.6 million and admitted the highest level of new members in a decade. These are very impressive results, given the continued uncertainty in the economy affecting both the investment and insurance arenas.

Results

The Group generated an overall surplus after distribution of bonuses of £7.7 million (2009: £15.8 million) on member premiums of £12.2 million (2009: £11.4 million). After stripping out the volatile unrealised gains and losses on investments, changes in sickness business provision and bonuses to members, the surplus for the Group increased from £5.9 million to £7.2 million in 2010. The total assets of the Group increased from £151.1 million to £167.4 million.

Bonuses

The Board, with advice from the Society's Actuarial Function Holder, has decided to maintain the rate of interest at 4%. The rate of Dividends for Insured and Commuted Members also remain unchanged at £1.56 and £1.80 per Share respectively.

Many of you will remember the near implosion of the global financial markets in 2008 and the Society's decision at that time to reduce the rate of terminal bonus to 5%. My predecessor promised that the Society would seek to increase the rate of terminal bonus as soon as possible. In keeping with that promise, I am delighted to inform you that, with effect from 1 January 2011, the rate of terminal bonus on eligible surrenders has been increased to 15%. The rate of terminal bonus on death payments remains unchanged at 25%.

We believe our cautious approach in these uncertain times is the best assurance we can give our members regarding the stability of bonus declarations.

Business Review

I will leave our Chief Executive to discuss the progress of the Group.

In brief, our results for the year were better than expected. The new business levels have remained strong and our systems infrastructure investment continues to yield results.

We see tailored, individual and responsive service as a right of our current and prospective members. We have implemented a number of changes to our business processes and the results have been very encouraging. However, this is a continuous project and there is much work still to be done.

Outlook

The Society is in excellent shape. We continue to make significant organisational changes to improve our service quality and efficiency. The investment markets remain uncertain and we continue to be watchful of our investment portfolio. However, I am very optimistic about our business. The combination of a strong capital base, committed work force and a permanent eye on risk management will be the key to our future success.

Board of Directors

I would like to thank my fellow Non-Executive Directors for their continued hard work and dedication. Martin Mace, Julian Scott and Ken Alexander will be retiring from the Board in May 2011. They have been instrumental in overseeing the transformation of our business and, with over 70 years of combined experience on the Board, we will miss their wisdom and advice enormously. I would especially like to thank Martin, for delaying his departure from the Board to give me the opportunity to settle into the role and providing me with indispensable council over the years. Julian and Ken have, for many years, worked tirelessly behind the scenes; it is simply impossible to quantify their efforts on the Board and the various Committees. On behalf of the Board I would like to wish them the very best for the future.

I would like to welcome Martyn Green, who joined the Board in October. Martyn is an exceptional talent and I look forward to working with him for many years to come.

Finally, I would like to record my personal thanks to our Chief Executive, whose commitment to the success of the Society and welfare of its members is second to none. I am grateful for his day-to-day leadership of the Society and his stewardship of our investments as Chairman of the Investment Committee.

Kathryn Woollass

Chairman
24 March 2011

Chief Executive's Review

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Performance

In presenting our very first Group financial statements, I am pleased to report an excellent set of results in a challenging and uncertain environment. Our membership premium income rose 6.7% to £12.2 million (2009: £11.4 million). The Group surplus after bonuses was £7.7 million (2009: £15.8 million). The reduction was attributable primarily to an increase in the sickness business provision, which was driven higher through a combination of lower yields on the Group's fixed interest portfolio and the decision to reduce the membership premium rates at certain ages.

The Group's total assets at the year end stood at £167.4 million (2009: £151.1 million), the increase being primarily driven by an appreciation in the value of the Group's investment portfolio.

Membership

The investment we have made in our offering has given us a robust model and the new business performance has been very encouraging. As at 31 December 2010, the total membership of the Society stood at 13,725. The Society admitted 662 new members during 2010 (2009: 606). The value of new annual premium equivalent (APE) written during the year was £763,000 (2009: £823,000). The slight fall in APE is mainly the result of lower average levels of cover subscribed by new members.

Over the last two years we have implemented a number of changes to our underwriting philosophy to ensure the decisions we make in accepting insurance risks are fair, pragmatic and in the broad interest of the membership as a whole. It is encouraging to see that the Society has been successful in generating significant new business without compromising our risk management standards.

Investments

The Group's investment policy is designed to maximise the long-term risk adjusted returns for the members and support the objectives of the Society. Over the past five years, the Society has had considerable success in improving the risk / return profile of its investments portfolio. This has been achieved primarily by increased diversification, but also with improved utilisation of the Group's risk budget. I am delighted to confirm that the Society's portfolio easily exceeded its performance benchmark for 2010.

For some time, we have been concerned about the impact of the global credit crisis and the subsequent bail-out on sovereign finances. In 2009, we began examining our fixed interest portfolio, in view of the emerging risks, and in mid-2010 we implemented changes to our portfolio which have not only improved the credit risk profile of our investments, but also substantially reduced the duration of the portfolio, thus reducing the impact of the medium-term inflation risk.

During 2010, the Group made a substantial investment in property through its newly formed subsidiary, 1908 Property Holdings Limited. The investment will add further diversification to the Group's income stream. In addition, part of the premises will be used as the Society's new head offices, with effect from mid-2010.

Claims

Total sickness claims paid remained flat at £3.2 million and the impact of the swine flu epidemic on the results was negligible. Although the Society's overall claims experience during 2010 was excellent, improper claims within the insurance sector are a growing problem and, unfortunately, we are not immune to this. We believe the cornerstone of the Society's relationship with its members is based on the principles of fair dealing and trust. We take a breach of this trust very seriously and always take robust action against such individuals.

Solvency II

Solvency II is the new regulatory regime for all European insurers, due to come into effect from 2013. The primary objectives of the new regime are to ensure harmonisation in regulatory requirements across all European Union member states and to ensure these requirements better reflect the risks faced by individual insurers.

We have created a team to lead the implementation of the new requirements and they have already commenced work on executing our detailed implementation plan. The Group is well placed to implement Solvency II, as many of the requirements under the new regime are already a firm part of the Society's governance framework.

Our People

The quality of our service and our offering is only as good as the people we employ. We have an excellent team at the Society and I am deeply grateful to each and every one for their hard work and commitment to our business.

Finally, I would like to record a personal thank you to Martin, Julian and Ken. It has been a delight and a privilege to work with such exceptional men and I am grateful for their wisdom and considered advice throughout the years.

Farrukh Mirza

Chief Executive

24 March 2011

Risk Management

The Main Board is responsible for ensuring the key risks and uncertainties facing the Group are identified and managed. A strong internal control environment supported by sound risk management practices are fundamental to the success of the Group. Significant resources have been dedicated to embedding robust risk management across the Group, as the Board realises that inadequate risk management exposes the Group not only to financial losses and regulatory sanction, but also to damage to its most important asset - the Group's reputation.

The Executive team has responsibility for the day-to-day management of risks. The Executive team work alongside departmental heads who are responsible for implementing risk management policies and procedures and reacting to emerging risk issues. The oversight responsibility is delegated to the various Sub-Committees of the Board, which provide regular reports to the Board on the risk matters within their remit.

The risk identification and management process ensures all key risks are centrally collated within the risk register, which clearly identifies the risk owners. Regular monitoring, augmented by internal audit and compliance reviews, is designed to identify the effectiveness of the control environment. The status of the risks is reviewed periodically and a comprehensive reporting process is in place to communicate key risk indicators and other relevant information to the Sub-Committees and the Board.

Principal Risks

The key risks facing the Group include insurance, credit, liquidity, market, operational and strategic risks. Further details regarding risk management and sensitivity analysis are set out in Note 21 to the financial statements.

Insurance Risk

The primary activity of the Group is the provision of Income Protection Insurance to dentists in the UK and the Republic of Ireland. The principal risks in this area of business activity comprise the risk of adverse financial impact on the Group due to inappropriate pricing of the Income Protection Insurance contracts, and the risk of claims experience being worse than anticipated and the associated impact on the sickness benefit reserve.

The risk appetite for insurance risk is set by the Group Board and the Group Chief Executive is responsible for the ownership of insurance risk within the Group.

Actuarial models are the primary tool used to objectively derive the pricing of the contracts. The models are produced by in-house staff and are subject to external peer review. In addition, senior management work closely with the underwriting and claims staff to ensure the day-to-day decisions are aligned to the Group's strategic objectives and risk appetite. Further assurance is provided by regular independent audits by industry experts.

The reserving for claims requires a degree of estimation and subjective judgements. The Group's results are sensitive to the accuracy of these. The main Board is responsible for reviewing the critical assumptions and judgements, based on advice from senior management and the Actuarial Function Holder.

Credit Risk

Credit risk is the risk that a counterparty is unable to meet its financial obligations as they fall due. The most significant source of counterparty risk is investment counterparties and the risk in this area is owned by the Group Chief Executive. The investment credit risk is monitored by the Investment Committee.

Significant exposures are managed by the application and regular review of counterparty limits, with allowance being made in the actuarial valuation of the liabilities for possible defaults.

Liquidity Risk

Liquidity risk is the risk that the Group, although solvent, has insufficient liquid assets to meet its obligations as they fall due.

Liquidity risk is overseen by the Investment Committee and is owned by the Head of Finance. The majority of the Group's cashflows are of a routine nature and can be forecast with reasonable accuracy. The primary source of cash inflows is the premium income from members, whilst the outflows are also to members in the form of benefit claims and Bonus Account withdrawals.

The Group's liquidity risk appetite is to have sufficient funds to meet large unexpected cash demands. The primary sources of risk are an increase in claims and an increase in Bonus Account withdrawals driven by investment market volatility.

Market Risk

Market risk is the risk that fair values and future cashflows will fluctuate as a result of changes in interest and exchange rates and asset valuations. Market risk is owned by the Investment Committee and day-to-day management is delegated to the Group Chief Executive.

Market risk for investments is managed by use of detailed investment guidelines which cover risk / reward relationships, limits on exposure by markets and asset classes and maturity profile. The Group's investment policy is designed to ensure capital is utilised effectively and that members' returns are maximised over the business cycle on a risk adjusted basis.

The investment objectives are to achieve medium-term stability in bonus rates, and to not put the members' capital at risk or jeopardise the ability of the Group to underwrite risks.

The investments held to back the sickness business provision are invested in a well diversified mix of high quality bonds and money market instruments.

The Group does not match its assets and liabilities precisely. Average duration benchmarks are set instead, which approximate the maturity profile of the liabilities but with a degree of mismatch to allow the Group some flexibility to enhance returns.

Operational Risk

Operational risk is the risk of financial loss to the Group arising from inadequate internal processes, systems and external events. Operational risk cuts across the other risks mentioned in this report and includes areas such as product development, information technology, legal and regulatory risks and reputational risks. Operational risk is owned by the Executive and is managed by departmental managers throughout the Group. Operational risk is monitored by the Risk Committee which reports to the main Board.

The Group has a business continuity plan and established policies covering the risks of data protection, financial crime, money laundering, whistle blowing and disaster recovery. Compliance with operational risk guidelines is monitored by the Head of Compliance & Risk and the Internal Audit function.

Strategic Risk

Strategic risk is the risk of inappropriate business strategy or execution arising from internal or external factors. The risk is owned by the Group Chief Executive and the risk appetite is set by the main Board as part of the annual business planning process.

Strategic risk is affected by economic, political, regulatory, social, ethical, environmental, reputational and legal factors, together with market competition.

Five year strategic plans are updated annually to reflect the revised views on the Group's longer term competitive and market position. The Group monitors the progress of the business against its strategic agenda at its regular Board meetings.

Governance Report

The Group is committed to the highest standards of Corporate Governance for the benefit of its members, employees and other stakeholders. The concepts of ethics, integrity and accountability are firmly embedded in the Group's activities and structures. This report describes how the Group applies the principles of good governance to its business.

The Board of Directors

The main Board comprises the Chairman, Vice-Chairman, eight Non-Executive Directors and the Chief Executive and meets at least four times a year. The Directors and their biographies appear on pages 4 to 5.

The main Board provides leadership and control for the Group. It has delegated the management and day-to-day running of the Society and the Group to the Group Chief Executive, but keeps specific items for its decision, which are reviewed regularly. These include agreement of strategic objectives, annual plans and targets, significant transactions, monitoring performance against key financial and non-financial objectives, overseeing the systems for risk management, setting standards in governance matters, review of the performance of the various Sub-Committees of the Board and authorisation of senior appointments.

The Group Secretary is responsible for ensuring that the Board complies with all appropriate procedures. The appointment and removal of the Secretary is a matter for the Board as a whole.

Roles of the Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive are separate, with a clear division of responsibilities. The job descriptions of the Chairman and Chief Executive are set out in writing and have been approved by the Board. The Chairman is responsible for leading the Board and ensuring it operates effectively and in the best interest of the members. The Chairman is also responsible for ensuring the Directors receive accurate, timely and clear information, which is fit for the purpose of enabling the Board to make informed decisions, and properly monitoring the activities of the Group. The Chairman is also responsible for ensuring the Society communicates effectively with its members. The Chief Executive is responsible for the day-to-day management of the Group, formulating strategy proposals for the Board and making operational decisions.

Senior Independent Director

The role of the Senior Independent Director has been formally established and documented and has been delegated to Julian Scott as the Vice-Chairman of the Group. Mr Scott led the Group Chairman's performance evaluation process, in consultation with other Directors. The Vice-Chairman is available to meet with the members of the Society, if they do not wish to follow the standard lines of communication through the Chairman and Chief Executive.

Appointment and Reappointment of Directors

The Board has put in place a clear and rigorous process for the appointment of new Directors. All appointments to the Board are based on merit and objective criteria and subject to ratification by the members at the Annual General Meeting.

All Directors are required to submit themselves for re-election annually. The Board is required to have an appropriate mix of skills, knowledge and experience to ensure effective management of the Group and the delivery of its strategy. The Group Nomination / Remuneration Committee reviews the balance and composition of the Board and its Committees annually, along with the issue of independence for each Non-Executive Director. The Group Nomination / Remuneration Committee also considers the effectiveness of each Director offering themselves for re-election, the contribution made and whether the Director has committed sufficient time to the Group.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Society during normal business hours and at the Annual General Meeting.

Induction and Continuing Professional Development

All newly appointed Directors receive a comprehensive induction, which covers the operations of the Group, strategy, risks and the individual's responsibilities as a Director. In addition, a formal ongoing training programme has been put in place to ensure the Directors are able to continually improve their knowledge and skills and are able to discharge their duties effectively.

The Directors are also entitled to seek independent professional advice at the Group's expense to assist them in discharging their responsibilities to the Group. No such requests were received in the year under review.

Conflicts of Interest

The Group has formal policies to deal with situations where a Director has an interest that conflicts or may conflict with the interests of the Group. These include procedures for notification and managing the impact of any conflict on the work of the individual and the Board.

Board Independence

The Nomination / Remuneration Committee has specifically considered the independence of each Non-Executive Director, taking into account the length of service, other directorships, business interests and their benefits with the Society. The Board considers all Non-Executive Directors, except Mr King, to be independent in character and judgement. During 2010, Mr King undertook remunerated marketing and promotional activities on behalf of the Society and accordingly he has not been classified as an Independent Director.

The Group considers that the nine year independence provision within the Annotated Combined Code is an arbitrary figure and the Group benefits greatly from the stability, knowledge and skills of long-serving Directors. The Group considers that an individual's relationship with the Society should be considered holistically in making an assessment of independence and the Group's procedures are based on this view. The Group acknowledges that the Board needs to be regularly renewed and has put appropriate caps on tenure of each Non-Executive Director.

Directors and Officers Insurance

The Group has throughout the year maintained Directors and Officers Liability Insurance for the benefit of its Directors and Officers. In addition, under Rule 7.8 of the Society, the Group has provided an indemnity to the Directors on the main Board.

Performance Appraisal

The Chairman undertakes an annual, formal evaluation of the performance of the Board. All Directors are required to complete an appraisal, covering their work on the Board and any relevant Sub-Committees. The Chairman holds one-to-one review meetings with each Director. The meeting covers areas such as their performance, roles and responsibilities, achievements, skills and development objectives. Following the end of the review cycle, the Chairman submits a report to the Board setting out the results of the annual review for further discussion and action, as appropriate. Any specific actions identified are monitored by the Chairman.

As noted previously, the evaluation of the Chairman is undertaken by the Vice-Chairman in consultation with other Non-Executive Directors. In addition, the Board periodically meets without the Chairman and Chief Executive to discuss a wide range of issues, including performance of the Chairman and Chief Executive.

The Chairman and the Chief Executive also meet, formally and informally, on a regular basis to discuss the performance of the business and the Board.

Communications with Members of the Society

The Board is committed to continuing open dialogue with the members of the Society in order to raise understanding and awareness of its products, strategy and performance. The Board uses the Annual General Meeting and industry events as the primary mechanism for doing this.

All members are encouraged to attend the Annual General Meeting and notice is sent at least 21 days in advance of the meeting. At the Annual General Meeting, separate resolutions are proposed on each substantive issue. When an issue has been determined at the meeting by a show of hands, the Chairman confirms the number of proxy votes for and against the resolution. The Chairmen of the Nomination / Remuneration, Audit, Investment and Risk Committees are also available to answer relevant questions at the Annual General Meeting.

The Society's website also provides information about the Group, including its results and press releases.

Sub-Committees of the Board of Directors

There are four Sub-Committees of the Board and each has specific terms of reference, which are reviewed periodically:

Audit Committee

The Audit Committee comprises three independent Non-Executive Directors and meets at least four times a year. The current members of the Audit Committee are Ken Alexander (Chairman), Giles Kidner and Davinderpal Kooner. The Board is satisfied that the Committee is competent in financial matters and has the requisite recent and relevant financial experience.

The Chief Executive and Head of Finance attend the meetings by invitation. The Audit Committee assists the Board on matters of financial reporting, risk management and internal control. The Audit Committee also monitors the cost, independence and objectivity, scope, conclusions and effectiveness of the internal and external auditors.

It is the Group's policy not to use its external auditors in the provision of non-audit services.

The internal and external auditors have unrestricted access to the Audit Committee. The Audit Committee meets with the internal and external auditors, without the management, at least once a year. The Audit Committee's terms of reference are available on the Society's website or upon request from the Society's Secretary.

In the year under review, the Audit Committee met on four occasions and considered the internal and external audit plans, the financial statements of the Society, effectiveness of internal controls, governance (including its terms of reference), regulatory and actuarial matters, and the performance, qualifications and independence of the internal and external auditors.

Governance Report

Investment Committee

The current members of the Investment Committee are Farrukh Mirza (Chairman), Ken Alexander and Simon Elliott, a member of the Society's actuarial staff, and meet at least once per annum.

The Committee is responsible for overseeing the Group's investment management approach, monitoring the suitability and performance of the investment managers, ensuring that investment managers comply with the appropriate limits, recommending the appointment and removal of investment managers, overseeing market, credit and liquidity risk and making recommendations regarding the appointment, continued effectiveness and removal of the investment consultant. The Investment Committee's terms of reference are available on the Society's website or upon request from the Society's Secretary.

During the year under review, the Committee met four times and the Group Chairman and Head of Finance were invited to attend by the Chairman. The Committee undertook regular reviews of investment performance and risk, considered governance matters (including its terms of reference) and implemented changes to the Group's fixed interest portfolio.

Nomination / Remuneration Committee

The Nomination / Remuneration Committee comprises two independent Non-Executive Directors and the Group Chairman. The Committee meets at least once a year and the current members of the Committee are Ken Alexander (Chairman), Julian Scott and Kathryn Woollass.

In respect of its nomination responsibilities, the Committee reviews the structure, size and composition of the Board and makes recommendations regarding the appointment and reappointment of Directors. The Committee is also responsible for establishing, approving and implementing succession plans for the Board.

In respect of its remuneration-related responsibilities, the Committee determines the terms of service and remuneration of Executive Directors, using information from a variety of sources. The Committee also reports on the Directors' remuneration for approval by members of Dentists' Provident.

The Nomination / Remuneration Committee met twice in the year under review and considered its terms of reference, Board balance, independence and succession, the results of the individual performance reviews, executive remuneration and the 2009 Remuneration Report. The Nomination / Remuneration Committee's terms of reference are available on the Society's website or upon request from the Society's Secretary.

The Committee has considered the members standing for election and re-election at this year's Annual General Meeting and it recommends to the members of the Society the election and re-election of the Directors listed within the Notice of Annual General Meeting, based upon their professional standing and previous contribution to the Society.

The report of the Nomination / Remuneration Committee on behalf of the Board is set out on pages 14 and 15.

Risk Committee

The Risk Committee comprises three Non-Executive Directors and meets at least four times a year. The current members of the Risk Committee are Julian Scott (Chairman), Helen Harrison and Raj Raja Rayan.

The Committee's primary purpose is to review new and emerging risks and monitor the adequacy of the risk management process, provide reports to the Board on the systems governing the management of key risks and make appropriate recommendations to the Board based on the regular reports from the Chief Executive and the Head of Compliance & Risk. The Risk Committee's terms of reference are available on the Society's website or upon request from the Society's Secretary.

In the year under review, the Risk Committee met on three occasions, instead of the planned four, and considered the effectiveness of the risk management process, governance (including its terms of reference) and Solvency II preparation.

Accountability and Internal Controls

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its effectiveness. On a day-to-day basis, the Group's Executive management is responsible for the operation, management and effectiveness of the system of internal controls. No material changes have been made to the internal controls systems in the year.

The Board has reviewed the effectiveness of internal controls during the year, including financial and operational controls. The Board confirms that there is a continuous process for the identification, evaluation and management of the key risks facing the Group, which were in place throughout the year and up to the date of the approval of the Annual Report and Financial Statements. The work of the various Board Sub-Committees in relation to risk management is detailed above. Further information on key risks and the systems to manage these are detailed in the section "Risk Management".

The Group also has an independent Internal Audit function which has direct access to the Audit Committee and reports to it regularly.

Governance Report

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The Board acknowledges that it is neither possible nor operationally efficient to eliminate risk completely. The Group's system of internal controls is designed to manage, as opposed to eliminate, control risk and can only provide reasonable assurance against material misstatement, loss or error. Significant effort is dedicated to being fully cognisant of the risks to the Group and managing these to an acceptable level.

Going Concern

The Group has sufficient resources, together with sufficient recurring income from members. The Group meets its operational capital requirements through maintaining part of its assets in suitably liquid assets such as cash and cash equivalents. The Board believes the Group has adequate resources to manage its business risks and the Directors believe the Society and the Group have sufficient resources to continue in operation for the foreseeable future. Accordingly, the going concern basis has been used in the preparation of the financial statements.

Attendance at Scheduled Meetings During 2010

Name	Annual General Meeting	Board of Directors	Nomination / Remuneration Committee	Audit Committee	Investment Committee	Risk Committee
M C Mace	1 / 1	4 / 4	1 / 1			
F M Mirza	1 / 1	4 / 4			4 / 4	
J P Scott	1 / 1	4 / 4	2 / 2			3 / 4
K W Alexander	1 / 1	4 / 4	2 / 2	4 / 4	4 / 4	
M E Green		1 / 1				
Miss H M Harrison	1 / 1	4 / 4				3 / 4
G E Kidner	1 / 1	3 / 4		1 / 2		1 / 2
T R King	1 / 1	3 / 4				
D S Kooner	1 / 1	4 / 4		4 / 4		
R K Raja Rayan, OBE	1 / 1	3 / 4				1 / 2
Miss K F Woollass	1 / 1	4 / 4	1 / 1	2 / 2		

Directors' Remuneration Report

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Remuneration is an area of great importance and plays a critical role in the sustained, long-term growth and success of any organisation. The reputation of a company, the morale of its employees, and the ongoing support from the members, can all be shaped to a certain extent by the strength of its remuneration policy. The Nomination / Remuneration Committee is determined that Dentists' Provident should have as robust a remuneration policy as possible.

The principal responsibility of the Nomination / Remuneration Committee in relation to remuneration is to recommend the overall policy for remunerating Executive Directors to the Board, review the design of any incentive plans for approval by the Board, to set and assess achievement of performance objectives and determine the remuneration package for Executive Directors.

None of the members of the Nomination / Remuneration Committee has any personal financial interest (other than as a member of the Society) or conflicts of interest or day-to-day involvement in the running of the Group. The Chief Executive is usually invited to attend all or part of the Committee meetings. However, as a rule, the Chief Executive and any other Director is excluded from any part of the meeting covering their own remuneration.

Remuneration Policy

The key features of the remuneration policy of the Group in relation to its Executive Directors can be summarised as follows:

- The Society's business and the quality of its service is driven by the skills, experience and motivation of its employees.
- The remuneration policy aims to attract, retain and motivate high calibre individuals, rewarding genuine contribution to the long-term success of the Society with packages aligned to the interests of the members.
- The level of Executive Directors' remuneration gives due consideration to the market environment but is largely driven by the individual's level of responsibility, competence and contribution to the success of the Group.
- The Group has recognised for many years the asymmetric nature of the risk / reward relationship, especially in relation to bonuses, and has shunned bonuses for senior employees for this reason. The primary component of Executive Directors' reward is the base salary.
- Commuted Membership is encouraged amongst all employees and is mandatory for Executive Directors, to align their long-term financial interests with those of the Society's membership.
- Notice periods are in accordance with general market practice.

Remuneration Elements

Executive Directors' Base Salary

Base salaries are reviewed annually. The Nomination / Remuneration Committee takes into account inflation data, the competitive position of the Society's salaries by reference to other organisations of similar size and industry, the individual's responsibilities, skills and experience and, most importantly, the results of the annual performance reviews in setting the overall increase. Any changes are usually effective from 1 January each year. In 2010, the Executive Director was awarded a 5% increase in salary. Mr Mirza waived his increase in the previous year.

Fees for the Chairman and Non-Executive Directors

The Executive Directors set the fees of the Non-Executive Directors and review these annually. The Chairman is also consulted on the fee arrangements generally and the Senior Independent Director on the fees for the Chairman. Changes to the fees normally take effect from 1 January each year.

In previous years, Non-Executive Directors claimed session charges whilst on Society business. This arrangement was modified with effect from 1 January 2010; Non-Executive Directors receive a basic fee and additional fees are payable for membership and Chairmanship of the various Sub-Committees. Non-Executive Directors may still claim session charges but only for such duties as those not forming part of their normal duties and responsibilities.

Benefits

Benefits are set within agreed parameters and consistent across the Group. The benefits package for Executive Directors includes health insurance, life insurance and critical illness cover. Non-Executive Directors are not entitled to any contractual benefits.

Retirement Benefits

The Chief Executive is a member of the Society's targeted final salary, defined contribution pension scheme. The Scheme is closed to new entrants. The Chairman and Non-Executive Directors do not have any pension benefits.

During the year under review, the Society made regular contributions totalling £59,486 and special contributions amounting to £176,950, to correct a historic funding deficit, into the Chief Executive's pension scheme.

Directors' Remuneration Report

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Service Contracts

Copies of the Directors' service contracts and letters of appointment are available for inspection at the registered office of the Society. It is the Group's policy that the length of notice periods should be such as to balance the interests of the Directors and the Society, in addition to reflecting the current best practice. The current notice period for Non-Executive Directors is six months and nine months for Executive Directors, which can be given by either party. Non-Executive Directors are not entitled to any compensation for loss of office and Executive Directors' compensation is limited to any contractual notice pay entitlement.

External Directorships

Executive Directors are permitted to accept appointments on external boards or committees, where they do not conflict with the business of the Group. All external appointments must be approved by the Chairman in advance.

Directors' Remuneration

Name	Fees and Salaries £	Benefit in Kind £	Total £
Miss K F Woollass	11,923	-	11,923
Mr F M Mirza	171,015	2,671	173,686
Mr J P Scott	10,000	-	10,000
Mr K W Alexander	11,000	-	11,000
Mr M E Green	1,309	-	1,309
Miss H M Harrison	8,000	-	8,000
Mr G E Kidner	8,000	-	8,000
Mr T R King	6,120	-	6,120
Mr D S Kooner	13,395	-	13,395
Mr M C Mace	11,509	-	11,509
Mr R K Raja Rayan, OBE	7,393	-	7,393
	259,664	2,671	262,335

Ken Alexander

Chairman, Nomination / Remuneration Committee

24 March 2011

Annual Report of the Board of Directors

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

Principal Activity

Dentists' Provident is a Friendly Society, incorporated under the Friendly Societies Act 1992. The Society's principal business activity is the provision of Income Protection to dentists in the UK and the Republic of Ireland, under the Holloway Contract principles. The Society did not undertake any activities which were outside its powers.

Business Review and Future Developments

An analysis of the development and performance of the business can be found within the Chairman's Statement and the Chief Executive's Review on pages 6 to 7. A description of the material risks facing the business are set out in the Risk Management section.

Financial Results

The Group achieved a surplus before bonuses of £13.6 million (2009: £21.5 million). The total assets of the Group at 31 December 2010 stood at £167.4 million (2009: £151.1 million).

The detailed results for the year are shown in the Group Income and Expenditure Account on page 19 and also within the Chief Executive's Review on page 7.

Solvency

Throughout the financial year, the Society maintained its solvency in excess of the required margin for its relevant class of business.

Going Concern

After making appropriate enquiries, the Directors have an expectation that the Company and Group have adequate financial resources to continue in operations for the foreseeable future. Consequently, the Directors consider it appropriate to continue using the going concern basis in preparing the financial statements.

Bonuses

The rates of Dividend for Insured and Commuted Members remain unchanged for 2010 at £1.56 and £1.80 per Share respectively. The rate of interest credited on Bonus Accounts brought forward also remains unchanged at 4%.

With effect from 1 January 2011, the rate of Terminal Bonus on qualifying withdrawals has been increased to 15% from 10%. The rate of Terminal Bonus applicable to death payments remains unchanged at 25%.

Directors and Chief Executive

The names and details of the individuals who served as Directors of the Society during the year are set out on pages 4 to 5.

Mr M E Green was appointed to the Board in October 2010 and, in accordance with the Society's Rules, offers himself for election at the Annual General Meeting of the Society. In addition, the remainder of the Board retires by rotation and, with the exception of Martin Mace, Julian Scott and Ken Alexander, each has submitted themselves for re-election.

Changes in Fixed Assets

Details of significant changes in the fixed assets of the Society are detailed in Note 15 to the financial statements.

Donations

The Group did not make any political donations in the year (2009: £Nil). Charitable donations totalled £2,361 (2009: £66).

The Group's policy on donations is to provide assistance to charitable bodies involved in improving dental health and those providing services to members of the dental profession facing financial and health issues.

Complaints Policy

The Society takes all complaints extremely seriously and formal procedures are in place for handling them.

The Society deals with all complaints as a matter of urgency and they are handled by suitably qualified managers within the Society.

Serious complaints are dealt with by the Executive. In the event a complaint cannot be resolved to the complainant's satisfaction, they are provided with written details of the dispute resolution mechanisms available. Members can choose to refer the complaint to a panel of independent arbitrators or, alternatively, request the Financial Ombudsman Service for a ruling on the complaint.

Annual Report of the Board of Directors

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

Responsibilities of the Directors in the Preparation of Financial Statements

The Directors are responsible for preparing financial statements for each financial year which comply with the provisions of the Friendly Societies Act 1992 and the regulations made under it. Under the Friendly Societies Act, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Society and Group for that period. In preparing those financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Society, and enable it to ensure the financial statements comply with all legal and regulatory requirements. The Directors are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

During the year, the Board, on the recommendation of the Audit Committee, decided to put the Group audit out to a competitive tendering process.

Following the review, Grant Thornton UK LLP will not be seeking reappointment as the Society's auditors and a resolution to appoint Buzzacott LLP as auditors to the Society will be proposed at the Annual General Meeting.

Mrs Johanna Drinan

Secretary
24 March 2011

Independent Auditors' Report

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

To the members of Dentists' Provident Society Limited

We have audited the financial statements of Dentists' Provident Society Limited for the year ended 31 December 2010 which comprise the income and expenditure account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) having regard to the statutory requirement to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2010, and the effect of the movement in those provisions during the year on the fund for future appropriations, the balance on the long term business technical account and on excess of income over expenditure before tax are disclosed in note 20.

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

Respective Responsibilities of the Directors and Auditors

As explained more fully in the section 'Responsibilities of the Directors in the Preparation of Financial Statements' set out in the Annual Report of the Board of Directors, the Directors are 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 Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Society's and the Group's affairs as at 31 December 2010 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 Board of Directors 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 reflects the Society's compliance with the 8 provisions of the Annotated Combined Code specified by the Association of Financial Mutuals.

Grant Thornton UK LLP

Chartered Accountants and Registered Auditor
24 March 2011

30 Finsbury Square
London
EC2P 2YU

Income and Expenditure Account

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

Technical Account - Long Term Business

	Notes	2010 Group £	2009 Group £	2010 Society £	2009 Society £
Earned Premiums	2	12,175,370	11,412,218	12,175,370	11,412,218
Investment Income	3	3,123,403	2,034,160	3,126,855	2,034,160
Unrealised Gains on Investments	4	13,630,381	16,789,655	13,630,381	16,789,655
		28,929,154	30,236,033	28,932,606	30,236,033
Claims Incurred	5	(7,322,309)	(6,685,202)	(7,322,309)	(6,685,202)
Change in Other Technical Provisions					
Long Term Business Provisions					
Members' Withdrawals		4,129,259	3,476,375	4,129,259	3,476,375
Sickness Business Provision	17	(7,213,000)	(68,000)	(7,213,000)	(68,000)
		(3,083,741)	3,408,375	(3,083,741)	3,408,375
Bonuses	6	(5,943,097)	(5,698,820)	(5,943,097)	(5,698,820)
Net Operating Expenses	7	(4,595,459)	(4,014,224)	(4,588,212)	(4,014,224)
Investment Expenses and Charges					
Investment Management Expenses		(287,230)	(296,726)	(287,170)	(296,726)
Unrealised Losses on Investments	9	-	(1,100,000)	-	(1,100,000)
Transfer to Fund for Future Appropriations	16	£7,697,318	15,849,436	£7,708,077	15,849,436

Continuing Operations

The amounts stated above relate to the continuing operations of the Group and Society.

Recognised Gains and Losses

All recognised gains and losses in relation to long term business are dealt with in the Income and Expenditure Account - Long Term Business.

Balance Sheet

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

	Notes	2010 Group £	2009 Group £	2010 Society £	2009 Society £
Assets					
Investments					
Land and Buildings	11	8,913,202	3,400,000	3,400,000	3,400,000
Investment in Subsidiaries	12	-	-	2,800,000	-
Other Financial Investments	13	155,887,788	144,828,272	155,887,788	144,828,272
		164,800,990	148,228,272	162,087,788	148,228,272
Debtors					
Other Debtors	14	675,633	14,020	4,221,194	14,020
Other Assets					
Tangible Fixed Assets	15	976,295	1,845,415	976,295	1,845,415
Cash at Bank and in Hand		881,920	1,016,070	53,957	1,016,070
		1,858,215	2,861,485	1,030,252	2,861,485
Prepayments and Accrued Income					
Other Prepayments and Accrued Income		24,205	44,925	24,205	44,925
		£167,359,043	£151,148,702	£167,363,439	£151,148,702
Liabilities					
Fund for Future Appropriations	16	56,643,987	48,946,669	56,654,746	48,946,669
Technical Provisions					
Long Term Business Provision	19	109,251,258	100,807,911	109,251,258	100,807,911
Accruals and Deferred Income		1,463,798	1,394,122	1,457,435	1,394,122
		£167,359,043	£151,148,702	£167,363,439	£151,148,702

Approved and authorised for issue by the Board of Directors of
Dentists' Provident Society Limited

Farrukh Mirza

Chief Executive
24 March 2011

Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

1.a. General Information

The Dentists' Provident Group, resident in the United Kingdom, comprises Dentists' Provident Society Limited (the Parent Undertaking) and its subsidiary, 1908 Property Holdings Limited. The Principal activity of the Group is the provision of Income Protection Insurance to dentists in the UK and the Republic of Ireland.

The Parent Undertaking is a not-for-profit mutual managed for the benefit of its members. The consolidated accounts for the Group include the results of the subsidiary. All amounts stated in the financial statements relate to continuing operations of the Group.

1.b. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and are consistent with those of the previous year:

Recognition of Assets and Liabilities

Assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the contract. An asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests. A liability is derecognised when it is extinguished, which is when the obligation in the contract is discharged, cancelled or expires.

Basis of Preparation

The financial statements have been compiled on a going concern basis and prepared under the historical cost convention, except that investments and land and buildings are measured at fair value. These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the UK, applicable accounting standards and the guidance on Accounting for Insurance Business issued by the Association of British Insurers and presented in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994.

Certain amounts reported in the financial statements include estimates and judgements made by the management, particularly in relation to the calculation of the Sickness Benefit Reserve and the valuation of certain investments. The actual results may differ from the estimates made.

Basis of Consolidation

The consolidated financial statements include the results of the Society and its subsidiary, which prepares its financial statements to 31 December each year. The subsidiary has been consolidated from the date it commenced trading and all inter-company balances, profits and transactions are eliminated.

Premium Income

The Holloway Contract is a long term insurance contract and premium income is recognised in the Income and Expenditure Account when due from the members of the Society.

Investment Income

Investment income includes dividends, interest, rent, gains and losses on realisation of investments and related expenses. Dividends, interest and rent are recorded on an accruals basis. Realised gains and losses on investments are calculated as the difference between the net sales proceeds and original cost in the case of investments purchased in the year and otherwise as the difference between the net sales proceeds and prior year's valuation.

Unrealised Gains and Losses

Unrealised gains and losses on investments are calculated as the difference between the year end valuation and the previous year end valuation or purchase price, if acquired in the year. Unrealised gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and have been reported as realised gains and losses.

Claims

Claims incurred comprise sickness benefit and withdrawals of capital by the members of the Society.

Acquisition Costs

Acquisition costs represent the direct and indirect costs relating to the obtaining and processing of new business. Having regard to the future premium levels, the Directors do not consider the deferred acquisition costs to be material. As a consequence, all acquisition costs are recognised in the income and expenditure account in the period they are incurred.

Foreign Currencies

The functional currency of the Group is Pounds Sterling. Foreign currency transactions are translated at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Sterling at the rate of exchange prevailing at the balance sheet date. All exchange gains and losses are included in the income and expenditure account.

Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

Land and Buildings

Land and buildings are included in the financial statements at fair value on the basis of independent valuations. No depreciation is provided on land as it is deemed to have an indefinite useful economic life. The Directors consider the useful economic life of the buildings to significantly exceed 50 years. In addition, the current estimate of residual value is such that any accumulated depreciation and annual depreciation charge would be immaterial. Subsequently, no provision for depreciation on buildings has been provided for in these financial statements.

Other Financial Investments

Other financial investments are initially recognised in the financial statements at fair value. For investments quoted on active markets, fair value is deemed to be the bid price, exclusive of any transaction costs. For investments in collective investment schemes, the fair value is based on the pricing and valuation information provided by the third party investment managers. Loans and other receivables are carried at cost less any provision for impairment in value.

Tangible Fixed Assets

Tangible fixed assets comprising office equipment, and computer software and equipment are carried at historical cost less depreciation and any impairment losses. Historical cost includes any associated expenditure directly attributable to the acquisition of the asset. Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value at the following rates:

Office equipment	25% per annum on a straight line basis
Computer software & equipment	25% per annum on a straight line basis

No depreciation is provided on assets in the course of construction.

Impairment of Assets

Where the carrying value of an asset is impaired, its carrying value is immediately reduced to the recoverable amount by an immediate charge to the Income and Expenditure Account. The recoverable amount is the higher of an asset's value in use to the Group or the open market disposal value, excluding the costs of sale.

Long Term Business Provision

The Long Term Business Provision has been calculated by the Actuarial Function Holder, having due regard to the requirements of the Friendly Societies (Accounts and Related Provisions) Regulations 1994 and the Financial Services Authority.

Pension Scheme

The Group operates two defined contribution plans for the benefit of its employees. The Group pays contributions to independent third party administered pension insurance plans on a contractual basis. The contributions are recognised as an employee benefit expense when they are due.

Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

	2010	<i>2009</i>	2010	<i>2009</i>
	Group	<i>Group</i>	Society	<i>Society</i>
	£	<i>£</i>	£	<i>£</i>
2. Earned Premiums				
Gross premiums written comprise:				
Holloway income protection insurance contracts	£12,175,370	<i>£11,412,218</i>	£12,175,370	<i>£11,412,218</i>

The premiums arise from direct insurance business relating to individual premiums primarily from within the UK, but also from the Republic of Ireland, the Channel Islands and the Isle of Man.

	2010	<i>2009</i>	2010	<i>2009</i>
	Group	<i>Group</i>	Society	<i>Society</i>
	£	<i>£</i>	£	<i>£</i>
3. Investment Income				
Income from subsidiaries	-	-	3,452	-
Income from land and buildings	36,216	<i>36,602</i>	36,216	<i>36,602</i>
Income from other financial investments	1,259,248	<i>1,241,756</i>	1,259,248	<i>1,241,756</i>
Gains on realisation of investments	1,827,939	<i>755,802</i>	1,827,939	<i>755,802</i>
	£3,123,403	<i>£2,034,160</i>	£3,126,855	<i>£2,034,160</i>

	2010	<i>2009</i>	2010	<i>2009</i>
	Group	<i>Group</i>	Society	<i>Society</i>
	£	<i>£</i>	£	<i>£</i>

4. Unrealised Gains on Investments

Other financial investments	13,630,381	<i>16,789,655</i>	13,630,381	<i>16,789,655</i>
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	2010	<i>2009</i>	2010	<i>2009</i>
	Group	<i>Group</i>	Society	<i>Society</i>
	£	<i>£</i>	£	<i>£</i>

5. Claims Incurred

Withdrawals from Members' Bonus Accounts	4,129,259	<i>3,476,375</i>	4,129,259	<i>3,476,375</i>
Sickness claims paid	3,193,050	<i>3,208,827</i>	3,193,050	<i>3,208,827</i>
	£7,322,309	<i>£6,685,202</i>	£7,322,309	<i>£6,685,202</i>

	2010	<i>2009</i>	2010	<i>2009</i>
	Group	<i>Group</i>	Society	<i>Society</i>
	£	<i>£</i>	£	<i>£</i>

6. Bonuses

Total dividends and interest to members on withdrawal	96,629	<i>83,212</i>	96,629	<i>83,212</i>
Interest to members	2,873,727	<i>2,826,352</i>	2,873,727	<i>2,826,352</i>
Dividends to members	2,389,250	<i>2,391,416</i>	2,389,250	<i>2,391,416</i>

Terminal bonuses on withdrawal of funds	583,491	<i>397,840</i>	583,491	<i>397,840</i>
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Total bonuses	£5,943,097	<i>£5,698,820</i>	£5,943,097	<i>£5,698,820</i>
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Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

	2010 Group £	2009 Group £	2010 Society £	2009 Society £
7. Net Operating Expenses				
Acquisition costs	1,490,755	1,497,589	1,490,755	1,497,589
Administrative expenses	3,104,704	2,516,635	3,097,457	2,516,635
	£4,595,459	£4,014,224	£4,588,212	£4,014,224

	2010 Group £	2009 Group £	2010 Society £	2009 Society £
Net operating expenses include:				
Commissions on direct business	888,433	905,137	888,433	905,137
Auditors remuneration - Audit services	55,438	51,913	53,438	51,913
Actuarial fees	183,676	254,536	183,676	254,536
Depreciation	878,067	893,247	878,067	893,247

	2010 Group £	2009 Group £	2010 Society £	2009 Society £
8. Staff Costs				
Wages and salaries	1,051,586	922,017	1,051,586	922,017
Social security costs	107,550	101,874	107,550	101,874
Other pension costs	372,150	191,305	372,150	191,305
	£1,531,286	£1,215,196	£1,531,286	£1,215,196

The average number of persons employed, including the Board of Directors, was as follows:

	2010 Group No.	2009 Group No.	2010 Society No.	2009 Society No.
Acquisition	7	8	7	8
Management and Administration	19	19	19	19
	26	27	26	27

Details of the Directors' emoluments are set out in the Directors' Remuneration Report.

	2010 Group £	2009 Group £	2010 Society £	2009 Society £

9. Unrealised Losses on Investments

Freehold land and buildings	-	£1,100,000	-	£1,100,000
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10. Taxation

The existing activities of the Society are not chargeable to income or corporation tax under the Income and Corporation Taxes Act 1988.

Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

	2010	<i>2009</i>	2010	<i>2009</i>
	Group	<i>Group</i>	Society	<i>Society</i>
	£	<i>£</i>	£	<i>£</i>
11. Land and Buildings				
Freehold land and buildings at valuation	£8,913,202	<i>£3,400,000</i>	£3,400,000	<i>£3,400,000</i>
Value of land included above	£3,403,202	<i>£1,380,000</i>	£1,380,000	<i>£1,380,000</i>
Freehold land and buildings at cost	£8,718,949	<i>£3,205,747</i>	£3,205,747	<i>£3,205,747</i>

The Group acquired new freehold properties during the year at a cost of £5,513,202. The existing freehold property portfolio was revalued as at 31 December 2009 by Messrs Dornay Hubbard, Chartered Surveyors, on an open market value basis and in accordance with the RICS Appraisal and Valuation Manual. The valuation represented a decrease of £1,100,000 from the previous valuation in 2007.

The value of land and buildings occupied by the Group for its own use amounted to £2,000,000 (2009: £2,000,000).

12. Investments in Subsidiaries

Society	Shares	Loans	Total
	£	£	£
<i>At 31 December 2009</i>	-	-	-
At 31 December 2010	£2,800,000	-	£2,800,000

The Society holds 100% of the Ordinary Share Capital of 1908 Property Holdings Limited, a company registered in England.

The Board is of the opinion that the aggregate value of the investment is not materially different from the amounts stated above.

13. Other Financial Investments

Group	Shares and other variable yield securities	Debt and other fixed interest securities	Loans to staff secured by mortgages	Total
	£	£	£	£
<i>At 31 December 2009</i>	<i>£94,937,337</i>	<i>£49,842,935</i>	<i>£48,000</i>	<i>£144,828,272</i>
At 31 December 2010	£103,243,213	£52,596,575	£48,000	£155,887,788

The other financial investments exceeded cost by the following amounts:

<i>At 31 December 2009</i>	<i>£(2,801,502)</i>	<i>£4,397,550</i>	-	<i>£1,596,048</i>
At 31 December 2010	£11,847,141	£550,226	-	£12,397,367

Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

Society	Shares and other variable yield securities £	Debt and other fixed interest securities £	Loans to staff secured by mortgages £	Total £
<i>At 31 December 2009</i>	<i>£94,937,337</i>	<i>£49,842,935</i>	<i>£48,000</i>	<i>£144,828,272</i>
At 31 December 2010	£103,243,213	£52,596,575	£48,000	£155,887,788

The other financial investments exceeded cost by the following amounts:

<i>At 31 December 2009</i>	<i>£(2,801,502)</i>	<i>£4,397,550</i>	<i>-</i>	<i>£1,596,048</i>
At 31 December 2010	£11,847,141	£550,226	-	£12,397,367

	2010 Group £	2009 Group £	2010 Society £	2009 Society £
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14. Other Debtors

Other debtors	675,633	14,020	17,742	14,020
Amounts owed by subsidiary undertaking	-	-	4,203,452	-
	£675,633	<i>£14,020</i>	£4,221,194	<i>£14,020</i>

15. Tangible Fixed Assets

Group	Office equipment £	Computer software & equipment £	Total £
Cost			
<i>At 1 January 2010</i>		<i>389,211</i>	<i>3,977,253</i>
Additions		-	8,947
At 31 December 2010	£389,211	£3,596,989	£3,986,200
Depreciation			
<i>At 1 January 2010</i>		<i>381,911</i>	<i>2,131,838</i>
Charge for the year	4,227	873,840	878,067
At 31 December 2010	£386,138	£2,623,767	£3,009,905
Net book value			
<i>At 1 January 2010</i>		<i>£7,300</i>	<i>£1,845,415</i>
At 31 December 2010	£3,073	£973,222	£976,295

Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

Society	Office equipment £	Computer software & equipment £	Total £
Cost			
<i>At 1 January 2010</i>	389,211	3,588,042	3,977,253
Additions	-	8,947	8,947
At 31 December 2010	£389,211	£3,596,989	£3,986,200

Depreciation

<i>At 1 January 2010</i>	381,911	1,749,927	2,131,838
Charge for the year	4,227	873,840	878,067
At 31 December 2010	£386,138	£2,623,767	£3,009,905

Net book value

<i>At 1 January 2010</i>	£7,300	£1,838,115	£1,845,415
At 31 December 2010	£3,073	£973,222	£976,295

	2010 Group £	2009 Group £	2010 Society £	2009 Society £
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16. Fund for Future Appropriations

At 1 January	48,946,669	33,097,233	48,946,669	33,097,233
Transfer to income and expenditure account	7,697,318	15,849,436	7,708,077	15,849,436
At 31 December	£56,643,987	£48,946,669	£56,654,746	£48,946,669

	2010 Group £	2009 Group £	2010 Society £	2009 Society £
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17. Sickness Business Provision

At 1 January	24,784,000	24,716,000	24,784,000	24,716,000
Transfer from income and expenditure account	7,213,000	68,000	7,213,000	68,000
At 31 December	£31,997,000	£24,784,000	£31,997,000	£24,784,000

18. Members' Bonus Accounts

Group & Society	2010 Insured £	2010 Commuted £	2009 Insured £	2009 Commuted £
At 1 January	39,585,007	36,438,904	38,551,875	35,647,431
Members' Bonus Accounts transferred	(995,530)	995,530	(771,440)	771,440
Bonuses	3,246,481	2,113,125	3,253,868	2,047,112
Withdrawals	(1,413,488)	(2,715,771)	(1,449,296)	(2,027,079)
At 31 December	£40,422,470	£36,831,788	£39,585,007	£36,438,904
Total Members' Bonus Accounts	£77,254,258		£76,023,911	

Notes to the Financial Statements

Dentists' Provident | Annual Report and Financial Statements | 31 December 2010

	2010 Group £	2009 Group £	2010 Society £	2009 Society £
19. Long Term Business Provision				
Analysis of Insurance Liabilities				
Members' Bonus Accounts (Note 18)	77,254,258	76,023,911	77,254,258	76,023,911
Sickness Business Provision (Note 17)	31,997,000	24,784,000	31,997,000	24,784,000
Total long term business provision	£109,251,258	£100,807,911	£109,251,258	£100,807,911

20. Insurance Liabilities

Capital Statement

	2010 Group Holloway Business £	2009 Group Holloway Business £	2010 Society Holloway Business £	2009 Society Holloway Business £
Available Capital Resources				
Fund for future appropriations	56,643,987	48,946,669	56,654,746	48,946,669
Adjustments onto regulatory basis:				
Other adjustments	(1,112,000)	(924,389)	(1,112,000)	(924,389)
Total available capital resources	£55,531,987	£48,022,280	£55,542,746	£48,022,280
Holloway Business Liabilities on a Statutory Basis				
Policyholder obligations	109,251,258	100,807,911	109,251,258	100,807,911
Technical provision in the Balance Sheet	£109,251,258	£100,807,911	£109,251,258	£100,807,911

Summary

As at 31 December 2010, the total available capital resources of the Group amounted to £55,531,987 (2009: £48,022,280), its capital resource requirements amounted to £14,379,259 (2009: £18,342,157), resulting in a surplus of available capital resources over regulatory capital of £41,152,728 (2009: £29,680,123).

Set out below are details of how the available capital resources have been calculated, the restrictions in place over the available capital resources, the basis of calculating the regulatory capital requirements and an explanation of the change in available capital.

Basis of Calculation of Available Capital Resources

The available capital of the Group has been determined in accordance with the Financial Services Authority's (FSA) regulations and includes the Funds for Future Appropriations (FFA). The FFA represents surplus funds which have not been allocated to members and are available to meet regulatory and solvency requirements. Adjustments have been made to restate the assets and liabilities in line with FSA regulations.

The significant assumptions used to determine the sickness provision are set out in the table below. These assumptions have been derived based on recent operating experience with appropriate allowances for prudence as well as any FSA requirements within IPRU(INS), GENPRU and INSPRU.

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	Deferred 0 Weeks Reducing	Deferred 0-52,104 Weeks Level	Options Reserve
Method	Gross Premium	Gross Premium	1 Year's Gross Premium
Interest Rate	2.25%	2.25%	N/A
Allowance for Expenses	25% of Gross Premium	25% of Gross Premium	N/A
Mortality	Nil	Nil	N/A
Morbidity	Prudent assessment based on Society's recent experience	Prudent assessment based on Society's recent experience	N/A

Restrictions on Available Capital

The available surplus held in the Holloway Business Fund can only be applied to meet the requirements of the Society or be distributed to the members.

Basis of Calculation of Capital Requirements

The capital resource requirements amounted to £14,379,259 (2009: £18,342,157) and are determined in accordance with capital requirements as defined by FSA regulations, namely the Resilience Capital Requirement and the Long Term Insurance Capital Requirement.

As at 31 December 2010, the Group's total available capital resources had increased by £7,509,707 to £55,531,987.

The increase in the Group's total available capital resources was primarily attributable to investment performance over the year.

21. Risk Management Objectives and Policies

The business activities of the Group expose it to a number of potential risks which can impact its abilities to meet its business objectives. The Board is responsible for the Group's internal control systems and for reviewing their effectiveness. The systems are designed to manage, as opposed to eliminate, risk and aim to provide reasonable and not absolute assurance.

The Group's overall appetite for accepting and managing risks is set by the main Board. The Group's risk management policies and procedures cover areas such as risk identification, management and reporting. The primary objective of the risk management framework is to protect the members, employees and other key stakeholders from consequences which could negatively affect the Group's ability to meet its contractual, business and social objectives.

This section covers the risks relevant to the Group's operations and financial statements from a qualitative and quantitative perspective:

Insurance Risk

The risk under a contract of insurance with a member is the possibility that an insured event will occur and a claim become payable. The very nature of insurance is based on the unpredictability of the timing and severity of events. The principal risks the Group faces in this area of business activity comprise the risk of adverse financial impact on the Group due to inappropriate pricing of the Income Protection Insurance contracts, and the risk of claims experience being worse than anticipated and the associated impact on the sickness benefit reserve. Other less significant but nonetheless material risks under this heading include the loss of future premium income from lower than expected renewal of insurance business and higher than expected costs of managing the insurance portfolio.

The Society manages insurance risk by following standard underwriting policies which take into account the risks the Group is prepared to accept, adopting a structured approach to underwriting and regular, formal analysis and monitoring of the insurance portfolio.

The Society does not have, within its product range, any embedded options or guarantees.

The two key drivers of the Group's claims experience are the inception rates for claims and the recovery rates for claimants. Part of these risks are mitigated by the fact that the Society's income protection contracts allow for the premiums to be reviewed. Additional mechanisms for managing these risks include a structured approach to assessing and managing claims.

The impact of a 5% increase in the valuation assumption for morbidity would be to increase the sickness provision by £6,013,000 (2009: £5,535,000).

Notes to the Financial Statements

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The persistency experience of the Society varies over time but has remained high in the past. Factors affecting persistency include the effectiveness of the sales process of the Independent Financial Advisors, members' perception of the Society and the insurance industry, regulatory changes in the dental profession, investment performance and the general economic environment. Given the high level of persistency, a large proportionate increase in lapses is unlikely to have a material effect on the Society. The members of the Society bear the impact of any changes in expense levels, as the expenses affect the amounts available for distribution to members as bonuses. An increase in the allowance for expenses from 25% to 30% of contributions will increase the sickness provision by £6,635,000.

The valuation rate of interest to determine the sickness provision has been calculated in accordance with FSA requirements. An increase in the valuation rate of interest of 75 basis points will decrease the sickness provision by £2,317,000.

Equity Risk

The Group is exposed to equity risk through its holdings of unit trust investments. This risk affects a significant but tightly controlled proportion of the overall investment portfolio and the holdings involved are well diversified across companies, industries and geographical regions. The Board keeps the investment strategy under review to ensure the Group's ability to write business and settle claims is not adversely affected by falls in the market value of equities. The fair value of equity-type investments in the Group's financial statements at 31 December 2010 was £81,052,656 (2009: £74,090,542).

The equity risk is borne by the members of the Society, as changes in equity valuations and income would directly impact the amounts available for distribution to the members. A 10% reduction in equity valuations would reduce the Group's surplus for the year by £8,105,266 (2009: £7,409,054).

Interest Rate Risk

The Group's exposure to fixed income investments is principally through collective investment schemes. These investments also represent a significant part of the Group's investment portfolio and are kept under regular review by the Board. The fair value of fixed interest securities is normally inversely correlated to market interest rates, assuming credit and liquidity premia remain unchanged.

The holdings within the collective investment schemes are primarily within highly rated government and corporate debt and asset backed securities. The Group's fixed interest portfolio tends to have a relatively short duration, which provides a degree of protection against movements in the longer end of the yield curve. The fair value of fixed interest securities in the Group's financial statements at 31 December 2010 was £39,552,717 (2009: £38,928,382).

Although the Group attempts to manage interest rate risk by broadly matching the duration and profile of the assets with underlying member liabilities, the interest rate risk is borne by the members of the Society, as changes impacting the effective yield and valuations would directly impact the amounts available for distribution to the members. A 100 basis points decrease in the market interest rates would reduce the Group's surplus for the year by £849,550 (2009: £48,799).

Property Risk

The Group also has a significant exposure to property and property-related assets, the majority of which is through holdings of collective investment schemes. The rental income and valuation are affected by the general conditions in the economy, such as GDP growth, employment trends, inflation and interest rates. In addition, local factors such as competition in the area from other landlords, attractiveness of the properties to prospective tenants, the state of repairs of the premises, and the costs of maintenance and insurance impact the valuation and rental income from individual properties.

The Group manages the risks associated with its own direct investments in property by effective management of the premises, credit evaluations of prospective tenants, application of appropriate lease covenants and on-going monitoring of existing tenants.

A 10% reduction in the valuation of property and property-related assets would reduce the Group's surplus for the year by £2,499,355 (2009: £1,825,100).

Currency Risk

The Group's exposure to foreign exchange arises primarily through entering into insurance and investment contracts denominated in currencies other than Pounds Sterling. Currency risk is controlled as part of the Group's day-to-day operations. A number of arrangements have been put in place that provide a partial, non-qualifying hedge against currency risk. The Board does not consider the residual currency risk to be material to the Group's operations.

Credit Risk

This is the risk that one party to a financial transaction will fail to discharge its obligations, causing the other party to incur a loss. Credit risk in relation to financial investments and cash and cash equivalents is managed by the Investment Committee. The Group's investment guidelines are constructed to avoid excessive exposure to any single counterparty and by ensuring that debt and fixed income investments are concentrated in high quality investment grade holdings. In addition, the Group Investment Committee has the right to impose stricter credit risk limits where it deems it appropriate.

Notes to the Financial Statements

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The Group credit risk in respect of balances with members is managed primarily by the terms and conditions set out in the Society's Rules, which allow it to cancel the membership of individuals in the event of non-payment of premiums. In addition, the balance on the Member's Bonus Account provides a method of recovering unpaid premium arrears.

As at 31 December 2010, the Group had no material debt or fixed income assets that were impaired beyond their reported fair values (2009: £Nil).

Liquidity Risk

The Group is exposed to the daily need for cash resources mainly from claims for sickness benefits and capital withdrawals. Liquidity risk is the risk that the Group, although solvent, is unable to meet its obligations associated with financial liabilities that are settled by cash and cash equivalents.

A significant part of the Group's investments are in highly liquid assets which can be converted into cash swiftly and at minimal cost. In addition, the use of budgets and business plans allows the Group the ability to realistically estimate its liquidity requirements.

Capital Risk Management

The Board is responsible for ensuring that the Group holds an appropriate level of surplus capital. The Society is also subject to an externally imposed capital requirement by its regulator, the Financial Services Authority. It is the Group's policy to maintain capital in excess of the amounts determined under the statutory framework and the Individual Capital Assessment framework.

22. Pension Contributions

The Society operates defined contribution pension schemes for the benefit of its employees. The contributions for the year amounted to £372,150 (2009: £191,305).

23. Actuaries

The Actuarial Function Holder of the Society is Mr I P Coulthard, a Partner in Deloitte LLP. The Society has requested Mr Coulthard furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. He has confirmed that neither he nor his family, nor any of the partners in Deloitte LLP were members of the Society, nor have they any financial or pecuniary interest in the Society, with the exception of fees paid to Deloitte LLP for professional services, which amounted to £183,676 (2009: £254,536).

24. Related Party Transactions

All members of the Board are members of the Society and are required to pay premiums to the Society. Individuals practising dentistry are entitled to claim sickness benefits in the event of being unable to carry out their normal duties. Any such payment would be made under the same terms and conditions as those applicable to all other members of the Society. Premiums paid by the Directors amounted to £24,172 (2009: £23,406). Sickness payments to the Directors amounted to £2,640 (2009: £2,100). There were no capital withdrawals by the Directors in the year (2009: £Nil). The Group has taken advantage of the exemptions conferred by Financial Reporting standard No.8, from reporting details of transactions between the Society and its subsidiary undertaking.

25. Valuation Report

The actuarial valuation required under the Regulations has been prepared as at 31 December 2010. The valuation report is available for inspection at the registered office of the Society.

Dentists' Provident Society Limited



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We may monitor calls to improve our service.

Fax number: **+44 (0) 20 7222 5312**
Website: **www.dentistsprovident.co.uk**

Dentists' Provident is the trading name of Dentists' Provident Society Limited which is incorporated in the United Kingdom under the Friendly Societies Act 1992 (Registration Number 407F) and is authorised and regulated by the Financial Services Authority (Firm Reference Number 110015)