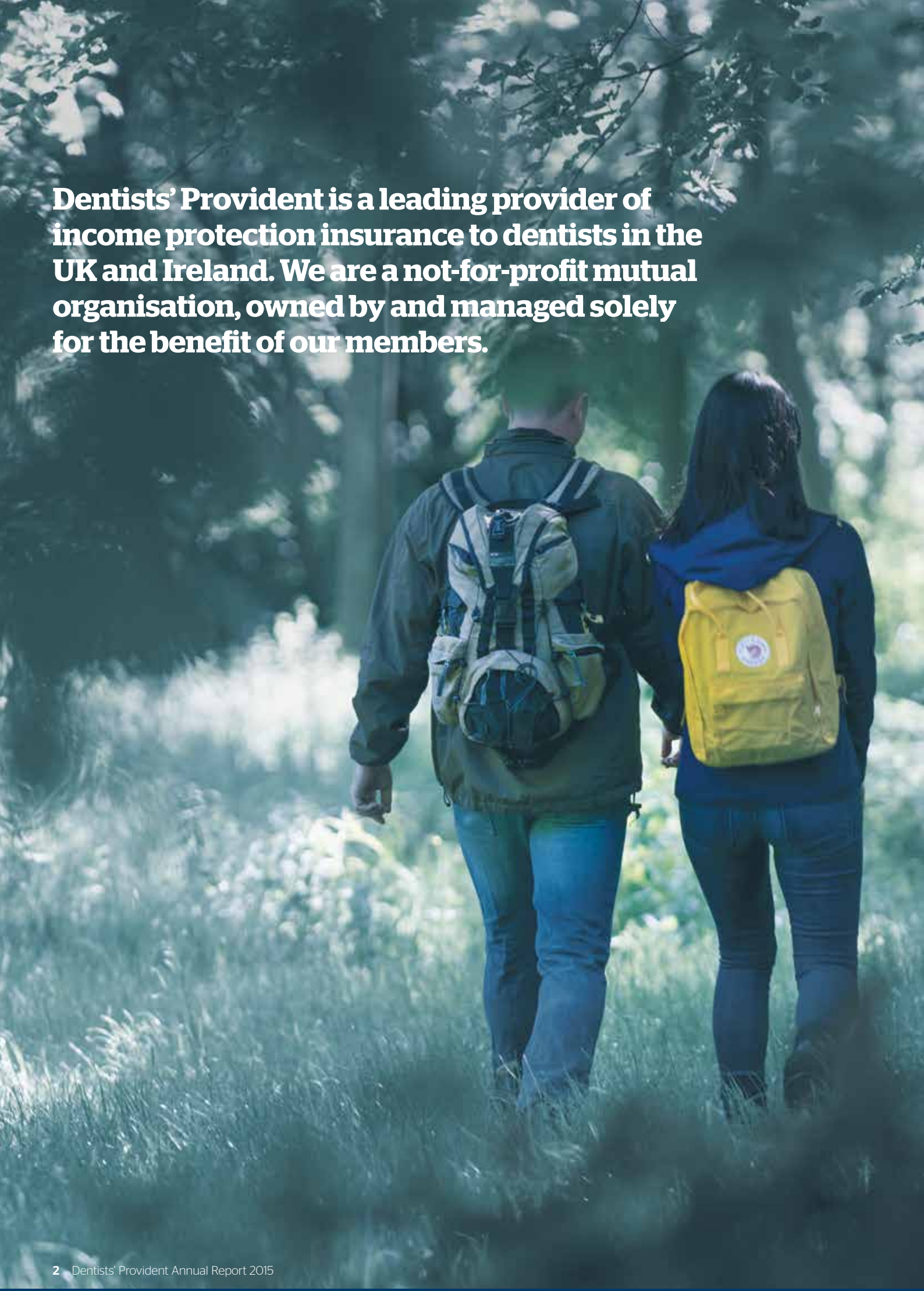
Dentists' Provident

Protecting your lifestyle. Securing your future.

Annual Report | 2015



Dentists' Provident is a leading provider of income protection insurance to dentists in the UK and Ireland. We are a not-for-profit mutual organisation, owned by and managed solely for the benefit of our members.

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Performance summary

- Net surplus before bonuses and tax of £25.6 million (2014: £13.0 million)
- Total assets of £247.7 million (2014: £228.8 million)
- Interest on members' bonus accounts maintained at 5%
- Dividends for our income protection plan holders maintained at £1.56 per share
- Dividends for our retired dentists' plan holders maintained at £1.80 per share
- Terminal bonus maintained at 15%

Financial summary

	2015 £m	2014 £m Restated	2013 £m Restated	2012 £m Restated	2011 £m Restated
Membership premium income	13.8	13.8	13.4	13.6	13.0
Sickness claims paid	(4.2)	(4.6)	(4.5)	(4.2)	(3.4)
Operating expenses	(3.6)	(3.6)	(3.3)	(3.6)	(4.4)
Net surplus before bonuses	24.1	13.1	23.9	17.6	13.0
Bonuses paid to members	(7.1)	(7.0)	(6.8)	(6.6)	(6.1)
Total assets	247.7	228.8	212.6	191.4	174.3
Investment assets	227.8	216.7	203.9	172.9	172.2
Members' bonus accounts	84.5	83.4	81.7	80.3	78.4
Operating ratios					
Operating expenses to premium income ratio	25.7%	26.2%	25.1%	26.7%	34.1%
Benefits paid to premium income ratio	30.3%	33.0%	33.6%	31.0%	26.2%
Core surplus to average assets ratio[1]	9.5%	9.8%	13.0%	11.7%	7.1%

Notes:

1. Core surplus is before bonuses to members and changes to sickness business provision.
   Average assets is the mathematical average of the group's total assets at the current and previous year ends.

Chairman's statement

It is my privilege to welcome you to our annual report on behalf of the board and to share our results with you.

Our most important aim is to provide security for our members and we do this through a reliable mix of high quality plans and customer service built on a solid financial foundation. I am pleased to say that we have continued to deliver on the high standards our members expect. We have been rewarded in our endeavours by our position as one of the market leaders, showing the trust our members place in us.

Our performance

The results for 2015 reflect the opportunities and challenges of the year. Our investments performed well in challenging and volatile market conditions. However, the continuing decline in dental incomes and tough recruitment conditions, particularly in the entry level section of the market, hurt new business volumes. On a positive note, the new features we introduced in 2014 have proved to be an attractive addition and increases in cover by existing members held up well, demonstrating the strength of our offering and trust our members place in us to protect them from the financial consequences of accident or illness.

Our stable performance means that we are once again maintaining our dividend rates of £1.56 and £1.80 per share for income protection and retired dentists' plan holders respectively. Our interest and terminal bonus rates also remain unchanged at 5% and 15%.

Our strategic initiatives

The long term outlook engrained in our business means we are always considering new ways to keep our proposal relevant to a dynamic profession and this year we commenced work on a series of strategic initiatives I alluded to in my last report. These will transform not just how we engage with all our members but how we fulfil their needs as the dental market continues to shift from the traditional model. I am looking forward to telling you more about these plans over the coming months.

Governance

As chairman, it is my duty to ensure that we follow the highest standards of governance. As I mentioned in my last report, we have debated for some time whether our governance arrangements, which had evolved over time, needed a comprehensive overhaul, so that we are better placed to handle the strategic and regulatory challenges in the future. Following a governance review, we implemented a range of changes in January 2015. I am pleased to say, a year in, the changes have reduced overlap of responsibilities and improved accountability, focus and speed of decision making across the board and its committees.

I would like to pay tribute to two of our board members who have been essential in delivering our high governance standard. Raj Raja Rayan and Helen Harrison have announced that they will be stepping down from their positions within the next 18 months. Raj will be leaving the board at the end of March 2016 and Helen will not be seeking re election in 2017. I would like to take this opportunity to thank them for their strong voice and for enriching the quality of board discussions over the years and I wish them the very best for the future.

I would also like to welcome Simon Elliott to the board. Simon has been instrumental in our success and I wish him the very best with his new responsibilities.

It is a pleasure to lead our board and I would like to thank my fellow directors as well as the management team and employees for their dedication and indispensable contribution to the society. Although I have no doubt that we will face challenges in the years ahead, I am confident that our team has a clear purpose and an unshakable commitment to our members, which positions us strongly for the future.

Kathryn Woolass
Chairman
18 March 2016

The case for Dentists' Provident

Unparalleled flexibility

We offer the widest range of deferred periods in the market and individually selectable options, designed to cater to the diverse range of professional circumstances of our members. We also offer a simple and easy option to derisk existing arrangements as our members' circumstances change. All our benefits are offered under a single membership, making it extremely convenient for our members to manage their arrangements.

Underwriting excellence

Our underwriting culture is based on the expertise of our people, who have built up their knowledge and experience over many years. The pragmatism of our underwriters, framed within a robust control environment, provides a genuine source of competitive advantage.

Value for money proposition

We offer exceptional value for money to our members. Over the last five years, our benefit payments and bonuses to members have consistently ranged between 73-84% of our premium income.

Deep industry knowledge

Our business is supported by a team of experienced professionals, with deep knowledge of the dental industry, insurance, investments, actuarial, risk management and finance.

Doing the right thing

We believe that being ethical, honest and fair is a source of long term competitive advantage. We are not a sales led organisation. We believe that the route to building a sustainable and lasting business is in reflecting our core principles in our everyday dealings with our members.

Strong balance sheet

Our strong capital position enables us to attract high calibre talent, support innovation and sustainable growth and invest to provide our members with best of breed solutions and leading long term returns.

Active risk management

We have a disciplined and proactive approach to managing risks. Our risk management approach allows us to ensure that we use our resources efficiently and effectively. The consistency of our performance is a testament to the effectiveness of our processes and controls.

Strong brand supported by excellent service

Our highly respected brand is based on our ability to deliver consistently positive outcomes for our members. Our technical expertise is backed by a highly responsive and professional service.

Our business model
Focus on our members

Who we are
We are a Holloway income protection insurance specialist, distributing directly and through intermediaries within the UK and Irish dental markets. Our objective is to provide our members with comprehensive, tailored solutions, which will meet their needs throughout their lives. We believe that our product provides a compelling alternative to the homogenised, high volume, low cost options offered more generally. Forming partnerships with our members spanning decades, based on flexibility and choice, backed by exceptional service levels, has allowed us to deliver value and sustainable returns over the long term.

Our strategy
Our business model is centred on our members. We give our members the choice to create a highly customised product, which offers the flexibility to remain fit for purpose over a career that may last 50 years. From the moment dentists choose to become a member, through to claiming and beyond, we treat each step as an opportunity to offer them extraordinary service and ethical, honest and fair outcomes.

Distribution
Our flexible offering is supported by a multi channel distribution system, to make it easier for dentists to purchase our offering and to engage with us. Our offering is accessible through the web, telephone and also through independent intermediaries.

Our people
Our people are key to ensuring the successful delivery of our core objectives. Each employee fulfils a vital role in ensuring that we successfully meet our members' needs, which ultimately helps drive our long term performance and success.

Underwriting
Over the last 108 years we have built up an unparalleled insight into our core market. This has given us the knowledge and skill to price and manage risks intelligently and creatively. Our underwriters are given significant latitude within a robust control framework, so that we can provide our members with the optimal terms wherever possible.

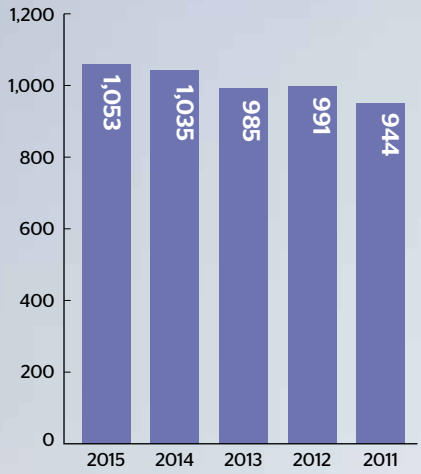
Claims
We do not compete within our market on price. The true value of our proposition lies in our ability to deliver the right outcomes for our members when it matters most. Nowhere is this more apparent than with a claim. We understand the emotional and financial strain of illness or injury and we engage actively with our members in an open, honest and empathetic manner and seek to settle claims quickly and without undue fuss.

Long term investment
In addition to providing income protection insurance, the other strand of our business is the long term returns we provide our members. We manage our finances prudently and efficiently, to maximise the long term returns, whilst maintaining risks within acceptable limits.

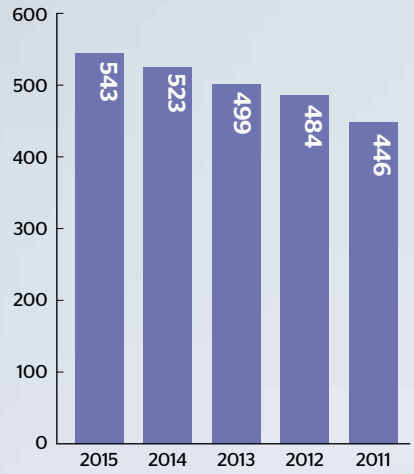
This means we ensure that we exercise budgetary control over our expenditure and manage our investments in a way that produces attractive but sustainable long term returns. We also actively seek to protect our members' capital by holding assets in excess of our liabilities, to absorb the effects of any adverse experiences.

Key performance indicators

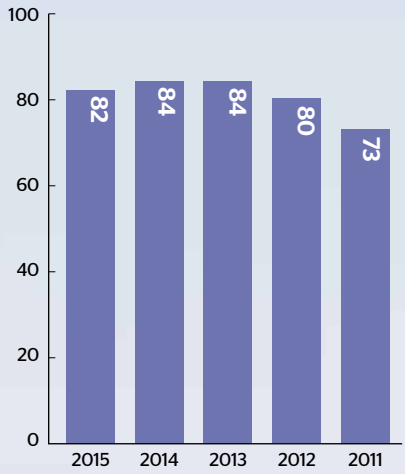
Average premium per member (£)



Average bonus per member (£)

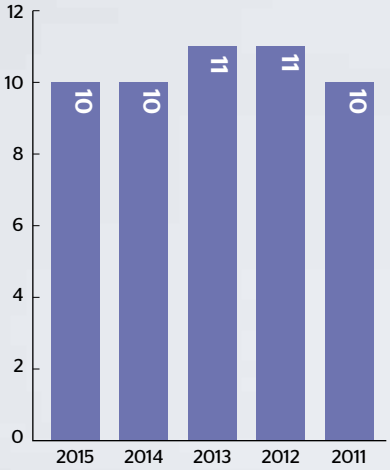


Bonuses and benefits to premium income ratio (%)

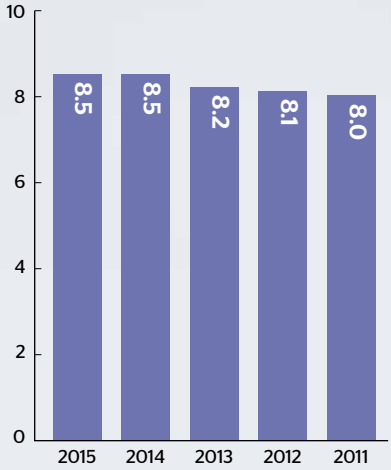


Average duration of short-term claims (days)

Insured members who claimed (%)



Annualised returns to members over ten years (%)



Chief executive's report

Performance

The long talked about US rate increase, falling oil prices and concerns over the health of the Chinese economy dominated market sentiment in the second half of 2015, wiping out the gains made in the first half.

Our investments once again showed resilience to tough market conditions. Our strategic decisions over the last few years, including increasing our exposure to currency, particularly the US dollar, and having a below benchmark allocation to emerging markets, has helped buttress our results and this has carried over into the early part of 2016. Our direct property investments have also performed strongly. The absence of voids, strong growth in rentals and capital values meant that our subsidiary, 1908 Property Holdings Limited, was a significant contributor to the group's results in 2015.

In spite of lower than expected levels of new members, our insurance business performed well. In addition to our overall claims experience improving, we had fewer long term claimants and a higher than expected level of recoveries. This has resulted in our claims falling to £4.2 million and a release of £1.6 million from our sickness business provision in the year.

Overall our operating expenses were largely unchanged. Administrative expenses for the group rose marginally, primarily as a result of the costs associated with the implementation of Solvency II regulations, but were largely offset by lower intermediary commission costs.

New UK reporting framework

You will notice a number of changes to our annual report as a result of the group adopting the new UK financial reporting framework. We have changed a number of accounting policies to comply with the new requirements and details of the changes are set out in note 27 to the financial statements.

We have been hard at work to ensure a smooth transition into Solvency II, which came into effect on 1 January 2016 and I am pleased to report that our governance and capital management structures are now firmly aligned with the new requirements.

Outlook

In 2016 we intend to invest further in our products and infrastructure to ensure that we not only continue to provide our market leading plans, but deliver them in the most effective way.

The current market uncertainty is bound to create volatility but, within this instability, there are also opportunities and our disciplined approach to risk management leave us well placed to selectively take advantage of opportunities as they arise.

A key unknown is the potential outcome of the referendum on the UK's continued membership of the EU. Ahead of the referendum, we have already begun to see a weakening of the Pound, deferral of investment decisions and added instability in the UK financial markets. Although our highly diversified portfolio is well positioned to deal with short term volatility, the longer term consequences of a British exit from the EU are far harder to predict.

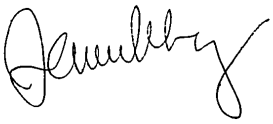
Bonuses

The hallmark of our bonus strategy over the last few years has been stability. We have provided our members with enviable risk adjusted returns in an unusually low interest rate environment.

It is a matter of considerable pride that we have been able to do this at the same time as strengthening the resilience of our balance sheet to external shocks.

Employees

I would like to finish by thanking my team for their hard work and wholehearted commitment to our values and principles and most importantly of all, to our members.



Farrukh Mirza
Chief executive
18 March 2016

Financial review

Financial management framework

Our financial management framework seeks to maximise the value we deliver to our members whilst minimising the volatility of their return. We seek to supplement our core premium income with high grade and diversified streams of other income.

We add value by managing our expense base, so that the benefits of mutuality are not lost to inefficient business practices.

Financial performance

Our premium income broadly remained unchanged at £13.8 million whilst our sickness benefit claims fell to £4.2 million.

Total investment income, including unrealised gains on investments, rose from £16.2 million to £18.2 million, with £8.0 million gains on revaluation of the group's property, offsetting a fall in gains on other financial investments.

The improved performance on claims also resulted in a release of £1.6 million from the sickness business provision, compared to a charge in 2014 of £8.7 million.

Capital position

The group actively manages its capital to ensure it is used effectively and maximises the benefits accruing to our members. Over recent years, the group has focused on bolstering its capital base to improve its resilience to external shocks. A summary of the group's capital position is as follows:

Group capital resources

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Available capital resources	112,542	95,632	89,921	72,982	62,243
Capital resource requirements	(10,386)	(10,327)	(9,570)	(9,712)	(12,917)
Surplus capital	102,156	85,305	80,351	63,270	49,326

Asset allocation

Our investment management approach is driven by the profile of our liabilities and our investment risk appetite, which in turn is shaped by our views on the future performance of our insurance book and our view of the economic outlook. The group does not have a precise investment return target, instead we focus on opportunities, which, in our view, represent attractive risk adjusted propositions, whilst:

- maintaining an acceptable overall level of risk (having regard to the currency, nature and duration of the liabilities)
- maintaining an appropriate and broad mix of suitable investments
- protecting the interests of the members

Our investment strategy permits the use of any investment instrument approved by the board. The investment and capital management committee oversees the investment policy and strategy, which is implemented using investment mandates. The investment mandates include:

- details of the approved investments
- defined performance benchmarks
- benchmarks for asset allocation by asset type and market
- capitalisation and geographical spread
- counterparty and credit limits
- benchmarks for duration of the fixed interest portfolio

Group asset allocation

	2015 %	2014 %	2013 %	2012 %	2011 %
Equities	40	47	47	46	55
Fixed Interest securities	17	20	20	21	23
Alternative assets and cash	43	33	33	33	22

Group investment performance

	2015 %	2014 %	2013 %	2012 %	2011 %
Group	8.3	7.9	12.0	10.4	3.6
Benchmark portfolio[1]	0.8	4.8	11.4	8.4	2.9

Note:
1. Benchmark based on a portfolio comprising 60% UK equities, 30% Gilts and 10% cash.

Sickness business provision

Estimation of the sickness business provision is critical to the group, as it affects the assets we hold to match our liabilities and the overall surplus available for distribution to our members.

Our income protection business is subject to considerable uncertainty in terms of the timing, level and duration of claims. This makes estimating the sickness business provision subject to a number of assumptions. However, we have always adopted a conservative approach to estimating our sickness business provision. As at 31 December 2015, the sickness business provision stood at £44.4 million (2014: £45.9 million). This amount is significantly in excess of the equivalent provision calculated under Solvency II.

Underwriting and claims review

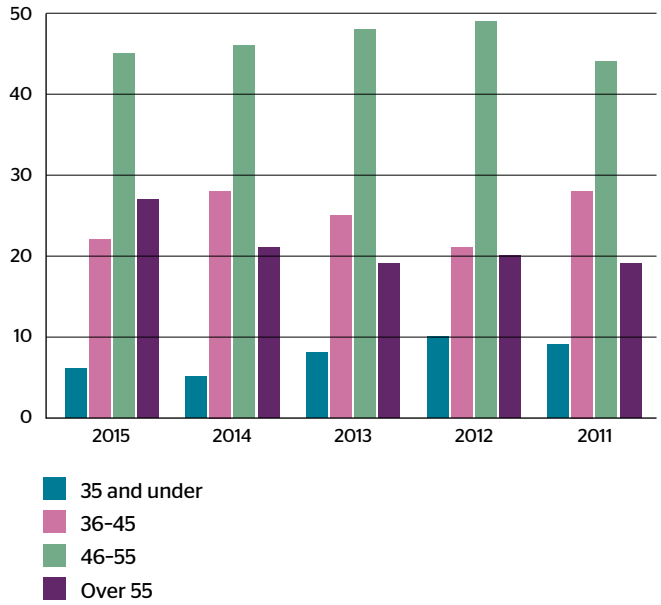
We believe that the long term success of the society and the competitiveness of our proposition depends crucially on how effectively we underwrite new risks and the diligence with which we manage claims.

We have a strong system of internal controls in place, to ensure that the decisions we make are consistent with internal and market practice and produce the fairest outcome for the individuals and the membership as a whole. Each underwriting and claims decision is fully evaluated in light of available information and any adverse decisions are subject to an additional review process, to ensure that an individual member's interests are protected.

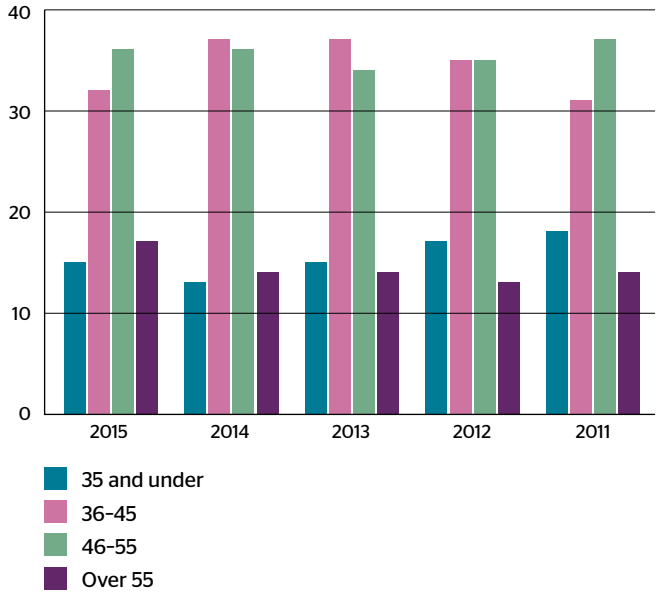
As a matter of principle, in cases where an adverse decision is under consideration, our processes provide an opportunity for the member to have an input into the process, to ensure relevant facts have been considered fully and they have an understanding of our decision.

Total sickness claims paid in the year were £4.2 million (2014: £4.6 million). The analyses of claims by gender and incapacity over the previous five years are detailed below.

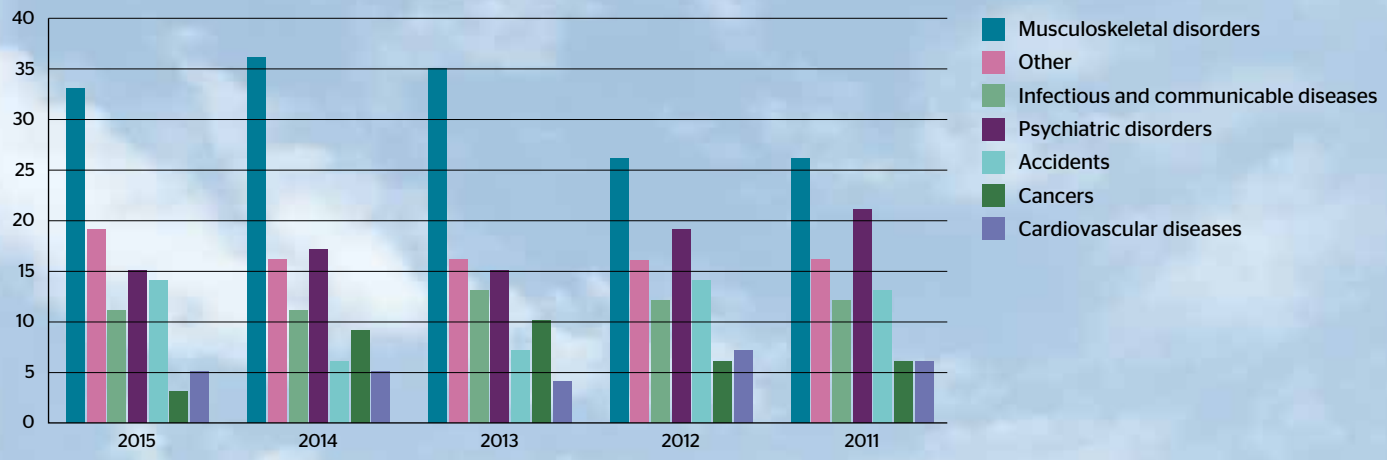
Age distribution of claims by gender – male (%)



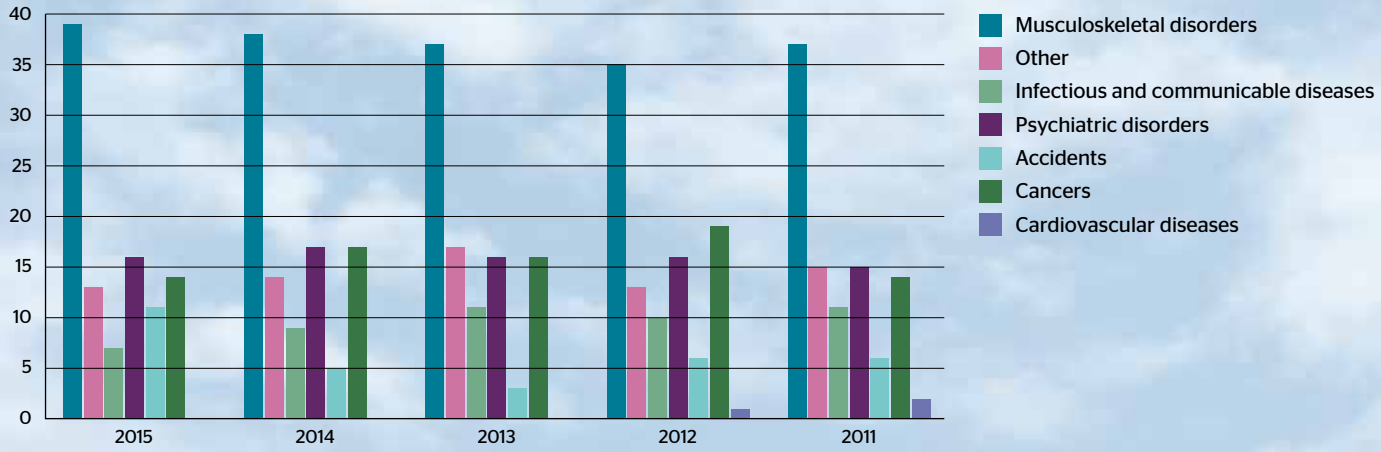
Age distribution of claims by gender – female (%)



Distribution of claims by incapacity – male (%)



Distribution of claims by incapacity – female (%)



Risk management

Risk management

A robust risk management framework underpins our business. We have predefined risk appetites for all key risk areas and our risk management policies and procedures are regularly reviewed and updated under the guidance of the board and its various committees. Our internal control environment is further enhanced by reviews of key processes by external experts.

Risk management framework

Effective risk management is a core agenda item for the group. We consider that the proper management of risks will allow the group to allocate resources more effectively and use its capital intelligently.

Over the years, we have sought to integrate our risk management and business processes. We have worked hard at increasing risk awareness amongst staff, through a combination of training and encouraging them to think of the business issues more holistically and about the long term effects of inadequate risk management.

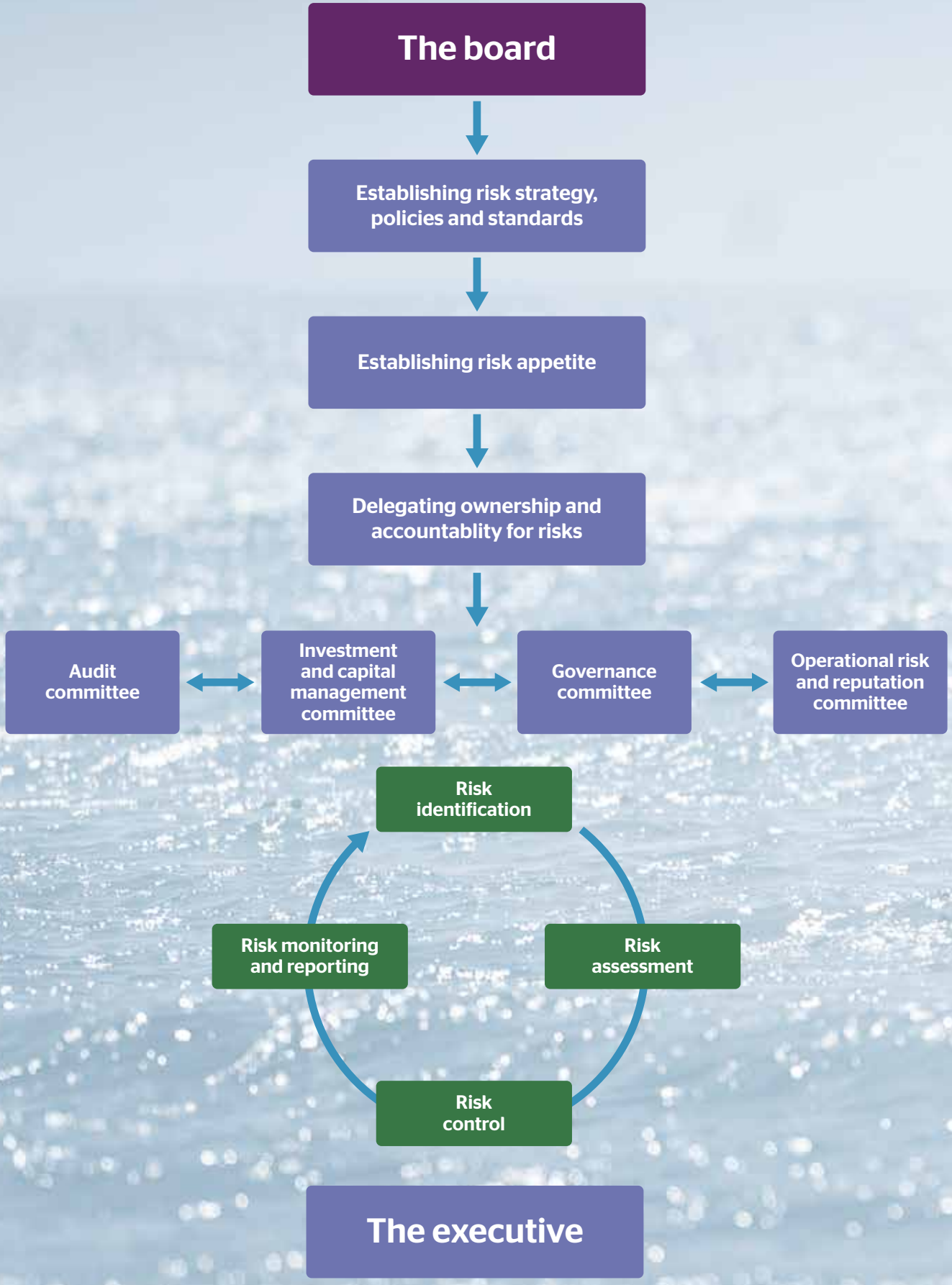
The key objectives of our risk management process are to:

- protect and enhance our reputation
- protect the group's capital base to ensure its long term financial strength for the benefit of our members
- support the group's decision making by providing timely and appropriate risk information

The ultimate oversight for risk management remains with the board. However, it has delegated some risk management areas to its committees, who provide regular updates to the board on those risk matters which fall within their remit.

The responsibility for day to day risk management lies with the executive team, who work alongside the heads of department. The heads of department are responsible for implementing the risk management policies and procedures and reacting to new and emerging risk issues.

The risk identification and management process ensures all key risks are centrally collated and 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 information and other relevant information to the committees and the board.


The board
Establishing risk strategy, policies and standards
Establishing risk appetite
Delegating ownership and accountablity for risks
Audit committee
Investment and capital management committee
Governance committee
Operational risk and reputation committee
Risk identification
Risk assessment
Risk control
Risk monitoring and reporting
The executive

Principal risks

The risks and uncertainties described below are considered to have the most significant effect on the group's business, financial results and prospects. This list is not intended to be exhaustive.

Strategic risk

Risk description	Potential impact	Current mitigation
Inappropriate business strategy damages long term value for the members	The group makes a number of long term decisions based on assumptions about the future environment within which it will operate. If the actual outcomes are substantially different from our projections, this could have an adverse effect on our business.	Long term strategic plans are reviewed regularly, 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.
Ineffective or non delivery of the group's business strategy	A number of projects have been set up to deliver key elements of the strategy. If these projects do not deliver as planned, the group could fail to meet its objectives for its members.	Experienced teams oversee the delivery of all key projects. Senior management provides challenge, monitors progress and ensures that key decisions are being made appropriately.
Referendum on UK's membership of the European Union	The referendum may introduce potentially significant new uncertainties and volatility in financial markets, both before and, depending on the outcome, after the event. Given the lack of precedent, it is unclear how a potential exit from the EU would affect the UK or the group.	The group's well diversified portfolio is well positioned to deal with volatility in the UK financial markets. The group continues to monitor the situation regarding the referendum. Given the potential range of outcomes, no formal plans were in place at the year end in respect of a potential exit from the EU.

Insurance risk

Risk description	Potential impact	Current mitigation
Inappropriate pricing of our plans damages long term value for the members	The pricing of our proposition takes into account not only our experience and expectations, but also external factors like the behaviour of our competitors. If we do not price our contracts appropriately, this could have an adverse impact on our business, through declining persistency or reduced underwriting surpluses for our members.	Actuarial models are the primary tool for objectively deriving the pricing of our contracts. The models and the underlying assumptions are subject to regular monitoring and challenge. The group also regularly benchmarks its pricing against its competitors, to identify any headline inconsistencies. Senior management work closely with operational staff, to ensure the pricing assumptions are supported by actual events and to identify early indicators of any divergence.
Our claims experience is significantly different from our expectations	If our claims experience is materially worse than we have assumed in pricing our contracts, this could have an adverse effect on our members, through a combination of higher future costs of membership and reduced future bonuses.	Strong operational controls are the primary mechanism for managing our claims experience. Detailed trend analysis is undertaken by the finance and actuarial teams and the results are fed back into the actuarial pricing models and into the operational decision making processes.

Insurance risk continued

Risk description	Potential impact	Current mitigation
The persistency of our business is significantly lower than our expectations	Lower than expected rates of persistency will lead to a fall in the value of future surpluses earned on our long term insurance business. This could feed through into higher than expected costs of managing our business and lower long term returns for our members.	We remain focused on continually developing our proposition, so that it remains competitively priced and our product features and service standards not simply meet, but exceed, the reasonable expectations of our key stakeholders. The core emphasis of our marketing and business development teams is to enable our key stakeholders to understand our business philosophy and make better informed decisions regarding their insurance needs rather than focusing on price alone.
Our future expense experience is significantly different from our expectations	If our expenses are materially higher than we have assumed in pricing our contracts, this could have an adverse effect on our members, through a combination of higher future costs of membership and reduced future bonuses.	Strict processes for the authorisation and approval of costs is the primary mechanism for managing our expenses. These processes are further supplemented by detailed budgets, variance reporting and senior management reporting.

Operational risk

Risk description	Potential impact	Current mitigation
Information systems failure	The group is dependent on a number of key information systems and processes. A loss of systems and access to facilities, including the website, could lead to significant disruption and could have an adverse operational, reputational and financial impact.	A business continuity programme, including disaster recovery arrangements, is in place. This is reviewed regularly, to identify areas for improvement and to ensure that arrangements are adequate and appropriate. An experienced technology team is in place, who can respond to any unforeseen incidents that may arise. An alternative site is available should there be a need to relocate critical staff at short notice, due to a loss of facilities.
Malicious attacks on our network/IT infrastructure	A successful cyber attack on our network could result in us not being able to deliver on our service to our members, or could also expose our members' sensitive information to the wider public via the internet. This could result in serious damage to our reputation with consequential member and revenue loss and the risk of financial penalties.	We have multiple layers of assurance in place. Our activities include regular employee training, technical assurance and audit activities including vulnerability scanning and ethical hacking programmes. We are regularly assessing our security policies, standards and procedures and adjusting them so they are proportionate to the threat profile we face.
Flexibility of key information systems	The introduction of new initiatives creates additional complexity in information systems. If not managed effectively, the core applications could lose their flexibility and create issues, which could increase costs and cause delays when implementing the required business change.	Systems architecture is reviewed continuously and improvements are made where opportunities arise. Structured testing is in place for key systems, where required and we hold periodic meetings with key vendors to keep abreast of any material changes.

Operational risk continued

Risk description	Potential impact	Current mitigation
Dependence on third party service providers	The group has entered into agreements with third party service providers for services covering a significant proportion of its operations. Failure to adequately manage third party performance could affect the group's reputation and its operational and financial performance. Loss of these contracts, or inability to renew or negotiate favourable replacement contracts, could have an adverse effect on future operating performance.	Processes are in place to manage third party service provider performance. The group has centralised processes for negotiating contracts.
Compliance with legal and regulatory requirements	The group is subject to a comprehensive set of legal and regulatory requirements. Non compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme circumstances, withdrawal of regulatory authorisation. Non compliance may also lead to costs relating to investigations and compensation of affected members. In addition, reputational damage may adversely affect the long term future of the society.	The group has dedicated significant internal resources to this area. The work of the group's compliance function is supplemented by regular internal audit reviews. In addition, the employee rewards scheme places significant emphasis on legal and regulatory risks being mitigated.
Regulatory and legislative changes	Changes in regulation and legislation may result in additional requirements, which may add to the complexity of our business, increase the costs of meeting those requirements and/or require the group to hold additional capital which will reduce the returns available to our members. In addition, any changes may also impact our business model by influencing customer demand and preferences for our product.	The senior management team regularly monitors major media outlets to identify and evaluate possible sources of regulatory or legislative changes. Where a likely source of change is identified, the group will look to minimise any detrimental impact on the group's strategy whilst exploiting any opportunities that may arise.
Conducting our business fairly and ethically	The success of the group is built on a foundation of fairness and honesty in our dealings with our key stakeholders. A breakdown in the group's cultural values could expose it to the risk of reputational damage and contribute to an increase in a range of other business risks.	The group has put in place a range of controls and processes to manage this risk. The key decision makers are encouraged to take a holistic view and not simply focus on narrow commercial factors.
Management succession	Our success is dependent on recruiting and retaining capable people in key roles. Failure to recruit the right people and cultivate our ethical values could adversely affect our ability to deliver on our objectives.	We aim to recruit talented staff and invest in their technical and professional development over many years so that they have a well rounded experience to take on more senior roles within the group. We also have detailed succession arrangements in place to account for planned and unplanned departures.

Counterparty risk

Risk description	Potential impact	Current mitigation
Risk of a counterparty being unable to perform its obligations	The group is exposed to the risk of failure or default of one or more of its counterparties. As part of its business, the group invests in debt securities and other assets, in order to meet its obligations to its members. As a result of this activity, exposures can arise to issuers of debt and other financial instruments. The group's day to day activities also mean that it has exposures to banking counterparties, as well as third party providers of services.	The group manages its significant counterparty exposures by the application and monitoring of counterparty limits. Material contracts with third parties are governed by service level agreements, which are monitored and discussed regularly.

Liquidity risk

Risk description	Potential impact	Current mitigation
The group has insufficient liquid assets to meet its financial obligations	A misjudgement in the level of liquidity required could result in business disruption and have an adverse effect on the group's financial performance.	The group maintains a buffer over its expected routine cash requirements, investing the majority of its funds in readily realisable assets. We also undertake regular stress tests, to ensure that the group continues to have sufficient liquidity to meet its needs.

Market risk

Risk description	Potential impact	Current mitigation
The value of the group's investments will fluctuate as a result of factors other than changes in interest and currency rates	The group invests in a range of asset classes where valuations can be affected by non technical factors, like market sentiment, geo political uncertainty or issuer specific issues.	The group manages asset price risk by maintaining a highly diversified portfolio of assets and by setting asset allocation and performance benchmarks, which ensure that it has an appropriate mix of assets and is not over or under exposed to a particular asset category or specific investment. The investment and capital management committee monitors the actual asset allocation and performance against benchmark.
The value of the group's assets and liabilities and the associated cashflows will fluctuate as a result of changes in interest rates	The group holds assets and liabilities with different maturities, creating exposure to changes in the level of interest rates. It mainly arises from the group's investments in debt and fixed income securities and the rates used to calculate the sickness business provision, which are exposed to changes in interest rates.	Exposure to interest rate risk is monitored using stress testing and duration benchmarks. The group also uses its cash holdings to manage duration, thereby indirectly managing interest rate risk.
The value of the group's assets will fluctuate as a result of fluctuations in exchange rates	The group holds assets in funds which invest in overseas debt and equity markets, creating exposure to changes in exchange rates.	Exposure to currency risk is managed primarily by authorisation controls. The investment and capital management committee monitors the currency exposures on a regular basis.

Board of directors

Kathryn Woolass (61)
Chairman

Kathryn was appointed to the board as a non executive director in 1984 and as chairman in 2010. She is also a director of 1908 Property Holdings Limited, a member of the governance committee and the investment and capital management committee and has previously been a member of the audit and risk committees.

She has previously served in senior roles in various dental bodies, including treasurer and chair of the Rotherham Local Dental Committee, examiner for the Royal College of Surgeons for the Diploma in Orthodontic Therapy, member of the South Yorkshire Council of the British Dental Association, secretary of the South Yorkshire branch of the British Society for Paediatric Dentistry, secretary of the Local Orthodontic Committee of the South Yorkshire Strategic Health Authority, postgraduate dental tutor for Doncaster, Barnsley and Rotherham and a member of the Rotherham Oral Health Advisory Group.

Farrukh Mirza (45)
Chief executive

Farrukh joined the society as head of finance in 1999. He was appointed as deputy chief executive in 2003 and to the board and as chief executive in 2008. As the group's chief investment officer, he chairs the investment and capital management committee. He is a director of 1908 Property Holdings Limited. Since qualifying as a chartered accountant in 1995, he has worked with Baker Tilly, BayernLB and PricewaterhouseCoopers, specialising in banking and insurance.

Davinderpal Kooner (61)
Vice chairman

Davinderpal was appointed as a non executive director in 2004 and as vice chairman in 2011. He is also a member of the governance committee and the audit committee. He is a fellow of the Pierre Fauchard Academy and vice chairman and member of the Ealing, Hammersmith and Hounslow Local Dental Committee. He is also a Justice of the Peace, non executive director of Dental Protection Limited and has general practices in West London.

He has worked extensively in the training of dentists and complementary professionals. He examined for the National Examination Board for Dental Nurses. He continues to examine for the Royal College of Surgeons of England for the MJDF Diploma of the Faculty of General Dental Practice. From 1997 to 2014, he was Regional Advisor in general dental practice and DF1 Vocational Training Programme Director for the London Deanery. He has also served as a professional member of the Fitness to Practise Panel of the General Dental Council, a General Commissioner of Income Taxes and as a member of the Health, Education and Social Care Chamber of the First-tier Tribunal.

Martyn Green (62)
Independent non executive director

Martyn was appointed to the board in 2010. He is the chairman of the governance committee and a member of the operational risk and reputation committee. He is also on the Advisory Board of the dental charity Bridge2Aid, a member of the Health, Education and Social Care Chamber of the First-tier Tribunal, a chair of the General Medical Council's Medical Practitioners Tribunal Service and a member of the Institute of Chartered Accountants in England and Wales probate committee. Martyn is a dental member of the GDC Appointments Committee. He is retired from general practice.

He was previously a member of the General Dental Council's Fitness to Practise Panel. He has worked extensively in the training of newly qualified dentists, having been in various roles including Regional Advisor in general dental practice and Associate Postgraduate Dental Dean.

Helen Harrison (52)
Independent non executive director

Helen joined the board in 2004. She is the chairman of the operational risk and reputation committee. She is the 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 and its Council, Ethics, Practice Management and Healthcare Policy Committees and chairman of the Eastern Counties Branch. She has also previously been a member of the Cambridgeshire Local Dental Committee, the Cambridge Postgraduate Education Committee and a dental nursing tutor and examiner.

Giles Kidner (50)
Independent non executive director

Giles was appointed to the board in 2004 and is the chairman of the audit committee. He is a consultant orthodontist at the Buckinghamshire Healthcare and Oxford University Hospitals NHS Trusts and also works part time in private practice. He is also a lead orthodontist for the regional cleft lip and palate service, Caldicott Guardian and an examiner for both the Intercollegiate Membership and Speciality Fellowship examinations in Orthodontics


Kathryn Woolass


Farrukh Mirza


Davinderpal Kooner


Martyn Green


Helen Harrison


Giles Kidner


Simon Elliott


Raj Raja Rayan OBE


Alister Weightman


Huw Winstone

Simon Elliott (41)

Executive director

Simon was appointed to the board in October 2015 as an executive director. He is the group's deputy chief executive with operational oversight of compliance, marketing and member services. He is also the group's secretary and a member of the investment and capital management committee. Simon joined the society in 2007 after working for 11 years at Deloitte LLP in their actuarial practice, advising and working with friendly societies and insurance companies within the UK and Europe.

Raj Raja Rayan OBE (62)

Independent non executive director

Raj was appointed to the board in 1989. He is a member of the operational risk and reputation committee. He was, until recently, an associate dean at the London Deanery and the chairman of the charity AOG Foundation Limited. He was previously 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 was also an elected council member of the General Dental Council and served on the Standing Dental Advisory Committee to the Secretary of State for Health and as advisor to the Lord Chancellor on judicial appointments.

Alister Weightman (51)

Independent non executive director

Alister was appointed to the board in 2011. He is a member of the audit committee and has been in general practice since 1987. He is a dental practice advisor for the Yorkshire and Humber Area Team of NHS England and works part time in general dental practice. He has been a clinical support manager for IDH My dentist in the North East region and a past treasurer of the North Lincolnshire Local Dental Committee and dental practice advisor for Doncaster and North Lincolnshire Primary Care Trusts. He has also been a clinical assistant in orthodontics and a vocational trainer.

Huw Winstone (57)

Independent non executive director

Huw was appointed to the board in 2014. He has been in general dental practice since 1981 and is a principal of his family practice in North West Kent. Since 1996 he has been a dental practice advisor for the NHS, currently for NHS England Kent-South (South East). Huw has worked for over twenty years in Dental Foundation Training, as a Vocational Training Adviser, training Programme Director and an Associate Dean for Health Education Kent, Surrey & Sussex. Huw is also a local dental advisor for Dental Protection Limited and he has been a member of the Kent Local Dental Committee since 1988, being treasurer for over twenty years.

Committees at a glance

Audit committee
Giles Kidner
Davinderpal Kooner
Alister Weightman

Investment and capital management committee
Farrukh Mirza
Simon Elliott
Kathryn Woolass

Governance committee
Martyn Green
Davinderpal Kooner
Kathryn Woolass

Operational risk and reputation committee
Helen Harrison
Martyn Green
Raj Raja Rayan OBE

Senior management

Sarah Bradbury

Paul Dixon

Bryan Gross

Kirby Mardle

Declan Martin

Sarah Martin

Sarah Bradbury

Sarah joined the society as head of marketing and communications in 2013. She has worked in service marketing and public relations in education, leisure and the dental industry for over 20 years. She has previously worked for the British Dental Association as the student/young dentist manager, Dental Protection Limited as marketing manager and as strategic partnerships and brand manager at Denplan.

Paul Dixon

Paul joined the society in 2015 as joint head of compliance and risk. Having initially trained as a barrister, he spent a decade in various legal roles before moving into financial service compliance in 2011. Experienced in insurance, claims management and consumer credit, Paul holds a postgraduate Diploma in Governance, Risk and Compliance through the International Compliance Association.

Bryan Gross

Bryan joined the society as a senior underwriter in 2008 and was appointed as head of claims and underwriting in 2013. Bryan has a wealth of experience in the insurance industry covering a variety of roles, previously working at The Prudential and Gen Re.

Kirby Mardle

Kirby joined the society in 2006 as a member services consultant. She later moved into the finance department and following her qualification as a Certified Chartered Accountant was appointed head of finance in 2012. She is also the company secretary of 1908 Property Holdings Limited.

Declan Martin

Declan joined the society in 2009 as head of information systems. He has been delivering IT solutions to the insurance sector for over 30 years and has a proven record in making technology deliver value to the business. He has held senior positions at Canada Life, Aviva and Standard Life, as well as software suppliers and consultancies.

Sarah Martin

Sarah joined the society in 2008 and is joint head of compliance and risk. A solicitor, with a background in insurance and regulation, she has previously worked for Legal & General, Financial Services Authority and Lloyd's of London.

Corporate governance report

Board membership and attendance at scheduled meetings

Kathryn Woolass (chairman)	4/4
Farrukh Mirza (chief executive)	4/4
Davinderpal Kooner (vice chairman)	4/4
Simon Elliott	1/1
Martyn Green	4/4
Helen Harrison	4/4
Giles Kidner	4/4
Raj Raja Rayan OBE	3/4
Alister Weightman	4/4
Huw Winstone	3/4

Key items in the terms of reference

- approval and oversight of the group's objectives and strategy
- responsibility for the group's overall structure and capital requirements
- oversight of the group's operations, including approval of annual budgets and plans
- approval of the group's annual report and regulatory returns
- approval of any changes to the group's corporate governance structure
- approval of any material transactions which affect the group

Key items considered in 2015

Q1	Q2	Q3	Q4
Business performance for Q4 2014	Business performance for Q1 2015	Business performance for Q2 2015	Business performance for Q3 2015
Reports from the board committees	Reports from the board committees	Reports from the board committees	Reports from the board committees
Approval of the actuarial valuation report	Approval of the group's individual capital assessment	Approval of the premium rates	Approval of the valuation assumptions and recommended bonus rates
Approval of the group's financial statements and statutory returns	Business strategy update	Sessions without chairman and chief executive	Approval of operational budgets
Review of the auditors' key issues memorandum	Approval of the Association of Financial Mutuals' combined code questionnaire	Board performance review	Business strategy update
Business strategy update		Business strategy review	Enterprise risk management and own risk and solvency assessment
Appointment of arbitrators		Review of terms of reference and amendments to board procedures	Approval of compliance and Money Laundering Reporting Officer's report

Role of the board

The board's primary role is to oversee and direct the affairs of the group and to further the interests of the members, in accordance with the relevant law and our memorandum and rules. The board meets at least four times a year and its responsibilities are set out in the board handbook, which also details the matters reserved specifically for the board.

Board composition

At the date of this report, the group's board comprised a non executive chairman, chief executive, deputy chief executive and seven non executive directors.

At the forthcoming annual general meeting, all of the directors will be offering themselves for re election, with the exception of Raj Raja Rayan OBE, who is standing down at the end of March 2016.

Key roles on the board

We have a robust system for corporate governance throughout the group with a clear division of responsibilities for those involved. Below is a brief description of the main responsibilities for the key roles on the board.

Chairman

The chairman is responsible for the leadership and management of the board, overseeing the induction, evaluation and ongoing development of the directors, ensuring the group meets its overall governance standards and maintaining an open and cooperative relationship between the society, the members and other key stakeholders.

Vice chairman

The vice chairman deputises for the chairman and supports them in the effective management of the board. As the group's senior non executive director, the vice chairman serves as an important intermediary between the chairman, the rest of the board and the members.

Chief executive

The chief executive is responsible for developing the group's overall strategy, leadership of the senior management team and effective operational oversight of the day to day operations of the group.

Secretary

The secretary is responsible for supporting the chairman in effective operation of the board. The secretary is also responsible for supporting individual directors in discharging their duties effectively.

Independence

The group believes that the most effective way to ensure the reality of independence is to provide guidance based on a framework of principles, rather than a prescriptive set of rules, which can be complied with to the letter, but circumvented in substance. The group believes that fundamental to independence is the personal integrity and objectivity of individuals. The main sources of threat to independence arise from conflicts of interest, financial dependence and over familiarity.

The overarching goal of the group's independence policy is to ensure that the relationship between the non executive directors and the group and its executive directors is kept on an arm's length basis. To this end, the group annually assesses the independence of each of its non executive directors against highly conservative benchmarks, covering conflicts of interest and financial integrity. The group also has detailed policies in place covering personal relationships between staff.

For the above reasons, the group does not strictly apply the nine year independence provision in the Corporate Governance Code for Mutual Insurers, primarily because it considers this to be an arbitrary figure. In addition, the complexity of the business means that it takes time for our new directors to begin delivering to their full potential. A nine year limit on non executive appointments would deprive the group of a proper payback on its investment in the training of its directors and would be detrimental to its long term interests, by removing the stability, knowledge and insight offered by long serving directors.

However, the group acknowledges that periodic refreshment of the board is essential in order to avoid the risks of complacency and group thinking and appropriate caps on tenure are in place to manage these risks.

The governance committee has considered the annual declarations for all non executive directors and has concluded that all non executive directors remain independent.

The chairman was independent on her appointment to the board in 1984. In line with common practice, following her appointment as chairman in 2010, she has not been classified as independent.

Conflicts of interest

The board is aware that its directors have other commitments. However, it is satisfied that these do not conflict with their duties as directors. The group has a robust set of procedures in place for the disclosure of any actual or potential conflicts of interest. There is:

- an annual declaration to be signed by each director confirming that they consider themselves free of conflict
- an ongoing responsibility for each director to disclose immediately any changes in circumstances, which may give rise to a conflict of interest, e.g. a new office or property
- a restriction on attendance at any part of a board meeting or vote on any agenda item in which they have a material personal interest, unless the other directors unanimously agree otherwise

The governance committee has reviewed the external commitments of the non executive directors and has concluded that there are no material conflicts of interest, which would preclude any director from continuing in office.

Board diversity

The group is committed to ensuring that it appoints and retains non executive directors who bring experience, expertise and a range of opinions to the board. The board is committed to:

- the principles of equal opportunity
- avoiding group think
- ensuring that it has a range of knowledge, skills and experience

The board is of the opinion that the principles of diversity cannot be distilled down to a discussion about gender, race, disability, age, sexual orientation or religious or political beliefs. In addition, we draw our directors from a membership pool of highly educated and skilled individuals, who would find it unacceptable to be appointed to our board under any quota.

The group has been scrupulous in ensuring that it makes all of its appointments across the spectrum on merit alone. We believe that the key to realising the benefits of diversity lie in ensuring that our board represents the views and opinions of the different strands of the dental profession and our discussions cover the widest range of thoughts, ideas and opinions. This is only possible by selecting the most able candidates, united by a common purpose of doing the right thing for the society and our members, in an environment that encourages the directors to express their views openly and honestly.

The group encourages and welcomes interest from all candidates who would add to the quality of the board's discussions. With this in mind, the board has considered whether it should introduce formal diversity targets in the context of its existing meritocratic process for the appointment of non executive directors. Against this overriding objective, the society does not currently propose to set targets for diversity on the board.

Board appointment and term

The governance committee evaluates the board's balance of knowledge, skills and experience and uses this information to guide its recruitment activities and recommendations for the appointment of directors. The committee uses open advertising in dental publications as the primary means of attracting applications from interested candidates.

The committee reviews the details submitted by the interested candidates, agrees a shortlist to be interviewed and recommends the preferred candidate to the board for appointment. As part of the recruitment process, the committee considers the other commitments of the candidates to ensure they are able to devote sufficient time to the role and whether there are any conflicts of interest.

All non executive directors are reappointed annually by the members, subject to the board being satisfied with their performance and commitment to the role. The governance committee oversees the process of continued appointments.

Non executive directors appointed after 31 December 2003 must retire from the board after 15 years of service. The other non executive directors have a mandatory retirement age of 65 years.

The terms and conditions of appointment of directors are available for inspection at the group's registered office during normal business hours and at the annual general meeting.

Director induction

The chairman, supported by the chief executive and group secretary, is responsible for arranging a comprehensive and structured induction programme for new directors. The formal induction programme may include:

- meeting with the chief executive, other non executive directors and senior management
- attending at least one board meeting as an observer
- a formal training programme and/or technical briefing on legal, regulatory, financial management and actuarial matters
- briefings on the group's governance and risk management framework and the responsibilities of the board and its committees
- key governance and management documentation
- the group's structure, strategy and business plans
- specimen reporting packs, detailing financial and operational measures

The induction programme provides the background knowledge directors need to perform their duties effectively as soon as possible after joining the board.

When non executive directors are appointed to a board committee, they are provided with further induction on the role of the committee and their additional duties.

Continuing education

The group strongly believe that keeping up to date with key business issues is vital for each director, to improve and maintain their knowledge and skills so they are able to discharge their duties effectively.

Therefore, the group ensures that the non executive directors:

- receive regular training sessions on areas of significance including insurance, investment management, actuarial, compliance and finance
- attend training courses covering their duties as directors
- receive formal briefings by external independent experts during board meetings

Directors receive ongoing training and updates on relevant issues as appropriate. Bespoke training was held in the year covering information security, compliance and regulations, investments, and employment law.

As part of each director's performance appraisal, they are given the opportunity to discuss and address any training and development needs. Each individual director is responsible for ensuring they remain up to date with the issues affecting the group and their responsibilities as a director.

Performance evaluation

Performance evaluation of the directors is a key component in the delivery of the group's objectives.

Each year, all directors are required to undergo a formal appraisal, covering their work on the board and any relevant committees. In addition, led by the chairmen, the various committees evaluate their own performance as a whole. Every third year, an externally facilitated review is carried out by an independent expert.

The review comprised each director completing an annual review form in respect of their roles on the board and its committees. These review forms then formed the basis for a confidential one to one meeting between the chairman and the director. The form covers personal, committee and board performance and includes key areas such as strategy and planning, duties and responsibilities, board structure, performance monitoring and board culture.

The governance committee reviewed the results of the review and the chairman presented the key themes emerging from the 2015 evaluation findings at the September board meeting. Following the results of the review, the board remain confident that they continue to operate effectively.

Succession

The board is aware of the need for effective succession planning in securing the group's long term success. The governance committee regularly discusses succession planning for all key individuals. These discussions take into account the skills and experience required by the group, at present and in the future. The committee recognises the need to develop internal talent, as well as the need to recruit externally.

The issue of succession planning was regularly discussed by the committee during the year.

Independent advice

The group recognises that, from time to time, the directors may require additional independent expert professional advice at the group's expense. No such requests were received during the year.

Board committees

The board has established various committees to assist it in effectively discharging its governance responsibilities. Information on the role and work of these committees is detailed on pages 32 to 39.

Compliance with the corporate governance code for mutual insurers

The directors consider that the society has complied with the code *(The UK Corporate Governance Code – An Annotated Version for Mutual Insurers)* throughout the year, subject to the comments in this report regarding diversity and independence.

The audit committee

Giles Kidner

Davinderpal Kooner

Alister Weightman

Committee membership and attendance at scheduled meetings

Giles Kidner (chairman)	4/4
Davinderpal Kooner	4/4
Alister Weightman	4/4

Key items in the terms of reference

- oversight of regulatory reporting
- monitoring the integrity of the financial statements and any related announcement
- monitoring the effectiveness of the group's internal controls and risk management systems
- monitoring and reviewing the effectiveness, independence and objectivity of the internal audit function
- oversight of the relationship with the group's external auditors
- considering and making recommendations to the board for the appointment, reappointment and removal of the external auditor
- monitoring and reviewing the group's compliance with any tax obligations

Key items considered in 2015

Q1	Q2	Q3	Q4
Management accounts for Q4 2014	Management accounts for Q1 2015	Management accounts for Q2 2015	Management accounts for Q3 2015
Group financial statements and regulatory returns	Internal audit planning	Review of the internal audit report	Review of external audit plan for year ended 31 December 2015
Review of effectiveness of external audit and key issues memorandum		Session with internal auditors, without management present	Review of year end actuarial assumptions
Session with the auditors, without management present		Review of the impact of new UK financial reporting standards	Review of tax compliance
Reappointment of external auditors		Review of committee performance and terms of reference	
Review of whistleblowing procedures			

Role of the audit committee

The role of the audit committee is to assist the board on matters of financial reporting, risk management and internal control.

Whilst all directors have a statutory duty to act in the best interest of the society, the audit committee has a particular role to act independently of the management. To this end, all members of the audit committee are independent non executive directors, who collectively possess the requisite recent and relevant financial experience.

The committee is scheduled to meet four times a year, to discuss items such as internal and external audit plans, the financial statements of the group, effectiveness of internal controls, governance (including its own terms of reference), regulatory and actuarial matters and the performance, qualifications and independence of the internal and external auditors, including their remuneration for audit services. It is the group's policy not to use its statutory auditors in the provision of non audit services.

Only members of the committee are entitled to attend the meetings. However, the chief executive, deputy chief executive and head of finance attended all four meetings during the year by invitation from the chairman. The audit committee meets with the external and internal auditors, without management at least once a year.

Throughout the year, both the internal and external auditors had unrestricted access to the audit committee.

Tendering of audits

It is the group's policy to seek mandatory tendering of its statutory auditors every seven years. Buzzacott LLP were first appointed to audit the annual report and financial statements for the year ended 31 December 2011 and will be subject to a mandatory retender in the absence of an earlier recommendation by the audit committee.

Key items discussed during 2015

Financial reporting and external audit

During the first quarter of 2015 the audit committee reviewed the annual report and financial statements for 2014, along with the effectiveness of the external audit. Following the discussions, the committee was satisfied with the integrity of the financial statements and approved them for submission to the board.

The committee formally recommended to the board and the members the reappointment of Buzzacott at the annual general meeting on 15 May 2015.

At the fourth meeting of the year the committee considered the plan for the statutory audit of the 2015 financial statements, which included a full review and approval of the scope of the audit plan, materiality levels and ensuring it remained consistent with the terms of the current audit engagement.

Internal audit

The committee's second meeting of the year focused on the internal audit for 2015. The committee agreed the internal audit approach and approved the scope of the work to be undertaken.

The results of the internal audit were discussed later in the year and the committee remains of the opinion that internal audit provided an effective tool in the group's overall risk management system and in respect of the business conduct element of the employee bonus award for 2015/16.

Corporate governance

At the third meeting the committee considered its terms of reference and its own performance. No changes were recommended to the terms of reference and the committee concluded that it was effectively discharging its responsibilities.

2015 annual report and financial statements

The committee has considered the annual report and financial statements for 2015 and has recommended them for approval by the board.

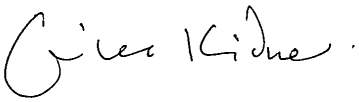
As part of this process, the committee reviewed the accounting policies used by the group and confirmed their continued appropriateness. The committee also considered the valuation bases for assets and liabilities, including the key assumptions used, and agreed with the approach taken.

The committee discussed the following key areas of judgement:

- calculation of the fair value of investments in funds comprising non publically traded investments
- calculation of the fair value of properties, including those occupied by the group
- recognition of income from investments in the financial statements
- valuation assumptions used in calculating the long term business provision

For each key area of judgement, the committee considered the information and explanations provided by management and sought clarification from the auditors regarding their opinion of management's judgement and its impact on the audit.

The committee also considered and discussed the clarity of disclosure within the annual report and financial statements, compliance with reporting guidelines and the basis of preparation of the financial statements.



Giles Kidner
Audit committee chairman
18 March 2016

The investment and capital management committee

Farrukh Mirza

Simon Elliott

Kathryn Woolass

Committee membership and attendance at scheduled meetings

Farrukh Mirza (chairman)	4/4
Simon Elliott	4/4
Kathryn Woolass	4/4

Key items in the terms of reference

- oversight of the group's investment strategy
- reviewing and approving the asset and liability management strategy
- oversight, appointment and removal of investment consultants and managers
- reviewing and monitoring the group's capital adequacy and capital management plans
- reviewing and monitoring liquidity, market and credit risk management strategies and policies
- agreeing the bonus recommendations with the actuarial function holder and making recommendations to the board

Key items considered in 2015

Q1	Q2	Q3	Q4
Review of the investment performance for Q4 2014 and market outlook	Review of the investment performance for Q1 2015 and market outlook	Review of the investment performance for Q2 2015 and market outlook	Review of the investment performance for Q3 2015 and market outlook
Evaluation of new asset manager	Review of investment governance under Solvency II	New investment manager appointment and asset allocation	Solvency II preparation and regulation changes
Review of tactical asset allocation	Review of tactical asset allocation	Annual review of investment consultants' performance	Review of tactical asset allocation
Review of capital adequacy, management plans and capital position	Review of the group's individual capital assessment	Review of capital adequacy, management plans and capital position	Review of statutory valuation assumptions and bonus rates
Compliance with prudential regulations	Compliance with prudential regulations	Compliance with prudential regulations	Compliance with prudential regulations
		Review of insurance risk management audits	
		Review of committee performance and terms of reference	

Role of the investment and capital management committee

The investment and capital management committee assists the board in discharging its duty to effectively identify, assess and manage investment and capital management related risks.

In addition to focusing on credit, market and liquidity risks facing the group, the committee also oversees the group's capital management arrangements and adequacy and sustainability of its bonus strategy.

The committee is responsible for the stewardship of the group's investment strategy and is scheduled to meet at least four times a year to discuss items such as: capital adequacy, bonus rates, investment strategy, tactical asset allocation, performance of investment managers and investment consultants and making recommendations regarding their appointment and removal.

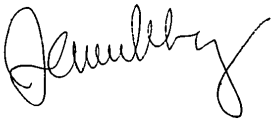
The speed at which investor information disseminates through the financial markets means the committee must be structured so that decisions can be made in a timely and efficient manner. Therefore, the committee is made up of the group's chairman, chief executive and deputy chief executive to enable quorate meetings at short notice.

The committee members are the only individuals who have the right to attend the committee meetings. However, the head of finance attended all four of the meetings during 2015, by invitation from the chairman.

Throughout the year, the committee had unrestricted access to the group's investment consultants and actuarial function holder/with profits actuary.

Key items discussed during 2015

During 2015, the committee met four times to discuss the group's capital position, sustainability and adequacy of bonus rates, performance of the group's investments and strategic and tactical asset allocation. Other key items discussed included disinvestments, appointment of new managers, the results of the operational due diligence on the fund managers and compliance with relevant prudential requirements. At the last meeting of the year, the committee discussed the preparedness for Solvency II and the bonus recommendations and valuation assumptions for 2015.



Farrukh Mirza
Investment and capital management committee chairman
18 March 2016

The governance committee

Martyn Green

Davinderpal Kooner

Kathryn Woolass

Committee membership and attendance at scheduled meetings

Martyn Green (chairman)	4/4
Davinderpal Kooner	4/4
Kathryn Woolass	4/4

Key items in the terms of reference

- oversight of remuneration arrangements for executive directors
- oversight of governance arrangements
- oversight of succession arrangements for executive and non executive directors
- authorisation of senior appointments
- monitoring progress against the group's strategy and oversight of major infrastructure projects
- oversight of enterprise risk management

Key items considered in 2015

Q1	Q2	Q3	Q4
Board appointments and succession planning	Board composition and succession planning	Board composition, new appointments and succession planning	Board composition and succession planning
Review of strategy and progress against plans	Review of strategy and progress against plans	Annual review of strategy	Review of strategy and progress against plans
Review of key enterprise risk management issues	Review of key enterprise risk management issues	Review of key enterprise risk management issues	Review of enterprise risk management and own risk and solvency assessment
Review of the employee incentivisation plan	Review of annotated combined code questionnaire	Executive remuneration	Executive remuneration
		Board performance review	Review of annual budget
		Review of committee performance and terms of reference	

Role of the governance committee

The governance committee's primary areas of responsibility comprise oversight of remuneration related matters, board nomination duties, strategy and major infrastructure projects and enterprise risk management.

The remuneration duties focus on recommending the overall policy for remunerating executive directors and making formal recommendations to the board on such matters.

The nomination duties focus on ensuring the board has the appropriate mix of skills and knowledge and to fulfil its responsibilities and that appropriate arrangements are in place for succession of key personnel.

The oversight of strategy and major infrastructure projects involves monitoring progress on key strategic initiatives on behalf of the board. The committee acts as the first line of challenge to the detailed strategy initiatives produced by the executive.

The committee is also responsible for supporting the work of the other committees in identifying, assessing and monitoring the new and emerging risks facing the group and making recommendations regarding risk appetite to the board and evaluating the effectiveness of the group's governance and risk management framework.

The chief executive is usually invited to attend all or part of the committee meetings. However, as a rule, no director participates in any part of the meeting covering their own remuneration.

The committee comprises the group's chairman, the vice chairman and an independent non executive director jointly appointed by the chairman and vice chairman.

The committee is scheduled to meet at least four times a year.

Key items discussed during 2015

The governance committee met four times in the year under review to discuss the performance of the directors and the board as a whole, the appropriateness of the group's succession arrangements and corporate governance matters.

The committee also considered the performance, independence and commitments of the existing directors standing for re election at this year's annual general meeting. It unanimously recommends to the members that all those directors listed within the notice of the annual general meeting offering themselves for reappointment, be re elected.

The committee also considered the principal enterprise level risks facing the group and endorsed the risk appetite used within the strategic planning process.

The committee also received regular updates on the various strategic initiatives being pursued by the society across all four meetings.

The report of the committee on remuneration, on behalf of the board, is set out on pages 40 and 41.

Martyn Green
Governance committee chairman
18 March 2016

The operational risk and reputation committee

Helen Harrison

Martyn Green

Raj Raja Rayan OBE

Committee membership and attendance at scheduled meetings

Helen Harrison (chairman)	4/4
Martyn Green	4/4
Raj Raja Rayan OBE	3/4

Key items in the terms of reference

- monitoring the adequacy of the risk systems and making appropriate recommendations to the board
- reviewing and reporting to the board on the systems governing the identification and management of insurance and operational risks
- receiving and reviewing regular reports from the executive and making appropriate recommendations to the board
- receiving and reviewing reports on legal and regulatory compliance and making appropriate recommendations to the board

Key items considered in 2015

Q1	Q2	Q3	Q4
Risk report from head of compliance and risk	Risk report from head of compliance and risk	Risk report from chief executive and deputy chief executive	Risk report from head of compliance and risk
Update on key conduct and reputational risk issues	Update on key conduct and reputational risk issues	Update on key conduct and reputational risk issues	Review of compliance and Money Laundering Reporting Officer's report
	Business continuity	Business continuity	
		Review of committee performance and terms of reference	

Role of the operational risk and reputation committee

The role of the operational risk and reputation committee is to oversee the adequacy of the operational, conduct and reputational risk management processes in place.

The committee regularly reports to the board on the systems governing the management of key operational, reputational and conduct risks and makes appropriate recommendations, when required.

The committee is made up of three independent non executive directors, who are the only individuals with the right to attend the committee meetings.

During the year, the chairman extended invitations to the chief executive, deputy chief executive and head of compliance and risk to all four scheduled committee meetings. At each of its meetings, the committee received full updates on key developments.

Key items discussed during 2015

The first and second meetings of the year focused on reviewing performance against conduct risk targets. Other areas covered included business continuity, treating customers fairly and know your customers.

The third meeting focused on the regular discussions of reputational, conduct and financial crime related risk. In addition, the committee considered the adequacy of the group's business continuity arrangements and its own performance.

At its final meeting of the year, the committee considered the annual compliance and money laundering reporting officer's report along with the regular discussion of reputational, conduct and financial crime related risks.

Helen Harrison
Operational risk and reputation committee chairman
18 March 2016

Directors' remuneration report

The remuneration policy

The objectives of any good remuneration policy are to attract, motivate and retain effective people. The key features of our remuneration policy, in relation to our executive directors, can be summarised as follows:

- it rewards genuine contribution to the long term success of the society with packages aligned to the interests of the members
- it 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
- it makes the retired dentists' plan mandatory for executive directors, to assist in aligning their long term financial interests with those of the society's members
- it ensures that notice periods are in accordance with general market practice

Executive directors' base salary

An executive director's base salary provides the core reward for the role and is set at a level designed to recruit, retain and motivate the skilled individuals required to deliver the group's strategy. The governance committee (without any input from executive directors) reviews base salaries annually. When doing so, it takes into account factors such as:

- inflation data
- the individual's responsibilities, skills and experience
- the competitiveness of the salary, by reference to other organisations of similar size and industry and, most importantly, the results of the annual performance reviews
- feedback from independent remuneration consultants

Taking into account Farrukh Mirza's contribution to the group and his remuneration compared with his peers, it was agreed that he be awarded a 5% salary increase with effect from 1 January 2015.

Simon Elliott's remuneration did not change upon his appointment to the board.

Executive directors' bonuses

The governance committee has recognised for many years the asymmetric nature of the risk/reward relationship, especially in relation to bonuses, and the logistical difficulties of implementing a plan that fits appropriately with the group's not for profit objectives.

For this reason, the group continues to shun bonuses for executive directors. The primary component of executive directors' reward is therefore the base salary.

Fees for the chairman and non executive directors

The executive directors are charged with the responsibility of setting and reviewing the fees of the non executive directors each year.

The chairman is consulted on the fee arrangements generally and the vice chairman on the fees for the chairman. Changes to the fees normally take effect from 1 January each year.

Non executive directors receive a basic fee and additional fees are payable for membership and chairmanship of the various committees.

Non executive directors may still claim session charges based on the British Dental Guild rate, but only for such duties as those not forming part of their normal duties and responsibilities.

Taking into account the current economic environment, the performance of the society, and non executive directors' remuneration compared with their peers, it was agreed to increase the fees by 5% from the levels set in 2013, with effect from 1 January 2015.

Benefits

The group's benefits package is designed to provide competitive monetary and non monetary benefits to assist the employees in carrying out their duties efficiently. Benefits are set within agreed parameters and are consistent across the group. The benefits package for executive directors includes health insurance and life insurance. 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, which is closed to new entrants. The deputy chief executive is a member of the group's stakeholder defined contribution arrangement, which is open to all employees.

The chairman and non executive directors do not have any pension benefits.

During the year under review, no contributions (2014: £13,065) were made in respect of the chief executive. The society made contributions at a rate of 8% of basic salary in respect of the deputy chief executive's pension in the year under review. The amounts paid into the scheme in respect of his earnings as a director totalled £2,099.

Service contracts

Subject to the requirements of the law and best practice, the directors' service contracts and terms and conditions of employment aim to strike the appropriate balance between those of the group and the individuals. Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the society.

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

The executive directors are permitted to hold appropriate external commercial non executive director appointments, provided they do not conflict with their commitments to the group. The executive directors may retain the fees paid for these services, subject to prior approval by the chairman.

No non executive directorships were held by the executive directors during the year.

Directors' remuneration

	2015 Fees and salaries £000	2015 Benefits in kind £000	2015 Total £000	2014 Fees and salaries £000	2014 Benefits in kind £000	2014 Total £000
Non executive directors						
Kathryn Woolass	14	–	14	14	–	14
Martyn Green	10	–	10	10	–	10
Helen Harrison	10	–	10	10	–	10
Giles Kidner	10	–	10	10	–	10
Trevor King	–	–	–	2	–	2
Davinderpal Kooner	10	–	10	10	–	10
Raj Raja Rayan, OBE	9	–	9	8	–	8
Alister Weightman	9	–	9	8	–	8
Huw Winstone	4	–	4	1	–	1
Executive directors						
Farrukh Mirza	233	3	236	223	3	226
Simon Elliott (appointed October 2015)	29	–	29	–	–	-
	338	**3**	**341**	**296**	**3**	**299**

Martyn Green
Governance committee chairman
18 March 2016

Directors' report

This report is to be read in conjunction with the strategic report on pages 4 to 23.

Principal activity and objectives

Dentists' Provident is a not for profit mutual organisation, incorporated under the Friendly Societies Act 1992. The group's principal business activity is the provision of income protection insurance to dentists in the UK and Ireland under the Holloway Contract principles.

A full discussion of the group's strategy is contained in the 'our business model' section of the strategic report.

The group did not undertake any activities that were outside its powers.

Business review and future developments

An analysis of the future development and performance of the business can be found within the chairman's statement, the chief executive's report and the financial review sections of the strategic report.

A description of the material risks facing the group are set out in the risk management section of the strategic report.

Cautionary statement regarding forward looking information

This annual report and financial statements contains forward looking statements. These are made by the directors in good faith, based on the information available at the time of the approval of the annual report and financial statements. The statements should be treated with caution, due to the inherent risks and uncertainties underlying such forward looking information. A number of factors, including those in this document, could cause actual results to differ materially from those contained in any forward looking statement.

The society does not intend to update any of these statements.

Bonuses

The board recommended that dividend rates remain unchanged at £1.56 and £1.80 for the income protection and retired dentists' plan holders respectively. Interest and terminal bonus rates also remain unchanged at 5% and 15% respectively. Total bonuses allocated to members in 2015 amounted to £7.1 million (2014: £7.0 million).

Directors

The names and biographies of the individuals who served as directors of the society during the year are set out on pages 24 and 25.

Indemnification of directors

In accordance with the society's memorandum and rules and applicable laws in England and Wales, the group provided an indemnity to the directors of the society and its subsidiary. In addition, the group maintained directors' and officers' liability insurance for the benefit of its directors and officers during the year under review.

Donations

Charitable donations totalled £5,898 (2014: £4,100). The group's policy on donations is to provide assistance to small local charities, bodies involved in improving dental health and those providing services to members of the dental profession facing financial and health issues.

Changes in fixed assets

Details of significant changes in the fixed assets of the group are detailed in note 17 to the financial statements.

Solvency

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

Accountability and internal controls

The board acknowledges its overall responsibility for the group's system of internal controls and for reviewing its effectiveness. On a day to day basis, the group's senior 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 system 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 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 aware of the risks to the group and managing these to an acceptable level.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 4 to 23.

The group has sufficient resources, together with sufficient recurring income from members. The group meets its working 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 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.

On behalf of the board

Simon Elliott
Group secretary
18 March 2016

Statement of directors' responsibilities

Directors' responsibilities for preparing the financial statements

The following statements should be read with the statement of auditors' responsibilities included in the independent auditors' report. They are made to help members distinguish between the responsibilities of the directors and those of the auditors in relation to this year's financial statements.

The directors are responsible for preparing the annual report and financial statements. It is also their responsibility to state that they consider that the annual report and financial statements, when taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy.

Under the Friendly Societies Act 1992, the directors are required to prepare and approve financial statements for each financial year. The directors must only approve the financial statements when they are satisfied that they give a true and fair view of how the group and the society have performed at the end of the financial year, and that they give a true and fair view of the surplus or deficit of the group and the society for that year. The financial statements of the group and, where relevant, the society, have been prepared in accordance with:

- United Kingdom generally accepted accounting principles (UK GAAP)
- The Friendly Societies Act 1992

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

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

The directors are responsible for ensuring that proper accounting records are maintained. These must disclose, with reasonable accuracy at any time, the financial position of the group and the society and enable the directors to ensure that the financial statements comply with the Friendly Societies Act 1992.

The directors are also responsible for:

- safeguarding the assets of the group and the society
- taking reasonable steps to prevent and detect fraud and other irregularities
- ensuring the maintenance and integrity of the corporate and financial information included on the society's website

UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the directors, whose names and functions are listed in the board of directors section on pages 24 and 25, confirms that to the best of their knowledge and belief, the group and the society's financial statements, which have been prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and surpluses of the group and of the society and, taken as a whole, are fair, balanced and understandable.

On behalf of the board

Simon Elliott
Group secretary
18 March 2016

Independent auditors' report

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 2015 which comprise the group and society income and expenditure accounts, the group and society balance sheets 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 2015, 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 notes 19 and 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 auditor

As explained more fully in the statement of the responsibilities of the 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 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.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on our audit strategy, allocation of resources in the audit and directing the efforts of the audit team:

- revenue recognition, with particular regard to premium income
- the timing and validity of claims and surrenders
- the valuation of investments and the appropriateness of estimation techniques in this area
- the valuation of the long term business provision
- the implementation of FRS 102

Our application of materiality

The concept of materiality was applied in planning and performing our audit. The threshold at which we consider an amount as being material to the financial statements as a whole was set at £2.35 million. This is based on the gross assets of the society at 31 December 2015. We also applied a lesser level of materiality of £0.150 million to income and expenditure items, except for investment income and movement on the sickness business provision. This is based on the premium income of the society for the year ended 31 December 2015. We report individual unadjusted differences on the financial statements over the level which we consider trivial to the audit committee. Materiality is used as guidance for the audit team in exercising judgement over their approach to audit testing and interpretation of the results. The level of materiality should not be interpreted as an absolute limit but as a guide to values that may be considered to have an impact on the view given by the financial statements.

An overview of the scope of our audit

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

- our audit work on revenue recognition involved using the society's membership records to develop an expectation of premium income, as well as tests of detail
- we examined claims and surrenders, on a sample basis, and ensured that these were supported by appropriate evidence. We reviewed post balance sheet claims and surrenders to ensure they had been recognised in the appropriate accounting period
- we agreed the valuation of investments to independent third party confirmations and other evidence. We considered the appropriateness of estimation techniques, challenging management's assumptions
- we placed reliance on the work of a suitably qualified actuary, engaged by us, giving due regard to the nature, scope and objectives of their work
- we reviewed the FRS 102 conversion journals prepared by the client and the restated balance sheet at 31 December 2013 and 2014

Opinion on other matters prescribed by the Friendly Societies Act 1992

In our opinion the directors' report 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:

(i) under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited financial statements
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit
- is otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statements that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

(ii) under the Friendly Societies Act 1992 we are required to report to you if, in our opinion:
- proper accounting records have not been kept
- the financial statements are not in agreement with the accounting records
- we have not received all the information and explanations and access to documents that we require for our audit

(iii) in accordance with our instructions from the society we review whether the corporate governance statement reflects the society's compliance with the eleven provisions of the Annotated UK Corporate Governance Code specified by the Association of Financial Mutuals.

Peter Chapman BSc (Hons) FCA
Senior statutory auditor

For and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

18 March 2016

Consolidated income and expenditure account

For the year ended 31 December 2015

	Note	2015 £000	2014 £000 Restated
Earned premiums	4	13,818	13,802
Investment income	5	3,844	3,641
Unrealised gains on investments	6	14,360	12,510
Total income		**32,022**	**29,953**
Claims incurred	7	(9,442)	(9,235)
Withdrawals from bonus accounts by members	19	5,255	4,678
Sickness business provision	19	1,566	(8,718)
Changes in long term business provisions		**6,821**	**(4,040)**
Bonuses	8	(7,125)	(6,969)
Net operating expenses	9	(3,552)	(3,619)
Investment management expenses		(293)	(77)
Total expenses		**(3,845)**	**(3,696)**
Taxation	12	(1,469)	70
Transfer to fund for future appropriations	18	**16,962**	**6,083**

The attached notes form an integral part of these financial statements.

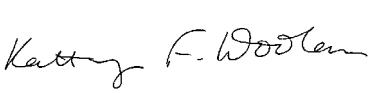
Consolidated balance sheet

31 December 2015

	Note	2015 £000	2014 £000 Restated
Assets			
Land and buildings	13	20,525	12,575
Other financial investments	15	207,287	204,081
Total investments		**227,812**	**216,656**
Debtors	16	39	253
Tangible fixed assets	17	1,854	581
Cash at bank and in hand		17,784	11,182
Total other assets		**19,638**	**11,763**
Prepayments and accrued income		196	174
Total assets		**247,685**	**228,846**
Liabilities			
Fund for future appropriations	18	114,276	97,314
Long term business provision	19	128,902	129,313
Provisions for liabilities	21	1,713	279
Creditors	22	2,794	1,940
Total liabilities		**247,685**	**228,846**

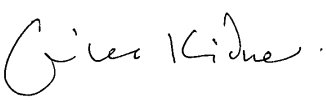
The attached notes form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 18 March 2016.



Kathryn Woolass
Group chairman

Farrukh Mirza
Group chief executive



Giles Kidner
Chairman of the audit committee

Society income and expenditure account

For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Earned premiums	4	13,818	13,802
Investment income	5	3,443	3,253
Unrealised gains on investments	6	6,410	12,510
Total income		**23,671**	**29,565**
Claims incurred	7	(9,442)	(9,235)
Withdrawals from bonus accounts by members	19	5,255	4,678
Sickness business provision	19	1,566	(8,718)
Changes in long term business provisions		**6,821**	**(4,040)**
Bonuses	8	(7,125)	(6,969)
Net operating expenses	9	(3,443)	(3,427)
Investment management expenses		(293)	(76)
Total expenses		**(3,736)**	**(3,503)**
Transfer to fund for future appropriations	18	**10,189**	**5,818**

The attached notes form an integral part of these financial statements.

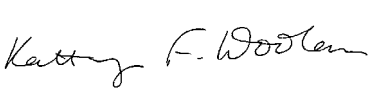
Society balance sheet

31 December 2015

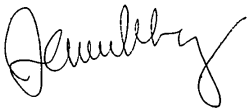
	Note	2015 £000	2014 £000
Assets			
Investment in subsidiary	14	4,600	4,600
Other financial investments	15	206,275	203,075
Total investments		**210,875**	**207,675**
Debtors	16	6,980	7,184
Tangible fixed assets	17	1,843	566
Cash at bank and in hand		16,900	10,608
Total other assets		**18,743**	**11,174**
Prepayments and accrued income		88	65
Total assets		**236,686**	**226,098**
Liabilities			
Fund for future appropriations	18	105,150	94,961
Long term business provision	19	128,902	129,313
Creditors	22	2,634	1,824
Total liabilities		**236,686**	**226,098**

The attached notes form an integral part of these financial statements.

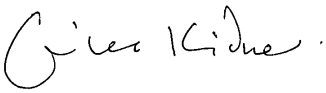
The financial statements were approved by the board of directors and authorised for issue on 18 March 2016.



Kathryn Woolass
Society chairman



Farrukh Mirza
Society chief executive



Giles Kidner
Chairman of the audit committee

Notes to the financial statements

For the year ended 31 December 2015

1. General information

The Dentists' Provident group, resident in the United Kingdom, comprises of the Dentists' Provident Society Limited (the parent undertaking) and its wholly owned subsidiary, 1908 Property Holdings Limited.

The address of the registered office is 91-94 Saffron Hill, London, EC1N 8QP. The nature of the group's operations and its principal activities are set out in the strategic report on pages 4 to 24.

All figures are rounded to the nearest £1,000.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standards 102 and 103 (FRS 102 and 103) issued by the Financial Reporting Council. These financial statements also reflect the guidance on Accounting for Insurance Business issued by the Association of British Insurers and are presented in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994.

The prior year financial statements have been restated for material adjustments upon adoption of FRS 102 and 103 on 1 January 2014. For more information, please see note 27.

The group has not made any changes to its accounting policies in respect of insurance contracts as a result of FRS 103.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 4 to 24. The report further describes the financial position of the group, liquidity position, the group's objectives, policies and processes for managing capital, its financial objectives, details of its financial instruments and its exposure to key risks.

The group meets its working 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 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.

2.2 Basis of consolidation

The group financial statements consolidate the financial statements of the parent and its subsidiary drawn up to 31 December 2015. The subsidiary has been consolidated from the date it commenced trading and all intercompany balances, surplus and transactions are eliminated.

2.3 Foreign currencies

The functional currency of the group is pounds sterling as it is the currency of the primary economic environment in which the group operates.

Foreign currency transactions are recorded at the rate of exchange prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated 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.

2.4 Insurance classification

Insurance contracts are defined as those contracts under which the society accepts significant insurance risk from the member, by agreeing to compensate them if a specified uncertain future event adversely affects them. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

2.5 Revenue recognition

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. Where a contract lapses due to non-receipt of premiums, then any premium income accrued but not received relating to the period after the date of lapse, is offset against premiums.

Investment income

Investment income includes dividends, interest, rent, realised gains and losses on the sale of investments and related expenses. Dividends, interest and rent are recorded on an accruals basis. Realised gains and losses on investments are calculated as either, the difference between the net sales proceeds and original cost in the case of investments purchased in the year, or 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 current and prior year end valuations or purchase price, if acquired in the year.

2.6 Taxation

The existing activities of the society are not chargeable to income or corporation tax in the UK.

The corporation tax currently payable is based on the subsidiary's taxable surplus in the financial year. Taxable surplus differs from net surplus as reported in the income and expenditure account, because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible.

The group's liability for current tax is calculated using applicable tax rates that have been substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. It arises where transactions or events which have occurred as at the balance sheet date result in an obligation to pay more, or a right to pay less, tax in the future. Timing differences are differences between the group's taxable surplus and its results as stated in the financial statements. These differences arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surplus from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the reversal of the timing difference. Deferred tax relating to the sale of an investment property of the subsidiary is measured using the tax rates and allowances that will, or are reasonably expected to, apply to the sale of the asset.

Where items are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of the financial statements as the transaction or event which resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if:

- the group has a legally enforceable right to set off the current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on the same taxable entity

2.7 Tangible fixed assets

Tangible fixed assets comprising of fixtures, fittings, plant and equipment, and computer software and equipment, are stated at cost net of depreciation and any provision for impairment. Cost includes any associated expenditure directly attributable to the acquisition of the asset. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life. The group uses the following rates:

- Fixtures, fittings, plant and equipment at 10% and 12.5% per annum on a straight line basis
- Computer equipment and software at 20% and 25% per annum on a straight line basis

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

2.8 Retirement benefit costs

Payments to the two defined contribution retirement benefit schemes are charged as an employee benefit expense as they fall due. Both schemes are independently administered by a third party and contributions are made on a contractual basis.

2.9 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is immediately recognised in the income and expenditure account.

An asset is impaired where there is objective evidence that as a result of one or more events after initial recognition, the estimated recoverable value of an asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs of disposal, or its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. The impairment loss is reversed only to the extent that the revised carrying amount is no higher than the carrying value had no impairment been recognised.

2.10 Land and buildings

Land and buildings are held by the group to earn rental income and/or provide potential for future capital growth.

Land and buildings are initially recognised at cost, being the fair value of the consideration given, including the directly attributable transaction costs associated with the acquisition. Subsequent capital expenditure is then capitalised and included within the cost of the property.

In the year of acquisition, the cost of the land and buildings is deemed reflective of its fair value in the open market. In subsequent years, land and buildings are measured at fair value annually, with any change in fair value being recognised in the group's fund for future appropriations.

2.11 Other financial investments

Recognition

Financial assets and liabilities are recognised when a member of the group becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any instrument or contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price.

Subsequent measurement

Debt instruments that are classified as payable or receivable within one financial year, and which meet the following criteria, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

a. Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive

b. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods

c. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law

d. There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c)

Investments in collective investment schemes are measured at fair value with changes in fair value recognised in the income and expenditure account.

Realised and unrealised gains and losses arising from changes in fair value of investments are presented in the income and expenditure account in the period in which they arise. Dividend and interest income is recognised when earned. Investment management and other related expenses are recognised when incurred.

Derecognition of financial assets and liabilities

Financial assets are derecognised when:

- the contractual rights to the cash flows from the financial assets expire or are settled
- substantially all of the risks and rewards of ownership of the financial asset are transferred to another party; or
- suitable levels of control of the assets have been transferred to another party so they have the practicable ability to sell the assets in its entirety to an unrelated third party and are able to exercise that ability unilaterally without needing to impose additional restrictions on the transfer

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

Fair value measurement

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 third parties. Loans and other receivables are carried at cost less any provision for impairment in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment.

2.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Rentals receivable under operating leases are recognised as investment income on a straight line basis over the terms of the relevant lease.

Rentals payable under operating leases are recognised as operating expenses on a straight line basis over the terms of the relevant lease.

2.13 Insurance contracts

Claims

Claims incurred comprise sickness benefit and withdrawals of capital by the members of the society, net of subrogation recoveries. Claims are recognised in the financial statements when the relevant criteria for the payment of the claim is satisfied by the claimant.

Acquisition costs

Acquisition costs represent the direct and indirect costs relating to obtaining and processing new business.

Commissions consist of fees earned by independent third party brokers and are directly related to the acquisition 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.

Long term business provision

Members' bonus accounts

The value of the member's bonus accounts is stated at current value.

Sickness business provision

At each reporting date the group performs a review of its long term business provision to ensure that its carrying value is appropriate, using current estimates of future cash flows and taking into account the relevant investment return. If that assessment shows the carrying amount of the liability is not appropriate, any deficiency or surplus is recognised as an expense or income in the income and expenditure account and with an increase or reduction in the liability for claims provisions being recognised.

The long term business provision is calculated by the actuarial function holder, having due regard to the requirements of the Friendly Societies (Accounts and Related Provisions) Regulations 1994 and the appropriate UK prudential regulations.

2.14 Insurance receivables and payables

Receivables and payables arising under insurance contracts are recognised when due and are measured at amortised cost using the effective interest rate method. A provision for impairment is established when there is objective evidence that as a result of one or more events that occurred after initial recognition, the estimated future cash flows have changed.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below) that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Fair value of certain assets

The directors use their judgement in selecting appropriate valuation techniques. Where possible, prices quoted for identical assets in active markets are used. However in certain instances, such price information is not available and the group must use alternative valuation techniques instead. Wherever possible, these techniques use market observable inputs derived from recent transactions for similar assets, in similar active markets. However in the absence of such data, other observable market data is used.

Deferred tax

The director's judgement is required to determine the value of the deferred tax provision which should be recognised in the group accounts. Deferred tax arises on timing differences between taxable surplus and the net surplus of the subsidiary. The amount recognised is estimated using the tax rates that have been substantively enacted at the balance sheet date, which means the amount of tax which is paid in the future, could differ from these estimates.

Estimation of the sickness business provision

The value of the sickness business provision, classified as a liability within the balance sheet, contains an estimation of the net future liability in respect of the expected future and current sickness benefit claims.

The directors are responsible for approving the recommendations for the valuation methodology and assumptions used in calculating the sickness business provision. These recommendations are prepared and presented in accordance with the applicable Technical Actuarial Standards issued by the Financial Reporting Council and are subject to the review of the society's Actuarial Function Holder.

4. Earned premiums

Group and society	2015 £000	2014 £000
Analysis of gross premium written by class of business		
Insurance business premiums	11,192	11,179
Investment premiums	2,626	2,623
Holloway income protection insurance contracts	13,818	13,802

Analysis of gross premium written by geographic area	2015 £000	2014 £000
United Kingdom, Channel Islands and the Isle of Man	13,294	13,240
Ireland	524	562
Holloway income protection insurance contracts	13,818	13,802

5. Investment income

Group	2015 £000	2014 £000 Restated
Income from land and buildings	730	588
Income from other financial investments	2,385	2,357
Gains on realisation of investments	729	696
Total investment income	3,844	3,641

Society	2015 £000	2014 £000
Income from subsidiaries	311	311
Income from land and buildings	–	2
Income from other financial investments	2,403	2,244
Gains on realisation of investments	729	696
Total investment income	3,443	3,253

6. Unrealised gains on investments

Group	2015 £000	2014 £000
Freehold land and buildings	7,950	–
Other financial investments	6,410	12,510
Total unrealised gains on investments	14,360	12,510

Society	2015 £000	2014 £000
Other financial investments	6,410	12,510
Total unrealised gains on investments	6,410	12,510

7. Claims incurred

Group and society	2015 £000	2014 £000
Withdrawals from bonus accounts by members	5,255	4,678
Sickness claims paid	4,187	4,557
Total claims incurred	9,442	9,235

8. Bonuses

Group and society	2015 £000	2014 £000
Dividends and interest to members on withdrawals	149	132
Annual interest to members	3,892	3,857
Annual dividends to members	2,369	2,338
Terminal bonuses to members on withdrawals	715	642
Total bonuses	7,125	6,969

9. Net operating expenses

Group	2015 £000	2014 £000
Acquisition costs	899	1,075
Administrative expenses	2,653	2,544
Total operating expenses	3,552	3,619

Society	2015 £000	2014 £000
Acquisition costs	899	1,075
Administrative expenses	2,544	2,352
Total operating expenses	3,443	3,427

Net operating expenses include:

Group	2015 £000	2014 £000
Commissions on direct business	122	286
Auditors remuneration – Audit services	41	57
Actuarial fees	245	164
Depreciation and loss on disposal of fixed assets	146	125

Society	2015 £000	2014 £000
Commissions on direct business	122	286
Auditors remuneration – Audit services	29	47
Actuarial fees	245	164
Depreciation and loss on disposal of fixed assets	142	122

10. Staff costs

Group and society	2015 £000	2014 £000
Wages and salaries	1,366	1,327
Social security costs	156	154
Other pension costs	132	139
Total staff costs	**1,654**	**1,620**

The other pension costs relate to the cost to the group of operating a defined contribution retirement benefit schemes for all qualifying employees.

The average number of employees employed, including directors, was:

Group and society	2015	2014
Acquisition	9	9
Management and administration	21	19
Total	**30**	**28**

11. Directors remuneration

The aggregate remuneration of the directors was:

Group and society	2015 £000	2014 £000
Remuneration of executive directors	265	226
Remuneration of non executive directors	76	73
Pension contributions	2	13
Total directors' remuneration	**343**	**312**

Details of directors' remuneration and pension benefits, including those of the chairman and the highest paid director, are included in the remuneration report.

12. Taxation

Group	2015 £000	2014 £000 Restated
The tax charge comprises:		
Current tax on surplus on ordinary activities		
UK corporation tax	35	–
Deferred tax		
Movement in estimate of recoverable deferred tax asset	36	(36)
Movement in deferred tax on revaluation gains	1,398	(34)
Total tax charge/(credit) for the period	**1,469**	**(70)**

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows:

Group	2015 £000	2014 £000 Restated
Surplus on ordinary activities before tax	**18,431**	**6,013**
Tax on surplus on ordinary activities at standard UK corporation tax rate of 20%	3,686	1,203
Effects of:		
Income not taxable for determining current taxable surplus	(3,629)	(1,165)
Expenses not deductible for tax purposes	11	1
Utilisation of tax losses not previously recognised	(33)	(39)
Change in unrecognised deferred tax assets	36	(36)
Movement in deferred tax on revaluation gains	1,398	(34)
Total tax charge/(credit) for the period	**1,469**	**(70)**

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

13. Land and buildings

Group	2015 £000	2014 £000
Freehold land and buildings at valuation	**20,525**	12,575
Freehold land and buildings at cost	**9,763**	9,763

The land and buildings were last valued as at 31 December 2015 by Tuckerman Chartered Surveyors on an open market basis and in accordance with the RICS Appraisal and Valuation Manual.

The value of land and buildings occupied by the group for its own use amounted to £2.984 million (2014: £1.817 million).

The value of land included in the valuation amounted to £7.503 million (2014: £4.597 million).

As set out in note 5, property rental income earned during the year was £0.730 million (2014: £0.588 million). No contingent rents have been recognised as income in the current or prior year.

At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments:

Group	2015 £000	2014 £000 Restated
Within one year	650	620
In the second to fifth years inclusive	2,307	2,437
After five years	997	1,517
Total	**3,954**	**4,574**

14. Investment in subsidiary

Society	2015 £000	2014 £000
Shares in group undertakings	4,600	4,600

The society owns 100% of the ordinary share capital of 1908 Property Holdings Limited, a company registered in England. The group is of the opinion that the aggregate value of the investment is in excess of the amounts stated above.

Subsidiary undertakings	Country of undertaking	Nature of undertaking	Holding	%
1908 Property Holdings Limited, 91–94 Saffron Hill, London, EC1N 8QP	United Kingdom	Property holding	**4,600,000 ordinary shares of £1 each**	100

15. Other financial investments

Group	Valuation 2015 £000	Valuation 2014 £000	Cost 2015 £000	Cost 2014 £000
Shares and other variable yield securities	133,200	128,259	102,659	101,829
Debt and other fixed interest securities	74,087	75,822	66,072	67,101
Total other financial investments	**207,287**	**204,081**	**168,731**	**168,930**

Society	Valuation 2015 £000	Valuation 2014 £000	Cost 2015 £000	Cost 2014 £000
Shares and other variable yield securities	133,200	128,259	102,659	101,829
Debt and other fixed interest securities	73,075	74,816	65,059	66,095
Total other financial investments	**206,275**	**203,075**	**167,718**	**167,924**

The group and the society have a portfolio of investments in private equity and debt funds. The structure of these funds is such that the commitment is drawn down over the investment period. The total amount committed, net of drawdown, at the balance sheet date for the group and the society was £5.513 million (2014: £6.503 million).

16. Debtors

Group	2015 £000	2014 £000
Due from members	21	25
Other debtors	18	228
Total debtors	**39**	**253**

Society	2015 £000	2014 £000
Due from members	21	25
Other debtors	9	215
Amounts owed by group undertakings	6,950	6,944
Total debtors	**6,980**	**7,184**

17. Tangible fixed assets

Group	Fixtures, fittings, plant and equipment £000	Computer equipment and software £000	Total £000
Cost			
At 1 January 2015	470	3,828	4,298
Additions	7	1,412	1,419
At 31 December 2015	**477**	**5,240**	**5,717**
Depreciation			
At 1 January 2015	205	3,512	3,717
Charge for the year	59	87	146
At 31 December 2015	**264**	**3,599**	**3,863**
Net book value			
At 31 December 2014	265	316	581
At 31 December 2015	**213**	**1,641**	**1,854**

Society	Fixtures, fittings, plant and equipment £000	Computer equipment and software £000	Total £000
Cost			
At 1 January 2015	445	3,828	4,273
Additions	7	1,412	1,419
At 31 December 2015	**452**	**5,240**	**5,692**
Depreciation			
At 1 January 2015	195	3,512	3,707
Charge for the year	55	87	142
At 31 December 2015	**250**	**3,599**	**3,849**
Net book value			
At 31 December 2014	250	316	566
At 31 December 2015	**202**	**1,641**	**1,843**

18. Fund for future appropriations

Group	2015 £000	2014 £000 Restated
At 1 January	97,314	91,231
Transfer from income and expenditure account	16,962	6,083
At 31 December	**114,276**	**97,314**

Society	2015 £000	2014 £000
At 1 January	94,961	89,143
Transfer from income and expenditure account	10,189	5,818
At 31 December	**105,150**	**94,961**

19. Long term business provision

Group and society	Bonus accounts: insured members 2015 £000	Bonus accounts retired members 2015 £000	Sickness business provision 2015 £000	Total 2015 £000
At 1 January	41,875	41,502	45,936	129,313
Bonus accounts transferred	(1,975)	1,975	–	–
Bonuses	3,362	3,048	–	6,410
Withdrawals from bonus accounts by members	(1,994)	(3,261)	–	(5,255)
Transfer from income and expenditure account	–	–	(1,566)	(1,566)
At 31 December	**41,268**	**43,264**	**44,370**	**128,902**

Group and society	Bonus accounts: insured members 2014 £000	Bonus accounts retired members 2014 £000	Sickness business provision 2014 £000	Total 2014 £000
At 1 January	41,696	40,032	37,218	118,946
Bonus accounts transferred	(1,517)	1,517	–	-
Bonuses	3,471	2,856	–	6,327
Withdrawals from bonus accounts by members	(1,775)	(2,903)	–	(4,678)
Transfer from income and expenditure account	–	–	8,718	8,718
At 31 December	**41,875**	**41,502**	**45,936**	**129,313**

20. Insurance liabilities

Group	2015 £000	2014 £000 Restated
Available capital resources at 1 January	95,632	89,921
Expense surpluses (including acquisition and non recurring costs)	(911)	(681)
Investment surpluses	11,802	9,215
Difference between actual and expected morbidity experience	6,473	(1,915)
Movements in premium rates	(116)	(425)
Other surpluses and deficits	(338)	(172)
Change in 2014 surplus in subsidiary from FRS 102 restatement	–	(311)
Available capital resources at 31 December	**112,542**	**95,632**
Other adjustments	1,734	1,682
Fund for future appropriations at 31 December	**114,276**	**97,314**

Society	2015 £000	2014 £000
Available capital resources at 1 January	93,279	87,484
Expense surpluses (including acquisition and non recurring costs)	(911)	(681)
Investment surpluses	5,029	8,988
Difference between actual and expected morbidity experience	6,473	(1,915)
Movements in premium rates	(116)	(425)
Other surpluses and deficits	(338)	(172)
Available capital resources at 31 December	**103,416**	**93,279**
Other adjustments	1,734	1,682
Fund for future appropriations at 31 December	**105,150**	**94,961**

Summary

As at 31 December 2015, the total available capital resources of the group amounted to £112.542 million (2014: £95.632 million). Its capital resource requirements amounted to £10.386 million (2014: £10.327 million), resulting in a surplus of available capital resources over regulatory capital of £102.156 million (2014: £85.305 million).

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 UK prudential 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 the appropriate prudential 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 prudential requirements within IPRU(INS), GENPRU and INSPRU.

	Deferred 0 weeks reducing benefits	**Deferred 0 to 52 weeks and 104 weeks level benefits**	**Options reserve**
Method	Gross premium	Gross premium	1 year's gross premiums
Interest rate	1.0%	1.0%	N/A
Mortality	Nil	Nil	N/A
Morbidity	Prudent assessment based on recent experience	Prudent assessment based on 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 £10.386 million (2014: £10.327 million) and are determined in accordance with capital requirements as defined by UK prudential regulations, namely the resilience capital requirement and the long term insurance capital requirement.

21. Provisions for liabilities

Group	**2015 £000**	**2014 £000 Restated**
Deferred tax		
At 1 January	279	349
Charged/(credited) to income and expenditure account	1,434	(70)
At 31 December	**1,713**	**279**

22. Creditors

Group	2015 £000	2014 £000 Restated
Creditors arising out of direct insurance operations	172	150
Other creditors including taxation and social security	2,622	1,790
Total creditors due within one year	**2,794**	**1,940**

Society	2015 £000	2014 £000 Restated
Creditors arising out of direct insurance operations	172	150
Other creditors including taxation and social security	2,462	1,674
Total creditors due within one year	**2,634**	**1,824**

23. Risk management objectives and policies

The business activities of the group expose it to a number of potential risks that 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 group 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 that 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 with 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 is 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 £8.152 million (2014: £8.233 million).

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 intermediaries, 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 premiums would increase the sickness provision by £9.619 million (2014: £9.664 million).

The valuation rate of interest to determine the sickness provision has been calculated in accordance with UK prudential regulatory requirements. A decrease in the valuation rate of interest of 75 basis points would increase the sickness provision by £3.659 million (2014: £3.730 million).

Equity risk

The group is exposed to equity risk through its holdings in collective investment schemes. 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 2015 was £112.320 million (2014: £108.760 million).

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 £11.232 million (2014: £10.876 million).

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 2015 was £74.087 million (2014: £75.822 million).

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 £0.926 million (2014: £1.063 million).

Property risk

The group also has a significant exposure to property and property related assets, which is through a combination of direct holding and holdings in 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 ongoing 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 £3.997 million (2014: £3.140 million).

Currency risk

The group's exposure to foreign exchange risk 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. At the 2015 and 2014 year ends, the board did 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 and capital management 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 and capital management committee has the right to impose stricter credit risk limits where it deems it appropriate.

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 2015, the group had no material debt or fixed income assets that were impaired beyond their reported fair values (2014: £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 the UK regulatory authorities. 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.

24. Actuaries

The Actuarial Function Holder of the society is Miss Alexandra Kim Durniat, a Partner in Barnett Waddingham LLP. The society has requested Miss Durniat to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Miss Durniat has confirmed that neither she nor her family, nor any of the partners in Barnet Waddingham LLP were members of the society, nor have they any financial or pecuniary interest in the society, with the exception of fees paid to Barnett Waddingham LLP for professional services, which amounted to £0.245 million (2014: £0.164 million).

25. 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 £37,925 (2014: £40,456). Sickness payments to the directors amounted to £2,000 (2014: £Nil).

The group has taken advantage of the exemptions conferred by Financial Reporting Standard 102, section 33, from reporting details of transactions between the society and its subsidiary undertaking.

26. Valuation report

The actuarial valuation required under the UK prudential regulations has been prepared as at 31 December 2015. The valuation report is available for inspection at the registered office of the society.

27. Explanation of transition to FRS 102

This is the first year that the group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have been added to comply with that standard.

Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently, deferred tax has been recognised on all fair value remeasurements on financial and non financial assets.

Recognition of lease income

Under FRS 102 lease incentives are required to be spread over the term of the lease, rather than over the period up to the first rent review, as under previous UK GAAP. This increases the recognised rental income each year up to the first rent review and decreases it thereafter.

Reconciliation of fund for future appropriations

Group	31 Dec 2014 £000	1 Jan 2014 £000
Fund for future appropriations reported under previous UK GAAP	97,625	91,580
Lease income adjustment	4	–
Deferred tax on revaluation gains	(315)	(349)
Fund for future appropriations reported under FRS 102	**97,314**	**91,231**

There was no difference in the society's fund for future appropriations reported under FRS 102 to that reported under previous UK GAAP.

Reconciliation of net income and expenditure account 2014

Group	2014 £000
Surplus for the financial year under previous UK GAAP	6,045
Lease income adjustment	4
Deferred tax movement on revaluation gains	34
Surplus for the financial year under FRS 102	**6,083**

There was no difference in the society's surplus for the financial year reported under FRS 102 to that reported under previous UK GAAP.

Notice of annual general meeting

Notice is hereby given that the twenty third annual general meeting of the members will be held at 91–94 Saffron Hill, London EC1N 8QP on Friday 27 May 2016 at 2.30 p.m. (the 'AGM') for the purposes set out below:

1. To elect the officers of the society

a. Mr Simon Elliott was co opted to the board on 24 October 2015 and under the rules of the society has offered himself for election.

b. The following directors retire by rotation and have indicated their willingness to offer themselves for re election:

1.1 Kathryn Woolass BDS, FDS, DDOrth
1.2 Farrukh Mirza FCA
1.3 Martyn Green BDS, FDSRCPS, MFGDP(UK), DPDS
1.4 Helen Harrison BDS, MFGDP
1.5 Giles Kidner BDS, MSc, LDS, FDS(Orth), MOrthRCS
1.6 Davinderpal Kooner JP, BDS, LDSRCS, MGDSRCS, DGDP(UK), DipMDE(Lond)
1.7 Alister Weightman BDS
1.8 Huw Winstone BDS, LDSRCS, DGDP(UK)

2. To appoint the following as arbitrators of the society:

2.1 Ruby Austin MBE
2.2 Helen Cain
2.3 Damon Lambert
2.4 Prof Robert Lee
2.5 Sunit Malhan
2.6 Saleem Malik
2.7 Shiv Pabary MBE
2.8 Paul Protheroe
2.9 Raj Rattan MBE
2.10 Susie Sanderson OBE
2.11 Jerry Staffurth
2.12 Richard Toone

3. To approve the remuneration policy of Dentists' Provident Society Limited for the year ended 31 December 2015

4. To approve the remuneration report of Dentists' Provident Society Limited for the year ended 31 December 2015 by way of an advisory vote

5. To approve the annual report and financial statements of Dentists' Provident Society Limited for the year ended 31 December 2015

6. To reappoint Buzzacott LLP as auditors and to authorise the board of directors to fix their remuneration

By order of the board

Simon Elliott
Group secretary
18 March 2016

Arbitrators

Complaints procedure

We take all complaints extremely seriously and formal procedures are in place for handling them. We deal with all complaints as a matter of urgency and they are handled by suitably qualified employees within the society. We aim to resolve all complaints, usually within four weeks of being notified.

Serious complaints are dealt with by the head of compliance and risk. If a complaint is not resolved to the complainant's satisfaction, they can refer the matter to County Court, but only if both parties agree to this method. We will normally only agree to this course of action on disputes regarding a point of law. Alternatively, they can refer the matter to a panel of three independent arbitrators or refer the matter to the Financial Ombudsman Service within six months of our final response.

If a member refers the matter for arbitration, they have the right to select the members of the panel, provided they choose one dentist and one other with relevant financial experience from the individuals listed below. Both parties will be bound by the decision of the panel and there is no further right of appeal to the Financial Ombudsman Service.

Ruby Austin MBE – dentist

Ruby qualified in 1960 and subsequently worked in general practice and the hospital service. He also spent twenty years working as an industrial, and later inspecting, dentist for Marks and Spencer.

Since 1996, Ruby has been a vocational training advisor and course organiser for the London Postgraduate Medical and Dental Deanery, advising the Dean on matters regarding vocational training and continuing professional development of practitioners within London.

His previous involvements include being vice dean of the faculty of General Dental Practitioners, treasurer for the British Dental Association (Bromley and Beckenham), president of the British Society for General Dental Surgery, president of the Anglo-Asian Odontological Group, core examiner for the DGDP Exam, examiner for the MFGDP(UK) Exam, advisor on the NHS Oral Hearing Appeals Panel, NHS Tribunal as well as the Oral Health Unit of Primary Care R&D Centre.

In 2000, the Queen awarded Ruby with the MBE for his services to dentistry. Ruby is Chairman of Trustees of AOG charity and also a lecturer, author and reviewer.

Helen Cain – chartered accountant

Helen is a fellow of the Institute of Chartered Accountants in England and Wales and has been a partner in general practice for more than ten years. During her time in practice, she has advised many owner-managed businesses as well as UK subsidiaries of multinational organisations.

Helen has assisted and advised clients in all accounts and audit compliance matters and has helped clients analyse, from a financial perspective, their short and long term strategies. Having dealt with many clients, she has been exposed to a number of sectors and industries, such as property investment, publishing, architecture and insurance brokerage.

Damon Lambert – chartered accountant

Damon is the head of European taxes for the global reinsurer Swiss Re and former UK corporate tax director of Allied Irish Banks plc. He also worked for 11 years in KPMG's financial sector practice where he specialised in advising on mergers and acquisitions, primarily for financial sector multinationals. Damon is a qualified chartered accountant He was a member of the working party on the Tax Reform Commission instigated by George Osborne, co authoring the chapters on business taxation and tax reforms in other jurisdictions.

Prof Robert Lee – dentist

Robert is an honorary professor/consultant in orthodontics at the Queen Mary University London Hospital. He is also honorary professor in the Department of Oral Growth and Development at Queen Mary University of London. He has been a consultant orthodontist since 1980. He trained as an orthodontist at The Eastman, Royal Dental and Great Ormond Street Hospitals. He founded the orthodontic training programme at the now Queen Mary University London Hospital in 1985, and is a presenter of annual postgraduate courses for all UK dental trainees. His previous posts include chairman of specialty advisory committee in orthodontics and chairman of the examination board for membership in orthodontics, as well as clinical director of the then London Dental Hospital.

Sunit Malhan – dentist

After qualifying from The University of London in 1985, Sunit worked at The Eastman Dental Hospital for six months as an SHO in oral surgery. Initially, he was an associate in general practice and then purchased a practice in Hendon in 1988, followed by an Enfield practice in 1997. In 2001, he gained an additional qualification (DPDS) from the University of Bristol. Cosmetic dentistry and nervous patients are Sunit's areas of special interest.

Saleem Malik – senior legal advisor, non practicing barrister

Saleem qualified as a lawyer over 25 years ago and during that time he has worked in house and for major city law firms. His specialisation is banking law. He is recognised by leading legal directories as a leading lawyer in the field of Islamic finance, an area in which he has practiced for over 16 years.

For the past fifteen years he has been an advisor to a leading city law firm and has his own practice serving corporate clients. He works with clients on transactions in England, the Middle East and Far East.

Saleem lectures and writes regularly on the subject of Islamic finance and has been a contributor to a number of publications.

Shiv Pabary MBE – dentist

Shiv is a graduate of Newcastle dental school and qualified in 1985. Becoming a principal in 1988, he now works between three NHS practices as a general dental practitioner. He is also a dental advisor for Gateshead and South Tyneside Primary Care Trusts and chairman of the GDC's professional conduct committee and health committee.

Having obtained his membership of the faculty of general dental practitioners in 1992, Shiv has held a part-time teaching post at Newcastle Dental Hospital in the restorative dentistry department since 1996. He has been a member of the British Dental Association's general dental practice committee since 1996 and sits on the education sub-committee. He is also vice chair of the British Dental Guild. He has been a vocational trainer for 12 years and has been a postgraduate dental tutor since 1995. He is currently the tutor in Clinical Governance for the Northern Deanery and is past chairman of the Oral Health Improvement Group in Newcastle. He has been a lay magistrate since 1995 and holds a Law Degree (LLB Hons) from Northumbria University.

In 2009, the Queen awarded Shiv with the MBE for his services to NHS dentistry.

Paul Protheroe – management consultant

Paul has had considerable experience over 30 years as a senior executive in financial services, including positions held at chief executive and main board director level.

He is currently managing director of Positive Insight Limited, a management consultancy focused on the mutual sector and Friendly Societies in particular.

Paul spent over 12 years as chief executive of a Holloway Friendly Society, specialising in income protection insurance. He has also been vice president of the Association of Friendly Societies (now the Association of Financial Mutuals).

Raj Rattan MBE – dentist

Raj is a graduate of University College Hospital, London.

He is a general dental practitioner and maintains his commitment to clinical dentistry at his practices, combining this with his role of associate dean in the London Deanery.

He has considerable experience of the NHS and the private sector. A member of the original Options for Change task group in 2001, he was then appointed as a policy advisor to the Department of Health where he served his three year term and continues to act as a professional advisor to NHS and private sector organisations on a consultancy basis.

Raj has authored/co authored several text books, published numerous articles in the dental press and been involved in new media publishing initiatives involving e-learning and CD-ROM based materials for general dental practice. He is a former examiner for the FGDP, a visiting lecturer/teaching fellow to a number of postgraduate teaching programmes, and has lectured widely in the UK and overseas. He has worked as a dento-legal advisor for Dental Protection Limited since 1993. In addition to working with members, he is monitoring the introduction of foundation training on behalf of DPL.

In 2008, the Queen awarded Raj with the MBE for services to dentistry.

Arbitrators continued

Susie Sanderson OBE – dentist

Susie, until recently, was a member of the BDA's principal executive committee and the BDA's audit committee. She remains a member of the international delegation and she is the treasurer and a board member of the Council of European Dentists. She is the former chair of the BDA's executive board (2006–2012). She is a dento-legal advisor for Dental Protection Limited. She has been involved in the BDA and LDC at local and national level for a number of years and has enjoyed a wide scope of involvement, including education, finance, healthcare policy, GDPC, DCPs, students and young dentists.

In 2012, the Queen awarded Susie with the OBE for services to dentistry.

Jerry Staffurth – actuary

Jerry is an actuary, employed by reinsurer Pacific Life Re, with responsibility for its corporate actuarial, research and actuarial modelling functions. He is the company's actuarial function holder. He qualified as an actuary in 1990 and has over 20 years' experience of actuarial roles in the insurance market. He started his actuarial career with Equity & Law (now part of Friends Life) and also spent three years working for Colonial Mutual in New Zealand. More recently, Jerry worked for Swiss Life (UK) for 13 years, up to the end of 2004, including eight years as appointed actuary. He subsequently joined Deloitte as a director in their actuarial and insurance practice. At Deloitte, he was responsible for a diverse range of projects in the UK life market, including capital management, product strategy, audit and mergers and acquisitions. He has been involved in a number of actuarial working parties and has contributed to papers on critical illness and treating customers fairly.

Richard Toone – chartered accountant

Richard is an insolvency partner at Chantrey Vellacott DFK. He is a qualified accountant with twenty years' experience in the field of business recovery. He has conducted a wide range of appointments, dealing with a variety of assignments, including independent business reviews, expert witness, prosecuting claims, asset valuation, asset recovery and fraud investigations.

He previously worked at PricewaterhouseCoopers, before working at the largest specialist recovery firm in the country, Begbies Traynor. He has also contributed to, and is on the editorial board of, 'International Corporate Rescue'.

Dentists' Provident

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