

WILTSHIRE



FRIENDLY

SOCIETY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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WILTSHIRE FRIENDLY SOCIETY LIMITED

NOTICE OF ANNUAL GENERAL MEETING 2018

Notice is hereby given that the Annual General Meeting of Wiltshire Friendly Society Limited will be held at Holloway House, Epsom Square, White Horse Business Park, Trowbridge, BA14 0XG, on 19 June 2018 at 10.00 am, to confirm the Minutes of the Annual General Meeting held on 13 June 2017 and for the following purposes:

1. To receive and, if approved, adopt the Annual Report and Accounts for the year ended 31 December 2017.
2. To approve the Board Remuneration Report for the year ended 31 December 2017[^].
3. To re-elect members of the Board of Management as listed below.

Name	Occupation	Board Member Since
Roger Harrison *	Financial Adviser	05/2005
Martin Gurney *	Chartered Accountant	12/2005
Leonard Paul+	Gas Central Heating Specialist	07/2011
Caroline Whitehead+	Marketing Consultant	10/2017

Board Members marked * are subject to annual re-election.

Board Members marked + are offered for re-election in accordance with Society Rule 19.4.

4. To re-appoint Moore Stephens as Auditor.
5. To appoint the Arbitrators to serve for the coming year:
Mr M I Stillwell
Mr P R Hudson
Mr C C Cheshire OBE
6. To consider and, if agreed, re-appoint the Rules Committee in accordance with Society Rule 44.1.
7. To transact any other business not requiring notice of motion.

[^]The Board Remuneration Report: You are asked to approve the Board of Management Remuneration Report by way of an advisory vote. This is not a legal requirement, but your Board considers it to be best practice for members to be able to express a view on this matter. The report can be found on page 36 of these statements.

The Society's Financial Statements for the year ended 31 December 2017, which includes the Board Report, the Auditor's Report and the Directors' Remuneration Report, can be found on the Society's website at www.wiltshirefriendly.com. Members may also request paper copies.

By Order of the Board of Management



Lee Davis
Secretary

Holloway House
Epsom Square
White Horse Business Park
Trowbridge
BA14 0XG

3 May 2018

Please see the map on page 40 for directions to Holloway House.

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BOARD OF MANAGEMENT AND PROFESSIONAL ADVISERS

Position	Name		Occupation
Chair	R T Harrison		<i>Financial Adviser</i>
Vice Chair	D C Bones	**	<i>Cost & Management Accountant</i>
Non-executive Directors	M S Gurney		<i>Chartered Accountant</i>
	Mrs M A Pedder	**	<i>Human Resources Specialist</i>
	L S Paul	**	<i>Gas Central Heating Specialist</i>
	Mrs C J Whitehead <i>(from 01/10/2017)</i>		<i>Marketing Consultant</i>
	H J Long <i>(until 13/06/2017)</i>		<i>Chartered Surveyor</i>
Chief Executive	J S Gratland		<i>Executive Director</i>
Secretary	L Davis		

(**Denotes non-executive Board members who are independent within the meaning ascribed by the UK Corporate Governance Code annotated for Mutual Insurers)

Arbitrators	M I Stillwell, P R Hudson, C C Cheshire OBE
Actuary to the Society	<i>D J Lechmere FIA</i> OAC PLC 141-142 Fenchurch Street, London, EC3M 6BL
External Auditor	<i>Moore Stephens</i> 30 Gay Street, Bath, BA1 2PA
Internal Auditor	<i>HW Controls & Assurance Limited</i> 30 Camp Road, Farnborough, GU14 6EW
Bankers	<i>Lloyds Banking Group</i> 64 Fore Street, Trowbridge, BA14 8EU
Solicitors	<i>Forrester Sylvester Mackett</i> Castle House, Trowbridge, BA14 8AX
Stockbrokers & Investment Advisers	<i>LGT Vestra LLP</i> 14 Cornhill, London, EC3V 3NR
Registered Office	Holloway House, Epsom Square, White Horse Business Park, Trowbridge, BA14 0XG
Website	www.wiltshirefriendly.com

Wiltshire Friendly Society Limited is Authorised by the Prudential Regulation Authority and Regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Number 110053

WILTSHIRE FRIENDLY SOCIETY LIMITED

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THE BOARD OF MANAGEMENT

Roger Harrison – Chair

Financial Adviser. Non-executive member of the Board since May 2005, a member of the Investment Committee. Partner in Positive Solutions (Financial Services) Ltd since 2003. Adviser, Zurich Financial Services, 1997-2003. Partner in a family owned business in the leisure industry in Cornwall 1987 – 1997 and Architectural Technician 1982-1987.

David Bones ACMA – Vice Chair

Cost and Management Accountant. Non-executive member of the Board since May 2009, a member of the Investment Committee and chairs the Audit and Risk Committee. Finance Director and Company Secretary of Lyons Seafoods Ltd. since 1998, where he also has responsibility for the IT systems of the company. David worked in the brewing industry for Grand Metropolitan (now Diageo) 1979-1989, before spending 10 years in the Branded and Wholesale drinks Industry at Mathew Clark, 1989-1998 where he also became Finance Director.

Martin Gurney BA (Hons) FCA

Chartered Accountant. Non-executive member of the Board since December 2005, a member of the Audit and Risk Committee, and chairs the Investment Committee. Partner in Haines Watts Chartered Accountants, one of the top 20 of the UK's largest accountancy practices providing accountancy, tax and audit services to a wide variety of businesses and individuals.

Leonard Paul

A member of the Society since 1998. Non-executive Board member since July 2011. Member of the Rules and Staffing, Salaries and Nominations Committees. Was Western Regional Sales Manager with a leading boiler manufacturer until setting up own business in 1998 operating in the gas central heating and service industry.

Caroline Whitehead (from 01/10/2017)

Non-executive member of the Board since October 2017, member of the Audit and Risk Committee and the Staffing, Salaries and Nominations Committee. A communications professional having run her own corporate communications business successfully for 20 years and employing a staff of 15. Financial services experience over the last 35 years working for a variety of organisations including banks and insurance companies. Governor and Trustee for a number of charitable organisations.

Julian Long FRICS (until 13/06/2017)

Chartered Surveyor. Non-executive member of the Board since January 1998, a member of the Audit and Risk and of the Staffing, Salaries and Nominations Committees. A Fellow of The Royal Institution of Chartered Surveyors. Retired senior Valuation Surveyor with a national firm of Chartered Surveyors and active member of several local charitable organisations.

SENIOR INDEPENDENT BOARD MEMBER

Margaret Pedder MCIPD

Human Resources Specialist. Non-executive member of the Board since May 2009, Chair of the Staffing, Salaries and Nominations Committee and a member of the Audit and Risk Committee. Human Resources professional since 1990 and, since 2003, Director of iAupro consultancy providing HR contract services to corporate clients and charities. Has previously served as a Trustee of the Army Families Federation and The Military Wives Choir Foundation and is a lay member of the Army Benevolent Fund Grants Committee, charities which promote the welfare and wellbeing of soldiers and their families.

CHIEF EXECUTIVE

Jon Gratland

Appointed Chief Executive from 1 November 2016. Jon has over three decades of experience in Financial Services, having worked in Bank, Building Society and Insurance Company environments, latterly in senior sales and operations roles with Eagle Star and AXA. In 2005 he formed Glacier Point Consulting Limited, providing business consultancy services to predominantly financial services clients. Jon had been a consultant to the Society for a number of years, working with the Society Board of Management in developing, and implementing, the Society's strategy.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHAIR'S STATEMENT

I am very pleased to introduce the 2017 Annual Report and Accounts for Wiltshire Friendly Society.

Strategy

Our key strategy is to provide innovative income protection products to specific markets via our in-house sales team and intermediary partners. Our size and expertise in the income protection market place allows us to be flexible with the products that we offer and good levels of new business are being gained with this market specialist approach.

We have a rolling strategic plan designed to improve our processes and identify the most cost effective lines of business to pursue in the future. 2016 was a year of planning and change with the appointment of Jon Gratland as our new CEO. In 2017 Jon headed the implementation of our development plans with good effect and now in 2018 we aim to capitalise on this success with increased sales and membership in both established and new markets.

Raising the profile of the Society is important in an increasingly competitive market place and in 2017 we have made good progress. A new and progressive social media policy has played a great part in our success in this area, further supported by the appointment of a new communications and marketing specialist to the Board.

Our mission is clear - to build on the solid foundations already established by our Holloway membership and to grow an independent, flourishing Society for all our members, staff and stakeholders alike.

Society performance

The Society's performance has been stable throughout 2017.

We have seen good growth in new memberships during the year within our Group proposition, increasing by 12%. However our net membership (new memberships minus existing member retirements, maturities and surrenders) remains a challenge and the focus of our new sales strategy is to stem the current attrition in net membership by strengthening our proposition and investigating new market opportunities.

We have reduced our operating expenses by nearly 7% this year through improvements to our processes and stricter cost controls. Claims were also slightly down on the previous year.

Our investments have performed well again this year under the stewardship of our appointed investment advisers LGTVestra, returning an income return of 3.5%. The Society's portfolio is strategically positioned and managed to minimise the effects of market fluctuations and is ready to take advantage of further investment market opportunities in 2018.

On the recommendation of the Society's Actuary, I am pleased to report that all Bonus and Terminal Bonus rates have been maintained in 2017.

The Society's Free Asset Ratio (as a percentage of admissible assets) increased to 24.4% in 2017 from 16.6% in 2016. This welcome increase underlines the solid financial strength of the Society and headlines the fact that costs are being controlled and assets are being well managed on behalf of our members.

Membership

As a mutual Society our aim is to give our members a very high standard of service and to be there for them when they need us most. I am therefore very pleased to report that during 2017 the Society paid 99.38% of all claims received, an increase of 2.6% on 2016. It should be noted that these are very high percentages when compared with UK insurance industry figures, a fact of which we are justly proud.

We continue to invest in staff development to ensure the best possible quality of service is given to both our existing membership and to intermediaries looking to introduce new members to the Society.

Our website has also undergone a major change in 2017, with the aim of making it clearer to understand the Society's products and services, also sharing Society news and members' stories.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHAIR'S STATEMENT (CONTINUED)

Board of Management

In June 2017 we saw the retirement of Julian Long from the Board. Julian was our longest standing member serving the Society for 19 years. During this time he skilfully advised us on property matters in his capacity as a Chartered Surveyor and stood on the Staffing, Salaries and Nominations Committee. I would like to thank Julian sincerely for his fine contribution to the Society over the years.

In October 2017 we appointed Caroline Whitehead as our new member of the Board. Caroline is a communications and marketing professional and will be working closely with us to strengthen our sales and marketing strategy and engaging with new markets through social media.

Looking Ahead

In 2018 we will continue to control our costs and seek out new sales opportunities in some interesting new areas.

We will also be making full use of the networking opportunities presented by various online routes to market, as well as working closely with our intermediary partners.

We are confident that our products are relevant and competitive in today's market and we look forward to a successful year in seeing the fruits of our labour materialise.

Thanks

The success of the Society is a credit to the hard work and ongoing commitment from our wonderful staff and I would like to thank them for their continued support and enthusiasm.

I would also like to thank my fellow Board members for their support, expertise and commitment to developing the Society in what we hope is a bright and independent future.

Lastly, on behalf of the Board, I would like to thank our members for their loyalty to the Society and we look forward to continuing with the high level of service that our members depend upon.

Yours sincerely



Roger Harrison
Chair

3 May 2018

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management (“the Board”) has pleasure in presenting its report and the financial statements for the year ended 31 December 2017.

Principal Activity

The principal activity of the Society throughout 2017 continued to be the provision of income protection insurance based on the “Holloway System”, which protects against the loss of income arising from illness or injury and is intended at the same time to build up a lump sum to be available on retirement. The Society also conducted Group income replacement business with employers and directly to employees and members of sports and leisure clubs on a pure protection basis. In the opinion of the Board the Society has not carried out any activities outside its powers in the year to 31 December 2017.

Society Culture

As a mutual, the Society’s primary aim is to care for its members and to ensure that the business is run in a way that benefits them. That level of care is extended also to external customers and members of the future.

The Society has a set of ‘Values’ recognised as relevant to its employees, members and customers. These ‘Values’ are the principles believed to be important to the business and come from the Society’s purpose.

The Society’s ‘Values’ are defined as:

- **Mutual:**
 - Focused and committed to mutuality as both valid and valuable in the future.
 - Our decision making is driven by our members’ best interests.
 - A business model promoted to the external market.
- **Inclusive:**
 - Believing in ‘income protection’ as bringing financial and emotional value to members.
 - Open to all.
 - Fair claims are paid.
- **Supportive:**
 - We act fairly.
 - Providing practical support for our employees and members.
 - We will make the tough decision when it’s right, being supportive in the outcome.

These ‘Values’ are what makes the Society different and defines it to the outside world. They are the foundations for how the Society goes about its work, they impact the processes used every day and must be common to all employees and the Board.

Business Review

During the year new contribution income written was **£114,000** (2016:- £125,000). Whilst the development of new business income growth is slower than hoped for we remain satisfied with progress to date and with the strategic direction being taken, increasing both the product range and the distribution channels used to sell those products. Contribution income reduced slightly to **£1,644,000** (2016:- £1,663,000).

Sickness benefit paid during the year decreased to **£937,000** (2016:- £962,000). During the year the Society paid **99.38%** of all claims received, an increase on the previous year which illustrates the true value of the Society’s income protection, bringing the average of claims paid during the last 3 years to 97.92%. The principal reason for non-payment of claim during the year was due solely to incapacity being linked to an excluded medical condition.

On the advice of the Actuary to the Society, the Board has maintained the rate of Apportionment to **£3.00** per unit of sickness cover (2016:- £3.00 per unit) in respect of pre 2013 memberships and in respect of New Holloway memberships, effected since 2013; 5% of premiums paid during the year (2016: 5% of premiums paid). The Apportionment for commuted members has also been maintained at **£18.00** per unit of non-sickness cover (2016:- £18.00 per unit).

The rate of Bonus has been maintained at 2.5% for balances below **£5,000** (2016:- 2.5%) and 2.75% for balances of **£5,000** and above (2016:- 2.75%). Terminal Bonus has also been held at the 2016 level of 10% for members who retire or commute their membership during the year and for those who do so during 2018.

Society Membership

During the year the net reduction in total memberships was **210** (2016:- 137).

Investments

Total investment income decreased slightly during the year to **£563,000** (2016:- £585,000), and the income return on invested funds, including that from property, was approximately **3.50%** (2016:- 3.66%).

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

During the year the Society made a net gain of £58,000 in investment trading (2016: £46,000 net loss). The value of investments held at the end of the year included overall unrealised gains amounting to £689,000 (2016:- overall unrealised gain £518,000), which was mainly due to the prevailing market conditions at the end of the year. The Society's portfolio is strategically positioned and managed to minimise the effects of market fluctuation and to take advantage of opportunities as they present.

During the year, two of the available suites in Holloway House continued to be let. Suite 1 was let on a rolling basis at 3 months' notice until December 2017 and the lease on Suite 2 expired at the end of September. Suite 4 remained vacant for the duration of 2017 despite active marketing. Rental income during the year amounted to £63,000, (2016:- £77,000). Suite 1 now has a new tenant with a formal lease arrangement agreed in early 2018; Suite 2 and Suite 4 remain vacant and activities to market both vacant suites continue to be progressed.

The Investment Committee continues to strive to achieve a balance of maximising income whilst pursuing prudent investment strategies and ensuring protection of the Society's capital.

Operating Expenses

During the year the Society's total expenses were **£1,133,000** (2016:- £1,218,000). Development expenses amounted to **£23,000** (2016:- £48,000). The Society's underlying core expenses, excluding development and business acquisition, reduced to £719,000 (2016:- £787,000), a decrease of 8.6% due mainly to the absence of costs associated with an operational structure change and Chief Executive succession planning which occurred in 2016.

Holloway Members' Funds

The value of Holloway Members' funds at 31 December 2017 was **£7,400,000** (2016: £7,755,000).

Apportionment and Bonus

We follow the recommendations of the Actuary to the Society and declare that the allocation of Apportionment and Bonus will be set at the following rates:

		2017	2016
Members under the age of 65 or if their membership terms so permit below their State Pension Age and eligible to claim sickness benefit			
Apportionment in respect of pre 2013 Holloway memberships - per standard cost unit of cover held (allocated at 50% in respect of reduced cost units and 25% in respect of low cost units)		£3.00	£3.00
Apportionment to post 2012 New Holloway memberships – as a percentage of contributions paid		5%	5%
Rates of Bonus	Balances below £5,000	2.50%	2.50%
	Balances £5,000 and above	2.75%	2.75%
Commutated Members over the age of 60 ineligible to claim sickness benefit and former Life & Endowment Members			
Apportionment per unit held:-	Commutated Members	£18.00	£18.00
	Former Life & Endowment Members	Nil	Nil
Rates of Bonus	Balances below £5,000	2.50%	2.50%
	Balances £5,000 and above	2.75%	2.75%

Under current HM Revenue & Customs practice, Apportionment and Bonus are allocated and accumulate within members' funds with no direct taxation cost to individual members. The investment income recorded within these statements and from which the Society declares the bonuses is net of any underlying taxation charges and thus, so far as tax is payable, it is suffered by the Society as a whole.

Terminal Bonus

The Board also follows the recommendations of the Actuary to the Society when considering the Terminal Bonus to be allocated to members on retirement, commutation or death. The rate of Terminal Bonus is maintained at 10% for membership maturities which occur during 2018.

Rules Committee

The Rules Committee was appointed under Society Rule 44.1 at the Annual General Meeting held on 13 June 2017. The Board intends to seek re-approval of the appointment at the forthcoming AGM.

Statement of Solvency

At 31 December 2017, the Society had the required margin of solvency as prescribed in the Regulations made under Section 48(2) of the Friendly Societies Act 1992 for each class of relevant business.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT

Principal Activities

The Society has built a strong financial base through the sale of Holloway Income Protection plans direct to its members and this remains its core function. These plans have the joint benefit of income replacement insurance with the potential to accumulate an investment value in the plan over time.

Whilst the need for this product type still exists, customer appetite has been impacted and reduced by the development of dedicated income protection plans. This reduction in sales opportunity to an established market, combined with policy attrition, impacts the sustainability of the Holloway plan as the sole source of income for the Society in the future. It is in the future interest of its members for the Society to leverage its resource and capability to increase income through new sales initiatives.

Strategic Focus and Future Direction

The Board remains extremely aware of the need to continually review the ongoing sustainability of the Society and ensure that its strategy is aligned to that need and ultimately those of its members.

The Society's strategy focuses on remaining independent, protecting its core Holloway membership base and acknowledging and adapting to changes within its market place.

Future growth and sustainability will come through driving revenue increase from new income protection initiatives, both in terms of the Society's products and distribution markets.

In terms of future product development it is very clear in the strategy that the Society must stay true to, and focus on, what it does best – income protection provision. The Society therefore promotes itself to the outside world as a 'Specialist Income Protection Provider' and seeks to find innovative ways to develop and enhance its product proposition. Niche markets are sought out and it is then the Society's flexibility in product development, together with an understanding of risk and underwriting capability, which enables it to actively pursue these new business opportunities.

The Society has been innovative in 2017 in developing its Group proposition to now offer an employee funded option alongside the more traditional employer funded option. This product launched late in the year and was well received by the intermediary market, which continually looks to find new opportunities to discuss with their clients.

The way the Society is seeking to grow its distribution is through that intermediary market and business written through non direct distribution channels amounted to 77% of the total in 2017, (2016:- 71%) an increase which shows the development of the strategic focus in this area.

The Society has also continued to develop the administrative resource and operational infrastructure needed to deliver the required service to members and intermediaries. Staff development is achieved through formal, structured training and development planning which is in place for all staff. This both refreshes their existing knowledge and also develops new knowledge and skills that enables them to provide temporary cover in other roles when the business requires.

One specific development, in direct support of the strategy, has been to create a 'sales desk' that provides a resourced, focussed point of contact for all new enquiries both from the direct and intermediary markets. This has been important in managing the enquiries being generated through marketing activities.

The Society has a rolling Strategic Plan that articulates the business model. It is reviewed at least annually by the Board, and evaluated quarterly by a Board delegated operational committee, to ensure it focuses on required priorities and developments in light of planned and forced external and internal changes.

The Society's Board composition remains appropriate in terms of the qualification, skill and experience required to plan, review and create the best possible chance to deliver the Strategic Plan effectively.

Close control and monitoring of the success of the Strategic Plan initiatives and costs, together with associated impact on Society capital, continues to identify any requirement to develop, amend or implement alternative plans to protect members interests.

The Board assesses that the Society remains financially strong. This is illustrated by the Free Asset Ratio of 24.4%, in the KPI Report on the following page. Although not required to do so, the Board chooses to carry out solvency maintenance processes beyond those required by regulation.

Furthermore, the Board has also chosen to retain the services of its former Actuarial Function Holder on a continuous basis, rather than simply to employ those services only to carry out the triennial valuation and provide the annual certification as now required by regulation.

In summary the Society, through its Board, aims to maintain financial strength and develop and grow through planned sales initiatives, establishing a long term independent existence and adding additional value that will benefit Society members.

Key Performance Indicators ("KPIs")

The Board has developed a number of KPIs that are regularly reported and analysed, enabling timely decision making and action required to address underperformance.

The principal KPIs are set out on the following page together with the Society performance for year ended 31 December 2017. More detail of the Society's performance can be found in the other sections of these statements.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT (CONTINUED)

	2017	2016	2015
Premium Income	£000	£000	£000
New Premium Income	114	125	106
Established Member Premium Income	1,530	1,538	1,567
Total Premium Income	1,644	1,663	1,673

Expenses

Core Operating Expenses	719	787	695
Ratio of Operating Expenses to Premium Income	43.67%	47.35%	41.58%
Investment Expenses	104	86	76
Selling Expenses	287	297	366
Business Development	23	48	42
Total Expenses	1,133	1,218	1,179

Benefit Claims

Ratio of Benefit Claims to Premium Income	57.02%	57.84%	50.88%
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Assets

Total Assets	16,471	16,327	16,502
Admissible Assets (i)	16,385	16,216	16,315
Free Assets (ii)	3,990	2,695	3,214
Free Asset Ratio (as a percentage of admissible assets)	24.4%	16.6%	19.7%

- (i) Admissible assets represent the value of the Society's assets after adjustments to reflect those assets which the Society is not permitted by legislation to include within its statutory solvency calculations.
- (ii) Free assets are a measure of the Society's solvency, most Societies aim to maintain a Free Asset Ratio of between 10% and 25%, and therefore the Society is towards the top of this range.

The Free Asset Ratio has increased this year due primarily to:

- a reduction in the expense and resilience reserves; and
- an increase in unrealised investment gains as at 31 December 2017.

Membership

	2017	2016	2015
Number of Lives Insured	3,199	3,375	3,572
Number of Policies	4,566	4,776	4,913

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CORPORATE GOVERNANCE

The Board of Management (“the Board”) comprises of the Chair, who is non-executive, together with five other non-executives. The Board determines the strategic direction of the Society and is responsible for the oversight of the Society’s systems of corporate governance.

The Board is committed to diversity of its construction, in terms of both experience and gender. The Board members have a mix of skills and experience in key business functions appropriate to the Society’s current and future business requirements. One of the non-executive directors is a Society member. The Senior Independent Board Member and an additional member of the Board are female.

The Chief Executive attends all Board meetings on an ex officio basis. The Senior Management Team also attend all Board meetings in an executive capacity.

The Board has full access to all information that it may require and Board members may avail themselves of such independent specialist advice, at the Society’s expense, as they deem necessary for the performance of their duties.

The size of the Board is prescribed, within specified limits, by the Society’s Rules (“the Rules”) and non-executive members who are below the age of 70 are elected in accordance with those rules. All non-executive Board members are required to retire by rotation on a triennial cycle and may offer themselves for re-election if eligible. In accordance with the UK Corporate Governance Code annotated for Mutual Insurers (“the ACGC” / “the Code”), all Board members who have served for more than nine years are subject to annual re-election. The Society’s Rules do not prescribe an upper age limit for Board members. Board members who are over the age of 70 are not eligible for co-option and are subject to annual re-election by Society members.

In order to effectively discharge its duties the Board has delegated some of its functions to three Board Committees. All Board members are required to serve on at least one Committee. Appointment to a particular Committee takes into account the specialist skills of individual Board members. The full Board of Management meets at least six times per year and each Board Committee at least twice. Strategic development and business planning is dealt with by the full Board at a meeting called specifically for that purpose.

The Society does not have a separate standing Nominations Committee but the remit of the Staffing, Salaries and Nominations Committee includes oversight of the appointment of appropriately qualified individual Board members as the need arises.

The Society provides appropriate training to Board members at appointment and on an ongoing basis.

An annual process is in place to appraise Board performance, to include the role of the Chair specifically, and to assess and identify specific development needs and requirements of individual Board members.

In conjunction with the appraisal of its individual members, the Board also reviews its composition and appropriateness in meeting its functional requirements. This review either confirms the suitability of the Board composition or identifies required changes. At the end of 2017, Board composition has been improved by the recruitment of a new Board member with marketing and communications experience and the Board assesses its composition as suitable in meeting its functional requirements.

The Board also has a process in place to regularly assess the Chief Executive’s performance, including meetings without the presence of the Chief Executive or the Senior Management Team.

Audit & Risk Committee

The Committee, which meets at least twice per year, is headed by Mr Bones and in addition comprises of three other non-executive Board members, currently Mr Gurney, Mrs Pedder, Mr Long (until 13/06/2017) and Mrs Whitehead (from 01/10/2017). The Board Chair and the Chief Executive also attend meetings in an advisory capacity only. The Society’s skills mix assessment has determined that membership of this Committee should include at least one member of the accountancy profession. At present there are two with relevant current experience of audit and corporate finance.

The principal function of the Committee is to oversee the Society’s internal and external audit functions and its risk assessment and mitigation procedures and programmes. The Committee also agrees the Society’s internal audit strategy and the associated rolling audit programme. The Committee meets with Auditors to discuss and receive their reports and is responsible for ensuring that those audits are performed in a thorough and objective manner. Procedures exist whereby the Committee also meets with Auditors at least once per year without the presence of the Chief Executive or the Senior Management Team.

The Society’s Auditor is Moore Stephens. Mr Powell has taken over responsibility as Senior Statutory Auditor for the 2017 financial year. The Committee assesses the effectiveness of the Auditor on an annual basis and makes recommendation to the Board as to re-appointment. The Auditor provides no other non-audit services.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CORPORATE GOVERNANCE (CONTINUED)

Investment Committee

The Committee, which meets at least twice per year, is headed by Mr Gurney and in addition comprises of the Chief Executive and two other non-executive Board members, currently, Mr Harrison and Mr Bones. Mr Karn served on this Committee until his retirement as Chair of the Society in June 2013 and continues as a consultant to the Committee but as a non-Board member. The Society's skills mix assessment has determined that membership of this Committee should include members of the accountancy profession and professionals with skills in investment advice and economics. The terms of reference of this Committee includes provision for emergency action by any two members in the event of deteriorating market conditions requiring urgent action. Meetings are attended by the Society's professional investment advisers.

The principal function of the Committee is to set the strategy for the investment of members' funds and reserve funds and to set benchmarks for and to oversee the activities of appointed external investment advisers. In setting the strategy the Committee seeks advice from specialist investment advisers and the Actuary to the Society.

Staffing, Salaries & Nominations Committee

The Committee, which meets twice per year, is headed by Mrs Pedder and in addition comprises two other non-executives, currently Mr Paul, Mr Long (*until 13/06/2017*) and Mrs Whitehead (*from 01/10/2017*). The Board Chair and the Chief Executive also attend meetings in an advisory capacity only. Mrs Pedder is a Human Resources specialist and the Board is satisfied that this Committee has the necessary skills. The ACGC as applicable to smaller firms requires two members of this Committee to be independent within the meaning ascribed by the Code. Mrs Pedder and Mr Paul meet the criteria for independence and the Board considers this to be acceptable.

The principal function of the Committee is to review the Society's human resource requirements, to review remuneration and to make recommendation to the full Board for ratification. When required, the Committee will oversee the nomination and appointment of new Board members.

Operational Committees

There are additional operational Committees, which include members of the Board together with employees, to oversee operational functions delegated under the Rules.

The operational Committees have respective responsibility for general oversight of underwriting and steering the development of the business and its products.

Board Attendance Record

Attendance during the year, at Board and Board Committee meetings by individual Board members is as shown below.

Board Member	2017		2016	
	Meetings Attended	Relevant Meetings	Meetings Attended	Relevant Meetings
Roger Harrison	11	12	11	12
Martin Gurney	11	11	10	10
Margaret Pedder	9	11	10	10
David Bones	10	11	8	10
Leonard Paul	9	9	8	8
Caroline Whitehead (<i>from 01/10/17</i>)	3	3	-	-
Julian Long (<i>until 13/06/17</i>)	2	6	9	10
Jon Gratland (<i>from 01/11/16</i>)	12	12	4	4

The Society's Governance & Compliance Manager, Lee Davis, Finance & Commercial Manager, Sarah Barrell, and IT Services & Data Manager, Edward Smith, also attend and participate in all Board and designated Board Committee meetings to ensure that there is an acceptable balance of executive presence at meetings.

The Society's former Chief Executive, John Sanders, attended meetings as required during 2017 on a consultancy basis.

The Society's former Chair, Roger Karn, attends all Investment Committee meetings on a consultancy basis.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CORPORATE GOVERNANCE (CONTINUED)

The UK Corporate Governance Code

The Society continues to work in accordance with the UK Corporate Governance Code annotated for Mutual Insurers. The Code applies to both large and small companies, with some exemptions applying to small companies. The Society falls within the latter classification and so is exempt from some of the principles which apply only to larger companies.

Like all Mutual Insurers the Society must voluntarily comply with the Code, or explain why it does not – the Board believes the Society met this requirement.

Independence of Board members including the Chair

The ACGC sets out how a non-executive member of the Board can be considered independent. The criteria are that a Board member should not:-

1. have been an employee of the Society within the last 5 years;
2. have had a material business relationship with the Society within the last 3 years either directly or indirectly;
3. receive any additional remuneration, over and above normal fees and expenses, such as share options or profit related remuneration;
4. have served on the Board for more than 9 years.

In addition the Board should consider whether non-executives are independent in character and judgement and whether there are any other circumstances that might, or could, affect his or her views.

Having considered and given due regard to the criteria stated above, the Board is satisfied its members can be considered independent in respect of criteria 1 to 3, and the general requirements stated. At the date of these statements two members of the Board are not deemed independent but only by virtue of their length of service. These are Messrs Gurney and Harrison who are subject to annual re-election.

The Board strongly believes that, in the context of this Society and its Board, length of service does not adversely affect the views or actual independence of long serving non-executive Board members. Nor does it believe that it adversely affects their ability to continue to act in the best interests of the Society's members. Furthermore it is considered to be of positive benefit to members and to the Society as a whole that Board members who have long experience of the Society and its operations continue to serve, if necessary beyond the 9 years recommended by the ACGC, provided they continue to demonstrate independence of view.

However, the Board believes there should be a reasonable ratio of newer to longer serving non-executives, which at 31 December 2017 was 67% (2016:- 50%). In the opinion of the Board, the ratio at the end of 2017 remains acceptable and complies with the Code.

Senior Independent Board Member

The ACGC also recommends that a Board member, who meets the criteria of independence, should be appointed to the post of Senior Independent Board member. This post carries with it the responsibility to listen to the views of Society members and to develop a balanced understanding of any issues or concerns that they may have, or should have, and to communicate these to the Board for consideration and action.

Mrs Pedder has been appointed to this role and members who wish to do so may get in touch with her using the contact details to be found in the "Who's Who" section on page 38.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT AS TO DISCLOSURE TO AUDITORS

As at the date of this report each member of the Board of Management confirms that:

- so far as the Board member is aware, there is no information relevant to the audit of the Society's financial statements for the year ending 31 December 2017 of which the auditor is unaware;
- he/she has taken all steps that he/she ought to have taken in his/her duty as a director to make himself/herself aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

STATEMENT OF THE BOARD OF MANAGEMENT RESPONSIBILITIES

Society Rules and law require the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of its results for that period. In preparing those financial statements, the Board is required to:

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RE-APPOINTMENT OF AUDITORS

A resolution to re-appoint the Auditor, Moore Stephens, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of Management



Jon Gratland
Chief Executive

3 May 2018

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED

Our Opinion

We have audited the financial statements of Wiltshire Friendly Society Limited (the 'Society') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard (FRS) 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Society's financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2017 and of the Society's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Friendly Societies Act 1992.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our Assessment of Risks of Material Misstatement

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

- the valuation and ownership of the Society's investments at the year end and the recording of transactions throughout the year;
- the Society's valuation of its long term business provision;
- the application of revenue recognition accounting; and
- the risk of fraud arising from management override of internal controls.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)

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

- Confirmations provided by the Society's Custodian. These statements were compared to known movements in the investments holdings in the year through comparison to contract notes and testing of the management's monthly investment reconciliations. We obtained from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2017.
- We have also tested a sample of transactions to independent documentation to confirm the underlying investment transactions during the year.
- Third party valuations were obtained for the Society's investment properties. Assumptions used in these valuations were assessed for reasonableness.
- In order to address the risk around the valuation of the long term business provision we have engaged an independent Actuarial firm as our expert to assess the work of the Society's Actuarial function and the reasonableness of estimation techniques applied.
- In order to address the risk of revenue recognition we have considered the accounting policies applied by the Society and have performed cut off testing to ensure the income has been recognised in the correct period.
- Management override of controls – we have reviewed all significant or unusual entries to ensure they are appropriate and reasonable. We have also reviewed key estimates and judgements for bias.

Our Application of Materiality

In planning and performing our audit we were influenced by our application of materiality. We set certain quantitative measures and thresholds for materiality, which together with other, qualitative, considerations, helped us to determine the scope of our audit and the nature, timing and extent of the procedures performed. Based on our professional judgement we determined materiality for the Society to be £45,000 for items impacting the Statement of Comprehensive Income, which is approximately 2% of income (excluding investment gains). We determined materiality of £300,000 for items which require reclassification on the Statement of Financial Position, which is approximately 1.8% of gross assets. We agreed with the audit committee that we would report to the Board all audit differences in excess of £2,250, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

An overview of the scope of the audit

The scope of the audit for the financial statements has been determined by our application of our materiality to the financial statements in association to the risks of the Society when determining the level of work to be performed. All audit work was performed directly by the audit engagement team with the assistance of appointed experts.

Effectiveness of the audit on the identification of possible fraud

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our responsibilities are to gain reasonable assurance that the financial statements are not materially misstated as a result of fraud or otherwise. We have designed our audit approach to try and identify possible fraud in the financial statements. We consider the primary fraud risks to be around the misappropriation of assets and fraudulent reporting, as well as the valuation of technical provisions, our approach to these areas has been addressed within the areas of risk identified on the previous page.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Friendly Societies Act 1992

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report.

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

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

Respective responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



M Powell
Senior Statutory Auditor

For and on behalf of Moore Stephens
Chartered Accountants and Statutory Auditor

8 May 2018

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		£000	£000
Technical account: Long-Term Business			
Net earned premium income	4	1,644	1,663
Investment income		563	585
Unrealised gains on investments		689	518
Realised gains on investments		58	-
Change in long-term business liabilities		-	230
Other technical income		15	6
Total technical income		2,969	3,002
Gross benefits and claims		(939)	(965)
Claims ceded to reinsurers		2	3
Net benefits and claims		(937)	(962)
Change in long-term business liabilities		(24)	-
Bonuses, rebates & other disbursements	6	(363)	(375)
Net operating expenses	7	(1,052)	(1,156)
Investment expenses and charges	7	(81)	(62)
Realised losses on investments		-	(46)
Transfer (to)/from the Fund for Future Appropriations	10	(512)	(401)
Total claims bonuses and expenses		(2,969)	(3,002)
Balance on the Technical Account: Long-Term Business and Total Comprehensive Income		-	-

The above results relate wholly to continuing activities.

The Society had no recognised gains or losses other than those included in the movements on the Technical Account and therefore no separate statement of recognised gains and losses has been presented.

The Society has not presented a Statement of Changes in Equity as there are no equity holders in the Society as the Society is a mutual organisation.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Notes	2017	2016
ASSETS		£000	£000
Investments			
Land and buildings	8	1,035	1,020
Other financial investments	8	15,047	14,950
		16,082	15,970
Debtors			
Arising out of direct insurance operations		10	34
Other assets			
Tangible & Intangible assets	9	69	89
Cash at bank and in hand		115	34
Prepayments and accrued income			
Accrued interest and rent		140	132
Deferred acquisition costs		32	40
Other prepayments		23	28
Total assets		16,471	16,327
LIABILITIES			
Members funds	11	7,400	7,755
Fund for future appropriation	10	5,719	5,207
Technical provisions			
Long-term business provision	11	3,180	3,156
Claims outstanding		25	32
Creditors			
Arising out of direct insurance operations	12	19	38
Other creditors including taxation and social security	12	47	78
Accruals and deferred income	12	81	61
Total liabilities		16,471	16,327

These Financial Statements were approved by the Board of Management on 3 May 2018 and were signed on its behalf by:-



Roger Harrison
Chairman



Jon Gratland
Chief Executive

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Society. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. After making enquiries, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

Contributions to the Sickness Fund (Premiums)

In accordance with the provisions of the Friendly Societies Act 1992 contribution income is not recoverable at law. Therefore regular contributions are accounted for when due for payment but are discounted if the related membership (policy) is greater than 3 months in arrears, after which period the Society’s Rules prescribe that a member is ineligible to claim sickness benefit. New business contributions are recognised when the policy liability is set up, the contribution is due for payment and payment is received. Reinsurance premiums payable are accounted for when due for payment.

Investment Income

Income from investments is included in the Technical Account: Long-Term Business, net of any taxation deducted at source. Account is taken of dividend income when received or at the time the related investment is quoted on an “ex-dividend” basis. Income from other interest bearing investments is included on an accruals basis.

Claims and Benefits

Claims payable on maturity are recognised when the claim becomes due for payment. Claims payable on death are accounted for on notification but with effect from the date of death. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long term business provision. Where claims are payable and the contract remains in force, the claim or instalment is accounted for when due for payment.

Realised and Unrealised Gains and Losses

Realised gains and losses, being the difference between the net sale proceeds and the valuation at the previous Balance Sheet date or at the cost of acquisition if acquired later, are included within investment income or investment expenses in the Technical Account: Long-Term Business. Unrealised gains and losses are also reported in the Technical Account: Long-Term Business.

Acquisition Costs

In respect of insurance contracts, acquisition costs comprise of all direct and indirect costs incurred in writing new contracts and are charged in current and future accounting periods in line with margins in matching revenues. For new contracts sold through intermediaries, commission costs are amortised over the first twelve months of the contract in line with the current margins. Amortisation of intermediary commission costs are reflected in the balance sheet as deferred acquisition costs. Commission paid to the Society’s employed advisers is charged at the time of payment. All deferred acquisition costs are tested for recoverability at each reporting date. The carrying values are adjusted to recoverable amounts and any resulting impairment losses are charged to the Statement of Comprehensive Income.

Apportionment and Bonuses

Apportionment and Bonuses are recognised in the Technical Account: Long-Term Business when declared. Terminal Bonus is recognised when paid or when eligibility to claim sickness benefit under a policy is commuted.

Pension Scheme Arrangements

The Society operates a defined contribution scheme, the assets of which are held separately from those of the Society in independently administered funds. Contributions to the scheme are charged as an expense in the period to which they relate.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund for Future Appropriation

The fund for future appropriation represents amounts which have yet to be allocated to members. Transfers to and from the fund reflect the excess or deficiency of revenues (including premiums and investment gains and losses) over expenses (including claims) in each accounting period.

Long-Term Business Provision

The long-term business provision is determined by the Board on the advice of the Actuary to the Society as part of the annual actuarial valuation of the Society's long-term business. The provision is initially determined in accordance with the requirements of the Prudential Regulatory Authority ("the PRA") Rulebook: Non-Solvency II Firms. In accordance with normal insurance practice, certain reserves required for the statutory valuation returns are not required to be included in these accounts that are designed to present a true and fair view. This adjusted basis is referred to as the modified statutory solvency basis. This makes sufficient provision for future expenses of fulfilling the long-term contracts and includes a provision for existing reversionary bonuses and current reversionary bonuses declared as a result of the valuation. Future reversionary bonuses are implicitly provided for by use of valuation rates of interest below those expected. No provision is made for terminal bonuses, which can be varied at any time depending on investment conditions. These liabilities are calculated using historic Society experience and include reserves for claims which have occurred but not reported a reserve for unexpired risks and a reserve for claims already in payment.

Quoted Fixed Interest and Equity Investments

Income from investments is included in the Technical Account: Long-Term Business, net of any taxation deducted at source. Account is taken of dividend income when received or at the time the related investment is quoted on an "ex-dividend" basis. Income from other interest bearing investments is included on an accruals basis.

Investments are stated within these statements at their closing year-end mid-market values, net of any accrued income.

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An external independent valuer, having appropriate recognised professional qualifications and current experience of the location and type of property being valued, values the Society's investment property from time to time when the Board of Management deem it prudent to do so. Fair values are based on market values. Market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less their estimated residual value, of each asset on a straight line basis over its estimated useful life. All proprietary software of whatever cost and small equipment costing below a de-minimus level, which is currently £500, are written off in the year of purchase. The Society's Strategic Plan anticipates capital expenditure to improve systems to ensure that they are consistent with the Plan. The Board believes it to be more appropriate to write off such expenditure over four years. Assets are depreciated on the following bases:-

Fixtures and Fittings

10 years

Office Fittings and Equipment

10 years & 5 years

Motor Vehicles

4 years

Computer Hardware and Office Machines

3 years

Bespoke and Specialist Computer Software

4 years

General Information

The Society is a Friendly Society incorporated in the United Kingdom under the Friendly Societies Act. The address of the registered office is given on page 37. The nature of the Society's operations and its principal activities are set out in the Strategic Report on pages 9 and 10.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1) Critical Accounting Judgements and Estimates

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

Fair Value of Financial Assets

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

Long-Term Business Provision

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

The assumptions used for mortality, morbidity and longevity are based on standard industry or reinsurers' tables, adjusted where appropriate to reflect the Society's own experience.

The assumptions used for investment returns, expenses, lapse and surrender rates are based on current market yields, product characteristics, and relevant claims experience.

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

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

2) Capital Management

The Society's key capital management objectives are:

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

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

The Society is required by PRA Rules to hold a minimum amount of capital. In practice the Society's business generates a regulatory capital requirement (RCR) in excess of the minimum amount. At the end of 2017 the Society's available capital is more than eight times the RCR. The Society also carries out an Individual Capital Assessment ("ICA") which is a better measure of the capital required to support the business. The Board intends to maintain surplus capital in excess of the Regulatory Capital Requirement ("RCR") and the Society's ICA to meet the PRA's total capital requirements and to maintain appropriate additional margins over this to absorb changes in future capital requirements.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2) Capital Management (Continued)

The Society complied with all externally imposed capital requirements to which it was subject throughout the reporting period. The Capital Statement set out below, illustrates the financial strength of the Society's life business at 31 December 2017. This statement shows an analysis of the available capital resources calculated on a regulatory basis for the Society. It also shows the margins over and above the regulatory requirements and the overall surplus capital within the fund under these bases.

The total regulatory capital requirement for the Society at the year end was **£565,000** (2016: £603,000).

Capital Statement Table

Fund for future appropriation

Regulatory adjustments: Assets

Liabilities

Total available capital resources

Deduct regulatory capital requirement

Free Capital

Total available capital at 1 January 2017

Effect of economic experience

Difference in Admissibility Limits

Changes in valuation assumptions

Effect of resilience requirements

Effect of claims in payment

New business and other factors

Total available capital resources

	2017	2016
	£000	£000
	5,719	5,207
	(88)	(110)
	(1,076)	(1,799)
	4,555	3,298
	565	603
	3,990	2,695
	3,298	3,796
	1,500	(176)
	21	77
	82	(63)
	250	(155)
	(86)	8
	(510)	(189)
	4,555	3,298

Capital Resource Sensitivities

The value of long-term insurance contract liabilities is sensitive to changes in market conditions and in the demographic assumptions used in the calculation such as morbidity and persistency.

Market Conditions – Assumptions are made about future investment returns and interest rates when valuing the liabilities, based on current market conditions. These also have an effect on the value placed on the assets held to support liabilities. An adverse change in market conditions may therefore reduce the level of the available capital resources.

Demographic Assumptions – Changes in the mortality, morbidity, expense or persistency experienced by the Society may result in the need to change the assumptions used to value the liabilities. This may increase or reduce the value placed on the liabilities.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2) Capital Management (Continued)

The table below demonstrates the sensitivity of available capital to movement in key assumptions.

	2017
Potential Movement In Available Capital	£000
Variable	
An increase in the morbidity rate of 10%	1,373
A decrease in the morbidity rate of 10%	(1,036)
A increase in the value of invested assets of 10%	1,605
A decrease in the value of invested assets of 10%	(1,605)

Measurement and Monitoring of Capital

The capital position of the Society is reviewed periodically by the Board and an ICA is carried out annually. The objectives are reviewed and actions taken where necessary to ensure the adequacy of the Society's capital position.

In the event sufficient capital is not available, actions would be taken to free additional capital by altering the asset mix of investments, or through reduction in the amount of risk being accepted thereby reducing the capital requirement. Possible future management actions would be to amend the investment strategy, reduce business volumes, reduce discretionary expenditure or reduce the level of future distributions. No management actions have been assumed in the sensitivities set out above.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3) Risk Management and Control

Risk management is an embedded process within the Society, from strategic through to operational levels. The Board takes an active approach to the control of risk and to the identification, mitigation and management of the principle risks of the Society.

The Society's Risk Register provides an overview of the fundamental and significant risks facing the Society. It is regularly reviewed to keep pace with changing external and internal influences.

The impact of risk crystallisation is understood through formal evaluation of the Risk Register linked to the ICA overseen by the Audit & Risk Committee. The Audit & Risk Committee regularly reports its findings and recommendation for migrating action to the Board, both on a rolling basis and a contingent basis in the event risk(s) crystallise.

The Board ultimately takes responsibility for risk management process, review and mitigation and seeks to ensure as far as possible that the Society would take the appropriate action before the risk crystallises.

The key risks that the Society is exposed to, and the way the Society manages them, is set out as follows:

Insurance Risk

Insurance risk is the risk that arises from uncertainties as to the occurrence, amount and timing of insurance liabilities.

The insurance risks to which the Society is exposed, by issuing long term insurance contracts, arise from morbidity, expense variances and lapse rates. The Society has systems in place to measure, monitor, and control, as far as practicable, the risks set out here.

The Society maintains systems and procedures to assess applications for new contracts and requests by existing members to amend their contracts and to ensure appropriate contractual terms are agreed. Similarly systems and procedures are in place to assess the validity and veracity of claims. Where appropriate to both new business and claims, external agencies are used in the assessment of applications and claims.

As part of the Society's strategy, new business initiatives are subject to a stringent product development and risk assessment process. The Board will review and approve all new business initiatives before the product can be launched.

The Society does not re-insure individual contracts but does maintain such treaties in respect of its Group insurance business.

The Society's technical provisions and maturity profile as at 31 December 2017 are as follows:

Technical Provisions as at 31 December 2017	Within 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
	£000	£000	£000	£000	£000
Long Term Business Provision	3	510	920	1,747	3,180
Outstanding claims	25	-	-	-	25
Total	28	510	920	1,747	3,205

The table below shows the technical provisions as at 31 December 2016:

Technical Provisions as at 31 December 2016	Within 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
	£000	£000	£000	£000	£000
Long Term Business Provision	21	574	699	1,862	3,156
Outstanding claims	32	-	-	-	32
Total	53	574	699	1,862	3,188

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3) Risk Management and Control (Continued)

Details of the assumptions used to calculate the technical provisions are set out in Note 1. The impact on the policy reserves to key assumptions are shown below:

Assumptions	2017		2016	
	Change in Technical Provisions	Impact %	Change in Technical Provisions	Impact %
Reduction in Risk-free rates by 0.5% ¹	146	4.6%	148	4.7%
Increase in mortality by 10%	-9	-0.3%	-9	-0.3%
Decrease in claims recovery by 10%	-999	-31.4%	-1,085	-34.4%
Increase in expenses by 10% ²	1,029	32.3%	1,191	37.7%

¹ A change in valuation interest rate would lead to a change in asset values so the impact on the available capital would be reduced.

² An increase in expenses in the policy reserves would lead to a reduction in the expense reserve so the impact on available capital would be reduced.

Financial Risk

The Society is exposed to a range of financial risks through its financial assets and liabilities. Financial risk comprises Market Risk, and its sub risks, together with Credit Risk and Liquidity Risk. The Board is responsible for reviewing the risks faced by the Society and approving the required level of capital to be held against each risk element.

The assets held in the insurance funds as at 31 December 2017 split by duration are as follows:

Assets as at 31 December 2017	No Maturity	Within 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
	£000	£000	£000	£000	£000	£000
Land & Buildings	1,035	-	-	-	-	1,035
Equity Investments	5,204	-	-	-	-	5,204
Fixed Interest Securities	1,214	355	2,432	3,538	2,272	9,811
Cash & Other	111	303	7	-	-	421
Total	7,564	658	2,439	3,538	2,272	16,471

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3) Risk Management and Control (Continued)

The assets held in the insurance funds as at 31 December 2016 split by duration are as follows:

Assets as at 31 December 2017	No Maturity	Within 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
	£000	£000	£000	£000	£000	£000
Land & Buildings	1,020	-	-	-	-	1,020
Equity Investments	4,895	-	-	-	-	4,895
Fixed Interest Securities	1,118	-	567	4,524	3,690	9,899
Cash & Other	162	319	32	-	-	513
Total	7,195	319	599	4,524	3,690	16,327

- Market Risk

Market risk is the risk that as a result of market movements the Society may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets. Sources of general market risk include movements in interest rates, equity prices and property prices. The investment strategy is kept under regular review by the Society's Investment Committee. The Investment Committee oversees investment activity, monitors investment managers and ensures that the investment policy and asset allocations are maintained in accordance with its terms of reference set by the Board from time to time.

The Society has appointed experienced and competent discretionary investment managers to manage the risks set out above whilst also optimising investment performance within the prudent strategy and protocols laid down by the Society.

The Actuary to the Society advises on all aspects of the capital consequences of given investment strategy and the prudent interest of members in the context of investment of their funds.

Market Risk can be further broken down into the following risks:

- Equity price risk

Holdings in equities are by their nature subject to market movement. In order to mitigate this risk, the Society employs LGTVestra LLP as an external Investment Manager and sets investment guidelines within which they operate.

As at 31 December 2017, the Society held £5.204m (2016: £4.895m) of individual equities. A 10% reduction in this value would lead to a 11.4% decrease (2016: 14.8% decrease) in the Society's available capital.

- Property price risk

As for equity, property holdings are by their nature subject to market movement. In order to mitigate this risk the Society employs Carter Jonas LLP to manage its portfolio of properties.

As at 31 December 2017, the Society held £1.035m (2016: £1.02m) of property. A 25% reduction in this value would lead to a 5.7% decrease (2016: 7.7% decrease) in the Society's available capital.

- Interest rate risk

Interest rate risk exists for all assets and liabilities which are sensitive to changes in the term structure of interest rates or interest rate volatility. Due to the nature of the Society's products, the available capital may be impacted by these interest rate movements.

Asset-liability matching is performed to broadly match expected liability cash flows on a realistic basis in each fund. However, this can never be exact due to the uncertainties involved. A 10% increase in interest rates (i.e. from 1.25% to 1.38%) would lead to a 2.6% decrease (2016: 3.2% decrease) in the Society's available capital.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3) Risk Management and Control (Continued)

- Exchange rate risk

The Society has a number of directly held equity investments in foreign currencies which present a minor exchange rate risk. The Society's holdings shown by currencies are listed below:

Equity market values by currency	2017	2016
	£000	£000
US Dollar	847	911
Euro	0	49
Pound Sterling	4,357	3,889
Swiss Franc	0	46
Total	5,204	4,895

Exchange rate risk is not hedged and so a change in the exchange rate will lead to a corresponding change in the value of assets.

- Credit risk

Credit risk is the risk of loss due to default by debtors, re-insurers and market counterparties of the Society in meeting their financial obligations.

At 31 December 2017 the Society held £9.811m (2016: £9.899m) of listed fixed interest securities. These are analysed by credit rating below:

Equity market values by currency	2017	2016
	£000	£000
AAA	590	615
AA	2,961	2,700
A	1,570	1,494
BBB	3,450	3,122
Below BBB	990	565
Not rated	250	1,403
Total	9,811	9,899

- Liquidity Risk

Liquidity risk is the risk that the Society is unable to meet its own commitments to pay its liabilities when they become due. The Investment Committee oversees liquidity management and cash flow requirements to ensure that sufficient liquidity is available to operate the Society and meet members' claims.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3) Risk Management and Control (Continued)

Business Risks and Mitigation

The following have been identified by the Board as the significant underlying risks to the Society, together with the mitigating actions in place:

- Failure to deliver targeted results of the rolling Strategic Plan within the agreed timescales – where the Board cannot determine, or foresee, delivery of targeted results, options as to the future direction of the Society will be considered, evaluated and implemented;
- Cost over-run, unplanned costs rise as a proportion against premium income – development costs are monitored and evaluated against results for each strategic initiative, which can be reviewed or ended at any time to limit negative impact of profitability;
- Financial strength weakens – monitoring of free capital is in place as part of corporate governance and oversight;
- New business stream has adverse claims experience, impacting profitability – reinsurance has been taken to share exposure and provide further professional risk assessment structures;
- Reduction in Society membership – strategy in place to diversify and take on new members in differing markets.

In the event any or all of the above crystallise there would be an adverse effect on the Society's objectives and an impact on members, however the Board is confident that its risk strategies will mitigate inherent risk to satisfactory levels. These risks to members can be summarised as follows:

- Reduction in bonus for Holloway members;
- Inability to maintain sickness benefit;
- Reduction in member's capital.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

4) Gross Premiums Written

	Notes	2017	2016
		£000	£000
Contributions to the Holloway sickness fund		1,644	1,663
		1,644	1,663

5) Change in Long-Term Business Provision

Change in technical provision		24	(230)
Balance at the beginning of the year		3,156	3,386
	See Note 11b	3,180	3,156

6) Members' Apportionment and Bonuses

Apportionment - allocated during the year	See Note 11a	125	132
Bonus - allocated during the year	See Note 11a	193	202
Terminal Bonus - paid on retirement or allocated to commuting members	See Note 11a	45	41
		363	375

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

7) Net Operating Expenses

	2017	2016
	£000	£000
General office and administration	75	84
Administrative staff costs	576	553
Membership services	26	27
Own occupation property costs	31	33
Finance	9	9
Professional fees	95	110
Depreciation and equipment disposals	36	40
Recurring operational expenses	848	856
Direct cost of business acquisition	181	230
Direct cost of investment activities	81	62
Total recurring expenses	1,110	1,148
Product development costs	23	48
Business strategic development costs	-	22
Total exceptional costs	23	70
Total operating expenses	1,133	1,218

Operating expenses are allocated as follows:-

Administrative expenses	719	787
Direct and indirect cost of investment activities	104	86
Direct and indirect cost of business acquisition & strategic development	287	297
Product development	23	48
Total operating expenses	1,133	1,218

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

7) Net Operating Expenses (Continued)

Total salary, pension & NIC costs in the year were as follows:-

Sales employees (including commission)

Other employees

2017	2016
£000	£000
57	54
576	553
633	607

External Audit fees in the year were as follows:-

Audit fees

Fees for non audit work

18	18
0	0
18	18

8) Investments

	Land & Buildings	Fixed Interest	Shares & Unit Trusts	Held as Cash	Totals
	£000	£000	£000	£000	£000
Valuation at the beginning of the year	1,020	9,899	4,895	156	15,970
Additions to property	-	-	-	-	-
Net movements on invested funds	-	(289)	(217)	(124)	(630)
Gains/(losses) on disposals & redemptions	-	28	26	-	54
Unrealised gains/(losses) on revaluation	15	173	500	-	688
Valuation at the end of the year	1,035	9,811	5,204	32	16,082
Historical Cost	1,711	9,611	4,292	32	15,646

Holloway House is held on a long leasehold basis. Part of the office accommodation is occupied by the Society, and for valuation purposes is treated as being partially let. At the date of the valuation one unit was let on a tenancy at will basis, until a formal lease arrangement could be established. Two units remain vacant and marketing activities are continuing in this respect. The property is included at its open market value of **£720,000** (2016:- £670,000) after a write down provision of **£739,000** (2016:- £778,000). The Society's freehold property, 7 Market Street was purchased in 1980 and is let, on a 15 year lease, from October 2008, to Coventry Building Society. It is included above at its open market value of **£315,000** (2016:- £350,000). Both properties were valued during December 2017, on a desk top valuation basis, by Emma Cowlrick MRICS of Carter Jonas and the Board has modified the valuation of both properties in line with the revised valuations.

Fair Value Measurement

Fair value is the amount for which an asset could be exchanged between willing parties in an arm's length transaction. Fair values are generally determined at prices quoted in an active market (Level 1). Where such information is not available it may be possible to apply calculation techniques making use of market observable data for all significant inputs (Level 2). Where inputs are not based on observable market data, fair value is classified as Level 3. Please refer to the table at the top of the following page.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

8) Investments (Continued)

Fair Value Measurement

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Land and Buildings	-	-	1,035	-	-	1,020
Shares and Unit Trusts	5,204	-	-	4,895	-	-
Fixed Interest Securities	9,811	-	-	9,899	-	-
Cash and Other	421	-	-	513	-	-

9) Tangible & Intangible Fixed Assets

	Fixtures & Fittings	Equipment	Intangible Assets	Totals
Cost at the beginning of the year	159	128	291	578
Additions	-	-	16	16
Disposals	(8)	(29)	(262)	(299)
Cost at the end of the year	151	99	45	295
Depreciation at the beginning of the year	123	100	266	489
Charge for the year	16	7	13	36
Eliminated on disposals	(8)	(29)	(262)	(299)
Depreciation at the end of the year	131	78	17	226
Net book value at the end of the year	20	21	28	69
Net book value at the beginning of the year	36	28	25	89

10) Fund for Future Appropriation

Balance bought forward as previously stated

Transfer (to)/from the Technical Account - Long Term Business

Balance at the end of the year

	2017	2016
	£000	£000
Balance bought forward as previously stated	5,207	4,806
Transfer (to)/from the Technical Account - Long Term Business	512	401
Balance at the end of the year	5,719	5,207

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11) Technical Provisions	Notes	2017	2016
11a) Holloway Business		£000	£000
Apportionment	See Note 6	125	132
Bonus	See Note 6	193	202
Terminal Bonus	See Note 6	45	41
		363	375
Deaths, retirements and surrenders		(708)	(724)
Forfeitures and lapses		(10)	(7)
		(355)	(356)
Balance at the beginning of the year		7,755	8,111
Balance at the end of the year		7,400	7,755

The provision in respect of Holloway business reflects sums that are in the ownership of the Society's Holloway members.

11b) Long-Term Business Provision	2017	2016
The components of the long-term business provision are as follows:	£000	£000
Reserve for:- Holloway sickness benefit	1,738	1,815
Group sickness benefit	155	140
Claims in payment	1,287	1,201
Balance at the end of the year	3,180	3,156

The long-term business provision represents the expected future liabilities that will arise on existing contracts. It is the anticipated excess of future sickness claims over future contributions attributable to sickness. It is calculated by the Actuary to the Society.

12) Creditors – amounts falling due within one year arising from:	2017	2016
	£000	£000
Insurance activities	19	38
Non-insurance activities	47	78
Other provisions and accruals	81	61
	147	177

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

13) Transactions with Board Members

During the year one Board member was also a member of the Society. Additionally payments were made to businesses connected or related to Board members. All transactions were on normal commercial terms. These were as follows:-

Internal Audit Services:- HW Controls & Assurance Limited of Farnborough the total sum of **£12,546** (2016: £10,404) was paid in respect of internal audit services. Mr Gurney is a partner within another office of the same federation. He has no direct, indirect or financial involvement in the services being provided.

Payroll Services:- HW Chartered Accountants of Trowbridge, the total sum of **£2,034** (2016: £2,777) was paid in respect of payroll bureau services. Mr Gurney was formerly a partner within that practice, and is now a partner within another office of the same federation. He has no direct, indirect or financial involvement in the services being provided.

Heating & Plumbing Services:- LSP Gas Services of Trowbridge, the total sum of **£294** (2016:- £237) was paid in respect of heating engineering services. Mr Paul is the proprietor of the business.

Membership of the Society:- Mr Paul is a member of the Society and paid regular premiums at normal rates for the year to 31 December 2017. As a result, he remained eligible for all benefits of Society membership.

All transactions involving Board members and reported above are at an arm's length.

14) Actuary to the Society

The Actuary to the Society is David Lechmere FIA, a Consultant Actuary of OAC plc (OAC). Due to a change in regulation, from 01/07/2016 the Society no longer needs to appoint an Actuarial Function Holder or a With-Profits Actuary, however there remains a need to appoint an Actuary to carry out the required valuation and provide certification thereof. Mr Lechmere has performed both functions in the year. The Society has requested him to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mr Lechmere has confirmed that neither he or any member of his family, nor any of OAC's principals, partners or directors, were members of the Society, nor have they any financial or pecuniary interests in the Society, with the exception of fees for professional services, paid or accrued during the year, to OAC.

During the year fees were accrued or paid to OAC were **£51,985** (2016:- £73,091) for Actuarial services and other related consultancy and regulatory compliance work.

15) Operational Employees

The average number of employees during the year, including executive directors were:

Executive Director & Senior Management

Administrative employees

Field sales employees

2017	2016
5	5
6	6
2	2
13	13

Employee costs during the year during were:

Salaries and commissions

Employers' national insurance

Pension costs

2017	2016
£000	£000
539	520
52	44
42	43
633	607

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

16) Board Remuneration Report

Board Member	Fees	Attendance	Salary & Bonus	Pension	Allowances	2017	2016
R T Harrison	14,884	6,940	-	654	918	23,396	24,900
D C Bones	9,910	3,489	-	-	-	13,399	12,478
M S Gurney	5,382	2,567	-	239	-	8,188	9,256
Mrs M A Pedder	5,382	3,713	-	273	698	10,066	11,526
L S Paul	5,382	981	-	195	-	6,558	6,940
Mrs C Whitehead <i>(from 01/10/17)</i>	1,345	1,303	-	-	-	2,648	-
H J Long <i>(up to 13/06/17)</i>	1,794	-	-	-	-	1,794	6,732
Total fees Non-executive Board Members	44,079	18,993	-	1,361	1,616	66,049	71,832

J Gratland CEO <i>(from 01/11/16)</i>	-	-	112,070	10,254	-	122,324	18,333
J D Sanders CEO <i>(until 31/10/16)</i>	-	-	-	-	-	-	80,921
Total CEO	-	-	112,070	10,254	-	122,324	99,254

Fees payable to non-executive Board members are based upon the number of full and Board Committee meetings attended during the year, with a minimum commitment to 8 meetings per year. Details of attendance at those meetings can be found in the Corporate Governance Report page 12 of these statements. Included within the fees above are amounts in respect of additional Board meetings and, in particular, support to other operational matters where a Board member's individual skills and qualifications are relevant and of benefit to the operational matters being discussed – this also reduces the requirement to use outsourced services which could incur a higher cost. The total amount of payments during the year in respect of attendance at meetings beyond the minimum commitment and at operational meetings was **£18,993** (2016: £23,736). This is included within the amounts stated above.

Allowances referred to above are paid as salary and comprise of travelling expenses paid to non-executive Board members who are not travelling within the local area to attend meetings.

The Board is satisfied that its remuneration policies continue to be suitable and sufficient to attract and retain executive and non-executive Board members with relevant skills at appropriate levels.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

USEFUL INFORMATION FOR MEMBERS AND PROSPECTIVE MEMBERS

How To Contact Us

If you would like more information about the Society, a claim, an application for new or increased insurance cover or your membership in general please contact us. You may telephone, contact us by email or letter, or if convenient you are welcome to come to Holloway House. Contact details are as follows and you will find a "Who's Who" on page 38.

By telephone:

Main switchboard	01225 752120
Member services	01225 756782
Application enquiries	01225 756793
Claims	01225 756789

By email:

General email address	info@wiltshirefriendly.com
Members services	member@wiltshirefriendly.com
Application enquiries	applications@wiltshirefriendly.com
Claims	claims@wiltshirefriendly.com

Or you can write to us at or come in person to:

Wiltshire Friendly Society Limited
Holloway House
Epsom Square
White Horse Business Park
Trowbridge
Wiltshire
BA14 0XG

Our website:

www.wiltshirefriendly.com

Member Introduction Scheme

If you would like to recommend a friend, colleague or relative for Society membership we are offering a high street voucher worth £50 for each introduction that leads to a new membership (terms and conditions apply).

Please contact Jon Cummings Email jon.cummings@wiltshirefriendly.com or telephone 01225 756794

Our Service To You

We aim to provide you with the very best service possible. However, if we have fallen short in any way please do let us know. We want to know about, and to have the opportunity to understand, any concerns you may have and to correct any shortcoming.

How To Complain

If you wish to complain about any aspect of your membership or the service you have received from us, in the first instance please let us know by any of the means shown above. If you choose to do so by letter please address it to the Governance & Compliance Manager. We will provide you with a copy of our complaints procedure. We will investigate and try to resolve your complaint. If you are not satisfied with the outcome you can complain to:

The Financial Ombudsman Service
Exchange Tower
London E14 9SR

Telephone:	0800 0 234 567
Email:	complaint.info@financial-ombudsman.org.uk
Website:	www.financial-ombudsman.org.uk

WILTSHIRE FRIENDLY SOCIETY LIMITED

WHO'S WHO AT WILTSHIRE FRIENDLY (MAY 2018)

OPERATIONAL EMPLOYEES

Operations Supervisor

Helen Lingard

Supervision of operational employees. Member relations contact.

direct telephone number 01225 756782

email helen.lingard@wiltshirefriendly.com

Senior Operations Administrator

Jon Cummings

Oversight of processing of applications for new memberships and cover increases for existing members.

direct telephone number 01225 756794

email jon.cummings@wiltshirefriendly.com

Assistant Administrator

Hope Chivers

Support administration in respect of member services and premium collections.

direct telephone number 01225 756785

email hope.chivers@wiltshirefriendly.com

Senior Claims Administrator

Deborah Chivers

Supervision of claims for income replacement benefit and claims in progress.

Membership terminations and partial withdrawals.

direct telephone number 01225 756789

email debbie@wiltshirefriendly.com

Senior Claims Administrator

Lucy Gregory

Processing claims for income replacement benefit and administration of claims in progress and benefit payments. Membership retirements and commutations.

direct telephone number 01225 756787

email lucy.gregory@wiltshirefriendly.com

Accountant

Jules Barnes

Financial accounting and supplier accounts payable.

direct telephone number 01225 756788

email julie.barnes@wiltshirefriendly.com

SALES & ADVICE TEAM

Senior Society Adviser

Alan Godfrey

Advice and guidance on Society products for prospective and existing members.

mobile 07720 181696, out of office contact – Jon Cummings

email alan.godfrey@wiltshirefriendly.com

Sales Consultant

Josh Padfield

Advice and guidance on Society Group and Professional Rugby products for prospective and existing members.

direct telephone number 01225 756784

email josh.padfield@wiltshirefriendly.com

OTHER EMPLOYEES

Chief Executive

Jon Gratland

General management and oversight of the Society's operations.

direct telephone number 01225 756786

email jon.gratland@wiltshirefriendly.com

Governance & Compliance Manager

Lee Davis

Head of governance and regulatory compliance oversight.

direct telephone number 01225 756791

email lee.davis@wiltshirefriendly.com

Project Manager

John Sanders

Managing the delivery of key strategic and operational projects.

direct telephone number 01225 756780

email john.sanders@wiltshirefriendly.com

Finance & Commercial Manager

Sarah Barrell

Head of operational employees, financial accounting and management of membership accounts.

direct telephone number 01225 756792

email sarah.barrell@wiltshirefriendly.com

IT Services & Data Manager

Edward Smith

Information technology and communication systems, website structure & maintenance and oversight of data management policies.

direct telephone number 01225 756790

email edward.smith@wiltshirefriendly.com

Senior Independent Board Member

Margaret Pedder

Board member responsible for considering and responding to the views of Society members and a point of contact that allows them direct access to the Board.

office contact – Helen Lingard

direct telephone number 01225 756782

email margaret.pedder@wiltshirefriendly.com

WILTSHIRE FRIENDLY SOCIETY LIMITED
HOLLOWAY HOUSE LOCATION MAP

If you would like to attend the AGM on **Tuesday 19 June 2018** at **10:00am** at **Holloway House, Epsom Square, White Horse Business Park, Trowbridge, BA14 0XG**, here is a map to help you find us.



WILTSHIRE



FRIENDLY

SOCIETY LIMITED

INCOME REPLACEMENT INSURANCE SINCE 1887

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White Horse Business Park
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info@wiltshirefriendly.com