

WILTSHIRE



FRIENDLY

SOCIETY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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NOTICE OF ANNUAL GENERAL MEETING 2021

Notice is hereby given that the Annual General Meeting of Wiltshire Friendly Society Limited (“AGM”) will be held on 15 June 2021 at 10.00am. Whilst the meeting will be held at Holloway House, in accordance with current Government guidelines relating to COVID-19, we would strongly recommend and request that if eligible members wish to attend, speak or vote in person they do so on a virtual basis. To effect virtual attendance members should register in the manner set out within their AGM packs (“meeting packs”). Eligible Members may vote on any or all of the motions proposed below, in the manner set out in their meeting packs.

The following are proposed by the Board of Management for resolution:

1. To approve the Minutes of the Annual General Meeting held on 10 September 2020.
2. To receive the Financial Statements for the year ended 31 December 2020. *For information only, no vote required.*
3. To approve the Board Remuneration Report for the year ended 31 December 2020.

Members are asked to approve the Board 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 full report can be found on page 42 of the Financial Statements.

4. 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 |
| Margaret Pedder | Human Resources Specialist | 07/2009 |
| David Bones | Cost & Management Accountant | 07/2009 |
| Caroline Whitehead | Marketing Consultant | 10/2017 |

5. To re-appoint Moore as Auditor.
6. To appoint the following to serve as Arbitrators for the coming year:

Mr M I Stillwell
Mr W J Pepler
Mr C C Cheshire OBE

7. To transact any other business not requiring notice of motion.

The Society’s Financial Statements for the year ended 31 December 2020, which includes the Report of the Board of Management, the Strategic Report, the Independent Auditor’s Report and the Board Remuneration Report; together with the minutes of the 2020 AGM, can be found on the Society’s website at www.wiltshirefriendly.com.

Members may request paper copies of any of the documents referred to in this Notice.

By Order of the Board of Management



Lee Davis
Secretary

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

27 April 2021

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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 Board Members | 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>Marketing Consultant</i> |
| Chief Executive | J S Gratland | | <i>Executive Director</i> |
| Secretary | L Davis | | |

** Denotes Non-executive Board members who are independent for all or a part of the year, within the meaning ascribed by the Association of Financial Mutuals Corporate Governance Code

| | |
|------------------------------------|---|
| Arbitrators | M I Stillwell, W J Pepler, C C Cheshire OBE |
| Actuary to the Society | <i>S Butters FIA</i> OAC, 141-142 Fenchurch Street, London, EC3M 6BL |
| External Auditor | <i>Moore</i> 30 Gay Street, Bath, BA1 2PA |
| Internal Auditor | <i>Haines Watts 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 Vēstra LLP</i> 14 Cornhill, London, EC3V 3NR |
| Compliance Advisers | <i>Mutual Governance Limited</i> Prescot House, 3 High St, Prescot, Liverpool, L34 3LD |
| 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

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THE BOARD OF MANAGEMENT

Roger Harrison – Chair

Financial Adviser. Non-executive member of the Board since May 2005, Chair of the Governance Committee as well as a member of the Investment and the Product Steering Committees. 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 and Product Steering Committees and chairs the Audit, Risk & Compliance 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, Risk & Compliance Committee, and chairs the Investment and Product Steering Committees. 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 Governance, 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.

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, Risk & Compliance 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.

SENIOR INDEPENDENT BOARD MEMBER

Caroline Whitehead

Non-executive member of the Board since October 2017, member of the Audit, Risk & Compliance, Product Steering and the Staffing, Salaries and Nominations Committees. 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 and Chair of Governors of two schools in Somerset.

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.

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CHAIR'S STATEMENT

The last year has been challenging for us all, both from a work and personal perspective. It does appear that the pandemic is now being controlled and we can start to hope for a return to normal life once again, although that normal might still feel a bit different for a while yet.

At the Society, I am delighted to say that we have come through the pandemic challenges very well. The staff are at the heart of our business and by pulling together, working remotely through the last year, we have been able to fully maintain our member services. We continued to pay a very high percentage of the benefit claims we received and have also maintained the bonus rates for Holloway members.

The Society had a strong financial position at the end of 2020, showing that we had been able to deal with the financial challenges caused by COVID-19.

We are now implementing a plan to return gradually to the office, although by the time of the AGM in June 2021 the Government restrictions will not have been fully lifted. However, we do think that it is important to run the AGM as we normally would, although we would ask you to appoint a proxy in advance or attend the meeting and vote virtually online rather than attend in person, so that we can maintain the social distancing rules. Full details of the AGM and how to vote are enclosed in your Personal Membership Statement & Annual General Meeting 2021 mailing pack.

Our Strategic Focus

The pandemic further illustrates the fact that incapacity can strike at any time and hence the value of income protection insurance has again been brought to the fore.

Our purpose remains the same – to build on the solid foundations already established by our Holloway membership and to grow an independent business, providing income protection benefits to an increasing and wider range of existing and new members through both our direct and intermediary channels. 'Sports' income protection has been one such area, where we have developed our existing products for the needs of new markets.

Our Rule changes at the end of last December also now enables us to develop 'protection only' type Individual Income Protection Insurance products that will be targeted at those new markets. By way of reassurance, we are still totally committed to the Holloway plan as the basis of our Individual plans, this being one of the main reasons that we have maintained our own direct sales capability, to offer sales and servicing support to our members.

We say that culture is important in how we run our Society on a day-to-day basis. That has been clearly demonstrated in getting the Society through 2020 with the Board of Management, senior management and operational staff all having to work together, responding and solving new challenges and going above and beyond in interacting with our members, intermediaries and other Society stakeholders.

Society Performance

The Society's performance remained stable through 2020 and we continue to remain positive about our future as an independent provider.

Our core operating expenses and total expenses continue to be kept under close cost management controls and were reduced slightly from the previous year.

Despite the challenges caused in the investment world by the pandemic, US elections and Brexit, our investment performance recovered by the year end. This was as a result of an investment strategy that balanced risks and potential return, whilst being invested over the longer term and ably implemented through our Investment Advisers, LGTVestra LLP.

Our existing Holloway membership is naturally declining, which is to be expected as our long-established members get older and retire or leave. Our focus is therefore on adding new Holloway memberships, through niche market opportunities, whilst also growing the newer Group and Sports propositions.

Membership

As a mutual Society our purpose remains to provide our members with a high standard of service and to pay their eligible claims should they become unable to work due to illness.

In 2020 the Society paid 97.58% of all claims received, and 96.32% of all claims received within the last three years. This once again demonstrates the value of the plan's protection benefit at the time when a member needs it the most.

I am also pleased to report that the Holloway Bonus and Terminal Bonus rates in 2020 have been maintained at the same rates they were in 2019.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CHAIR'S STATEMENT (CONTINUED)

In 2020 we formed our Environmental, Social and Governance plan to react to the environmental challenges we are facing. That plan will develop over time to take account of the financial risks of climate change, the social impacts on our staff, members, community and stakeholders and to improve our sustainability within our day-to-day operations. You will see regular news articles and updates on our website as to how the Society is responding to these challenges.

Board of Management

This will be my last report to you, our members and stakeholders, as Chair of the Society. I will be stepping down and leaving the Society in the second half of 2021, once the Society has its new Chair in place. It has been a very rewarding experience working with my fellow Board members, the management and operation teams to both modernise the Society and develop a strategy for a successful future.

This year will also see Len Paul leave the Board after 10 years of dedicated service.

We have therefore been actively recruiting for two new Non-executive Board members to join the Board of Management in the second half of 2021, which will provide new experience and new opinions. Those new Board members will have a planned induction programme to ensure they are quickly up to speed and operational and you will see the revised Board structure on our website in due course and it will also be summarised in the 2021 Financial Statements.

Looking Ahead

2021 has started well from a business perspective with increased enquiry from the intermediary market, particularly for our Sports proposition and this is something we have plans to build on during the year.

We strongly believe that income protection will be more in people's minds this year. It therefore seems timely that I remind you that we have a membership referral scheme, where you can refer individuals to the Society who you think may benefit from the products and services we provide... and you are rewarded when they commence a membership!

Talking to our existing and prospective members is a key objective and we have now restarted our social media communications and are also issuing regular news articles to keep you advised on both topical and Society developments. We also aim to recommence our members' forums this year as and when the pandemic restrictions allow.

Behind the scenes, we maintain a strong focus on maintaining our governance controls to ensure regulatory compliance and safe stewardship of the Society on behalf of our members. We have strengthened our controls function further by recruiting an Operations Quality Controller to audit and develop internal processes.

In 2021, the Society looks forward to a successful year, ensuring it remains both relevant and viable for our members.

And Finally

2020 was a very rewarding year in terms of what the Society achieved in the challenging environment it found itself in.

This was down to the contribution and effort from all our staff and Non-executive Board members, who were flexible to the changes and able to react and adapt to ensure that 'business as usual' and our high service standard levels were maintained.

We are undergoing staff and Board of Management changes in 2021, all of which will help ensure your Society has the right people and operational structure to operate effectively for your benefit.

Finally, on behalf of the Board, I would like to thank our members for their continued support to the Society and we look forward to providing the products and service our existing and new customers expect and depend on.



Roger Harrison
Chair

27 April 2021

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

Principal Activity

The principal activity of the Society throughout 2020 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 2020.

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

Contribution income reduced slightly to **£1,542,000** (2019:- £1,565,000). Performance has remained stable, despite the external and internal challenges presented by the impacts of the COVID-19 pandemic (“pandemic”) – this is further explained later in the Strategic Report and also the Going Concern Assessment.

The development of new business income growth has also been restricted by the pandemic, with the new target markets experiencing challenges to both current and ongoing employment. However, the retention of existing business within those new target markets has been excellent, hence we remain satisfied with progress to date and with the strategic direction being taken in developing and increasing both the product range and the distribution channels used to sell those products.

Sickness benefit paid during the year decreased to **£617,000** (2019:- £773,000). This reduction had not been at the expense of claims admission where the Society paid **97.58%** of all claims received during the year, an increase on the previous year, and which brought the average of claims paid during the last 3 years to 96.32%. Even more so in 2020, due to the realisation that incapacity can happen at any time, this has illustrated the true value of the Society’s income protection. The reasons for the non-payment of claims during the year was due to declines under standard policy terms and conditions.

On the advice of the Actuary to the Society, the Board maintained the rate of Apportionment at **£2.50** per unit of sickness cover in respect of pre 2013 memberships and in respect of New Holloway memberships, effected since 2013; **5%** of premiums paid during the year. The Apportionment for commuted members was maintained at **£18.00** per unit of non-sickness cover.

The rate of Bonus was maintained at **2.5%** for balances below £5,000 and **2.75%** for balances of £5,000 and above. Terminal Bonus had also been held at the 2019 level of 10% for members who retired or commuted their membership during the year and for those who will do so during 2021. Once again, when compared to what is available as a deposit rate return in the market, this demonstrates the additional value of Society membership to Holloway members.

Society Membership

During the year the net reduction in total memberships was **184** (2019:- 91). This is due primarily to a decrease in Holloway memberships, as members reach retirement or no longer have a need for the plan. The new business initiatives have been restricted by the pandemic,

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REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

hence have not been able to provide the alternative growth in new membership. Whilst membership attrition increased, the Society is continuing to work towards growing the number of memberships through its increased product range and widened distribution.

Investments

Total investment income decreased during the year to **£464,000** (2019:- £488,000), and the income return on invested funds, including that from property, was approximately 2.95% (2019:- 3.16%).

During the year the Society made a net loss of **£160,000** in investment trading (2019: £100,000 net gain). The value of investments held at the end of the year included overall unrealised gains amounting to **£638,000** (2019:- overall unrealised gain £799,000).

The investment market in 2020 had numerous challenges, namely the world pandemic, US elections and Brexit. Despite those, the year end saw a market recovery, as there was optimism over pandemic vaccination and the US elections and Brexit both reached a conclusion, the markets preferring certainty to uncertainty. The Society continued to balance risk with potential return, investing over the longer term, and its portfolio is strategically positioned and managed to minimise the effects of market fluctuation and to take advantage of opportunities as they present.

A key income contribution to the portfolio comes from the Society's investment properties. During the year, all suites in Holloway House continued to be let on a five-year contract. Market Street was let for the full year under the existing 15 year lease. Rental income for the buildings during the year amounted to **£86,000**, (2019:- £62,000).

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

Controlling expenses remains a key focus. During the year the Society's total expenses were **£1,065,000** (2019:- £1,112,000). Development expenses amounted to **£16,000** (2019:- £22,000). The Society's underlying core expenses, excluding development and business acquisition, reduced to **£685,000** (2019:- £707,000), a decrease of 3.2% due mainly to reduced costs relating to administrative salaries, legal fees and depreciation.

Holloway Members' Funds

The value of Holloway Members' funds at 31 December 2020 was **£6,689,000** (2019: £6,895,000).

Apportionment and Bonus

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

| | | 2020 | 2019 |
|---|---------------------------------|---------------|--------|
| 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) | | £2.50 | £2.50 |
| 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.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Terminal Bonus

The Board also followed 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 that occur during 2021.

Rules Committee

The Rules Committee was appointed under Society Rule 44.1 at the Annual General Meeting (“the AGM”) held on 10 September 2020.

New Rules became effective on 22 December 2020, this being the date the Financial Conduct Authority confirmed the registration of the Rules alteration following the members’ vote to approve a change at the AGM in September 2020.

Following the adoption of the New Rules, the Rules Committee is now not required.

Society prospects for the future

The Society’s principal activities, together with the strategic focus and future direction are explained in the Strategic Report in these Financial Statements. The Board assesses the viability of the Society over a five year period based on the implementation and success of the Strategic Plan. The 5 year rolling Strategic Plan was last approved by the Board in September 2020. The Board assesses the Society is currently financially strong and has the resource and capability to maintain its current operations with regard to the nature of its business, size and complexity. The Board believes the Society will continue to operate for the foreseeable future, has recurring income and can meet its liabilities. A going concern basis has been used in the preparation of these Financial Statements.

Going Concern Assessment due to the coronavirus pandemic (COVID-19)

The coronavirus pandemic (COVID-19) has had a global impact since the start of 2020.

The Society continued to closely monitor the impact on its day-to-day operations, principally how it could continue to deliver effective member service, fair and appropriate claims management and investment performance.

In conjunction with the Actuary to the Society, a number of emerging COVID-19 risks were identified that had potential to impact on the Society’s ability to continue as a going concern. These risks have been assessed by the Board in relation to actual experience over 2020.

The Board also carried out additional monitoring in the following areas:

- Solvency over a future five year period as part of its financial forecasting.
- Stress testing as part of the Individual Capital Assessment.
- Liquidity impact on cashflow.
- Counterparty exposure, via the Investment Policy Statement.
- Operational resilience, the ability for staff to work from home and maintain member services.

The solvency and liquidity of the Society remain strong as indicated by the Board Key Performance Indicators, which are detailed on page 12. Our Auditors have also reviewed this work and their conclusions are contained in the Independent Auditor’s Report on pages 21–24.

The Board concludes that its assessment provides confidence that the Society continues to have the capability and ‘headroom’ within its solvency to mitigate the emerging experience from COVID-19 in 2020 and beyond.

Statement of Solvency

At 31 December 2020, 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 2020

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 use its resource and capability to increase income through new sales initiatives.

The Rules change in December 2020 now enables the Society to develop additional protection only plans, for designated target markets identified with the Strategic Plan.

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 world of financial services remains ever changing – the needs of customers and the way they want to work with their insurer; the commercial requirements of suppliers and distributors; the regulations that govern the way we operate. We must also not forget the importance of looking after and developing the people that keep the Society running – its employees.

The Society has a rolling Strategic Plan, which is developed and controlled by the Senior Management Team and the Board of Management – it gives clear direction on how to develop the Society for the future. We have concluded that to be successful in this changing financial world the Society must:

- focus on what it knows;
- play to its specialism;
- spread the word through targeted marketing.

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 increased revenue 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 Strategic Plan 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 offers insurance to sports players and sports clubs, using the experiences gained in selling professional rugby plans. We now have plans available at professional, semi professional and amateur levels for selected sports.

The Society is firmly established in the Group market, having specific products for employer funded and employee funded options, or a combination of both. This is a unique offering in the Group Income Protection market.

The intermediary market remains important in delivering the Society sales growth and business written through non-direct distribution channels amounted to 85% of the total in 2020 (2019:- 87%). The Society will maintain and maximise the potential from the intermediary market, whilst still maintaining a direct sales capability.

The Society has strengthened its operational infrastructure through recruitment and employee development, focused on the ability to deliver the required service to members and intermediaries. Employee development is achieved through formal, structured training and development planning which is in place for all employees. This both refreshes their existing knowledge and develops new knowledge and skills that enables them to provide temporary cover in other roles when the business requires.

The Society Sales and Business Development Consultant became operational in 2020, following a structured period of training and development. This role ensures that both existing and new members, and intermediaries, have a dedicated person to talk to and discuss their income protection needs and requirements.

The Society is also planning to widen its service by adding an 'Information Only' option for members, who want to make the buying decision themselves based on the information we provide.

The Society's rolling Strategic Plan articulates the business model. It is reviewed at least annually by the Board, and quarterly by the Chief Executive and Senior Management Team, to ensure it focuses on required priorities and developments in light of planned, and forced, external and internal changes.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STRATEGIC REPORT (CONTINUED)

The Society's Board composition remained 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. The Board is, however, due to be refreshed in 2021 as explained later under The Board of Management on page 14.

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 or opportunity 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 26.6%, in the KPI report that follows. 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 an Appropriate Actuary 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.

Risk Management

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 principal 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 Individual Capital Assessment, which is overseen by the Audit, Risk & Compliance Committee. The Audit, Risk & Compliance Committee regularly reports its findings and recommendation for mitigating 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 Society is exposed to a number of key risks, namely:

- insurance risk;
- financial risk - further defined into market, credit and liquidity risk; and
- business risks.

These are explained in more detail in Note 3, Risk Management and Control on pages 32-36 of these Financial Statements.

COVID-19 Pandemic

23 March 2020 saw the Society move to working remotely in response to lockdown requirements.

Whilst the lockdowns during the year and into 2021 have not been without their challenges, our staff have remained positive and operational, our systems and communications have been adapted to be able to correspond with our members remotely.

Operationally there have been a number of positive lessons learnt, such as the effective and secure use of email rather than paper to communicate with members. This will drive additional change in the way the Society operates in the future, and support the development of our Environmental, Social and Governance Plan as we seek to respond to the challenges of climate change.

Strategically, the Society's product and distribution initiatives have been delayed until the respective Group and Sports markets become operational again. The income protection needs remain, the awareness of incapacity is even greater than before.

Working together as a team has meant our staff have pulled together, supported each other and our members by being at the other end of the phone, or computer, when needed and most importantly our service has remained operational at all times.

Brexit

The Society continued to monitor the events following the Brexit withdrawal agreement signed in January 2020, leading to the post Brexit trade deal being signed before the year end.

Operationally, there has been very little impact on the Society as it currently distributes only in the UK.

The impact on investments continued to be considered by the Investment Committee and our appointed Investment Advisers, LGT Vestra.

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 2020. 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 2020

STRATEGIC REPORT (CONTINUED)

| | 2020 | 2019 | 2018 |
|-----------------------------------|--------------|--------------|--------------|
| | | | |
| Premium Income | £000 | £000 | £000 |
| New Premium Income | 45 | 48 | 67 |
| Established Member Premium Income | 1,497 | 1,517 | 1,543 |
| Total Premium Income | 1,542 | 1,565 | 1,610 |

Expenses

| | | | |
|---|--------------|--------------|--------------|
| Core Operating Expenses | 685 | 707 | 730 |
| Ratio of Operating Expenses to Premium Income | 44.40% | 45.18% | 45.35% |
| Total Investment Expenses | 90 | 114 | 124 |
| Total Selling Expenses | 274 | 269 | 280 |
| Total Business Development Expenses | 16 | 22 | 18 |
| Total Expenses | 1,065 | 1,112 | 1,152 |

Benefit Claims

| | | | |
|---|--------|--------|--------|
| Ratio of Benefit Claims to Total Premium Income | 39.99% | 49.40% | 49.26% |
|---|--------|--------|--------|

Assets

| | | | |
|---|--------|--------|--------|
| Total Assets | 16,107 | 15,793 | 15,255 |
| Admissible Assets (i) | 15,997 | 15,706 | 15,188 |
| Free Assets (ii) | 4,254 | 3,601 | 2,862 |
| Free Asset Ratio (as a percentage of admissible assets) | 26.6% | 22.9% | 18.8% |

- (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 at the top of this range.

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

- a reduction in the claims reserve; and
- an increase in unrealised investment gains as at 31 December 2020.

Membership

| | 2020 | 2019 | 2018 |
|-------------------------|-------|-------|-------|
| Number of Lives Insured | 2,940 | 3,067 | 3,141 |
| Number of Policies | 4,172 | 4,387 | 4,478 |

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE

The Board of Management (“the Board”)

The Board comprises of the Chair, who is Non-executive, together with five other Non-executive Board members. 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 Non-executive 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 Board members 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 attends all Board meetings in an executive capacity.

The Board has full access to all information that it may require and Non-executive 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 Board members who are below the age of 70, at the date of the relevant AGM, 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 Association of Financial Mutuals Corporate Governance Code (“AFM CGC” / “the Code”), all Non-executive 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 Non-executive Board members. Non-executive Board members who are over the normal retirement age of 70 prescribed by legislation, are not eligible for co-option. They may be appointed, subject to the Act and the Rules, by Board resolution. They are subject to annual election by Society members.

The Society provides appropriate training to Non-executive 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 Non-executive 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 2020 the Board assessed its composition as suitable in meeting its functional requirements, though noted the requirement to refresh its membership.

The Board has therefore formed a Board Succession Plan that takes account of the requirements of the Society’s governance in conjunction with the Code, together with Non-executive Board member tenure and their future intentions. This plan ensures that the Board composition will continue to remain suitable into the future.

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 and the Senior Management Team.

Independence of Board members including the Chair

The AFM CGC sets out how a Non-executive member of the Board can be considered independent. The criteria are that a Non-executive 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-executive Board members 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 five members of the Board are not deemed independent but only by virtue of their length of service. These are Messrs Harrison, Bones, Gurney, and Mrs Pedder who are subject to annual re-election. Mr Paul was independent, by virtue of length of service, for only part of the year, though will not be standing for re-election in 2021.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE (CONTINUED)

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 Non-executive Board members who have long experience of the Society and its operations continue to serve, if necessary beyond the 9 years recommended by the Code, provided they continue to demonstrate independence of view.

The Board has, however, agreed within its Board Succession Plan a number of changes in 2021. This acknowledges it had two Non-independent Board members, by virtue of length of service, for part of 2020 and therefore needed to address that balance as soon as reasonably possible in 2021.

Mr Harrison will step down as Chair and leave the Society shortly after the 2021 AGM. He will therefore seek re-election at the AGM, and stay in post, only until his successor can be formally appointed following Regulator approval.

The Board has voted Mr Gurney as the new Board Chair, utilising both his Society and independent experience to guide the Society through the next phase of its Strategic Plan. His Chair tenure will be limited, under the Board Succession Plan, due to his existing length of service. He will take over the Chair as soon as permitted after the 2021 AGM, following Regulatory approval.

As mentioned previously, Mr Paul will be leaving the Board after the AGM. He will remain a Society member. When Mr Harrison then leaves the Society, there will be two vacancies on the Board. The Society has started its recruitment of those two Non-executive Board members in March 2021 and aims to have the successful candidates on the Board in July 2021.

This means that, during the latter half of 2021, there will be three independent Non-executive Board members representing 50% of the Board, which the Board notes as being acceptable and in excess of the Code requirement.

Senior Independent Board Member

The Code also recommends that a Non-executive 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 Whitehead is the Senior Independent Board Member 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 the back page.

Board Committees

In order to effectively discharge its duties the Board has delegated some of its functions to five Board Committees. All Non-executive Board members are required to serve on at least one Board Committee. Appointment to a particular Committee takes into account the specialist skills of individual Non-executive 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 Non-executive Board members as the need arises.

Audit, Risk & Compliance 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 and Mrs Whitehead. 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 Senior Management Team also attends in an advisory capacity.

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 Senior Management Team.

The Society's External Auditor is Moore. 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 to the Society.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 not as a Non-executive 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 Investment Advisers. Mrs Barrell also attends in an advisory capacity.

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-executive Board members, currently Mr Paul and Mrs Whitehead. 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 AFM CGC, as applicable to smaller firms, requires two members of this Committee to be independent within the meaning ascribed by the Code. In 2020, as previously explained, Mrs Whitehead met the criteria for independence for the whole year and Mr Paul for part of the year. The Board considered this to be acceptable, acknowledging that the independence ratio will change in 2021 under the Board Succession Plan. Mrs Barrell also attends in an advisory capacity.

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 Non-executive Board members.

Monitoring employee performance and welfare is also an important function of this Committee and therefore, at each meeting, an update is provided by the executive on each individual employee and the team as a whole. This informs both future employee development and support and succession planning.

Product Steering Committee

The Committee meets four times a year, is headed by Mr Gurney and in addition comprises the Chief Executive and three other Non-executive Board members, Mr Harrison, Mr Bones and Mrs Whitehead. The Society's skills mix assessment has determined that membership of this Committee should include at least one member of the accountancy profession and one member with sales and marketing experience. Mrs Barrell also attends in an advisory capacity.

The principal function of the Committee is to consider, set and report to the Board on the Society's sales and marketing strategy and outcomes in line with the Society's corporate strategic objectives. It also considers and reports to the Board on risks inherent within the Society's sales and marketing strategy, together with the oversight of the Society's sales and marketing activities.

Governance Committee

The Committee considers, documents and reports to the Board on the Society's Governance Framework, in line with the Society's corporate strategic objectives. It also considers and reports to the Board on risks inherent within the Society's Governance Framework and oversees the Society's Governance activities. It also forms, reviews and assesses the Society's Conduct Risk policy.

The Committee now meets twice a year, is headed by Mr Harrison and in addition comprises the Chief Executive and one other Non-executive Board member, Mr Paul. Mr Davis also attends in his role as Governance and Compliance Manager.

Operational Committees

There are additional operational Committees, which include members of the Senior Management Team, the Chief Executive together with employees from the Operational Team, having responsibility for, for example, general oversight of Benefit Claims underwriting.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE (CONTINUED)

Board Attendance Record

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

| Board Member | 2020 | | 2019 | |
|--------------------|-------------------|-------------------|-------------------|-------------------|
| | Meetings Attended | Relevant Meetings | Meetings Attended | Relevant Meetings |
| Roger Harrison | 21 | 21 | 18 | 22 |
| Martin Gurney | 15 | 16 | 13 | 13 |
| Margaret Pedder | 10 | 11 | 13 | 13 |
| David Bones | 16 | 17 | 12 | 13 |
| Leonard Paul | 11 | 11 | 12 | 12 |
| Caroline Whitehead | 15 | 15 | 14 | 15 |
| Jon Gratland | 21 | 21 | 22 | 22 |

The Society's Senior Management Team, which comprises of the 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 Chair, Roger Karn, attends all Investment Committee meetings on a consultancy basis.

Climate Change – The impact on the Society

The Society is developing its Environmental, Social and Governance (ESG) Policy and Plan during 2021. This will evolve over the coming years as the Society seeks to incorporate this important initiative in its development. More information will be shared with members as it is developed, through the Society website and in specific communications.

One of the key components of the Environmental aspect of that plan is to consider, identify and manage the financial risks associated with climate change.

The Prudential Regulatory Authority has provided guidance in how to plan and respond to this requirement. This is supported by the 'Climate Financial Risk Forum' (CFRF), which is an industry-led forum bringing together senior representatives from across the financial sector, producing practical tools and recommendations and sharing good practice. This will support the Society in responding to climate-related financial risks and capturing the opportunities arising from climate change.

The Society's Climate Change project plan focuses on the 4 key areas identified by the CFRF:

1. Governance
2. Financial Risk Management
3. Scenario Analysis
4. Disclosure

The climate change assessment and associated project plan is still in development, for completion by the end of 2021. It is, however, already clear that climate change will have an impact on the Society, though in a limited way due mainly to the fact the Society has a single product type. The areas initially identified as being impacted include:

- Product – Climate change may impact morbidity – the rate of disease in a population – which in turn could impact benefit claims, future product pricing and/or terms;
- Investment Portfolio – The Society must be mindful of the climate change risks impacting its investment portfolio, hence it is working closely with its Investment Adviser to understand and manage this;
- Risk profile and business strategy – The Society will work with the Actuary to the Society, to assess climate change impact on financial strength in the next five years.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE (CONTINUED)

The Society's Strategic Plan has been updated and the Board of Management are actively engaged in managing this important initiative. There is clear definition, within the Climate Change project plan, of:

- The Board's oversight of climate-related risks and opportunities.
- The Senior Management's role in assessing and managing climate-related risks and opportunities.

Impact of the Society on the Environment

There are a number of aspects of the Society's operation that impacts on the environment and these are being defined in the Environmental component of the developing ESG plan – by way of example; the Society has two properties, has 19 people on payroll as at 31 December 2020, has tenants operating within its properties and also works with a number of suppliers.

The ESG plan, developed during 2021, will assess Society sustainability and address areas such as CO₂ emissions, waste management, energy efficiency and use, air and water pollution. It will then incorporate defined targets and Key Performance Indicators that the Board of Management will monitor and evaluate.

Financial Statements

In conjunction with the risk assessments completed by the Actuary to the Society, and advice provided by its Investment Adviser, there is no current indication that Society assets may be impaired or have their useful life impacted by climate change.

There is also no current impact on the long term business planning arising from assumptions impacted by climate change.

The Corporate Governance Code

The Society, as a member of the Association of Financial Mutuals (AFM), has chosen to adopt the AFM Corporate Governance Code 2020 (AFM CGC).

The AFM CGC sets out a series of principles of good corporate governance that the Society can implement within its business, where practical and appropriate to do so. Those principles of best practice are adopted on an "apply and explain" basis. The following table sets out the extent to which the Society has applied these principles.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE (CONTINUED)

| Principle | Applied | How Applied |
|--|---------|---|
| <p>1. Purpose and leadership: An effective board promotes the purpose of an organisation, and ensure that its values, strategy and culture align with that purpose.</p> | Yes | <p>The Society’s rolling 5 year Strategic Plan sets out the purpose, future focus and direction of the Society. It is actively reviewed and managed by the Board of Management (“Board”) and the Senior Management Team. Progress is shared with employees, through team meetings, and with members through these Financial Statements.</p> <p>The Society’s culture is implemented internally and externally through its defined ‘Values’, adopted by the Board and all employees.</p> <p>Behaviours are also defined, aligned, and measured for Non-executive Board members and employees as part of the annual appraisal process.</p> <p>The Governance Framework is the Society’s implementation and control structure.</p> |
| <p>2. Board composition: Effective board composition requires an effective chair and balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.</p> | Yes | <p>The Society has a Board of Management (“Board”) comprising of a Chair, five Non-executive Board members and the Chief Executive on an ex officio basis. This number is considered appropriate for the size of the Society.</p> <p>Board and Committee purpose is clearly defined with respective Terms of References.</p> <p>Each member of the Board brings their own experience and specialism which also adds value to the support they can offer on operational matters.</p> <p>Board diversity is achieved, and maintained, as part of the Board Succession Plan. That succession plan is being implemented in 2021 to change the Chair and refresh the Board membership, increasing the independence of its members.</p> <p>A Board Diversity policy has been developed and is an element within the Non-executive Board member recruitment.</p> <p>Individual performance and skills are evaluated through an annual appraisal process.</p> <p>Delayed by the pandemic impact, the Board will be implementing an external Board Effectiveness Review in 2021.</p> |
| <p>3. Director responsibilities: The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.</p> | Yes | <p>The Society has a clear Board and Committee structure, responsibilities are defined by the respective Terms of Reference.</p> <p>Non-executive Board members have clear accountabilities from their contracts and the Chair and Chief Executive have their responsibilities specifically defined.</p> <p>The ownership and development of the Society Environmental, Social and Governance (“ESG”) Plan, to include the specific response to climate change, rests with the Board and the Chief Executive.</p> <p>There are agreed Key Performance Indicators and specific management reports that provide timely information to the Board of Management (“Board”). The quality and integrity of that information is internally reviewed by the Board, externally through Internal and External Audit. The Company Secretary keeps the Board informed of internal and external policy and procedures that impact their roles.</p> <p>Board review, challenge and decision making is specifically noted in the Board and Committee meeting minutes.</p> |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE (CONTINUED)

| Principle | Applied | How Applied |
|--|---------|---|
| <p>4. Opportunity and risk: A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.</p> | Yes | <p>The Strategic Plan guides the Society’s long term focus and viability, and within that, development opportunities are identified and subsequently evaluated for implementation.</p> <p>Sales initiatives are driven by the Product Steering Committee. Product development is structured and controlled through the Product Oversight and Governance Policy which draws value assessment through market analysis and stakeholder input.</p> <p>Risk management is the responsibility of the Audit, Risk and Compliance Committee. There is a Risk Management Policy and register, established on a three lines of defence basis, that is actively reviewed and developed to identify changing and emerging risks and to manage and mitigate them where possible. ESG is one such emerging risk, being added to the Society’s Risk Register in 2021.</p> |
| <p>5. Remuneration: A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.</p> | Yes | <p>The Board of Management controls remuneration through the Staffing, Salaries and Nominations Committee.</p> <p>The Committee reviews and benchmarks employee salary to ensure it is both fair and appropriate in the market to recruit and then retain employees.</p> <p>The Society is small and has considered it is not appropriate to undertake gender pay-gap reporting specifically.</p> <p>Non-executive Board member and Chief Executive remuneration is made clear to members annually in these Financial Statements.</p> |
| <p>6. Stakeholder relationships and engagement: Directors should foster effective stakeholder relationships aligned to the organisation’s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p> | Yes | <p>The Strategic Plan directs the Society and progress is shared with stakeholders through these Financial Statements and targeted communications specific to the stakeholder group.</p> <p>There is clear commitment to engaging with key customers; who are the members and intermediaries that make up and contribute to the Society business.</p> <p>The website was used to communicate the impact of the pandemic to Society members and stakeholders in 2020. This was supplemented by enhanced electronic communication, and full connectivity remained in place whilst remote working.</p> <p>The Senior Independent Board Member previously initiated member forums to share future Society thinking and to identify what membership value meant to the members themselves. Forums were paused in 2020, due to the pandemic, though will resume when permitted in 2021 alongside enhanced member communication.</p> <p>Defined operational and sales roles are dedicated to providing communication and service. The Society also talks to its members through the website, social media and member forums.</p> <p>Suppliers are managed against their respective Terms of Engagement.</p> <p>The Board of Management (“Board”) is kept informed of engagement and performance through the respective Board and Committee meetings.</p> <p>The Board collectively, and Non-Executive Board members individually, seeks to engage with employees through their staff meetings and one to one interaction made possible by the small size of the Society.</p> <p>One area that the Society is committed to develop, once the pandemic permits, is its engagement in the local community and environment.</p> <p>The ESG Plan, to include the specific response to climate change, will inform and develop the ongoing relationship with Society staff and stakeholders.</p> |

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT AS TO DISCLOSURE TO AUDITORS

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

- so far as the Non-executive Board member is aware, there is no information relevant to the audit of the Society's Financial Statements for the year ending 31 December 2020 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.

S172(1) DIRECTOR'S DUTIES STATEMENT

The Board of Management ("Board") has considered the requirements of the Companies Act Section 172, which requires all Directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decisions in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

The Non-executive Board members and Chief Executive fulfil their duties through a strong governance framework and approach.

The future of the Society is directed by a rolling 5 year Strategic Plan and progress towards that can be found in the Strategic Report on pages 10 to 12. This plan was formed, and is updated, by the Board and the Senior Management Team.

Members of the Board engage with employees through their staff meetings and Board and Committee meetings, which gives the opportunity to provide both strategic update and understand and discuss operational matters. The Board also regularly communicate, on an individual basis, with members of the Senior Management Team. Employee interests are formally monitored and discussed at the Staffing, Salaries & Nominations Committee twice yearly.

The Society's key customers are its members and the intermediaries who place business. The Strategic Report on pages 10 to 12 explains more about how those relationships are provided for. The Society also has a number of suppliers with whom it regularly interacts, with those relationships managed against defined Terms of Engagement.

Establishing and maintaining the right culture is a fundamental focus within the Society. As outlined on page 7, the Society has a set of 'Values' recognised as relevant to its employees, members and other customers. These 'Values' are the principles believed to be important to the business and come from the Society's purpose. They 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. The Society has developed an Environmental, Social and Governance Plan, to include the specific response to climate change, which will continue to be developed and implemented.

The Board monitors and manages operational and strategic performance and risk through agreed written reports and KPIs. The principal Society KPIs are shown on page 12, and risk management is explained in more detail in Note 3, Risk Management and Control, on pages 32 to 36 of these Financial Statements.

RE-APPOINTMENT OF AUDITORS

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

By Order of the Board of Management



Jon Gratland
Chief Executive

27 April 2021

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
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 2020 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 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 2020 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- review and challenge of the Society current plans and budgets, challenging growth assertions and ensuring that movements were in line with justifiable assumptions and movements; and
- reviewing the basis of solvency projections for the next 12 months and ensuring that an appropriate mechanism for calculating solvency had been applied.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Society and its environment, including the Society's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

All audit work was performed directly by the audit engagement team with the assistance of appointed experts.

In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of technical provisions, which are subject to management judgement and estimation.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)

Key Audit Matters

Key audit matters (KAM) 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.

Going Concern in relation to the COVID-19 pandemic was a KAM in 2019 but is no longer considered a KAM as the Society has been able to operate effectively throughout the year and has continued to trade profitably.

| Key Audit Matter | How our audit addressed the key audit matter |
|--|---|
| <p>Valuation of the long-term business provision</p> <p>Included in the financial statements is a long-term business provision liability which represents the estimated costs of settling benefits and claims associated with income protection products. This is set out in further detail in notes 3 and 11. The provision is calculated by an independent actuarial expert appointed by management utilising policy data and assumptions applied to the valuation calculations. We have assessed this area as being of significant risk to the audit due to the significance of these amounts in deriving the Society's results and because of the assumptions underpinning the calculation, which can be highly subjective.</p> | <p>In assessing the valuation of the long-term business provision, we performed the following procedures:</p> <ul style="list-style-type: none"> • We have utilised an independent actuary to report to us on the methodology and assumptions underpinning the calculation of the provision and the accuracy of the calculation itself. • We have reviewed and confirmed the independence and expertise of our and the Society's actuarial experts. • We have obtained and reviewed the actuarial reports prepared by the Society's actuary and our reviewing actuary and checked that all relevant judgements and estimates in the Society's calculation have been considered and appropriately challenged in forming our opinion. • We have reviewed and assessed changes to the assumptions used in the long-term business provision to check these are reasonable and in line with acceptable parameters based on our independent actuary's assessment. • We have agreed source data provided to management's actuary and to our reviewing actuary to the underlying policy data to check that calculations are based on accurate information. • We agreed a sample of data for new members to the policy admin system to check that the underlying policy data had been correctly entered. <p>Overall, based on the assumptions and methodology used at 31 December 2020, we consider the long-term business provision liability recognised by the Society within their financial statements to be reasonable.</p> |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)

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 £42,000 for items impacting the Statement of Comprehensive Income, which is approximately 2% of income (excluding changes in the long-term business provision). We determined materiality of £320,000 for items which require reclassification on the Statement of Financial Position, which is approximately 2% of gross assets. Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £31,500 (2019: £30,750) which represents 75% (2019: 75%) of the above materiality level. We agreed with the Audit, Risk & Compliance Committee that we would report to the Board all audit differences in excess of £2,100, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

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

In our opinion, based on the work undertaken in the course of the audit the information given in the Report of the Board of Management, the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the accounting records and the financial statements.

Matters on which we are required to report by exception

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:

- proper accounting records have not been kept by the Society; or
- the financial statements are not in agreement with the accounting records and returns; 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.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- agreement of the financial statement disclosures to underlying supporting documentation;
- our responses to significant audit risks (technical provisions and management override of controls) are intended to sufficiently address the risk of fraudulent manipulation. In particular we engaged an independent external actuary as auditor's expert to review the assumptions and methodology applied by the Society in the valuation of long term business provisions to check the methods utilised are appropriate;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the legal and regulatory framework applicable to the Society's operations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 73 of 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.



M Powell
Senior Statutory Auditor

For and on behalf of Moore
Chartered Accountants and Statutory Auditor

29 April 2021

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 | 2019 |
|--|-------|----------------|----------------|
| | | £000 | £000 |
| Technical Account: Long-Term Business | | | |
| Net Earned Premium Income | 4a | 1,542 | 1,565 |
| Investment income | 4b | 464 | 488 |
| Other technical income | | 5 | 10 |
| Total technical income | | 2,011 | 2,063 |
| Gross benefits and claims | | (626) | (779) |
| Claims ceded to reinsurers | | 9 | 6 |
| Net benefits and claims | | (617) | (773) |
| Change in long-term business liabilities (reserves) | | (51) | 114 |
| Bonuses, rebates & other disbursements | 6 | (296) | (315) |
| Net operating expenses | 7 | (1,008) | (1,023) |
| Direct Investment expenses and charges | 7 | (57) | (89) |
| Unrealised gains/(losses) on investments | | 638 | 799 |
| Realised gains/(losses) on investments | | (160) | 100 |
| Transfer (to)/from the Fund for Future Appropriations | 10 | (460) | (876) |
| Total claims bonuses and expenses | | (2,011) | (2,063) |
| Balance on the Technical Account: Long-Term Business and Total Comprehensive Income | | - | - |

The above results relate wholly to continuing activities.

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 2020

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

| | Notes | 2020 | 2019 |
|--|-------|---------------|---------------|
| ASSETS | | £000 | £000 |
| Investments | | | |
| Land and buildings | 8 | 1,050 | 1,035 |
| Other financial investments | 8 | 14,665 | 14,386 |
| | | 15,715 | 15,421 |
| Debtors | | | |
| Arising out of direct insurance operations | | 20 | 4 |
| Other assets | | - | - |
| Tangible & Intangible Fixed Assets | 9 | 80 | 92 |
| Cash at bank and in hand | | 135 | 111 |
| Prepayments and accrued income | | | |
| Accrued interest and rent | | 105 | 119 |
| Deferred acquisition costs | | 26 | 23 |
| Other prepayments | | 26 | 23 |
| | | | |
| Total assets | | 16,107 | 15,793 |
| LIABILITIES | | | |
| Members funds | 11 | 6,689 | 6,895 |
| Fund for future appropriation | 10 | 5,936 | 5,476 |
| Technical provisions | | | |
| Long-term business provision | 11 | 3,260 | 3,209 |
| Claims outstanding | | 25 | 41 |
| Creditors | | | |
| Arising out of direct insurance operations | 12 | 23 | 19 |
| Other creditors including taxation and social security | 12 | 74 | 71 |
| Accruals and deferred income | 12 | 100 | 82 |
| | | | |
| Total liabilities | | 16,107 | 15,793 |

These Financial Statements were approved by the Board of Management on 27 April 2021 and were signed on its behalf by:-



Roger Harrison
Chair



Jon Gratland
Chief Executive

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 a fair value 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 (see the Going Concern Assessment on page 9 for further explanation).

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 excluded 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 2020

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. These liabilities are calculated using historic Society experience and include reserves for claims which have occurred but not been 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 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 that 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

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 the back page of these Financial Statements. The nature of the Society's operations and its principal activities are set out in the Strategic Report on pages 10 to 12.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 insurance contracts is based on policy data held on the Society's administration systems and prudent assumptions set using internal and external data as inputs to actuarial valuation models.

The assumptions used for mortality and morbidity are based on standard industry 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. 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 to:

- a) ensure the Society's strategy can be implemented and is sustainable;
- b) ensure the Society's financial strength and to support the risks it takes on as part of its business;
- c) give confidence to members and other stakeholders who have relationships with the Society; and
- d) 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 2020 the Society's available capital is more than seven 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 as it covers a wider range of risks and provides a more realistic assessment basis. The Board intends to maintain surplus capital in excess of the 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.

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

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2) Capital Management (Continued)

The Capital Statement set out below, illustrates the financial strength of the Society's life business at 31 December 2020. 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 **£532,000** (2019: £548,000).

| | 2020 | 2019 |
|---|--------------|---------|
| | | |
| | £000 | £000 |
| Capital Statement Table | | |
| Fund for future appropriation | 5,936 | 5,476 |
| Regulatory adjustments: Assets | (110) | (87) |
| Liabilities | (1,040) | (1,240) |
| Total available capital resources | 4,786 | 4,149 |
| Deduct regulatory capital requirement | (532) | (548) |
| Free Capital | 4,254 | 3,601 |
| | | |
| Total available capital at 1 January | 4,149 | 3,423 |
| Effect of economic experience | 1,092 | 1,364 |
| Difference in Admissibility Limits | (23) | (20) |
| Changes in valuation assumptions | (149) | (267) |
| Effect of resilience requirements | 80 | (30) |
| Effect of claims in payment | 83 | 241 |
| New business and other factors | (446) | (562) |
| Total available capital resources | 4,786 | 4,149 |

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 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2) Capital Management (Continued)

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

Potential Movement In Available Capital

Variable

- An increase in the morbidity rate of 10%
- A increase in the value of invested assets of 10%
- A decrease in the value of invested assets of 10%

2020

£000

1,550

1,567

(1,567)

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 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3) Risk Management and Control

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 arise from morbidity, expense variances and lapse rates. Systems are in place to measure, monitor and mitigate exposure to all of these risks.

The Society's technical provisions and maturity profile as at 31 December 2020 are as follows:

| Technical Provisions as at 31 December 2020 | Within 1 Year | 1-5 Years | 5-10 Years | Over 10 Years | Total |
|---|---------------|------------|------------|---------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Long-Term Business Provision | 136 | 417 | 695 | 2,012 | 3,260 |
| Outstanding claims | 25 | - | - | - | 25 |
| Total | 161 | 417 | 695 | 2,012 | 3,285 |

The table below shows the technical provisions as at 31 December 2019:

| Technical Provisions as at 31 December 2019 | Within 1 Year | 1-5 Years | 5-10 Years | Over 10 Years | Total |
|---|---------------|------------|------------|---------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Long-Term Business Provision | 29 | 389 | 688 | 2,103 | 3,209 |
| Outstanding claims | 41 | - | - | - | 41 |
| Total | 70 | 389 | 688 | 2,103 | 3,250 |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (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 | 2020 | | 2019 | |
|--------------------------------------|--|----------|--|----------|
| | Change in Technical Provisions (£'000) | Impact % | Change in Technical Provisions (£'000) | Impact % |
| Reduction in Risk-free rates by 0.5% | 234 | 7.1 | 211 | 6.5 |
| Increase in mortality by 10% | (16) | (0.5) | (15) | (0.5) |
| Increase in sickness rates by 10% | 1,550 | 47.2 | 1,543 | 47.7 |
| Increase in expenses by 10% | 1,091 | 33.2 | 1,223 | 37.9 |

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

Financial Risk

The Society is exposed to a range of market 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 2020 split by duration were as follows:

| Assets as at 31 December 2020 | No Maturity | Within 1 Year | 1-5 Years | 5-10 Years | Over 10 Years | Total |
|-------------------------------|--------------|---------------|--------------|--------------|---------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Land & Buildings | 1,050 | - | - | - | - | 1,050 |
| Equity Investments | 5,641 | - | - | - | - | 5,641 |
| Fixed Interest Securities | - | - | 3,877 | 3,177 | 1,927 | 8,981 |
| Cash & Other | 126 | 296 | 13 | - | - | 435 |
| Total | 6,817 | 296 | 3,890 | 3,177 | 1,927 | 16,107 |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3) Risk Management and Control (Continued)

The assets held in the insurance funds as at 31 December 2019 split by duration were as follows:

| Assets as at 31 December 2019 | 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 | 5,164 | - | - | - | - | 5,164 |
| Fixed Interest Securities | 0 | 387 | 4,185 | 3,044 | 1,131 | 8,747 |
| Cash & Other | 119 | 703 | 25 | - | - | 847 |
| Total | 6,318 | 1,090 | 4,210 | 3,044 | 1,131 | 15,793 |

- 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 Investment Committee. The Investment Committee oversees investment activity, monitors the Society's Investment Advisers and ensures that the investment policy and asset allocations are maintained in accordance with the Terms of Reference set by the Board from time to time.

The Society has appointed experienced and competent discretionary Investment Advisers 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 interests of members in the context of the investment of their funds.

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

i) Equity price risk

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

As at 31 December 2020, the Society held £5.641m (2019: £5.164m) of individual equities. A 10% reduction in this value would lead to a 11.8% decrease (2019: 12.4% decrease) in the Society's available capital.

ii) 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 2020, the Society held £1.050m (2019: £1.035m) of properties. A 25% reduction in this value would lead to a 5.5% decrease (2019: 6.2% decrease) in the Society's available capital.

iii) 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 0.15% to 0.165%) would lead to a 1.3% decrease (2019: 1.2% decrease) in the Society's surplus capital.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3) Risk Management and Control (Continued)

iv) 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 | 2020 | 2019 |
|----------------------------------|--------------|--------------|
| | £000 | £000 |
| US Dollar | 1,200 | 937 |
| Euro | 50 | 0 |
| Pound Sterling | 4,322 | 4,227 |
| Swiss Franc | 69 | 0 |
| Total | 5,641 | 5,164 |

- Credit Spread Risk

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

As at 31 December 2020 the Society held £8.981m (2019: £8.747m) of listed fixed interest securities.

These are analysed by credit rating below:

| Credit Rating | 2020 | 2019 |
|---------------|--------------|--------------|
| | £000 | £000 |
| AAA | 355 | 564 |
| AA | 2,758 | 2,627 |
| A | 928 | 1,200 |
| BBB | 4,608 | 4,030 |
| Below BBB | 332 | 326 |
| Total | 8,981 | 8,747 |

- 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 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (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.

4a) Gross Premiums Written

| | Notes | 2020 | 2019 |
|---|-------|--------------|--------------|
| | | £000 | £000 |
| Contributions to the Holloway sickness fund | | 1,624 | 1,654 |
| Contributions ceded to the Reinsurer | | (82) | (89) |
| | | 1,542 | 1,565 |

4b) Investment Income

| | | |
|------------------------------------|------------|------------|
| Rental Income | 86 | 62 |
| Interest received on Cash Deposits | 2 | 2 |
| Dividend Income | 376 | 424 |
| | 464 | 488 |

5) Change in Long-Term Business Provision

| | | |
|---|--------------|--------------|
| Change in technical provision | 51 | (114) |
| Balance at the beginning of the year | 3,209 | 3,323 |
| | 3,260 | 3,209 |

See Note 11b

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6) Members' Apportionment and Bonuses

| | Notes | 2020 | 2019 |
|---|--------------|------------|------------|
| | | £000 | £000 |
| Apportionment – allocated during the year | See Note 11a | 101 | 105 |
| Bonus – allocated during the year | See Note 11a | 174 | 180 |
| Terminal Bonus – paid on retirement or allocated to commuting members | See Note 11a | 21 | 30 |
| | | | |
| | | 296 | 315 |

7) Net Operating Expenses

| | | |
|---------------------------------------|--------------|--------------|
| General office and administration | 68 | 80 |
| Administrative employees costs | 618 | 572 |
| Membership services | 12 | 22 |
| Own occupation property costs | 29 | 32 |
| Finance | 9 | 9 |
| Professional fees | 92 | 99 |
| Depreciation and equipment disposals | 32 | 28 |
| Recurring operational expenses | 860 | 842 |
| Direct cost of business acquisition | 132 | 159 |
| Direct cost of investment activities | 57 | 89 |
| Total recurring expenses | 1,049 | 1,090 |
| Product development costs | 16 | 22 |
| Total exceptional expenses | 16 | 22 |
| Total operating expenses | 1,065 | 1,112 |

Operating expenses are allocated as follows:-

| | | |
|--|--------------|--------------|
| Administrative expenses | 685 | 707 |
| Direct and indirect cost of investment activities | 90 | 114 |
| Direct and indirect cost of business acquisition & strategic development | 274 | 269 |
| Product development | 16 | 22 |
| | 1,065 | 1,112 |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

7) Net Operating Expenses (Continued)

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

Sales employees (including commission)

Other employees

| 2020 | 2019 |
|------------|------|
| £000 | £000 |
| 40 | 61 |
| 618 | 572 |
| 658 | 633 |

External Audit fees in the year were as follows:-

Audit fees

Fees for non audit work

| | |
|-----------|----|
| 23 | 19 |
| 0 | 0 |
| 23 | 19 |

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 | 1,035 | 8,747 | 5,164 | 475 | 15,421 |
| Net movements on invested funds | - | 17 | 232 | (433) | (184) |
| Gains/(losses) on disposals & redemptions | - | (4) | (157) | 1 | (160) |
| Unrealised gains/(losses) on revaluation | 15 | 221 | 402 | - | 638 |
| Valuation at the end of the year | 1,050 | 8,981 | 5,641 | 43 | 15,715 |
| Historical Cost | 1,711 | 8,682 | 3,871 | 43 | 14,307 |

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. As at the end of 2020, all units were fully let. The property is included at its open market value of £750,000 (2019:- £720,000) after a write down provision of £709,000 (2019:- £739,000).

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 £300,000 (2019:- £315,000).

Both properties were valued as at 31 December 2020, on a Red Book desk top valuation basis, by Amy Percy MRICS (Senior Surveyor) of Carter Jonas.

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.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8) Investments (Continued)

Fair Value Measurement (Continued)

| | 2020 | | | 2019 | | |
|---------------------------|---------|---------|---------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Land and Buildings | - | - | 1,050 | - | - | 1,035 |
| Shares and Unit Trusts | 5,641 | - | - | 5,164 | - | - |
| Fixed Interest Securities | 8,981 | - | - | 8,747 | - | - |
| Cash and Other | 330 | - | - | 847 | - | - |

9) Tangible & Intangible Fixed Assets

| | Fixtures & Fittings | Equipment | Intangible Assets | Totals |
|--|---------------------|------------|-------------------|------------|
| | £000 | £000 | £000 | £000 |
| Cost at the beginning of the year | 19 | 112 | 92 | 223 |
| Additions | - | 6 | 14 | 20 |
| Disposals | (1) | 0 | (7) | (8) |
| Cost at the end of the year | 18 | 118 | 99 | 235 |
| Depreciation at the beginning of the year | 9 | 94 | 28 | 131 |
| Charge for the year | 1 | 8 | 22 | 31 |
| Eliminated on disposals | - | - | (7) | (7) |
| Depreciation at the end of the year | 10 | 102 | 43 | 155 |
| Net book value at the end of the year | 8 | 16 | 56 | 80 |
| Net book value at the beginning of the year | 10 | 19 | 64 | 92 |

10) Fund for Future Appropriation

Balance brought forward

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

Balance at the end of the year

| 2020 | 2019 |
|-------|-------|
| £000 | £000 |
| 5,476 | 4,600 |
| 460 | 876 |
| 5,936 | 5,476 |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

| 11) Technical Provisions | Notes | 2020 | 2019 |
|---|--------------|--------------|--------------|
| 11a) Holloway Business | | £000 | £000 |
| Apportionment | See Note 6 | 101 | 105 |
| Bonus | See Note 6 | 174 | 180 |
| Terminal Bonus | See Note 6 | 21 | 30 |
| | | 296 | 315 |
| Deaths, retirements and surrenders | | (497) | (562) |
| Forfeitures and lapses | | (5) | (10) |
| | | (206) | (257) |
| Balance at the beginning of the year | | 6,895 | 7,152 |
| | | | |
| Balance at the end of the year | | 6,689 | 6,895 |

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 | 2020 | 2019 |
|--|--------------|--------------|
| The components of the long-term business provision are as follows: | £000 | £000 |
| Reserve for:- Holloway sickness benefit | 2,291 | 2,172 |
| Group sickness benefit | 208 | 191 |
| Reinsurance share of Group sickness benefit provision | (10) | (8) |
| Claims in payment | 771 | 854 |
| Balance at the end of the year | 3,260 | 3,209 |

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: | 2020 | 2019 |
|--|-------------|-------------|
| | £000 | £000 |
| Insurance activities | 23 | 19 |
| Non-insurance activities | 74 | 71 |
| Other provisions and accruals | 100 | 82 |
| | | |
| | 197 | 172 |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (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:- Haines Watts Controls & Assurance Limited of Farnborough the total sum of **£4,440** (2019: £11,837) 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:- Haines Watts Chartered Accountants of Trowbridge, the total sum of **£1,522** (2019: £1,878) 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 **£442** (2019:- £997) 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 2020. 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 Sally Butters FIA, a Consultant Actuary of OAC plc (OAC). Due to a change in regulation, from 1 July 2016 the Society no longer needed to appoint an Actuarial Function Holder or a With-Profits Actuary, however there remained a need to appoint an Actuary to carry out the required valuation and provide certification thereof. Mrs Butters has performed both functions in the year. The Society requested her to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mrs Butters has confirmed that neither she or any member of her family, nor any of OAC's principals, partners or directors, were members of the Society, nor had 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 **£44,340** (2019:- £63,728) 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:

Chief Executive & Senior Management Team
 Administrative employees
 Sales employees

| | 2020 | 2019 |
|--|-----------|------|
| | | |
| | 4 | 5 |
| | 7 | 5 |
| | 1 | 3 |
| | | |
| | 12 | 13 |

Employee costs during the year during were:

Salaries and commissions
 Employers' National Insurance
 Pension costs

| | 2020 | 2019 |
|--|-------------|------|
| | £000 | £000 |
| | 558 | 537 |
| | 52 | 51 |
| | 48 | 45 |
| | | |
| | 658 | 633 |

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16) Board Remuneration Report

| Non-executive Board Member | Fees | Attendance | Salary & Bonus | Pension | Allowances | 2020 | 2019 |
|---|---------------|---------------|----------------|---------------|------------|----------------|---------|
| R T Harrison | 15,795 | 5,787 | - | 648 | 170 | 22,400 | 22,265 |
| D C Bones | 10,517 | 4,167 | - | - | - | 14,684 | 12,755 |
| M S Gurney | 6,222 | 2,645 | - | 266 | - | 9,133 | 9,014 |
| Mrs M A Pedder | 6,222 | 3,606 | - | 295 | - | 10,123 | 11,446 |
| L S Paul | 5,712 | 2,199 | - | 237 | - | 8,148 | 7,430 |
| Mrs C J Whitehead | 5,712 | 4,699 | - | - | - | 10,411 | 9,458 |
| | | | | | | | |
| Total fees Non-executive Board Members | 50,180 | 23,103 | - | 1,446 | 170 | 74,899 | 72,368 |
| J Gratland CEO | - | - | 118,917 | 11,872 | - | 130,789 | 128,028 |
| Key Management Personnel | 50,180 | 23,103 | 118,917 | 13,318 | 170 | 205,688 | 200,396 |

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 16 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 Non-executive 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 **£23,103** (2019: £19,956). 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 2020

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 us or contact us by email or letter. Contact details are as follows and you will find a “Who’s Who” on page the back page.

By telephone:

| | |
|-----------------------|--------------|
| Main switchboard | 01225 752120 |
| Member services | 01225 756785 |
| Application enquiries | 01225 756794 |
| Claims | 01225 756796 |

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:

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

Online:

www.financial-ombudsman.org.uk/contact-us/complain-online

Telephone:

0800 0 234 567

Email:

complaint.info@financial-ombudsman.org.uk

Website:

www.financial-ombudsman.org.uk

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
WHO'S WHO AT WILTSHIRE FRIENDLY (APRIL 2021)

OPERATIONAL EMPLOYEES

Operations Supervisor

Linda Jones

Supervision of operational employees. Member relations contact.
direct telephone number 01225 756782
email linda.jones@wiltshirefriendly.com

Senior Claims Administrator

Deborah Chivers

Processing claims for income replacement benefit and administration of claims in progress and benefit payments.
direct telephone number 01225 756789
email debbie@wiltshirefriendly.com

Accountant

Jules Barnes

Financial accounting and supplier accounts payable.
direct telephone number 01225 756788
email julie.barnes@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

Senior Claims Administrator

Claire Robinson

Processing claims for income replacement benefit and administration of claims in progress and benefit payments.
direct telephone number 01225 756783
email claire.robinson@wiltshirefriendly.com

Society Administrator

Suzanne Haffenden

Support administration in respect of member services, including membership terminations, partial withdrawals and premium collections.
direct telephone number 01225 756785
email suzanne.haffenden@wiltshirefriendly.com

SALES & ADVICE TEAM

Sales & Service Administrator

Clair Carpenter

Provision of member sales and services support.
direct telephone number 01225 756784
email clair.carpenter@wiltshirefriendly.com

Sales & Business Development Consultant

Gavin Puzas

Advice and guidance on Society products for prospective and existing members.
direct telephone number 01225 756787
email gavin.puzas@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

Senior Independent Board Member

Caroline Whitehead

Non-executive 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 – Linda Jones – direct telephone no. 01225 756782
email caroline.whitehead@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