

WILTSHIRE



FRIENDLY

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SOCIETY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014



**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**INDEX**

Notice of Annual General Meeting 2015 .....	2
Board of Management and Professional Advisers .....	3-4
Chairman's Statement .....	5-6
Report of The Board of Management .....	7-8
Strategic Report .....	9-11
Corporate Governance.....	12-14
Statement of The Board of Management Responsibilities.....	14
Reappointment of Auditors .....	14
Independent Auditor's Report To The Members of Wiltshire Friendly Society Limited.....	15-16
Income and Expenditure Account For The Year Ended 31 December 2014.....	17
Balance Sheet at 31 December 2014.....	18
Accounting Policies.....	19-20
Notes to the Financial Statements for The Year Ended 31 December 2014.....	21-29
Useful Information for Members and Prospective Members.....	30
Who's Who at Wiltshire Friendly .....	31
Holloway House Location Map .....	32

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## NOTICE OF ANNUAL GENERAL MEETING 2015

Notice is hereby given that the Annual General Meeting of Wiltshire Friendly Society Limited will be held at Holloway House, Epsom Square, White Horse Business Park, Trowbridge, BA14 0XG, on 16 June 2015 at 10.00 am, to confirm the Minutes of the Annual General Meeting held on 10 June 2014 and for the following purposes:

1. To receive and, if approved, adopt the Annual Report and Accounts for the year ended 31 December 2014.
2. To approve the Board Remuneration Report for the year ended 31 December 2014<sup>+</sup>.
3. To re-elect members of the Board of Management as listed below.

Name	Occupation	Board Member Since
Roger Harrison*	Financial Adviser	05/2005
Julian Long *	Chartered Surveyor	07/1998
Martin Gurney*	Chartered Accountant	12/1995
Richard Needham	Financial Services Marketing Specialist	07/2011
Leonard Paul	Gas Central Heating Specialist	07/2011

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

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

<sup>+</sup>The Board Remuneration Report: You are asked to approve the Board of Management Remuneration Report by way of an advisory vote. This is not a legal requirement, but your Board considers it to be best practice for members to be able to express a view on this matter.

**The Society's Financial Statements for the year ended 31 December 2014, which include the Board Report, Auditor's Report and the Directors' Remuneration Report, can be found on the Society's website at [www.wiltshirefriendly.com](http://www.wiltshirefriendly.com). Members may also request paper copies.**

**By Order of the Board of Management**



**Lee Davis**  
**Secretary**

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

**18 May 2015**

Please see the map on page 32 for directions to Holloway House.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**BOARD OF MANAGEMENT AND PROFESSIONAL ADVISERS**

Position	Name		Occupation
Chairman	R T Harrison		<i>Financial Adviser</i>
Vice Chairman	D C Bones	**	<i>Cost &amp; Management Accountant</i>
Non-executive Directors:-	H J Long		<i>Chartered Surveyor</i>
	M S Gurney	**	<i>Chartered Accountant</i>
	Mrs M A Pedder	**	<i>Human Resources Specialist</i>
	R C Needham	**	<i>Financial Services Marketing Consultant</i>
	L S Paul	**	<i>Gas Central Heating Specialist</i>
Chief Executive	J D Sanders		<i>Executive Director</i>

\*\* (Denotes non-executive Board members who are independent within the meaning ascribed by the Annotated Combined Code On Corporate Governance for Mutual Insurers).

Secretary	L Davis
Arbitrators	M I Stillwell, P R Hudson, C C Cheshire OBE
Actuarial Function Holder & With Profits Actuary	<i>D J Lechmere FIA</i> OAC Actuaries & Consultants, 141-142 Fenchurch Street, London EC3M 6BL
External Auditor	<i>Moore Stephens</i> 30 Gay Street, Bath BA1 2PA
Internal Auditor	<i>Gateway Assure Limited</i> Centrix@Keys, Keys Business Village, Keys Park Road, Cannock WS12 2HA
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 (until 26/01/2015)	<i>Investec Wealth &amp; Investment Limited</i> 24 Gay Street, Bath BA1 2NS
	<i>Moore Stephens Financial Services</i> 23 Gay Street, Bath BA1 2NS
Stockbrokers & Investment Advisers (from 26/01/2015)	<i>Vestra Wealth LLP</i> 14 Cornhill, London EC3V 3NR
Registered Office	Holloway House, Epsom Square, White Horse Business Park, Trowbridge BA14 0XG
Website	www.wiltshirefriendly.com

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

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### THE BOARD OF MANAGEMENT

#### **Roger Harrison – Chairman**

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

#### **David Bones ACMA – Vice Chairman**

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

#### **Martin Gurney BA (Hons) FCA**

Chartered Accountant. Non-executive member of the Board since December 2005, a member of the Audit and Risk Committee, and chairs the Investment Committee. Partner in Haines Watts Chartered Accountants, one of the top 20 of the UK's largest accountancy practices providing accountancy, tax and audit services to a wide variety of businesses and individuals. Martin is a former member of the Finance Audit and South West Area Boards of Jephson Housing Association Group and a former Trustee of "Providing Opportunities & Support", a registered charity for children with special needs in the South West.

#### **Julian Long FRICS**

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

#### **Richard Needham BA (Hons)**

Financial Services marketing specialist. Joined as a non-executive Board member in July 2011 and is a member of the Investment Committee. Since 2007 a Director of Ingenium Marketing which provides consultancy services to financial services companies.

#### **Leonard Paul**

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

### SENIOR INDEPENDENT BOARD MEMBER

#### **Margaret Pedder MCIPD**

Human Resources Specialist. Non-executive member of the Board since May 2009, chair of the Staffing, Salaries and Nominations Committee and a member of the Audit and Risk Committee. Human Resources professional since 1990 and, since 2003, Director of iAupro consultancy providing HR contract services to corporate clients and charities. Trustee and chair of the Army Families Federation, a registered charity that acts as the "voice of the army families" to all who make decisions that impact on army family life.

### CHIEF EXECUTIVE

#### **John Sanders**

Chief Executive since January 2003 and Executive Board member since November 2007. He joined the Society in June 1998 as Accounts and Compliance Manager. Following service in the Royal Navy as a marine engineer, John worked in the electronic manufacturing industry until 1998, specialising in production management and cost accounting. Company Secretary and Production Manager of Audio & Design (Recording) Limited 1986 - 1993.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### CHAIRMAN'S STATEMENT

Welcome to the 2014 Annual Financial Statements for Wiltshire Friendly Society at the end of my first full financial year as Chairman.

#### Society Performance

The 2014 trading year highlighted the ongoing transition between the historic trading activities of the Society and the new markets that we are now pursuing in order to increase sales and membership. As set out in the Society's Strategic Report (pages 9-11), Holloway Income Protection remains our core function, but due to regulatory and market developments, new products are coming to the fore and I am pleased to report that we have now placed the Society in a position to benefit from these changes.

Premium income held firm at £1,673,000 but there was a further decrease in overall memberships as a result of organic member exits during the year (retirements, maturities and surrenders); although the rate of reduction was slightly lower than in previous years. We are committed to counteracting this net reduction in member numbers with our new business strategies and the challenge in 2015 is to produce a net increase in overall memberships and premium income.

Total operating expenses during the year reduced by around 1.9% over 2013, mainly due to a reduction in exceptional expenses relating to product pricing work carried out during 2012 and 2013. However core operating and business development expenses increased by around 6.7% which is attributable to our business development activities and the addition of two new employees to our Operational Team, one very late in 2013 and the other during 2014.

The Society's total investment returns in 2014 improved slightly to 6.4% from 6.3% in 2013, with our fixed interest portfolio being the main contributor to overall performance.

On the recommendation of our With Profits Actuary, Apportionments and Bonus rates have been reduced for 2014 (page 8). The Board feels that these rates still represent excellent value to our members, particularly as the return to members is free of any further taxation and compares favourably to competitive bank deposit rates and Cash ISA rates.

At the close of 2014 the Society maintained an excellent level of solvency, with 23.5% of free assets as a percentage of admissible assets. This figure highlights the fact that we continue to maintain a financially strong position and is a positive indication that the Society's assets are being well managed on behalf of our members.

Further details of the Society's performance can be found in the Report of the Board of Management (pages 7-8) and the Strategic Report (pages 9-11).

#### Strategy

We continue with our vision to provide innovative Income Protection products to our target markets via our existing in-house sales team and new intermediary partners. We have a rolling Strategic Plan (reviewed quarterly by the Board) which reviews the progress of our new and developing sales initiatives and signposts the most productive and cost effective lines of business to pursue in the future. Although 2014 was challenging in terms of sales progress, the year ended with very positive new business sales developments and an improved Operational Team ready to take on the expected increase in sales in 2015.

The Board is very optimistic with regard to positive sales developments in 2015 and the prospects for growth and stability in the years to come.

#### Treating Customers Fairly (TCF)

The Society takes great pride in the quality of service provided to our members and intermediary partners alike. By strengthening our Operational Team, improving our processes and listening to feedback, we feel that we are making great improvements in our overall customer service. This is important as we follow our plans to increase membership over the coming years and reflects our commitment to both existing members and new customers.

As a provider of Income Protection affording benefit to our members who cannot work due to sickness or disability, our claims acceptance rate is a true benchmark of value to those members. I am therefore very proud to report that during 2014 the Society paid 98.96% of all claims received. This figure is well above industry standards and is a further indication of our commitment to our members at a time when they need us most.

The Board is very aware of the importance of Treating Customers Fairly (TCF) and the ability it has to flag emerging issues in the business. To this end we maintain a wide and developing range of key performance and risk indicators and these are reviewed on a continuing basis in order to improve our products, services and member experience.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**CHAIRMAN'S STATEMENT (CONTINUED)**

**Regulatory Developments**

During the previous trading year (2013) we saw a number of regulatory developments including a With Profits Review for Mutual Insurers. The Society's Holloway Long Term Business Fund has historically not been subject to the same regulatory regime as traditional With Profits business. Following policy statements in 2014 by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), the Board is of the opinion that this regulatory distinction between our Holloway Long Term Business Fund and traditional With Profits remains the same and that we are protecting our members interests and treating them fairly.

**Board of Directors**

The composition of our Board remains the same as last year and no additions are foreseen at the present time. The stability and expertise of our Board allows us to focus on protecting member's interests and developing our Strategic Plan thereby driving new sales initiatives in order to increase membership and premium income over the next 12 months.

Further information about our Directors can be found on page 4.

**Looking Ahead**

The Society remains in a strong capital position with well laid plans in place to achieve further growth and stability. The restructuring of our Management and Operational Teams in 2014 now allows the Board to be confident that we are well placed to achieve a planned increase in new business levels whilst maintaining the high level of customer service that our members expect from us.

In 2015 we will continue with our developing distribution strategy and feel that we are well-placed to achieve controlled growth in a cost effective manner.

**Thanks and Acknowledgements**

We continue to maintain a very loyal team of hard working employees and I would like to thank each one for their commitment and enthusiasm over the last year. I would also like to thank my fellow Board members for their expertise and commitment to the stable development of the Society.

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

Yours sincerely



**Roger Harrison**  
**Chairman**

**18 May 2015**



# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 2014.

#### Principal Activity

The principal activity of the Society throughout 2014 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 accident 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 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 2014.

#### Business Review

The Society continues to write new business through non direct distribution channels and to pursue new distribution relationships which will lead to future new business both in respect of individual Holloway memberships and group memberships. Business written through non direct distribution channels amounted to **57%** of the total (2013:- 73%). During the year new contribution income written was **£86,004** (2013:- £115,106). The development of new distribution channels is slower than hoped for, but we remain satisfied with progress to date and with the strategic direction being taken. Contribution income remained unchanged during the year totalling **£1,673,000** (2013:- £1,673,000).

Sickness benefit paid during the year increased to **£705,000** (2013:- £684,000). During the year the Society paid **98.96%** of all claims received which brings the average of claims paid during the last 3 years to 99.23%. The principle reasons for non payment of claim during the year were: excluded incapacity and no loss of income during incapacity.

On the advice of the Society’s With Profits Actuary, the Board has reduced the rate of Apportionment to **£5.00** per unit of sickness cover (2013:- £5.50 per unit). The rate of Bonus has been reduced to **2.5%** for balances below **£5,000** (2013:- 2.75%) and **2.75%** for balances of **£5,000** and above (2013:- 3.00%). Terminal Bonus has been held at the 2013 level of **10%** for members who retire or commute their membership during the year and into 2015.

#### Society Membership

During the year the net reduction in total membership was **189** (2013:- 201).

#### Investments

Total investment income decreased slightly during the year to **£623,000** (2013:- £626,000), and the income return on invested funds, including property, was approximately **3.68%** (2013:- 3.72%). Total investment return, including capital gain was **6.4%** (2013:- 6.3%).

During the year net realised and unrealised gains on the Society’s investment portfolio amounted to **£456,000** (2013:-£410,000). This total includes further amounts totalling **£3,000** (2013:- £17,000) received in respect of the failed Icelandic bank, Kaupthing Singer & Friedlander. Within the overall gains stated there were included realised and unrealised gains relating to the fixed interest element of the portfolio which amounted to **£395,000** (2013:- £323,000 loss) and **£36,000** (2013:- £681,384) relating to shares and variable yield investments.

We also report that at the end of 2014 all available suites in Holloway House continued to be let. Rental income during the year amounted to **£82,000**, (2013:- £75,000). One tenancy is on a 5 year basis, a second is, at the date of these statements, being renewed on a certain term until March 2017 and the last is on a rolling basis at 3 months’ notice.

The Investment Committee continues to strive to maximise income whilst pursuing prudent investment strategies and ensuring protection of the Society’s capital.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)**

**Operating Expenses**

During the year the Society's expenses were **£1,177,000** (2013:- £1,201,000). Exceptional costs amounted to **£22,000** (2013:- £118,000). Therefore the Society's underlying expenses were **£1,155,000** (2013:- £1,083,000), an increase of 6.65% arising from strategic and business development activity and some inflationary increase.

**Holloway Members' Funds**

The value of Holloway Members' funds at 31 December 2014 was **£8,440,000** (2013: £8,719,000).

**Apportionment and Bonus**

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

		2014	2013
<b>Members under the age of 65 and eligible to claim sickness benefit</b>			
Apportionment - per standard cost unit of cover held (allocated at 50% in respect of reduced cost units and 25% in respect of low cost units)		<b>£5.00</b>	£5.50
Rates of Bonus	Balances below £5,000	<b>2.50%</b>	2.75%
	Balances £5,000 and above	<b>2.75%</b>	3.00%
<b>Commutated Members over the age of 60 ineligible to claim sickness benefit and former Life &amp; Endowment Members</b>			
Apportionment per unit held	Commutated Members	<b>£18.00</b>	£18.00
	Former Life & Endowment Members	<b>Nil</b>	Nil
Rates of Bonus	Balances below £5,000	<b>2.50%</b>	2.75%
	Balances £5,000 and above	<b>2.75%</b>	3.00%

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

**Terminal Bonus**

The Board also follows the recommendations of the Society's With Profits Actuary 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 2014.

**Rules Committee**

The Rules Committee was appointed under Society Rule 44.1 at the AGM held on 10 June 2014. The Board intends to seek re-approval of the appointment at the forthcoming Annual General Meeting.

**Statement of Solvency**

At 31 December 2014, 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 2014

### STRATEGIC REPORT

#### Principal activities

Historically, the Society has sold only 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 a newer type of dedicated income protection plan. Whilst the Society remains financially strong, this reduction in sales opportunity combined with policy attrition impacts the sustainability of the Society's sole source of income for the future.

It is in the future interest of its members for the Society to leverage its resource and capability to increase income through new sales initiatives.

#### Strategic focus and progress

The Society instigated a new Strategic Plan three years ago, now managed on a rolling basis with quarterly reviews.

That plan seeks to supplement the core Holloway function and develop a business model that grows the Society's Income Protection product range, accessing new markets through both direct and intermediary distribution. The Society remains focussed solely on its core product type, Income Protection, widening the product options to meet the needs of specific target markets for both Individual and Group members.

Development has been made in both the sales and administrative resource needed to deliver this new business model. This has built the required operational infrastructure and the Society controls and manages the associated costs to ensure profitable new business levels support the Society's future growth.

The Society's Board has been shaped to ensure appropriate qualification and experience exists within its members to plan, review and offer the best possible chance to deliver the Strategic Plan effectively.

In summary, the Society, through its Board, aims to maintain financial strength and develop and grow through planned sales initiatives, in order to establish a long term existence and add additional value that will benefit the members of the Society.

#### 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 2014. More detail of the Society's performance can be found in the other sections of these Financial Statements.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**STRATEGIC REPORT (CONTINUED)**

	2014	2013	2012
	£000	£000	£000
<b>Premium Income</b>			
New Premium Income	86	148	118
Established Member Premium Income	1,587	1,525	1,485
<b>Total Premium Income</b>	<b>1,673</b>	<b>1,673</b>	<b>1,603</b>
<b>Expenses</b>			
Core Operating Expenses	717	675	640
Ratio of Operating Expenses to Premium Income	42.86%	40.35%	39.93%
Investment Expenses	78	73	77
Business Development & Selling Expenses	360	335	312
Other Exceptional Expenses	22	118	46
<b>Total Expenses</b>	<b>1,177</b>	<b>1,201</b>	<b>1,075</b>
<b>Benefit Claims</b>			
Ratio of Benefit Claims to Premium Income	42.14%	40.88%	32.56%
<b>Assets</b>			
Total Assets	17,070	16,919	16,879
Admissible Assets (i)	16,935	16,747	16,708
Free Assets (ii)	3,984	3,809	4,044
Free Asset Ratio (as a percentage of admissible assets)	23.5%	22.7%	24.2%
<p>(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.</p> <p>(ii) Free Assets are a measure of the Society's solvency, most Societies aim to maintain a Free Asset Ratio of between 10% and 25%, and therefore the Society is towards the upper end of this range.</p>			
<b>Membership</b>			
Number of Lives Insured	3,606	3,795	3,996
Number of Policies	5,046	5,271	5,500

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**STRATEGIC REPORT (CONTINUED)**

**Principal risks and mitigation**

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 Board's risk management processes are designed to ensure as far as possible that the Society would take the appropriate action before the risk crystallises.

Risk management is an embedded process within the Society from strategic through to operational levels.

The following have been identified by the Board as the 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 affect on the Society's objectives and have an impact on members, but 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 Apportionment and Bonus for Holloway members.
- Inability to maintain sickness benefit.
- Reduction in member's capital.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### CORPORATE GOVERNANCE

The Board of Management comprises of the Chairman, who is non-executive, together with six other non-executives and the Chief Executive. 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 has full access to all the information that it may require and Board members may avail themselves of such independent specialist advice, at the Society's expense, as they deem necessary for the performance of their duties.

The size of the Board is prescribed within specified limits by the Society's Rules and non-executive members who are below the age of 70 are elected in accordance with those rules. All non-executive Board members are required to retire by rotation on a tri-annual cycle and may offer themselves for re-election if eligible. In accordance with the Annotated Combined Code on Corporate Governance applying to Mutual Insurers, all Board members who have served for more than nine years are subject to annual re-election.

There are three operational Committees, which include members of the Board together with operational staff, to oversee functions delegated under the rules to operational staff. The operational Committees have respective responsibility for oversight of the fair treatment of members, general oversight of underwriting and steering the development of the business and its products.

In order to discharge its duties effectively, the Board has delegated some of its functions to three Board Committees. All Board members are required to serve on at least one Committee. Appointment to a particular Committee takes into account the specialist skills of individual Board members.

The full Board of Management meets at least six times per year and each Board Committee at least twice. Strategic development and business planning is dealt with by the full Board at additional meetings called specifically for that purpose, as required, but at least twice per year.

The Society does not have a separate standing Nominations Committee but the remit of the Staffing, Salaries and Nominations Committee includes oversight of the appointment of appropriately qualified individual Board members as the need arises. The Society provides appropriate training to Board members at appointment and on an ongoing basis. A process is in place to regularly consider Board performance and to assess and identify particular needs and requirements of individual Board members. The process includes meetings without the presence of executives or management and procedures for regular assessment of both the Chairman's and the Chief Executive's performance.

#### **Audit & Risk Committee**

The Committee, which meets at least twice per year, is headed by Mr Bones and in addition comprises of three other non-executive Board members, currently Mr Gurney, Mr Long and Mrs Pedder. The Chief Executive also attends 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. Currently there are two.

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 executives or operational staff present.

#### **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 three other non-executive Board members, currently Mr Harrison, Mr Needham and Mr Bones. Mr Karn served on this Committee until his retirement from the Board in June 2013 and continues as a consultant to the Committee but as a non-Board member. The Society's skills mix assessment has determined that membership of this Committee should include members of the accountancy profession and professionals with skills in investment advice and economics. The Terms of Reference of this Committee includes provision for emergency action by any two members in the event of deteriorating market conditions requiring urgent action. Scheduled meetings are attended by the Society's professional investment advisers.

The principal function of the Committee is to set strategy for the investment of members' and reserve funds and to set benchmarks for and to oversee the activities of appointed external professional investment advisers. In setting strategy the Committee seeks advice from its advisers and the Society's Actuarial Function Holder.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**CORPORATE GOVERNANCE (CONTINUED)**

**Staffing, Salaries & Nominations Committee**

The Committee, which meets twice per year, is headed by Mrs Pedder and in addition comprises of two other non-executives, currently Mr Long and Mr Paul. The Board Chairman and the Chief Executive also attend meetings but in an advisory capacity only. Mrs Pedder is a Human Resources specialist and the Board is satisfied that this Committee has the necessary skills. The ACGC (“the code”), referred to below, as applicable to smaller firms, requires two members of this Committee to be independent within the meaning ascribed by the code. Mrs Pedder and Mr Paul meet the criteria for independence and the Board considers this to be acceptable.

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

**Board Attendance Record**

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

Board Member	2014		2013	
	Meetings Attended	Relevant Meetings	Meetings Attended	Relevant Meetings
Roger Harrison	11	11	9	10
Julian Long	9	11	10	11
Martin Gurney	11	11	10	11
Margaret Pedder	9	11	8	11
David Bones	11	11	11	11
Richard Needham	8	9	9	9
Leonard Paul	9	9	9	9
John Sanders	13	13	13	13

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

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

**The Combined Code On Corporate Governance - annotated for mutual insurers**

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

Like all Mutual Insurers the Society must voluntarily comply with the code, or explain why it does not. The Board believes that the Society complied with each provision of the code throughout the year except as stated on page 14.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### CORPORATE GOVERNANCE (CONTINUED)

#### Independence of Board members including the Chairman

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

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

In addition the Board should consider whether non-executives are independent in character and judgement and whether there are any other circumstances that might, or could, affect his or her views. Having considered and given due regard to the criteria stated above, the Board is satisfied its members can be considered independent in respect of criteria 1 to 3, and the general requirements stated. At the date of these statements two members of the Board are not deemed independent but only by virtue of their length of service. These are Messrs Long and Harrison who are subject to annual re-election.

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

However, the Board believes there should be a reasonable ratio of independent to non-independent non-executives, which at 31 December 2014 was 71% (2013:- 63%). This ratio has increased because the size of the Board reduced during 2013 as Mr Karn retired without replacement. In the opinion of the Board, the ratio at the end of 2014 remains acceptable and complies with the principles of the code.

#### Senior Independent Board Member

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

Mrs Pedder has been appointed to this role and members who wish to do so may get in touch with her using the contact details to be found in the "Who's Who" section on page 31.

### 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.

### REAPPOINTMENT OF AUDITORS

A resolution to reappoint the auditors, Moore Stephens, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of Management



**John Sanders**  
Chief Executive

18 May 2015



**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**WILTSHIRE FRIENDLY SOCIETY LIMITED**

We have audited the financial statements of Wiltshire Friendly Society Limited for the year ended 31 December 2014 which comprise the Income and Expenditure Account, Balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), having regard to the statutory requirement to maintain equalisation provisions.

This report is made solely for the Society's members, as a body, in accordance with the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state, to the Society's members, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or resume responsibility to anyone other than the Society's members as a body, for our audit work, for this report or other opinions we have formed.

**Respective responsibilities of Board of Management and auditor**

As explained more fully in the Board of Management's Responsibilities Statement set out on page 14, the Board of Management is responsible for preparing financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

**Our assessment of risks of material misstatement**

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

- the operation and effectiveness of the Society's Member's system during the year;
- the valuation and ownership of the Society's investments at the year end and the recording of transactions throughout the year;
- the Society's compliance with applicable regulations.

Revenue recognition and the risk of fraud arising from management override of internal control have been addressed.

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We also determine a lower level of performance materiality which we use to determine the extent of testing needed 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.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Society to be £75,000, which is approximately 3% of the incoming resources; for misstatements that only affect balance sheet classification a higher amount of £150,000 is used, which is approximately 1% of net assets. We use these measures to ensure the level of uncorrected misstatements does not materially impact the Society's solvency calculations.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement is that performance materiality should be 75% of materiality, namely £56,000, and £112,000 for misstatements that only affect balance sheet classification. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected audit differences does not exceed our materiality of £75,000 for the financial statements as a whole.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)**

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all of the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

- in order to address risk around the operation of the Society's Members system during the year we have tested the operation of the controls over membership records and claims paid to members;
- in order to address risk around ownership of the Society's investments held at the period end, we confirmed the holdings to independent third party confirmations provided by the Society's Custodian;
- in order to address the risk around the valuation of the Society's investment we obtained from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2014 and vouched these on a sample basis;
- in order to address the risk associated with the recording of investment transactions through the year ended 31 December 2014 we have tested a sample of transactions to independent documentation;
- in order to address the risk over the Society's compliance with its regulatory environment we updated our understanding of the regulatory requirements and reviewed the Society's correspondence with its regulators and statutory filings.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 December 2014 and of the income and expenditure of the society for the year then ended; and
- have been properly prepared in accordance with the Friendly Societies Act 1992.

**Opinion on other matters prescribed by the Friendly Societies Act 1992**

In our opinion the Report of the Board of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and the information given therein is consistent with the financial statements for the financial year.

**Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents that we require for our audit.

In accordance with our instructions from the Society we review whether the Corporate Governance Statement reflects the Society's compliance with the Annotated Combined Governance Code specified by the Association of Financial Mutuals.



**M P Burnett**  
**Senior Statutory Auditor**

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

**21 May 2015**

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014	2013
<b>TECHNICAL ACCOUNT - LONG TERM BUSINESS</b>			
		£000	£000
<b>Earned premiums</b>			
Gross premiums written	1	1,673	1,673
<b>Investment income</b>			
Income from quoted investments, cash and property rental		623	626
<b>Gains and losses on investments</b>			
Realised gains on investment redemptions and disposals	2	(3)	14
Exceptional gain on deposits written off 2008 (Kaupthing Singer & Friedlander)	2	3	17
Unrealised gains on investments	2	456	379
Life & Endowment Closed Fund Provision Written Back	2	-	25
Other technical income – Forfeitures & Lapses	9a	12	23
		<b>2,764</b>	<b>2,757</b>
<b>Claims incurred</b>			
Sickness benefit paid to members		(705)	(684)
Other Member Payments		3	(3)
Members' Bonuses	4	(481)	(533)
<b>Change in long term sickness provision</b>			
	3	(299)	(433)
<b>Net operating expenses</b>			
	5	(1,177)	(1,201)
<b>Net surplus/(expenditure) for the year</b>			
		<b>105</b>	<b>(97)</b>
Transfer to/(from) the fund for future appropriations	8	(105)	97
<b>Balance on the Technical Account - Long Term Business</b>			
		<b>-</b>	<b>-</b>

The above results relate wholly to continuing activities.

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

The accompanying accounting policies and notes form an integral part of these Financial Statements.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**BALANCE SHEET AT 31 DECEMBER 2014**

	Notes	2014	2013
<b>ASSETS</b>		£000	£000
<b>Investments</b>			
Land and buildings	6	1,345	1,345
Other financial investments	6	15,293	15,036
		<b>16,638</b>	<b>16,381</b>
<b>Other assets</b>			
Tangible fixed assets	7	128	167
Cash at bank and in hand		119	181
<b>Prepayments and Accrued Income</b>			
Accrued investment income		125	124
Deferred acquisition costs		31	38
Other debtors and prepayments		29	28
		<b>17,070</b>	<b>16,919</b>
<b>LIABILITIES</b>			
<b>Fund for future appropriations</b>	8	5,546	5,441
<b>Technical provisions</b>			
Holloway members' capital accounts	9a	8,440	8,719
Long term sickness provision	9b	2,887	2,588
		<b>16,873</b>	<b>16,748</b>
Creditors	10	197	171
		<b>17,070</b>	<b>16,919</b>

These Financial Statements were approved by the Board of Management on 18 May 2015 and were signed on its behalf by:-



**Roger Harrison**  
Chairman



**John Sanders**  
Chief Executive

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### ACCOUNTING POLICIES

The financial statements have been prepared in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994 ('the Regulations') made under the Friendly Societies Act 1992 and with applicable accounting standards in the United Kingdom and with all material provisions of the Statement of Recommended Practice (SORP) on 'Accounting for Insurance Business' issued by the Association of British Insurers in 2005. A summary of the more important accounting policies, which, except as noted, have remained unchanged from the previous year, is set out below:

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by the Regulations.

#### **Contributions**

In accordance with the provisions of the Friendly Societies Act 1992 contribution income is not recoverable at law. Therefore regular contributions are accounted for when due for payment but are discounted if the related membership (policy) is greater than 3 months in arrear, 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.

#### **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 and 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**

Acquisition costs for obtaining and processing new business 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.

#### **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 an independently administered fund. Contributions payable to the scheme are charged to the Income and Expenditure Account in the period to which they relate.

#### **Fund for Future Appropriations**

The Fund for Future Appropriations 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 Sickness Provision**

The long term sickness provision is computed by the Society's Actuarial Function Holder having due regard to the actuarial principles laid down in the Life Framework Directive (Council Directive 92/96/EC).

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are stated in the accounts as follows:-

**Investment property**

Current valuation based on the market value of the property, as valued by an independent surveyor. In accordance with SSAP 19 'Accounting for investment properties' no depreciation is charged on freehold investment properties.

**Quoted fixed interest and equity investments**

Closing year-end mid-market values.

**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 estimated residual value, of each asset on a straight line basis over its estimated useful life. All proprietary software of whatever cost and small equipment costing below a de-minimus level, which is currently £500, are written off in the year of purchase. The Society's Strategic Plan anticipates capital expenditure to improve systems to ensure that they are consistent with the Plan. The Board believes it to be more appropriate to write off such expenditure over four years instead of two as in the past. Assets are depreciated on the following bases:-

**Fixtures & Fittings**

10 years

**Office Fittings & Equipment**

10 years & 5 years

**Motor Vehicles**

4 years

**Computer Hardware & Office Machines**

3 years

**Computer Network & Related Equipment**

5 years

**Bespoke & Specialist Computer Software**

4 years

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
<b>1) Gross premiums written</b>		<b>£000</b>	<b>£000</b>
Contributions to the Holloway sickness fund		1,673	1,673
		<b>1,673</b>	<b>1,673</b>
<b>2) Realised and unrealised gains and (losses) on investments</b>			
<b>Realised gains and losses</b>			
on quoted investments	See note 6	(3)	14
on cash deposits		3	17
<b>Unrealised gains and losses</b>			
on quoted investments	See note 6	456	379
on freehold property	See note 6	-	-
		<b>456</b>	<b>410</b>
<b>3) Change in long term sickness provision</b>			
Change in technical provision		299	433
<b>Balance at the beginning of the year</b>		<b>2,588</b>	<b>2,155</b>
	See note 9b	<b>2,887</b>	<b>2,588</b>
<b>4) Members' Apportionment and Bonuses</b>			
Apportionment - allocated during the year	See note 9a	218	246
Bonus - allocated during the year	See note 9a	219	244
Terminal Bonus - paid on retirement or allocated to commuting members	See note 9a	44	43
		<b>481</b>	<b>533</b>

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

	2014	2013
<b>5) Net operating expenses</b>	<b>£000</b>	<b>£000</b>
General office and administration	67	74
Administrative staff costs	478	425
Membership services	22	26
Own occupation property costs	31	34
Finance	8	8
Professional fees	113	94
Depreciation and equipment disposals	55	66
<b>Recurring operational expenses</b>	<b>774</b>	<b>727</b>
Direct cost of business acquisition	283	274
Direct cost of investment activities	57	55
<b>Total recurring expenses</b>	<b>1,114</b>	<b>1,056</b>
Business and product development costs	22	118
Business strategic development costs	41	27
<b>Total exceptional costs</b>	<b>63</b>	<b>145</b>
<b>Total operating expenses</b>	<b>1,177</b>	<b>1,201</b>

**Operating expenses are allocated as follows:-**

Renewal expenses	717	675
Direct and indirect cost of investment activities	78	73
Direct and indirect cost of business acquisition & strategic development	360	335
Exceptional costs	22	118
	<b>1,177</b>	<b>1,201</b>



**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**5) Net operating expenses (continued)**

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

Sales staff (including commission)

Other staff

	2014	2013
	<b>£000</b>	<b>£000</b>
	<b>54</b>	55
	<b>478</b>	425
	<b>532</b>	480

**External Audit fees in the year were as follows:-**

Audit fees

Fees for non audit work

	2014	2013
	<b>22</b>	22
	<b>0</b>	0
	<b>22</b>	22

**6) Investments**

	Notes	Land & Buildings £000	Fixed Interest £000	Shares & Unit Trusts £000	Held as Cash £000	Totals £000
<b>Valuation at the beginning of the year</b>		<b>1,345</b>	<b>9,235</b>	<b>4,779</b>	<b>1,022</b>	<b>16,381</b>
Additions to property		-	-	-	-	-
Net movements on invested funds		-	(2)	37	(231)	(196)
Gains on disposals & redemptions	Note 2	-	(24)	21	-	(3)
Unrealised gains/(losses) on revaluation	Note 2	-	420	36	-	456
<b>Valuation at the end of the year</b>		<b>1,345</b>	<b>9,629</b>	<b>4,873</b>	<b>791</b>	<b>16,638</b>
<b>Historical Cost</b>		<b>1,711</b>	<b>8,758</b>	<b>3,461</b>	<b>791</b>	<b>14,721</b>

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 let. All other units are let on medium, short and rolling leasehold bases. The property is included at its open market value of **£875,000** (2013:- £875,000), being the aggregate of its purchase and refurbishment costs, less a write down provision of **£584,000** (2013:- £584,000).

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 **£468,000** (2013:- £468,000), including unrealised gains amounting to **£218,000** (2013:- £218,000).

Both properties were valued during December 2012, on the open market basis, by Mr John Mulholland FRICS of Jones Lang La Salle Limited. The Board is satisfied the valuation of both properties is appropriate and that no material adjustment is required. Unless otherwise deemed necessary, the properties will be subject to formal valuation during 2017.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**7) Tangible fixed assets**

**Cost at the beginning of the year**

Additions

Disposals

**Cost at the end of the year**

**Depreciation at the beginning of the year**

Charge for the year

Eliminated on disposals

**Depreciation at the end of the year**

**Net book value at the end of the year**

**Net book value at the beginning of the year**

	Fixtures & Fittings	Equipment & Software	Totals
<b>Cost at the beginning of the year</b>	154	359	513
Additions	-	16	16
Disposals	-	-	-
<b>Cost at the end of the year</b>	154	375	529
<b>Depreciation at the beginning of the year</b>	75	271	346
Charge for the year	16	39	55
Eliminated on disposals	-	-	-
<b>Depreciation at the end of the year</b>	91	310	401
<b>Net book value at the end of the year</b>	63	65	128
<b>Net book value at the beginning of the year</b>	79	88	167

**8) Fund for future appropriations**

**Balance at the beginning of the year**

Transfer from the Technical Account - Long Term Business

**Balance at the end of the year**

	2014	2013
	£000	£000
<b>Balance at the beginning of the year</b>	5,441	5,538
Transfer from the Technical Account - Long Term Business	105	(97)
<b>Balance at the end of the year</b>	5,546	5,441

**9) Technical Provisions**

**9a) Holloway Business**

Apportionment

Bonus

Terminal Bonus

Deaths, retirements and surrenders

Forfeitures and lapses

**Balance at the beginning of the year**

**Balance at the end of the year**

See Note 4

See Note 4

See Note 4

218	246
219	244
44	43
481	533
(748)	(748)
(12)	(23)
(279)	(238)
8,719	8,957
8,440	8,719

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

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**9) Technical Provisions**

**9b) Long Term Sickness Provision**

The components of the Long Term Sickness Provision are as follows:

Reserve for:- Holloway sickness benefit

Group sickness benefit

Claims in payment

**Balance at the end of the year**

	2014	2013
	£000	£000
	1,727	1,565
	113	137
	1,047	886
	2,887	2,588

The Long Term Sickness 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 for the Society by its Actuarial Function Holder.

**10) Creditors – amounts falling due within one year arising from:**

Insurance activities;

Non-insurance activities;

Other provisions and accruals

	55	49
	72	50
	70	72
	197	171

**11) 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:-

Payroll Services:- HW Chartered Accountants of Trowbridge, the total sum of **£2,528** (2013: £2,072) 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 **£230** (2013:- £1,132) 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 pays regular premiums at normal rates. He is eligible for all benefits of Society membership.

All transactions involving Board members and reported above are at arms length.

**12) Actuarial Function Holder**

The Society's Actuarial Function Holder and With Profits Actuary is David Lechmere FIA, a Consultant Actuary of OAC plc (OAC). The Society has requested him to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mr Lechmere has confirmed that neither he or any member of his family, nor any of OAC's principals, partners or directors, were members of the Society, nor have they any financial or pecuniary interests in the Society, with the exception of fees for professional services, paid or accrued during the year, to OAC.

During the year fees were accrued or paid to OAC were **£73,692** (2013:- £61,704) for Actuarial services and related consultancy work.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**13) Capital Statement**

**Introduction**

In December 2004, the Accounting Standards Board (ASB) issued Financial Reporting Standard (FRS) 27, on life assurance, which applies to all life assurance businesses, including that of Friendly Societies. For the Society, the main impact of FRS 27 is to provide detailed disclosures of the liabilities and financial strength of the Society.

**Capital Statement**

The Capital Statement illustrates the financial strength of the Society's life business at 31 December 2014 and is set out below. This statement shows an analysis of the available capital resources calculated on a regulatory basis for the Society. It shows the margins over and above the regulatory requirements and the overall surplus capital within the fund under these bases.

**Basis for calculating available capital resources in life business**

The available capital of the Society has been determined in accordance with Prudential Regulation Authority (PRA) regulations and includes the Fund for Future Appropriations (FFA). The FFA represents the estimated surplus in the funds that has not been allocated and is available to meet regulatory and other solvency requirements of the funds.

**Capital Statement Table**

**Fund for future appropriation**

Regulatory adjustments:-

Assets

Liabilities

**Total available capital resources**

Deduct regulatory capital requirement

**Free Capital**

**Analysis Of Members' Liabilities**

Long term business provision

Current liabilities

**Total Technical Liabilities**

	2014	2013
	£000	£000
<b>Fund for future appropriation</b>	<b>5,546</b>	5,441
Regulatory adjustments:-		
Assets	(135)	(170)
Liabilities	(840)	(875)
<b>Total available capital resources</b>	<b>4,571</b>	4,396
Deduct regulatory capital requirement	(587)	(587)
<b>Free Capital</b>	<b>3,984</b>	3,809
<b>Analysis Of Members' Liabilities</b>		
Long term business provision	<b>11,329</b>	11,305
Current liabilities	<b>197</b>	171
<b>Total Technical Liabilities</b>	<b>11,526</b>	11,476

**Basis of calculating capital requirements for life business**

Each life assurance company and Friendly Society has to hold sufficient capital to meet regulatory requirement. The total regulatory capital requirement for the Society at the year end was **£587,000** (2013: £587,000).

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**13) Capital Statement (continued)**

**Capital and risk management for long term business**

For Holloway business, the key sensitivity is to future investment returns and sickness morbidity experience. The mix of assets is kept under review taking into account the level of capital required and the anticipated returns for members. The sickness experience of the Society is regularly monitored and reviewed.

The long term business provision has been calculated on the basis of the following principal assumptions:-

**Morbidity 100% Manchester Unity AHJ; - Mortality 100% AMC00; - Interest 2.50%.**

	2014	2013
	£000	£000
<b>Total available capital at 1 January 2014</b>	<b>4,396</b>	4,617
Effect of economic experience	126	309
Changes in valuation assumptions	(205)	111
Effect of claims in payment	(162)	(320)
Effect of resilience requirements	175	(125)
New business and other factors	241	(196)
<b>Total available capital at 31 December 2014</b>	<b>4,571</b>	4,396

The valuation method changed to a gross premium approach at the end of 2013 and the interest rate used in calculating the long term provision was decreased by 0.5%. Other assumptions have remained unchanged from 2013 and have been chosen to give a best estimate in accordance with available experience.

**Options and guarantees**

There are no material options or guarantees within the Society's contracts.

**Capital resource sensitivities**

The capital position of the Society is sensitive to changes in the market conditions and to assumptions relating to persistency and morbidity. The most important sensitivities are those relating to investment markets and morbidity.

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

<b>Variable</b>	<b>Potential Movement In Available Capital</b>
	£000
A decrease in the morbidity rate of 10%	(1,045)
An increase in the morbidity rate of 10%	1,349
A decrease in the value of invested assets of 10%	(1,585)
An increase in the value of invested assets of 10%	1,585

The timing and extent of any impact on reserves would depend on the interaction of past experience and assumptions about future experience. Possible future management actions would be to amend the investment strategy and reduce discretionary expenditure or reduce the level of future distributions. No management actions have been assumed in the sensitivities above.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**14) Operational Staff**

The average number of employees during the year were:

Administrative staff

Field sales staff

2014	2013
<b>10</b>	9
<b>2</b>	2
<b>12</b>	11

Staff costs during the year during were:

Salaries and commissions

Employers' national insurance

Pension costs

2014	2013
<b>£000</b>	£000
<b>448</b>	401
<b>41</b>	38
<b>43</b>	41
<b>532</b>	480

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**15) Board Remuneration Report**

Board Member	Fees	Attendance	Salary & Bonus	Pension	Allowances	2014	2013
R T Harrison	14,924	4,823	-	-	2,484	<b>22,231</b>	16,308
D C Bones	7,462	3,133	-	-	-	<b>10,595</b>	10,127
R Karn (retired 11/06/2013)	-	-	-	-	-	-	7,662
H J Long	5,397	408	-	-	-	<b>5,805</b>	6,013
M S Gurney	5,397	2,452	-	-	-	<b>7,849</b>	6,254
Mrs M A Pedder	5,397	654	-	-	1,209	<b>7,260</b>	9,548
R C Needham	5,397	1,226	-	-	946	<b>7,569</b>	8,214
L S Paul	5,397	1,717	-	-	-	<b>7,114</b>	6,174
<b>Total fees</b> Non-executive Board Members	<b>49,371</b>	<b>14,413</b>	-	-	<b>4,639</b>	<b>68,423</b>	70,300
J D Sanders Chief Executive			<b>72,885</b>	<b>17,170</b>	<b>8,981</b>	<b>99,036</b>	92,933

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 Report of The Board of Management on pages 7-8 of these statements. Included within the fees above are amounts in respect of additional Board meetings and, in particular, attendance at other operational meetings where a Board member's individual skills and qualifications are relevant, and of benefit to the operational matters being discussed. The total amount of payments during the year in respect of attendance at meetings beyond the minimum commitment and at operational meetings was **£14,413** (2013: £17,874). 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; travelling and payments in lieu of a company provided motor vehicle and a contribution towards the cost of private medical insurance in respect of the Chief Executive.

The Board is satisfied that its remuneration strategy continues 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 2014

### USEFUL INFORMATION FOR MEMBERS AND PROSPECTIVE MEMBERS

#### How To Contact Us

If you would like more information about the Society, a claim, an application for new or increased insurance cover or your membership in general please contact us. You may telephone, contact us by email or letter, or if convenient you are welcome to come to Holloway House. Contact details are as follows and you will find a "Who's Who" on page 31.

#### By telephone:

Main switchboard	01225 752120
Member services	01225 756785
Application queries	01225 756783
Claims	01225 756793

#### By email:

General email address	<a href="mailto:info@wiltshirefriendly.com">info@wiltshirefriendly.com</a>
Members services	<a href="mailto:lynda.close@wiltshirefriendly.com">lynda.close@wiltshirefriendly.com</a>
Application queries	<a href="mailto:alex.ransome@wiltshirefriendly.com">alex.ransome@wiltshirefriendly.com</a>
Claims	<a href="mailto:claire.robinson@wiltshirefriendly.com">claire.robinson@wiltshirefriendly.com</a>

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

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

#### Our website:

[www.wiltshirefriendly.com](http://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 Alex Ransome

Email [alex.ransome@wiltshirefriendly.com](mailto:alex.ransome@wiltshirefriendly.com) or telephone 01225 756783

#### Our Service To You

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

#### How To Complain

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

The Financial Ombudsman Service  
Exchange Tower  
London E14 9SR

Telephone:	0800 0 234 567
Email:	<a href="mailto:complaint.info@financial-ombudsman.org.uk">complaint.info@financial-ombudsman.org.uk</a>
Website:	<a href="http://www.financial-ombudsman.org.uk">www.financial-ombudsman.org.uk</a>



## WILTSHIRE FRIENDLY SOCIETY LIMITED

### WHO'S WHO AT WILTSHIRE FRIENDLY

#### OPERATIONS STAFF

##### Operations Supervisor

###### Helen Lingard

*Supervision of operational staff.*

direct telephone number 01225 756782

email [helen.lingard@wiltshirefriendly.com](mailto:helen.lingard@wiltshirefriendly.com)

##### Benefit Claims Administrator

###### Claire Robinson

*Processing claims for income replacement benefit and administration of claims in progress and benefit payments.*

direct telephone number 01225 756793

email [claire.robinson@wiltshirefriendly.com](mailto:claire.robinson@wiltshirefriendly.com)

##### Assistant Accountant

###### Julie Barnes

*Financial accounting and supplier accounts payable.*

direct telephone number 01225 756788

email [julie.barnes@wiltshirefriendly.com](mailto:julie.barnes@wiltshirefriendly.com)

##### Senior Benefit Claims Officer

###### Deborah Chivers

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

direct telephone number 01225 756789

email [debbie@wiltshirefriendly.com](mailto:debbie@wiltshirefriendly.com)

##### New Business Administrator

###### Alex Ransome

*Processing applications for new memberships and cover increases for existing members. Group sales office contact.*

direct telephone number 01225 756783

email [alex.ransome@wiltshirefriendly.com](mailto:alex.ransome@wiltshirefriendly.com)

##### Customer Services Officer

###### Lyn Close

*General membership enquiries, contribution difficulties and arrears, retirements and membership terminations. Member relations contact.*

direct telephone number 01225 756785

email [lynda.close@wiltshirefriendly.com](mailto:lynda.close@wiltshirefriendly.com)

#### SALES & ADVICE TEAM

##### Sales & Marketing Consultant

###### Jon Gratland

*Sales team oversight, responsible for marketing and promotion.*

direct telephone number 01225 756786, mobile 07971 603071

email [jon.gratland@wiltshirefriendly.com](mailto:jon.gratland@wiltshirefriendly.com)

##### Society Adviser

###### Mike Lees

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

mobile 07764 929567, out of office contact - Alex Ransome

email [mike.lees@wiltshirefriendly.com](mailto:mike.lees@wiltshirefriendly.com)

##### Senior Society Adviser

###### Alan Godfrey

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

mobile 07720 181696, out of office contact - Alex Ransome

email [alan.godfrey@wiltshirefriendly.com](mailto:alan.godfrey@wiltshirefriendly.com)

##### Intermediary Relationship & Group Product Consultant

###### David Macgregor

*Group Business sales, responsible for development of intermediary relationships and group business for employers and employees.*

mobile 07966 777241, out of office contact - Alex Ransome

email [david.macgregor@wiltshirefriendly.com](mailto:david.macgregor@wiltshirefriendly.com)

#### OTHER STAFF

##### Chief Executive

###### John Sanders

*General management and oversight of the Society's operations.*

direct telephone number 01225 756780

email [john.sanders@wiltshirefriendly.com](mailto:john.sanders@wiltshirefriendly.com)

##### Governance & Compliance Manager

###### Lee Davis

*Head of governance and regulatory compliance oversight.*

direct telephone number 01225 756791

email [lee.davis@wiltshirefriendly.com](mailto:lee.davis@wiltshirefriendly.com)

##### Senior Independent Board Member

###### Margaret Pedder

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

office contact - Lyn Close 01225 756785

email [margaret.pedder@wiltshirefriendly.com](mailto:margaret.pedder@wiltshirefriendly.com)

##### Finance & Commercial Manager

###### Sarah Barrell

*Head of operational staff, financial accounting and management of membership accounts.*

direct telephone number 01225 756792

email [sarah.barrell@wiltshirefriendly.com](mailto:sarah.barrell@wiltshirefriendly.com)

##### IT Services & Data Manager

###### Edward Smith

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

direct telephone number 01225 756790

email [edward.smith@wiltshirefriendly.com](mailto:edward.smith@wiltshirefriendly.com)

## WILTSHIRE FRIENDLY SOCIETY LIMITED HOLLOWAY HOUSE LOCATION MAP

If you would like to attend the AGM on Tuesday 16 June 2015 at 10:00am at Holloway House, Epsom Square, White Horse Business Park, Trowbridge, BA14 0XG, here is a map to help you find us.





WILTSHIRE



FRIENDLY

SOCIETY LIMITED

INCOME REPLACEMENT INSURANCE SINCE 1887

Holloway House Epsom Square  
White Horse Business Park  
Trowbridge Wiltshire BA14 0XG  
Tel: 01225 752120  
[info@wiltshirefriendly.com](mailto:info@wiltshirefriendly.com)