

WILTSHIRE



FRIENDLY

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SOCIETY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTICE OF ANNUAL GENERAL MEETING 2020**

Notice is hereby given that the Annual General Meeting of Wiltshire Friendly Society Limited (“AGM”) will be held on 10 September 2020 at 10.00am. In accordance with temporary provisions set out in the Corporate Insolvency and Governance Act 2020 (“the Legislation”); the AGM will be held remotely and eligible members may only attend on a virtual basis and not in person. To effect virtual attendance members should register in the manner set out within their AGM packs (“meeting packs”). In accordance with the Legislation, which temporarily supersedes the Friendly Societies Act 1992 and the Society’s Rules in respect of any corporate meetings held prior to 30 September 2020, members may only vote in advance on all or any of the resolutions 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 19 June 2019.
2. To receive the Financial Statements for the year ended 31 December 2019. *For information only, no vote required.*
3. To approve the Board Remuneration Report for the year ended 31 December 2019.

*Members are asked to approve the Board Remuneration Report by way of an advisory vote. This is not a legal requirement, but the 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 40 of the Financial Statements.*

4. To re-elect members of the Board of Management 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
Leonard Paul	Gas Central Heating Specialist	07/2011

5. To re-appoint Moore (formerly Moore Stephens) as Auditor.
6. To re-elect the Arbitrators to serve for the coming year:  
Mr M I Stillwell  
Mr W J Pepler  
Mr C C Cheshire OBE
7. To approve replacement of the Society’s Memorandum, all Rules, Schedules and current amendments with revised 2020 Rules (“new Rules”), subject to any amendments required by the Financial Conduct Authority (“FCA”); to take effect on such date as the Board of Management and the FCA shall determine. *Full details of all of the proposed changes can be found at the website address shown in the Rules communication, in the meeting packs.*
8. To approve re-appointment of a Rules Committee in accordance with Society Rule 44.1;
  - subject to approval of the new Rules in accordance with the resolution proposed at 7 above; the Rules Committee appointed under resolution 8 shall sit only until regulatory registration of the new Rules is effected;
  - in the event the new Rules are not approved in the resolution proposed at 7 above; the Rules Committee appointed under resolution 8, shall sit until the next AGM, or until such earlier date it is dismissed in accordance with the provisions of the Society’s Rules.

**The Society’s Financial Statements for the year ended 31 December 2019, which include 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 2019 AGM, can be found on the Society’s website at [www.wiltshirefriendly.com](http://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

**16 June 2020**

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
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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 &amp; 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 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 &amp; 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
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 2019

### 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.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### CHAIR'S STATEMENT

I am very pleased to introduce the 2019 Financial Statements for Wiltshire Friendly Society.

#### **Staying Strong in Challenging Times**

I am writing to you slightly later than I normally would, due to the COVID-19 pandemic and the impact that it has had on all of us. We are all currently living in very challenging times, both personally and in our working lives.

Of paramount importance to us is to make sure we are here to support our members, should they become ill from COVID-19 or any other incapacity. We are listening to, and finding ways to support, our members in meeting their financial hardship by offering payment holidays and suspension of membership options when the need arises.

From an operational perspective, back in March 2020 we quickly moved all employees off site to work from home and we have been able to continue to provide our members the same quality of personal service throughout this time.

Our strong financial position at the end of 2019 means that we have been able to deal with the financial challenges caused by the COVID-19 crisis and we continue to have a strong balance sheet.

We don't take our current position for granted. We have a clear Strategic Plan, focused on both maintaining existing membership and developing new membership. Our employees have made a huge contribution in keeping things running smoothly and the Board of Management has been actively engaged in providing its support to myself and the team.

The pandemic may not yet be over, and will continue to cause challenges to us all, however your Society is coping well and remains fully operational and we are here to support you.

#### **Our Strategic Focus**

Our purpose has not changed. We aim to build on the solid foundations already established by our Holloway membership and to grow an independent, flourishing Society for all our members, employees and stakeholders alike.

Our product lines are clearly established for both the Individual and Group Income Protection markets. We also continue to adapt those products to meet the needs of other specialist groups of people, sports professionals being one such group. This year we are developing a new, simplified Individual Income Protection product that we aim to launch at the start of 2021. This will be an exciting addition to our product range and one we believe will add value to the Society for the benefit of all members.

As a mutual insurer, our culture plays an important part in how we run our Society on a day-to-day basis. Clear values and behaviours, as demonstrated by our Board of Management and senior and operational employees, are paramount to the way we interact with our members, intermediaries and other Society stakeholders. As a Mutual, we believe that our Society needs to listen closely to the views of our members and in 2019 we successfully launched member focus groups in order to discuss current topics, and we will continue these in 2020 and beyond.

#### **Society Performance**

The Society's performance continued to remain stable throughout 2019 and we remain positive about our future as an independent provider.

Our core operating expenses and total expenses reduced slightly from the previous year, which is a result of our close cost management controls.

Investment performance in 2019 has been very strong, aided by the market recovery through the year due to Brexit stability and the easing of tensions between the United States and China. We work very closely with our Investment Advisers, LGT Vestra, and maintain a balanced portfolio investing in quality stock with a longer-term investment view.

Our existing Holloway membership is naturally declining, and whilst we are still adding new Holloway memberships it's the Group and Sports propositions that give us the potential new membership growth for the future.

I am therefore pleased to report that the Bonus and Terminal Bonus rates in 2019 have been maintained at the same rates they were in 2018.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### CHAIR'S STATEMENT (CONTINUED)

#### Membership

As a mutual Society our purpose remains to provide our members with a high standard of service and to pay their claims should they become unable to work due to illness. In 2019 the Society paid 96.47% of all claims received, and 96.92% of all claims received within the last three years. We are pleased and proud of these rates as they demonstrate the value of your protection benefit at the time when members need it most. I am pleased to report that these results are above the Financial Mutual Sector average (as published by the Association of Financial Mutuals).

We are currently in the process of updating and developing the Society Rules, which will enable us to add a simplified income protection product to our product range. Details of these Rule changes will be contained within your AGM pack and we will be asking you to vote to support these changes.

Being a Mutual, the way we are structured and operate, puts us in a strong place to respond to environmental challenges and we take account of these in our day-to-day operations and in our investment strategy.

#### Board of Management

I work with a Board of Management that is professional, experienced and highly engaged in the management and strategic development of the Society.

There has been no change in the structure of the Board of Management in 2019. We are, however, looking to recruit a new Non-executive Board member in 2020 to ensure the Board of Management maintains its required independence and balance of skills.

The Society continues to support the development of the Non-executive Board members through targeted and relevant training and professional development.

#### Looking Ahead

At the time of writing this, I can now look back over the first half of 2020 and forward to the next half of the year.

We have already weathered the initial impact of the COVID-19 pandemic, focussing on keeping our membership services running.

We continue to look forward, to developing our products and reaching new markets and we have recruited a new Sales and Business Development Consultant to help provide focus and support to our current sales initiatives.

Our aim remains to increase both new business premiums and to grow our membership numbers, whilst continuing to control costs. We also place importance on maintaining our governance controls to ensure regulatory compliance and safe stewardship of the Society on behalf of our members.

In 2020 I look forward to a successful year in ensuring the Society remains both relevant and viable for our members.

#### And Finally

The last 18 months have been more challenging than usual, caused by incidents outside of our control, and I would like to recognise the contribution and effort from all our employees and Non-executive Board members, in maintaining our 'business as usual' operations and providing a high standard of service to our members.

We remain well placed for the future in terms of our strategy and we have the right people and operational structure to deliver the performance we seek, which is managed and controlled through a sound governance framework.

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 continuing to provide the high level of service that our members depend upon.

Yours sincerely



**Roger Harrison**  
Chair

16 June 2020



# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### REPORT OF THE BOARD OF MANAGEMENT

The Board of Management (“the Board”) has pleasure in presenting its report and these Financial Statements for the year ended 31 December 2019.

#### Principal Activity

The principal activity of the Society throughout 2019 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 2019.

#### 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 **£1,565,000** (2018:- £1,610,000). Performance remained stable at a time when the Society continued to undergo a strategic change in direction as explained later in the Strategic Report. The development of new business income growth was slower than hoped for, as the Society worked hard to enter new markets. However, we remain satisfied with progress to date and with the strategic direction being taken in increasing both the product range and the distribution channels used to sell those products.

Sickness benefit paid during the year decreased to **£773,000** (2018:- £793,000). This reduction had not been at the expense of claims admission where the Society paid **96.47%** 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 96.92%, and which illustrated the true value of the Society’s income protection. The principal reasons for the non-payment of claims during the year was due to incapacity being linked to an excluded medical condition or other Rules and Plan Terms and Conditions not being met.

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 2018 level of 10% for members who retired or commuted their membership during the year and for those who will do so during 2020.

#### Society Membership

During the year the net reduction in total memberships was **91** (2018:- 88). Whilst membership attrition was stable, the Society is continuing to work towards growing the number of memberships through its increased product range and widened distribution.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

#### Investments

Total investment income decreased during the year to **£488,000** (2018:- £503,000), and the income return on invested funds, including that from property, was approximately 3.16% (2018:- 3.38%).

During the year the Society made a net gain of **£100,000** in investment trading (2018: £60,000 net loss). The value of investments held at the end of the year included overall unrealised gains amounting to **£799,000** (2018:- overall unrealised loss £763,000).

2019 saw a market recovery from the challenges of the previous year, as Brexit finally happened and international tensions in the United States and China settled. The Society balances 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.

One of the specific investments within the Society's investment portfolio, in Lake District Biogas, experienced issues with the company going into administration in early 2019. Pending resolution of the administration of this asset, the Society has written down the full value of the £250,000 investment to nil as at year end. That loss is included within the otherwise positive investment performance during 2019.

During the year, Suite 1 in Holloway House continued to be let on a five-year contract. Suites 2 and 4 remained vacant for the period January to July 2019; a new tenant took temporary occupancy from August and completed a five-year contract in October 2019. Market Street was let for the full year under the existing 15 year lease. Rental income for the buildings during the year amounted to **£62,000** (2018:- £50,000).

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

During the year the Society's total expenses were **£1,112,000** (2018:- £1,152,000). Development expenses amounted to **£22,000** (2018:- £18,000). The Society's underlying core expenses, excluding development and business acquisition, reduced to **£707,000** (2018:- £730,000), 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 2019 was **£6,895,000** (2018: £7,152,000).

#### 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:

		2019	2018
<b>Members under the age of 65 or if their membership terms so permit below their State Pension Age and eligible to claim sickness benefit</b>			
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)		<b>£2.50</b>	£2.50
Apportionment to post 2012 New Holloway memberships – as a percentage of contributions paid		<b>5%</b>	5%
Rates of Bonus	Balances below £5,000	<b>2.50%</b>	2.50%
	Balances £5,000 and above	<b>2.75%</b>	2.75%
<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>	2.50%
	Balances £5,000 and above	<b>2.75%</b>	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 2019

### 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 2020.

#### Rules Committee

The Rules Committee was appointed under Society Rule 44.1 at the Annual General Meeting (“the AGM”) held on 19 June 2019.

The Board intends to seek approval of the members at the forthcoming AGM for full revision of the Rules to be effective from the date of regulatory registration. As a formality it will necessitate re-appointment of the Rules Committee under existing Rule 44.1 which will sit only until the new 2020 Rules, if approved at the AGM, are registered in accordance with the legislation. The Rules Committee has and will play no part in the drafting of the proposed full revision of the Rules, which is directly controlled by the Board.

#### 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 5 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 March 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.

#### Post Balance Sheet Event - 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 has been closely monitoring the impact on its day-to-day operations, principally how it can continue to deliver effective member service, fair and appropriate claims management and investment performance.

To date we have not seen a material impact on our operations; our remote working plan is effective in maintaining membership services. This is a testament to the efforts and commitment of our employees.

The Actuary to the Society has completed an impact assessment as at the end of May 2020. This enabled the Board to assess the Society’s ability to continue as a going concern in light of COVID-19. It specifically covered:

- regulatory solvency
- stress testing and available management actions
- liquidity
- counterparty exposure
- operational resilience

The Board concludes that under all of these conditions, the solvency and liquidity of the Society remain strong and within 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 19-22.

- A minor increase in claims has been observed. Clear communication has been given to members on the Society’s website as to when and how they can claim due to COVID-19.
- The Society continues to closely monitor claims and lapse experience as the situation unfolds.
- In order to protect the Society and the current membership, and to further mitigate the COVID-19 risk, all new membership applications received after 24 March 2020 will not cover claims in respect of COVID-19. The Society will continue to review this stance based on experience.
- The investment portfolio performance is monitored with the Society’s Investment Adviser, LGTVestra, on a weekly basis. Due to the balanced construction of that portfolio, performance has been better than the targeted benchmark.
- The Society will further review its Strategic Plan in light of COVID-19 during the coming months as experience emerges.

This assessment confirms that the Society has the financial strength and capability within its solvency to mitigate the emerging experience from COVID-19 over 2020 and beyond.

#### Statement of Solvency

At 31 December 2019, 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 2019

### 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.

#### 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 increasingly more important in delivering the Society sales growth and business written through non direct distribution channels amounted to 87% of the total in 2019 (2018:- 67%). The Society will maximise the potential from that developing 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 changed the shape of its sales team in 2019, initiated by members of the team leaving for new positions. This gave us the opportunity to reconsider the future structure of the sales and servicing proposition. That in turn resulted in the recruitment of a new Sales and Business Development Consultant, supported by the planned development in 2020 of an 'Information Only' option for members who want to make the buying decision themselves based on the information we provide.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### STRATEGIC REPORT (CONTINUED)

The Society has a rolling Strategic Plan that 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.

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

Close control and monitoring of the success of the Strategic Plan initiatives and costs, together with associated impact on Society capital, continues to identify any requirement 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 22.9%, 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 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 30-34 of these Financial Statements.

#### Brexit

The Society continued to monitor the events that led to the Brexit withdrawal agreement signed in January 2020.

Operationally, there is very little impact on the Society as it currently distributes only in the UK. The impact on investments continues to be considered by the Investment Committee and our appointed Investment Advisers, LGTVestra. The implementation of the withdrawal agreement will be closely monitored to assess any future impact or requirement.

#### 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 2019. 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 2019

**STRATEGIC REPORT (CONTINUED)**

	2019	2018	2017
<b>Premium Income</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
New Premium Income	48	67	114
Established Member Premium Income	1,517	1,543	1,530
<b>Total Premium Income</b>	<b>1,565</b>	<b>1,610</b>	<b>1,644</b>

**Expenses**

Core Operating Expenses	707	730	719
Ratio of Operating Expenses to Premium Income	45.18%	45.35%	43.67%
Total Investment Expenses	114	124	104
Total Selling Expenses	269	280	287
Total Business Development Expenses	22	18	23
<b>Total Expenses</b>	<b>1,112</b>	<b>1,152</b>	<b>1,133</b>

**Benefit Claims**

Ratio of Benefit Claims to Total Premium Income	49.40%	49.26%	57.02%
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**Assets**

Total Assets	15,793	15,255	16,471
Admissible Assets (i)	15,706	15,188	16,385
Free Assets (ii)	3,601	2,862	3,317
Free Asset Ratio (as a percentage of admissible assets)	22.9%	18.8%	20.2%

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

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

- a reduction in the claims reserve; and
- an increase in unrealised investment gains as at 31 December 2019.

**Membership**

	2019	2018	2017
Number of Lives Insured	3,067	3,141	3,199
Number of Policies	4,387	4,478	4,566

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 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 age of 70 are not eligible for co-option and are subject to annual re-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 2019 the Board assessed its composition as suitable in meeting its functional requirements.

The Board has 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 will ensure that the Board composition continues 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 or 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 four 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.

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.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### CORPORATE GOVERNANCE (CONTINUED)

In the opinion of the Board, having two independent Non-executive Board members at the end of 2019 remains acceptable and complies with the Code. However, the Board notes that the ratio of newer to longer serving Non-executive Board members will change as, whilst at 31 December 2019 that was 33% (2018:- 33%), it is noted that Mr Paul will lose his independence by virtue of his length of service during 2020. The Board Succession Plan therefore identifies the need to recruit a new independent Non-executive Board member during 2020.

#### 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 was appointed to this role in June 2019 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 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.

#### 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 professional Investment Advisers.

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

#### Staffing, Salaries & Nominations Committee

The Committee, which meets twice per year, is headed by Mrs Pedder and in addition comprises two other Non-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 2019 Mr Paul and Mrs Whitehead met the criteria for independence and the Board considered this to be acceptable. Mrs Barrell also attends in an advisory capacity.



# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### CORPORATE GOVERNANCE (CONTINUED)

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.

#### **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 general oversight of New Business and Benefit Claims underwriting.

#### **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	2019		2018	
	Meetings Attended	Relevant Meetings	Meetings Attended	Relevant Meetings
Roger Harrison	18	22	18	20
Martin Gurney	13	13	15	15
Margaret Pedder	13	13	9	11
David Bones	12	13	12	15
Leonard Paul	12	12	9	9
Caroline Whitehead	14	15	15	16
Jon Gratland	22	22	20	20

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.

#### **The Corporate Governance Code**

The Society previously used the principles and provisions of the Annotated Corporate Governance Code for Mutual Insurers, operated on a “comply or explain” basis.

In 2019 the Society, as a member of the Association of Financial Mutuals (AFM), has chosen to adopt the AFM Corporate Governance Code 2019 (AFM CGC) which took effect from 1 January 2019.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**CORPORATE GOVERNANCE (CONTINUED)**

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.

Principle	Applied	How Applied
<p><b>1. Purpose and leadership:</b>                      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><b>2. Board composition:</b>                      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 succession planning. A Board diversity policy has been drafted and is being further developed.</p> <p>Individual performance and skills are evaluated through an annual appraisal process.</p> <p>The Board agreed, in 2019, to commission an independent review of its effectiveness, which will be completed once the pandemic permits.</p>
<p><b>3. Director responsibilities:</b>                      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 development of the Society Climate Change plan 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.</p> <p>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 2019**

**CORPORATE GOVERNANCE (CONTINUED)**

Principle	Applied	How Applied
<p><b>4. Opportunity and risk:</b>  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.</p>
<p><b>5. Remuneration:</b>  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 not, to date, undertaken gender pay-gap reporting.</p> <p>Non-executive Board member and Chief Executive remuneration is made clear to members annually in these Financial Statements.</p>
<p><b>6. Stakeholder relationships and engagement:</b>  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 Senior Independent Board member initiated the first ever member forums at the end of 2019, to share future Society thinking, to identify what membership value meant to the members themselves and how they liked to be communicated with.</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 commenced its first member forums in late 2019.</p> <p>Suppliers are managed against their respective Terms of Engagement.</p> <p>The Board of Management (“Board”) is kept informed of engagement 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 plans and is committed to develop is its engagement in the local community and environment.</p>

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 2019 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 10-12. This plan was formed, and is updated, by the Board and the Senior Management Team.

Members of the Board regularly engage with employees through their staff meetings which gives the opportunity to provide both strategic update and understand and discuss operational matters.

The Society's key customers are its members and the intermediaries who place business. The Strategic Report on pages 10-12 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 implemented a Climate Change plan in 2019 and this continues to be developed.

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 30-34 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

16 June 2020

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
**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 2019 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 2019 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**

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

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

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)**

**Key Audit Matters**

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

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Valuation of the long-term business provision</b></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"> <li>• 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.</li> <li>• We have reviewed and confirmed the independence and expertise of our and the Society's actuarial experts.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>Overall, based on the assumptions and methodology used at 31 December 2019, we consider the long-term business provision liability recognised by the Society within their financial statements to be reasonable.</p>
<p><b>Going concern (please see Note 17)</b></p> <p>The impact of COVID-19 is considered to be a non-adjusting post balance sheet event. Management have performed an impact assessment of the COVID-19 outbreak and the impact this has on the Society's ability to meet its capital requirements and liabilities as they fall due. Considering the results of this impact assessment management have prepared the financial statements on a going concern basis. In considering whether the Society can meet its obligations as they fall due, management have estimated the impact of the potential claims exposure, reduction in investment values as a result of the volatile market conditions, potential impacts on the business plan and the change in free assets.</p>	<p>We have obtained and assessed management's analysis of the impact of COVID-19 on the Society financial statements. This included the following:</p> <ul style="list-style-type: none"> <li>• We have evaluated management's stress and scenario testing and challenged management's key assumptions;</li> <li>• We have considered alternative stress testing performed by management to check that the Society has considered appropriate stressed scenarios and that it remains able to meet its capital requirements;</li> <li>• We have assessed the mitigating actions that management have put in place and potential future actions; and</li> <li>• We have assessed the disclosures made by management in the financial statements.</li> </ul> <p>Based on the work performed and the evidence obtained, we consider the disclosure of the impact of COVID-19 within the financial statements to be appropriate.</p>

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
**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 £41,000 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 £315,000 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 £30,750 (2018: £31,500) which represents 75% (2018: 75%) of the above materiality level. We agreed with the audit committee that we would report to the Board all audit differences in excess of £2,075, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

### **An overview of the scope of the audit**

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. 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.

We gained an understanding of the legal and regulatory framework applicable to the Society and the industry in which it operates and considered the risk of acts by the Society which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Friendly Societies Act 1992, PRA and FCA rules, FRS 102 and FRS 103.

We designed audit procedures to respond to the risk, 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.

We focused on laws and regulations that could give rise to a material misstatement in the Society financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- review of correspondence with the PRA and FCA; and
- review of the Society's compliance plan, annual MLRO report, breaches register and Internal Audit reports.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely, as auditor of the financial statements, we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

### **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.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)**

**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 and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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**

**17 June 2020**



**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019	2018
		£000	£000
<b>Technical Account: Long-Term Business</b>			
Net Earned Premium Income	4a	1,565	1,610
Investment income	4b	488	503
Other technical income		10	9
<b>Total technical income</b>		<b>2,063</b>	<b>2,122</b>
Gross benefits and claims		(779)	(800)
Claims ceded to reinsurers		6	7
Net benefits and claims		(773)	(793)
Change in long-term business liabilities (reserves)		114	505
Bonuses, rebates & other disbursements	6	(315)	(330)
Net operating expenses	7	(1,023)	(1,052)
Direct Investment expenses and charges	7	(89)	(100)
Unrealised gains/(losses) on investments		799	(763)
Realised gains/(losses) on investments		100	(60)
Transfer (to)/from the Fund for Future Appropriations	10	(876)	471
<b>Total claims bonuses and expenses</b>		<b>(2,063)</b>	<b>(2,122)</b>
<b>Balance on the Technical Account: Long-Term Business and Total Comprehensive Income</b>		<b>-</b>	<b>-</b>

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 2019**

**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019**

	Notes	2019	2018
<b>ASSETS</b>		<b>£000</b>	<b>£000</b>
<b>Investments</b>			
Land and buildings	8	1,035	1,035
Other financial investments	8	14,386	13,840
		<b>15,421</b>	<b>14,875</b>
<b>Debtors</b>			
Arising out of direct insurance operations		4	6
<b>Other assets</b>		-	1
Tangible & intangible fixed assets	9	92	91
Cash at bank and in hand		111	116
<b>Prepayments and accrued income</b>			
Accrued interest and rent		119	115
Deferred acquisition costs		23	24
Other prepayments		23	27
<b>Total assets</b>		<b>15,793</b>	<b>15,255</b>
<b>LIABILITIES</b>			
<b>Members funds</b>	11	<b>6,895</b>	<b>7,152</b>
<b>Fund for future appropriation</b>	10	<b>5,476</b>	<b>4,600</b>
<b>Technical provisions</b>			
Long-term business provision	11	3,209	3,323
Claims outstanding		41	30
<b>Creditors</b>			
Arising out of direct insurance operations	12	19	17
Other creditors including taxation and social security	12	71	61
<b>Accruals and deferred income</b>	12	<b>82</b>	<b>72</b>
<b>Total liabilities</b>		<b>15,793</b>	<b>15,255</b>

These Financial Statements were approved by the Board of Management on 16 June 2020 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 2019

### SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation**

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

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

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Society. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

After making enquiries, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements (see the Post Balance Sheet Event – 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 discounted if the related membership (policy) is greater than 3 months in arrears, after which period the Society’s Rules prescribe that a member is ineligible to claim sickness benefit. New business contributions are recognised when the policy liability is set up, the contribution is due for payment and payment is received. Reinsurance premiums payable are accounted for when due for payment.

#### **Investment Income**

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

#### **Claims and Benefits**

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

#### **Realised and Unrealised Gains and Losses**

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

#### **Acquisition Costs**

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

#### **Apportionment and Bonuses**

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

#### **Pension Scheme Arrangements**

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

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 reported a reserve for unexpired risks and a reserve for claims already in payment.

#### **Quoted Fixed Interest and Equity Investments**

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

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

#### **Investment Property**

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

An external independent valuer, having appropriate recognised professional qualifications and current experience of the location and type of property being valued, values the Society's investment property from time to time when the Board of Management deems 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 at the back of these Financial Statements. The nature of the Society's operations and its principal activities are set out in the Strategic Report on pages 10-12.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 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 2019 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. 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 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**2) Capital Management (Continued)**

The Capital Statement set out below, illustrates the financial strength of the Society's life business at 31 December 2019. 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 **£548,000** (2018: £561,000).

	2019	2018
	£000	£000
<b>Capital Statement Table</b>		
<b>Fund for future appropriation</b>	<b>5,476</b>	4,600
Regulatory adjustments: Assets	(87)	(67)
Liabilities	(1,240)	(1,110)
<b>Total available capital resources</b>	<b>4,149</b>	3,423
Deduct regulatory capital requirement	(548)	(561)
<b>Free Capital</b>	<b>3,601</b>	2,862
<b>Total available capital at 1 January</b>	<b>3,423</b>	3,908
Effect of economic experience	1,364	(413)
Difference in Admissibility Limits	(20)	22
Changes in valuation assumptions	(267)	0
Effect of resilience requirements	(30)	70
Effect of claims in payment	241	191
New business and other factors	(562)	(355)
<b>Total available capital resources</b>	<b>4,149</b>	3,423

**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 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (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 decrease 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%

2019

£000

1,534

(1,242)

1,495

(1,495)

**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 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (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 2019 are as follows:

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
<b>Total</b>	<b>70</b>	<b>389</b>	<b>688</b>	<b>2,103</b>	<b>3,250</b>

The table below shows the technical provisions as at 31 December 2018:

Technical Provisions as at 31 December 2018	Within 1 Year	1-5 Years	5-10 Years	Over 10 Years	Total
	£000	£000	£000	£000	£000
Long-Term Business Provision	13	497	778	2,035	3,323
Outstanding claims	30	-	-	-	30
<b>Total</b>	<b>43</b>	<b>497</b>	<b>778</b>	<b>2,035</b>	<b>3,353</b>



**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (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	2019		2018	
	Change in Technical Provisions (£'000)	Impact %	Change in Technical Provisions (£'000)	Impact %
Reduction in Risk-free rates by 0.5%	211	6.5	208	6.2
Increase in mortality by 10%	(15)	(0.5)	(14)	(0.4)
Increase in sickness rates by 10%	1,543	47.7	1,493	44.5
Increase in expenses by 10%	1,223	37.9	1,188	35.4

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 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
<b>Total</b>	<b>6,318</b>	<b>1,090</b>	<b>4,210</b>	<b>3,044</b>	<b>1,131</b>	<b>15,793</b>

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**3) Risk Management and Control (Continued)**

The assets held in the insurance funds as at 31 December 2018 split by duration were as follows:

Assets as at 31 December 2018	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	4,716	-	-	-	-	4,716
Fixed Interest Securities	792	-	3,030	3,095	1,978	8,895
Cash & Other	111	458	29	-	-	609
<b>Total</b>	<b>6,665</b>	<b>458</b>	<b>3,059</b>	<b>3,095</b>	<b>1,978</b>	<b>15,255</b>

- 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 Society's 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 the given investment strategy and the prudent interests of the Society's 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 2019, the Society held £5.164m (2018: £4.716m) of individual equities. A 10% reduction in this value would lead to a 12.4% decrease (2018: 13.8% 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 to manage its portfolio of properties.

As at 31 December 2019, the Society held £1.035m (2018: £1.035m) of property. A 25% reduction in this value would lead to a 6.2% decrease (2018 7.6% 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 0.5% to 0.55%) would lead to a 12.4% decrease (2018: 4.7% decrease) in the Society's surplus capital.

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (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	2019	2018
	£000	£000
US Dollar	937	1,028
Pound Sterling	4,227	3,688
<b>Total</b>	<b>5,164</b>	<b>4,716</b>

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

- Credit 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 2019 the Society held £8.865m (2018: £8.895m) of listed fixed interest securities.

These are analysed by credit rating below:

Credit Rating	2019	2018
	£000	£000
AAA	564	568
AA	2,627	2,612
A	1,200	1,407
BBB	4,030	3,783
Below BBB	326	275
Not rated	0	250
<b>Total</b>	<b>8,747</b>	<b>8,895</b>

- 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 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (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	2019	2018
		£000	£000
Contributions to the Holloway sickness fund		1,654	1,671
Contributions ceded to the Reinsurer		(89)	(61)
		<b>1,565</b>	<b>1,610</b>

**4b) Investment Income**

Rental Income	62	50
Interest received on Cash Deposits	2	1
Dividend Income	424	452
	<b>488</b>	<b>503</b>

**5) Change in Long-Term Business Provision**

Change in technical provision	(114)	(505)
<b>Balance at the beginning of the year</b>	<b>3,323</b>	<b>3,828</b>
	<b>3,209</b>	<b>3,323</b>

See Note 11b

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**6) Members' Apportionment and Bonuses**

	Notes	2019	2018
		£000	£000
Apportionment – allocated during the year	See Note 11a	105	108
Bonus – allocated during the year	See Note 11a	180	186
Terminal Bonus – paid on retirement or allocated to commuting members	See Note 11a	30	36
		<b>315</b>	<b>330</b>

**7) Net Operating Expenses**

General office and administration	80	86
Administrative employees costs	572	588
Membership services	22	20
Own occupation property costs	32	29
Finance	9	9
Professional fees	99	99
Depreciation and equipment disposals	28	33
<b>Recurring operational expenses</b>	<b>842</b>	<b>864</b>
Direct cost of business acquisition	159	170
Direct cost of investment activities	89	100
<b>Total recurring expenses</b>	<b>1,090</b>	<b>1,134</b>
Product development costs	22	18
<b>Total exceptional expenses</b>	<b>22</b>	<b>18</b>
<b>Total operating expenses</b>	<b>1,112</b>	<b>1,152</b>

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

Administrative expenses	707	730
Direct and indirect cost of investment activities	114	124
Direct and indirect cost of business acquisition & strategic development	269	280
Product development	22	18
	<b>1,112</b>	<b>1,152</b>

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7) Net Operating Expenses (Continued)

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

Sales employees (including commission)

Other employees

2019	2018
£000	£000
<b>61</b>	59
<b>572</b>	588
<b>633</b>	647

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

Audit fees

Fees for non audit work

<b>19</b>	18
<b>0</b>	0
<b>19</b>	18

8) Investments

	Land & Buildings	Fixed Interest	Shares & Unit Trusts	Held as Cash	Totals
	£000	£000	£000	£000	£000
<b>Valuation at the beginning of the year</b>	<b>1,035</b>	<b>8,895</b>	<b>4,716</b>	<b>229</b>	<b>14,875</b>
Net movements on invested funds	-	(189)	(405)	241	(353)
Gains/(losses) on disposals & redemptions	-	33	62	5	100
Unrealised gains/(losses) on revaluation	-	8	791	-	799
<b>Valuation at the end of the year</b>	<b>1,035</b>	<b>8,747</b>	<b>5,164</b>	<b>475</b>	<b>15,421</b>
<b>Historical Cost</b>	<b>1,711</b>	<b>8,803</b>	<b>4,221</b>	<b>475</b>	<b>15,210</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 partially let. As at the end of 2019, all units were fully let. The property is included at its open market value of **£720,000** (2018:- £720,000) after a write down provision of **£739,000** (2018:- £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 **£315,000** (2018:- £315,000).

Both properties were last valued during December 2018, on a desk top valuation basis, by Emma Cowlrick MRICS of Carter Jonas. The Board of Management, having further consulted with Carter Jonas, has assessed that the property valuations have not materially changed since the valuation in 2018 and there is therefore no requirement to revalue the properties at the end of 2019.

**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 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

8) Investments (Continued)

Fair Value Measurement

	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Land and Buildings	-	-	1,035	-	-	1,035
Shares and Unit Trusts	5,164	-	-	4,716	-	-
Fixed Interest Securities	8,747	-	-	8,895	-	-
Cash and Other	847	-	-	609	-	-

9) Tangible & Intangible Fixed Assets

	Fixtures & Fittings	Equipment	Intangible Assets	Totals
<b>Cost at the beginning of the year</b>	13	112	69	194
Additions	6	-	23	29
Disposals	0	0	0	0
<b>Cost at the end of the year</b>	19	112	92	223
<b>Depreciation at the beginning of the year</b>	8	84	11	103
Charge for the year	1	10	17	28
Eliminated on disposals	-	-	-	-
<b>Depreciation at the end of the year</b>	9	94	28	131
<b>Net book value at the end of the year</b>	10	19	64	92
<b>Net book value at the beginning of the year</b>	13	27	59	99

10) Fund for Future Appropriation

Balance bought forward

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

Balance at the end of the year

	2019	2018
	£000	£000
Balance bought forward	4,600	5,071
Transfer (to)/from the Technical Account - Long-Term Business	876	(471)
<b>Balance at the end of the year</b>	5,476	4,600

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

<b>11) Technical Provisions</b>	<b>Notes</b>	<b>2019</b>	<b>2018</b>
<b>11a) Holloway Business</b>		<b>£000</b>	<b>£000</b>
Apportionment	See Note 6	<b>105</b>	108
Bonus	See Note 6	<b>180</b>	186
Terminal Bonus	See Note 6	<b>30</b>	36
		<b>315</b>	330
Deaths, retirements and surrenders		<b>(562)</b>	(565)
Forfeitures and lapses		<b>(10)</b>	(13)
		<b>(257)</b>	(248)
<b>Balance at the beginning of the year</b>		<b>7,152</b>	7,400
<b>Balance at the end of the year</b>		<b>6,895</b>	7,152

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

<b>11b) Long-Term Business Provision</b>	<b>2019</b>	<b>2018</b>
The components of the long-term business provision are as follows:	<b>£000</b>	<b>£000</b>
Reserve for:- Holloway sickness benefit	<b>2,172</b>	2,043
Group sickness benefit	<b>191</b>	193
Reinsurance share of Group sickness benefit provision	<b>(8)</b>	(8)
Claims in payment	<b>854</b>	1,095
<b>Balance at the end of the year</b>	<b>3,209</b>	3,323

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.

<b>12) Creditors – amounts falling due within one year arising from:</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Insurance activities	<b>19</b>	16
Non-insurance activities	<b>71</b>	61
Other provisions and accruals	<b>82</b>	72
	<b>172</b>	149



**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (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 **£11,837** (2018: £14,076) 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 **£1,878** (2018: £2,030) 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 **£997** (2018:- £300) 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 2019. 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 **£63,728** (2018:- £61,805) 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

	2019	2018
	5	5
	5	6
	3	3
	<b>13</b>	<b>14</b>

Employee costs during the year during were:

Salaries and commissions

Employers' National Insurance

Pension costs

	2019	2018
	<b>£000</b>	<b>£000</b>
	<b>537</b>	552
	<b>51</b>	52
	<b>45</b>	43
	<b>633</b>	<b>647</b>

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**16) Board Remuneration Report**

Non-Executive Board Member	Fees	Attendance	Salary & Bonus	Pension	Allowances	2019	2018
R T Harrison	15,485	5,364	-	625	791	<b>22,265</b>	24,340
D C Bones	10,311	2,444	-	-	-	<b>12,755</b>	12,188
M S Gurney	6,267	2,483	-	264	-	<b>9,014</b>	8,421
Mrs M A Pedder	6,267	4,193	-	315	671	<b>11,446</b>	8,679
L S Paul	5,600	1,614	-	216	-	<b>7,430</b>	7,623
Mrs C Whitehead	5,600	3,858	-	-	-	<b>9,458</b>	13,553
<b>Total fees</b> Non-executive Board Members	<b>49,530</b>	<b>19,956</b>	<b>-</b>	<b>1,420</b>	<b>1,462</b>	<b>72,368</b>	74,804
J Gratland CEO	-	-	116,389	11,639	-	<b>128,028</b>	125,519
<b>Key Management Personnel</b>	<b>49,530</b>	<b>19,956</b>	<b>116,389</b>	<b>13,059</b>	<b>1,462</b>	<b>200,396</b>	200,323

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 on page 15 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 **£19,956** (2018: £24,707). 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.

**17) Post Balance Sheet Event**

The coronavirus pandemic (COVID-19) has had a global impact since the start of 2020 and has been identified as a non-adjusting Post Balance Sheet Event.

The Society has already considered the financial impact through a going concern assessment, as explained on page 9, which concluded the solvency and liquidity of the Society remain strong and within the Board of Management Key Performance Indicators.

As uncertainty remains about the pandemic, the full extent of the future economic impact is still unknown. The Society will continue to monitor the situation and its impact on our day-to-day operations and future solvency and liquidity.

# WILTSHIRE FRIENDLY SOCIETY LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 by letter. Contact details are as follows and you will find a “Who’s Who” on 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](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 Jon Cummings

Email [jon.cummings@wiltshirefriendly.com](mailto: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](http://www.financial-ombudsman.org.uk/contact-us/complain-online)

#### Telephone:

0800 0 234 567

#### Email:

[complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)

#### Website:

[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
WHO'S WHO AT WILTSHIRE FRIENDLY (JUNE 2020)

**OPERATIONAL EMPLOYEES**

**Operations Supervisor**

**Linda Jones**

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

**Society Administrator**

**Suzanne Haffenden**

*Support administration in respect of member services and premium collections.*  
direct telephone number 01225 756785  
email suzanne.haffenden@wiltshirefriendly.com

**Senior Claims Administrator**

**Deborah Chivers**

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

**Senior Claims Administrator**

**Shannon Barker**

*Processing claims for income replacement benefit and administration of claims in progress and benefit payments. Membership retirements and commutations.*  
direct telephone number 01225 756787  
email shannon.barker@wiltshirefriendly.com

**Accountant**

**Jules Barnes**

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