

WILTSHIRE



FRIENDLY

SOCIETY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

INDEX

Notice of Annual General Meeting 2016	2
Board of Management and Professional Advisers	3-4
Chairman's Statement	5-6
Report of The Board of Management	7-8
Strategic Report	9
Corporate Governance	10-12
Statement as to Disclosure to Auditors	13
Statement of The Board of Management Responsibilities	13
Re-appointment of Auditors	13
Independent Auditor's Report to the Members of Wiltshire Friendly Society Limited.....	14-15
Statement of Comprehensive Income for the Year Ended 31 December 2015	16
Statement of Financial Position at 31 December 2015	17
Significant Accounting Policies	18-19
Notes to the Financial Statements for the Year Ended 31 December 2015	20-30
Useful Information for Members and Prospective Members	31
Who's Who at Wiltshire Friendly	32
AGM Location Map	33

WILTSHIRE FRIENDLY SOCIETY LIMITED

NOTICE OF ANNUAL GENERAL MEETING 2016

Notice is hereby given that the Annual General Meeting of Wiltshire Friendly Society Limited will be held at Holloway House, Epsom Square, White Horse Business Park, Trowbridge, BA14 0XG, on 15 June 2016 at 10.00 am, to confirm the Minutes of the Annual General Meeting held on 16 June 2015 and for the following purposes:

1. To receive and, if approved, adopt the Annual Report and Accounts for the year ended 31 December 2015.
2. To approve the Board Remuneration Report for the year ended 31 December 2015⁺.
3. To re-elect members of the Board of Management as listed below.

Name	Occupation	Board Member Since
Roger Harrison *	<i>Financial Adviser</i>	05/2005
Julian Long *	<i>Chartered Surveyor</i>	07/1998
Martin Gurney *	<i>Chartered Accountant</i>	12/2005
David Bones	<i>Cost & Management Accountant</i>	05/2009
Margaret Pedder	<i>Human Resources Specialist</i>	05/2009

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

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

⁺ The Board Remuneration Report: You are asked to approve the Board of Management Remuneration Report by way of an advisory vote. This is not a legal requirement, but your Board considers it to be best practice for members to be able to express a view on this matter. The report can be found on page 30 of these statements.

The Society's Financial Statements for the year ended 31 December 2015, which include the Board Report, Auditor's Report and the Directors' Remuneration Report, can be found on the Society's website at www.wiltshirefriendly.com. Members may also request paper copies.

By Order of the Board of Management



Lee Davis
Secretary

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

25 May 2016

Please see the map on page 33 for directions to Holloway House.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

BOARD OF MANAGEMENT AND PROFESSIONAL ADVISERS

Position	Name		Occupation
Chairman	R T Harrison		<i>Financial Adviser</i>
Vice Chairman	D C Bones	**	<i>Cost & Management Accountant</i>
Non-executive Directors:-	H J Long		<i>Chartered Surveyor</i>
	M S Gurney		<i>Chartered Accountant</i>
	Mrs M A Pedder	**	<i>Human Resources Specialist</i>
	R C Needham (<i>until 20/10/2015</i>)	**	<i>Financial Services Marketing Consultant</i>
	L S Paul	**	<i>Gas Central Heating Specialist</i>
Chief Executive	J D Sanders		<i>Executive Director</i>
Secretary	L Davis		

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

Arbitrators	M I Stillwell, P R Hudson, C C Cheshire OBE
Actuarial Function Holder & With Profits Actuary	<i>D J Lechmere FIA</i> OAC PLC 141-142 Fenchurch Street, London EC3M 6BL
External Auditor	<i>Moore Stephens</i> 30 Gay Street, Bath BA1 2PA
Internal Auditor	<i>Gateway Assure Limited</i> MCH House, 21 Bailey Drive, Gillingham Business Park, Gillingham ME8 OP2
Bankers	<i>Lloyds Banking Group</i> 64 Fore Street, Trowbridge BA14 8EU
Solicitors	<i>Forrester Sylvester Mackett</i> Castle House, Castle Street, Trowbridge BA14 8AX
Stockbrokers & Investment Advisers (<i>from 26/01/2015</i>)	<i>Vestra Wealth LLP</i> 14 Cornhill, London EC3V 3NR
Registered Office	Holloway House, Epsom Square, White Horse Business Park, Trowbridge BA14 0XG
Website	www.wiltshirefriendly.com

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

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

THE BOARD OF MANAGEMENT

Roger Harrison – Chairman

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

David Bones ACMA – Vice Chairman

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

Martin Gurney BA (Hons) FCA

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

Julian Long FRICS

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

Richard Needham BA (Hons)

Financial Services marketing specialist. Joined as a non-executive Board member in July 2012 and is a member of the Investment Committee. Since 2007 a Director of Ingenium Marketing which provides consultancy services to financial services companies. Richard resigned on 20 October 2015 to take up another position within the industry.

Leonard Paul

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

SENIOR INDEPENDENT BOARD MEMBER

Margaret Pedder MCIPD

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

CHIEF EXECUTIVE

John Sanders

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

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CHAIRMAN'S STATEMENT

I am very pleased to be presenting my third statement to you as your Chairman.

Society Performance

We continue the transition between the historic trading activities of the Society and the new markets that we are now pursuing in order to increase sales and membership. As set out in the Society's Strategic Report (page 9), although Holloway income protection remains our core function, we continue to develop our business within other markets, notably the group income protection market.

New premium income was modestly increased during 2015 and overall premium income again held firm at £1,673,000. Overall there was a decrease in membership because of organic member exits during the year (retirements, maturities and surrenders). Our new business strategy continues to be committed to counteracting this net reduction.

Total operating expenses during the year were virtually unchanged from 2014. There was a modest reduction in our core operating expenses which offset the small increase in new business acquisition costs and the cost of product development.

Early in 2015 the Society appointed Vestra Wealth as its discretionary investment manager. During the year our overall investment income return was 3.6% which is reflective of Vestra's excellent stewardship of the portfolio. Over the course of the year they carried out an extensive strategic re-balancing of the portfolio during the course of which historic gains were crystallised and the portfolio is well placed to face the continuing uncertainties within global investment markets.

On the recommendation of the Society's Actuarial Function Holder, Apportionments and Bonus rates have been reduced for 2015 (page 8). The Board feels that these rates still represent excellent value to our members, particularly as the return to members is free of any further taxation and therefore compares favourably to competitive bank deposit rates and Cash ISA rates.

At the close of 2015 the Society again maintained an excellent level of solvency, with 21.6% of free assets as a percentage of admissible assets. Although slightly reduced on 2014 (mainly due to increased claims reserving) - this figure continues to highlight the fact we maintain a financially strong position and it is a positive indication that the Society's assets are being well managed on behalf of our members.

Strategy

We continue with our vision to provide innovative income protection products to our target markets via our existing in-house sales team and new intermediary partners. We have a rolling Strategic Plan (reviewed quarterly by the Board) which sets out our new and developing sales initiatives and signposts the most productive and cost effective lines of business to pursue in the future, although both 2014 and 2015 were challenging in terms of sales growth.

Treating Customers Fairly (TCF)

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

As a provider of income protection affording benefit to our members who cannot work due to sickness or disability, our claims acceptance rate are a true benchmark of value to those members. I am therefore very proud to report that during 2015 the Society paid 97.63% of all claims received. This figure is well above industry standards and is a further indication of our commitment to our members at a time when they need us most.

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

Regulatory Developments

We are pleased to note that as new regulation is introduced, appropriate concessions are included which recognise the smaller insurer with less complex business models, such as ourselves.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CHAIRMAN'S STATEMENT (CONTINUED)

Board of Management

The Board remains virtually unchanged since last year although I am sad to note that Richard Needham left because of other commitments. During his time on the Board he demonstrated significant incisiveness and the ability to challenge.. He and his expertise will be greatly missed. At present there are no plans to recruit a further Board member although we do regularly review and assess the skills within the Board and then decide whether or not there are any gaps which are appropriate to fill.

Further information about the Board of Management can be found on page 4.

Looking Ahead

The Society remains in a strong capital position with well laid plans in place to achieve growth and stability. The recent restructuring of our Management and Operational Teams continues to give confidence that we are well placed to meet the challenges of growing the Society whilst maintaining the high level of customer service that our members expect from us.

Thanks and Acknowledgements

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

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

Yours sincerely



Roger Harrison
Chairman

25 May 2016

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management (“the Board”) has pleasure in presenting its report and the financial statements for the year ended 31 December 2015.

Principal Activity

The principal activity of the Society throughout 2015 continued to be the provision of income protection insurance based on the “Holloway System”, which protects against the loss of income arising from illness or accident and is intended at the same time to build up a lump sum to be available on retirement. The Society also conducted group income replacement business with employers and directly to employees on a pure protection basis. In the opinion of the Board the Society has not carried out any activities outside its powers in the year to 31 December 2015.

Business Review

The Society continues to write new business through non direct distribution channels and to pursue new distribution relationships which will lead to future new business both in respect of individual Holloway memberships and group memberships. Business written through non direct distribution channels amounted to **51%** of the total (2014:- 57%). During the year new contribution income written was **£106,000** (2014:- £86,000). The development of new distribution channels is slower than hoped for, but we remain satisfied with progress to date and with the strategic direction being taken. Contribution income remained unchanged during the year totalling **£1,673,000** (2014:- £1,673,000).

Sickness benefit paid during the year increased to **£851,000** (2014:- £705,000). During the year the Society paid **97.63%** of all claims received which brings the average of claims paid during the last 3 years to 98.71%. The principal reasons for non payment of claim during the year were:- excluded medical condition, no loss of income during incapacity, no proof of incapacity, false information and non-disclosure of medical facts at contract commencement.

On the advice of the Society’s Actuarial Function Holder, the Board has reduced the rate of Apportionment to **£4.00** per unit of sickness cover (2014:- £5.00 per unit) in respect of pre 2013 memberships and in respect of New Holloway memberships, effected since the beginning of 2013; **5%** of premiums paid during the year (2014:- not applicable).

The rate of Bonus has been maintained at **2.5%** for balances below **£5,000** (2014:- 2.5%) and **2.75%** for balances of **£5,000** and above (2014:- 2.75%). Terminal Bonus has also been held at the 2014 level of **10%** for members who retired or commuted their membership during the year and for those who do so during 2016.

Society Membership

During the year the net reduction in total memberships was **133** (2014:- 225).

Investments

Total investment income decreased slightly during the year to **£579,000** (2014:- £623,000), and the income return on invested funds, including that from property, was approximately **3.59%** (2014:- 3.68%).

During the year the Society gained £176,000 in investment trading. The value of investments held at the end of the year included overall unrealised losses amounting to **£242,000** (2014:- overall unrealised gain £456,000), which was mainly due to the prevailing market conditions at the end of the year. As mentioned in the Chairman’s Statement the Society’s portfolio is strategically positioned and managed to minimise the effects of market fluctuation and to take advantage of opportunities as they present.

During the year all available suites in Holloway House continued to be let. Rental income during the year amounted to **£82,000**, (2014:- £82,000). Suite 1 is let on a rolling basis at 3 month’s notice, which is due for renewal in 2016; Suite 2 was renewed during the year on a certain term until March 2017 and Suite 4 is let on a 5 year basis with renewal due in 2016, although at the date of these statements the tenant has indicated intention not to renew their lease and activities to market the property are in hand.

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

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

REPORT OF THE BOARD OF MANAGEMENT (CONTINUED)

Operating Expenses

During the year the Society's total expenses were **£1,179,000** (2014:- £1,177,000). Development expenses amounted to **£42,000** (2014:- £22,000). The Society's underlying core expenses, excluding development and business acquisition, were slightly reduced to **£695,000** (2014:- £717,000). Overall, cost inflation was contained at below **1%** (2014:- 6.74%).

Holloway Members' Funds

The value of Holloway Members' funds at 31 December 2015 was **£8,111,000** (2014: £8,440,000).

Apportionment and Bonus

We follow the recommendations of the Society's Actuarial Function Holder and declare that the allocation of Apportionment and Bonus will be set at the following rates:

Members under the age of 65 or if their membership terms so permit below their State Pension Age and eligible to claim sickness benefit

Apportionment in respect of pre 2013 Holloway memberships – per standard cost unit of cover held (allocated at 50% in respect of reduced cost units and 25% in respect of low cost units)

	2015	2014
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)	£4.00	£5.00
Apportionment to post 2013 New Holloway memberships – as a percentage of contributions paid	5%	n/a

Apportionment to post 2013 New Holloway memberships – as a percentage of contributions paid

At the end of 2012 the then regulatory body – the Financial Services Authority (FSA) – following its Retail Distribution Review, introduced new regulation in respect of retail investment products. At the same time an exemption from part of that regulation was granted to providers of Holloway income protection policies, subject to all such policies written after 31 December 2012 complying with the exemption criteria. The new regulation did not, in any case, retrospectively apply to policies written prior to 2013. To ensure the Society's Holloway income protection products sold after 31 December 2012 were not disadvantaged by the new regulation New Holloway memberships were developed which are in full compliance with the exemption criteria.

Rates of Bonus

Balances below £5,000
 Balances £5,000 and above

2.50%	2.50%
2.75%	2.75%

Commutated Members over the age of 60 ineligible to claim sickness benefit and former Life & Endowment Members

Apportionment per unit held

Commutated Members
 Former Life & Endowment Members

£18.00	£18.00
Nil	Nil

Rates of Bonus

Balances below £5,000
 Balances £5,000 and above

2.50%	2.50%
2.75%	2.75%

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

Terminal Bonus

The Board also follows the recommendations of the Society's Actuarial Function Holder 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 2016.

Rules Committee

The Rules Committee was appointed under Society Rule 44.1 at the AGM held on 16 June 2015. The Board intends to seek re-approval of the appointment at the forthcoming Annual General Meeting.

Statement of Solvency

At 31 December 2015, 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 2015

STRATEGIC REPORT

Principal Activities

Historically, the Society has sold only Holloway Income Protection plans direct to its members and this remains its core function. These plans have the joint benefit of income replacement insurance with the potential to accumulate an investment value in the plan over time.

Whilst the need for this product type still exists, customer appetite has been impacted and reduced by the development of a newer type of dedicated income protection plan. Whilst the Society remains financially strong, this reduction in sales opportunity combined with policy attrition impacts the sustainability of the Holloway plan as the sole source of income for the Society in the future.

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

Strategic Focus and Progress

The Society's Strategic Plan is managed on a rolling basis with quarterly reviews.

That plan seeks to supplement the core Holloway function and develop a business model that grows the Society's income protection product range, accessing new markets through both direct and intermediary distribution.

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

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

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

Key Performance Indicators ("KPIs")

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

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CORPORATE GOVERNANCE

The Board of Management (“the Board”) comprises of the Chairman, who is non-executive, together with five other non-executives (six until November 2015) and the Chief Executive. The Board determines the strategic direction of the Society and is responsible for the oversight of the Society’s systems of corporate governance. The Board has full access to all information that it may require and Board members may avail themselves of such independent specialist advice, at the Society’s expense, as they deem necessary for the performance of their duties.

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

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

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

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

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

Audit & Risk Committee

The Committee, which meets at least twice per year, is headed by Mr Bones and in addition comprises of three other non-executive Board members, currently Mr Gurney, Mr Long and Mrs Pedder. The Chief Executive also attends meetings in an advisory capacity only. The Society’s skills mix assessment has determined that membership of this Committee should include at least one member of the accountancy profession. 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 executives or operational staff present.

Investment Committee

The Committee, which meets at least twice per year, is headed by Mr Gurney and in addition comprises of the Chief Executive and two other non-executive Board members, currently, Mr Harrison and Mr Bones. Mr Karn served on this Committee until his retirement as Chairman of the Society in June 2013 and continues as a consultant to the Committee but as a non-Board member. Mr Needham also served on the Committee until October 2015. 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 strategy for the investment of members’ and reserve funds and to set benchmarks for and to oversee the activities of appointed external investment managers. In setting strategy the Committee seeks advice from specialist investment advisers and the Society’s Actuarial Function Holder who is also the With Profits Actuary.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CORPORATE GOVERNANCE (CONTINUED)

Staffing, Salaries & Nominations Committee

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

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

Board Attendance Record

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

Board Member	2015		2014	
	Meetings Attended	Relevant Meetings	Meetings Attended	Relevant Meetings
Roger Harrison	10	11	11	11
Julian Long	10	11	9	11
Martin Gurney	10	11	11	11
Margaret Pedder	8	11	9	11
David Bones	9	11	11	11
Richard Needham	7	8	8	9
Leonard Paul	9	9	9	9
John Sanders	13	13	13	13

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

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

The Combined Code On Corporate Governance - annotated for mutual insurers

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

Like all Mutual Insurers the Society must voluntarily comply with the Code, or explain why it does not. The Board believes that the Society complied with each provision of the Code throughout the year except as stated on page 12.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

CORPORATE GOVERNANCE (CONTINUED)

Independence of Board members including the Chairman

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

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

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

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

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

However, the Board believes there should be a reasonable ratio of newer to longer serving non-executives, which at 31 December 2015 was 50% (2014:- 71%). This ratio has decreased slightly because the number of non-executive Board members has decreased and Mr Gurney no longer meets the necessary criteria. In the opinion of the Board, the ratio at the end of 2015 remains acceptable and complies with the Code.

Senior Independent Board Member

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

Mrs Pedder has been appointed to this role and members who wish to do so may get in touch with her using the contact details to be found in the "Who's Who" section on page 32.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENT AS TO DISCLOSURE TO AUDITORS

As at the date of these statements each member of the Board of Management confirms that:

- so far as the Board member is aware, there is no information relevant to the audit of the Society's financial statements for the year ending 31 December 2015 of which the auditor is unaware;
- he/she has taken all steps that he/she ought to have taken in his/her duty as a director to make himself/herself aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

STATEMENT OF THE BOARD OF MANAGEMENT RESPONSIBILITIES

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

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

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

RE-APPOINTMENT OF AUDITORS

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

By Order of the Board of Management



John Sanders
Chief Executive

25 May 2016

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED

We have audited the financial statements of Wiltshire Friendly Society Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Accounting Policies and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), having regard to the statutory requirement to maintain equalisation provisions.

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

Respective responsibilities of Board of Management and auditor

As explained more fully in the Board of Management's Responsibilities Statement set out on page 13, the Board of Management is responsible for preparing financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Our assessment of risks of material misstatement

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

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

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

Our application of materiality

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

We also determine a lower level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Society to be £50,000, which is approximately 3% of the premium income; for misstatements that only affect balance sheet classification a higher amount of £200,000 is used, which is approximately 1% of gross assets. We use these measures to ensure the level of uncorrected misstatements does not materially impact the Society's solvency calculations.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement is that performance materiality should be 75% of materiality, namely £37,500, and £150,000 for misstatements that only affect balance sheet classification. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected audit differences does not exceed our materiality of £50,000 for the financial statements as a whole.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WILTSHIRE FRIENDLY SOCIETY LIMITED (CONTINUED)

Scope of the audit of the financial statements

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

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

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

- in order to address risk around the operation of the Society's members system during the year we have tested the operation of the controls over membership records and claims paid to members;
- in order to address risk around ownership of the Society's investments held at the period end, we confirmed the holdings to independent third party confirmations provided by the Society's Custodian;
- in order to address the risk around the valuation of the Society's investment we obtained from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2015 and vouched these on a sample basis;
- in order to address the risk associated with the recording of investment transactions through the year ended 31 December 2015 we have tested a sample of transactions to independent documentation;
- in order to address the risk over the Society's compliance with its regulatory environment we updated our understanding of the regulatory requirements and reviewed the Society's correspondence with its regulators and statutory filings.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 December 2015 and of the income and expenditure of the Society for the year then ended; and
- have been properly prepared in accordance with the Friendly Societies Act 1992.

Opinion on other matters prescribed by the Friendly Societies Act 1992

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

Matters on which we are required to report by exception

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

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

Opinion on Corporate Governance Statement

In accordance with our instructions from the Society we review whether the Corporate Governance Statement reflects the Society's compliance with the ten provisions of the Annotated UK Corporate Governance Code specified by the Association of Financial Mutuals. We have nothing to report in respect of this review.



M P Burnett
Senior Statutory Auditor

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

27 May 2016

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
TECHNICAL ACCOUNT - LONG-TERM BUSINESS			
		£000	£000
Net earned premium income	4	1,673	1,673
Investment income		579	623
Unrealised gains on investments		269	713
Realised gains on investments		176	-
Other technical income		19	15
Total technical income		2,716	3,024
Gross benefits and claims		(853)	(705)
Claims ceded to reinsurers		2	-
Net benefits and claims		(851)	(705)
Change in long-term business liabilities	5	(181)	(299)
Bonuses and rebates	6	(416)	(481)
Net operating expenses	7	(1,125)	(1,120)
Investment expenses and charges	7	(54)	(57)
Unrealised losses on investments		(511)	(257)
Tax attributable to the long-term business		-	-
Allocated investment return transferred to the non-technical account		-	-
Transfer from/(to) the Fund for Future Appropriations	10	422	(105)
Total claims bonuses and expenses		(2,716)	(3,024)
Balance on the Technical Account: Long-Term Business		-	-
TECHNICAL ACCOUNT			
Balance on the long-term business technical account		-	-
Allocated investment return transferred from the long-term business technical account		-	-
Excess of income over expenditure for the financial year		-	-

The above results relate wholly to continuing activities.

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

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

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	2015	2014
ASSETS		£000	£000
Investments			
Land and buildings	8	1,343	1,345
Other financial investments	8	14,780	15,293
		16,123	16,638
Debtors			
Arising out of direct insurance operations		5	4
Other debtors		1	7
Other assets			
Tangible assets	9	110	128
Cash at bank and in hand		80	119
Prepayments and Accrued Income			
Accrued interest and rent		123	125
Deferred acquisition costs		39	31
Other prepayments		21	18
		16,502	17,070
LIABILITIES			
Members funds	11	8,111	8,440
Fund for future appropriation	10	5,124	5,546
Technical provisions			
Long-term business provision	11	3,068	2,887
Claims outstanding		18	27
Creditors			
Arising out of direct insurance operations	12	21	28
Amounts owed to credit institutions		-	-
Other creditors including taxation and social security	12	89	72
Accruals and deferred income	12	71	70
		16,502	17,070

These Financial Statements were approved by the Board of Management on 25 May 2016 and were signed on its behalf by:-



Roger Harrison
Chairman



John Sanders
Chief Executive

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

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

After making enquiries, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

Contributions to the Sickness Fund (Premiums)

In accordance with the provisions of the Friendly Societies Act 1992 contribution income is not recoverable at law. Therefore regular contributions are accounted for when due for payment but are discounted if the related membership (policy) is greater than 3 months in arrear, after which period the Society’s Rules prescribe that a member is ineligible to claim sickness benefit. New business contributions are recognised when the policy liability is set up, the contribution is due for payment and payment is received. 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 and on death are accounted for on notification but with effect from the date of death. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long-term business provision. Where claims are payable and the contract remains in force, the claim or instalment is accounted for when due for payment.

Realised and Unrealised Gains and Losses

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

Acquisition Costs

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.

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Actuarial Function Holder 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 Sourcebook for Insurers. In accordance with normal insurance practice, certain reserves required for the statutory valuation returns are not required to be included in these accounts that are designed to present a true and fair view. This adjusted basis is referred to as the modified statutory solvency basis. This makes sufficient provision for future expenses of fulfilling the long-term contracts and includes a provision for existing reversionary bonuses and current reversionary bonuses declared as a result of the valuation. Future reversionary bonuses are implicitly provided for by use of valuation rates of interest below those expected. No provision is made for terminal bonuses, which can be varied at any time depending on investment conditions. These liabilities are calculated using historic Society experience and include reserves for claims which have occurred but not reported a reserve for unexpired risks and a reserve for claims already in payment.

Quoted Fixed Interest and Equity Investments

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

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

Investment Property

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

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

Tangible Fixed Assets

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

Fixtures and Fittings

10 years

Office Fittings and Equipment

10 years & 5 years

Motor Vehicles

4 years

Computer Hardware and Office Machines

3 years

Bespoke and Specialist Computer Software

4 years

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1) Critical Accounting Judgements and Estimates

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

Fair Value of Financial Assets

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

Long-Term Business Provision

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

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

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

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

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

2) Capital Management

The Society's key capital management objectives are:

- a) To ensure the Society's strategy can be implemented and is sustainable;
- b) To ensure the Society's financial strength and to support the risks it takes on as part of its business;
- c) To give confidence to policyholders and other stakeholders who have relationships with the Society; and
- d) To comply with capital requirements imposed by its UK regulator, the Prudential Regulatory Authority ("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 capital requirement in the annual PRA return is the statutory minimum capital. The statutory minimum capital is based on EU directives. The Board intends to maintain surplus capital in excess of the Regulatory Capital Requirement ("RCR") and the Society's Individual Capital Assessment ("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.

The Capital Statement set out on the following page, illustrates the financial strength of the Society's life business at 31 December 2015. 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 **£582,000** (2014: £587,000).

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2) Capital Management (Continued)

	2015	2014
Capital Statement Table	£000	£000
Fund for future appropriation	5,124	5,546
Regulatory adjustments: Assets	(187)	(135)
Liabilities	(825)	(840)
Total available capital resources	4,112	4,571
Deduct regulatory capital requirement	582	587
Free Capital	3,530	3,984

Analysis Of Members' Liabilities

Long-term business provision	11,178	11,329
Current Liabilities	199	197
Total Technical Liabilities	11,377	11,526

Total available capital at 1 January 2015

Effect of economic experience	(569)	126
Difference in Admissibility Limits	(53)	-
Changes in valuation assumptions	(63)	(205)
Effect of resilience requirements	(45)	175
Effect of claims in payment	(163)	(162)
New business and other factors	434	241
Total available capital resources	4,112	4,571

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 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (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%

2015
£000
1,364
(1,045)
1,589
(1,589)

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 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3) Risk Management and Control

Risk management is an embedded process within the Society from strategic through to operational levels. The Board takes an active approach to the control of risk and to the identification, mitigation and management of the principal risks of the Society. The Board's risk management processes are designed to ensure as far as possible that the Society would take the appropriate action before the risk crystallises.

Insurance Risk

Insurance Risk is the combination of risks that the Society is exposed to by issuing long-term insurance contracts. These risks arise from the uncertainties of morbidity, both inception and recovery rates, mortality where relevant to the Society's contracts, the level of expenses and the rate of closure of contracts. The Society has systems in place to monitor and control, as far as practicable, the risks set out here.

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

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

Financial Risk (Market, Credit & Liquidity)

- Market Risk is the risk of losses due to changes in the value of investment assets or the income from those assets.
- Credit Risk is the risk of loss due to default by debtors, re-insurers and market counterparties of the Society in meeting their financial obligations.
- Liquidity Risk is the risk that the Society is unable to meet its own commitments to pay its liabilities when they become due.

The Society's Investment Committee oversees investment activity, monitors investment managers and ensures that the investment policy and asset allocations are maintained in accordance with its terms of reference set by the Board from time to time.

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

The Society's Actuarial Function Holder and With Profits Actuary advises on all aspects of the capital consequences of given investment strategy and the prudent interest of members in the context of investment of their funds.

Business Risks and Mitigation

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

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

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

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

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Notes	2015	2014
4) Gross premiums written		£000	£000
Contributions to the Holloway sickness fund		1,673	1,673
		1,673	1,673
5) Change in long-term business provision			
Change in technical provision		181	299
Balance at the beginning of the year		2,887	2,588
	See note 11b	3,068	2,887
6) Members' Apportionment and Bonuses			
Apportionment - allocated during the year	See note 11a	171	218
Bonus - allocated during the year	See note 11a	209	219
Terminal Bonus - paid on retirement or allocated to commuting members	See note 11a	36	44
		416	481

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	2015	2014
	£000	£000
7) Net operating expenses		
General office and administration	68	67
Administrative staff costs	494	478
Membership services	32	22
Own occupation property costs	33	31
Finance	9	8
Professional fees	104	113
Depreciation and equipment disposals	47	55
Recurring operational expenses	787	774
Direct cost of business acquisition	249	283
Direct cost of investment activities	54	57
Total recurring expenses	1,090	1,114
Product development costs	42	22
Business strategic development costs	47	41
Total exceptional costs	89	63
Total operating expenses	1,179	1,177

Operating expenses are allocated as follows:-

Renewal expenses	695	717
Direct and indirect cost of investment activities	76	78
Direct and indirect cost of business acquisition & strategic development	366	360
Product development	42	22
	1,179	1,177

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

7) Net operating expenses (continued)

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

Sales staff (including commission)
 Other staff

2015	2014
£000	£000
56	54
494	478
550	532

External Audit fees in the year were as follows:-

Audit fees
 Fees for non audit work

22	22
0	0
22	22

8) Investments

	Land & Buildings	Fixed Interest	Shares & Unit Trusts	Held as Cash	Totals
	£000	£000	£000	£000	£000
Valuation at the beginning of the year	1,345	9,629	4,873	791	16,638
Additions to property	-	-	-	-	-
Net movements on invested funds	-	251	(140)	(560)	(449)
Gains/(losses) on disposals & redemptions	-	(25)	201	-	176
Unrealised gains/(losses) on revaluation	(2)	(328)	88	-	(242)
Valuation at the end of the year	1,343	9,527	5,022	231	16,123
Historical Cost	1,711	9,586	4,831	231	16,359

Holloway House is held on a long leasehold basis. Part of the office accommodation is occupied by the Society, and for valuation purposes is treated as being let. All other units are let on medium, short and rolling leasehold bases. The property is included at its open market value of **£902,000** (2014:- £875,000), being the aggregate of its purchase and refurbishment costs, less a write down provision of **£557,000** (2014:- 584,000).

The Society's freehold property, 7 Market Street was purchased in 1980 and is let, on a 15 year lease, from October 2008, to Coventry Building Society. It is included above at its open market value of **£439,000** (2014:- £468,000), including unrealised gains amounting to **£189,000** (2014:- £218,000).

Both properties were valued during December 2012, on the open market basis, by Mr John Mulholland FRICS of Jones Lang La Salle Limited. The Board is satisfied the valuation of both properties is appropriate and that no material adjustment is required. The Board will continue to monitor regularly the property values and, if it is deemed necessary or prudent to do so, the properties will be subject to formal valuation.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

9) **Tangible fixed assets**

Cost at the beginning of the year

Additions

Disposals

Cost at the end of the year

Depreciation at the beginning of the year

Charge for the year

Eliminated on disposals

Depreciation at the end of the year

Net book value at the end of the year

Net book value at the beginning of the year

	Fixtures & Fittings	Equipment & Software	Totals
Cost at the beginning of the year	154	375	529
Additions	5	24	29
Disposals	-	-	-
Cost at the end of the year	159	399	558
Depreciation at the beginning of the year	91	310	401
Charge for the year	16	31	47
Eliminated on disposals		-	-
Depreciation at the end of the year	107	341	448
Net book value at the end of the year	52	58	110
Net book value at the beginning of the year	63	65	128

10) **Fund for future appropriations**

Balance at the beginning of the year

Transfer from the Technical Account - Long-Term Business

Balance at the end of the year

Notes	2015	2014
	£000	£000
Balance at the beginning of the year	5,546	5,441
Transfer from the Technical Account - Long-Term Business	(422)	105
Balance at the end of the year	5,124	5,546

11) **Technical Provisions**

11a) **Holloway business**

Apportionment

Bonus

Terminal Bonus

Deaths, retirements and surrenders

Forfeitures and lapses

Balance at the beginning of the year

Balance at the end of the year

See note 6	171	218
See note 6	209	219
See note 6	36	44
	416	481
	(724)	(748)
	(21)	(12)
	(329)	(279)
Balance at the beginning of the year	8,440	8,719
Balance at the end of the year	8,111	8,440

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

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

11) Technical Provisions (Continued)

11b) Long-term business provision

The components of the long-term business provision are as follows:

Reserve for:- Holloway sickness benefit

Group sickness benefit

Claims in payment

Balance at the end of the year

2015	2014
£000	£000
1,720	1,727
138	113
1,210	1,047
3,068	2,887

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 for the Society by its Actuarial Function Holder.

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

Insurance activities;

Non-insurance activities;

Other provisions and accruals

2015	2014
£000	£000
21	28
89	72
71	70
181	170

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:-

Payroll Services:- HW Chartered Accountants of Trowbridge, the total sum of **£2,592** (2014: £2,528) 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 **£890** (2014:- £230) was paid in respect of heating engineering services. Mr Paul is the proprietor of the business.

Membership of the Society:- Mr Paul is a member of the Society and pays regular premiums at normal rates. He is eligible for all benefits of Society membership.

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

14) Actuarial Function Holder

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

During the year fees accrued or paid to OAC were **£66,083** (2014:- £73,692) for Actuarial services and other related consultancy and regulatory compliance work.

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

15) Operational Staff

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

Executive Director & Senior Management

Administrative staff

Field sales staff

2015	2014
4	4
6	6
2	2
12	12

Staff costs during the year during were:

Salaries and commissions

Employers' national insurance

Pension costs

2015	2014
£000	£000
461	448
41	41
48	43
550	532

WILTSHIRE FRIENDLY SOCIETY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

16) Board Remuneration Report

Board Member	Fees	Attendance	Salary & Bonus	Pension	Allowances	2015	2014
R T Harrison	14,924	5,923	-	-	939	21,786	22,231
D C Bones	7,462	5,369	-	-	-	12,831	10,595
H J Long	5,397	1,432	-	-	-	6,829	5,805
M S Gurney	5,397	3,234	-	-	-	8,631	7,849
Mrs M A Pedder	5,397	5,194	-	-	502	11,093	7,260
R C Needham (left 31/10/2015)	4,498	1,826	-	-	211	6,535	7,569
L S Paul	5,397	1,635	-	-	-	7,032	7,114
Total fees Non-executive Board Members	48,472	24,613	-	-	1,652	74,737	68,423

J D Sanders Chief Executive			65,346	17,428	8,981	91,755	99,036
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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 11 of these statements. Included within the fees above are amounts in respect of additional Board meetings and, in particular, attendance at other operational meetings where a Board member's individual skills and qualifications are relevant, and of benefit to the operational matters being discussed. The total amount of payments during the year in respect of attendance at meetings beyond the minimum commitment and at operational meetings was **£24,613** (2014: £17,503). This is included within the amounts stated above.

Allowances referred to above are paid as salary and comprise of travelling expenses paid to non-executive Board members who are not travelling within the local area to attend meetings; travelling and payments in lieu of a company provided motor vehicle and a contribution towards the cost of private medical insurance in respect of the Chief Executive.

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

WILTSHIRE FRIENDLY SOCIETY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

USEFUL INFORMATION FOR MEMBERS AND PROSPECTIVE MEMBERS

How To Contact Us

If you would like more information about the Society, a claim, an application for new or increased insurance cover or your membership in general please contact us. You may telephone, contact us by email or letter, or if convenient you are welcome to come to Holloway House. Contact details are as follows and you will find a "Who's Who" on page 32.

By telephone:

Main switchboard	01225 752120
Member services	01225 756793
Application enquiries	01225 756785
Claims	01225 756787

By email:

General email address	info@wiltshirefriendly.com
Members services	claire.robinson@wiltshirefriendly.com
Application enquiries	emily.rice@wiltshirefriendly.com
Claims	nikki.bould@wiltshirefriendly.com

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

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

Our website:

www.wiltshirefriendly.com

Member Introduction Scheme

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

Please contact Emily Rice

Email emily.rice@wiltshirefriendly.com or telephone 01225 756785

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 it and to have the opportunity to understand any concerns you may have and to correct any shortcoming.

How To Complain

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

The Financial Ombudsman Service
Exchange Tower
London E14 9SR

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

WILTSHIRE FRIENDLY SOCIETY LIMITED

WHO'S WHO AT WILTSHIRE FRIENDLY

OPERATIONS STAFF

Operations Supervisor

Helen Lingard

Supervision of operational staff. Group sales office contact.

direct telephone number 01225 756782

email helen.lingard@wiltshirefriendly.com

Senior Operations Administrator

Emily Rice

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

direct telephone number 01225 756785

email emily.rice@wiltshirefriendly.com

Accountant

Jules Barnes

Financial accounting and supplier accounts payable.

direct telephone number 01225 756788

email julie.barnes@wiltshirefriendly.com

Senior Benefit Claims Administrator

Deborah Chivers

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

direct telephone number 01225 756789

email debbie@wiltshirefriendly.com

Benefit Claims Administrator

Nikki Bould

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

direct telephone number 01225 756787

email nikki.bould@wiltshirefriendly.com

Member Relations Administrator

Claire Robinson

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

direct telephone number 01225 756793

email claire.robinson@wiltshirefriendly.com

SALES & ADVICE TEAM

Sales & Marketing Consultant

Jon Gratland

Sales team oversight, responsible for marketing and promotion.

direct telephone number 01225 756786, mobile 07971 603071

email jon.gratland@wiltshirefriendly.com

Society Adviser

Mike Lees

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

mobile 07764 929567, out of office contact - Emily Rice

email mike.lees@wiltshirefriendly.com

Senior Society Adviser

Alan Godfrey

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

mobile 07720 181696, out of office contact - Emily Rice

email alan.godfrey@wiltshirefriendly.com

Intermediary Relationship & Group Product Consultant

David Macgregor

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

mobile 07966 777241, out of office contact - Emily Rice

email david.macgregor@wiltshirefriendly.com

OTHER STAFF

Chief Executive

John Sanders

General management and oversight of the Society's operations.

direct telephone number 01225 756780

email john.sanders@wiltshirefriendly.com

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

Margaret Pedder

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

office contact - Claire Robinson 01225 756793

email margaret.pedder@wiltshirefriendly.com

Finance & Commercial Manager

Sarah Barrell

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

direct telephone number 01225 756792

email sarah.barrell@wiltshirefriendly.com

IT Services & Data Manager

Edward Smith

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

direct telephone number 01225 756790

email edward.smith@wiltshirefriendly.com

WILTSHIRE FRIENDLY SOCIETY LIMITED HOLLOWAY HOUSE LOCATION MAP

If you would like to attend the AGM on **Wednesday 15 June 2016 at 10:00am** at **Holloway House, Epsom Square, White Horse Business Park, Trowbridge, BA14 0XG**, here is a map to help you find us.



WILTSHIRE



FRIENDLY

SOCIETY LIMITED

INCOME REPLACEMENT INSURANCE SINCE 1887

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