



Cirencester friendly  
*The income protection people*

## *121st Annual Report & Accounts*

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Year ended 31 December 2010



### *Key Financial Highlights*

We realise that members lead busy lives and do not always have the time or inclination to read the Society's full Annual Report and Accounts.

Which is why we have produced this shortened version which provides the highlights for the Society for 2010.

We hope you find it interesting.



# Cirencester friendly

*The income protection people*

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A full version of the 121st Annual Report and Accounts is available to download online at [www.cirencester-friendly.co.uk](http://www.cirencester-friendly.co.uk), alternatively you may request one by email at [customerservices@cirencester-friendly.co.uk](mailto:customerservices@cirencester-friendly.co.uk) or phone on 0845 603 8085.

## Performance

Welcome to the 121st Annual Report & Accounts of Cirencester friendly. I am delighted to report a successful year for both the Society and its Members. In 2010 we continued to see growth in premium income and a strong performance in our investment portfolio, as well as an increase in Membership. In what has and continues to be, a tough global economic situation and a year of political upheaval in the UK, it is very encouraging to see that this positive performance has been achieved.

During a difficult time for all in the financial service industry, the prudent management and continued policy of avoiding unnecessary risk has again been justified. As a result of this and the continued growth of the Society in terms of premium income and Membership, I am pleased to inform you that this year will see a rise in the bonuses paid out to Members.

More in depth details of the performance of the Society can be found within this Annual Report & Accounts.



## Challenges in 2011 and beyond

Having had a successful 2010 we must continue to look to the future and prepare the Society for the challenges ahead. The Board and the staff at the Society continue to review the challenges that the Society will face to ensure that we are capable of rising to them. In 2011 we perceive that our challenges will continue to come from two key areas.

### The Global Economy

- There is continuing uncertainty in the global investment markets.
- We will continue to face competition from larger providers as they strive for a greater share of the protection market.
- Whilst the UK economy continues its recovery we must remain mindful of its fragility and continue to monitor its progress to ensure the Society is protected against any further turmoil.

Cirencester friendly is well placed to take advantage of the opportunities that the challenges may raise.

### Regulation

#### ■ Solvency II

This is a set of European regulations that will significantly change the operations of all financial institutions and particularly the operating capital required to comply with regulations. We are well on the way to preparing the Society for these changes in good time for implementation in 2013.

#### ■ Retail Distribution Review (RDR)

We have been working closely with the regulator to ensure that the new RDR rules do not have an adverse effect on our business. We rely on Independent Financial Advisers (IFAs) to recommend our services to prospective Members. The Financial Services Authority (FSA) proposes fundamental changes to the regulation governing IFAs. We have an excellent relationship with the regulator and we have made successful representations on the form of change so that our business channel is not restricted.



### *Treating Customers Fairly*

The business of running the Cirencester Friendly Society is one you are able to leave safely in the hands of your Board of Management. Since 1890 the business has revolved around the welfare of you our Members.

I am pleased to report that in 2010 the Society paid out 94% of all valid claims for sickness benefit made by our Members.

This compares well with our competitors and is considerably higher than most. Unlike many in the industry, the Society continues to publish its Claim Statistics in detail. So you can rest assured that your Membership of Cirencester friendly gives you financial peace of mind in the event of illness or accidental injury and will continue to do so.

### *A sincere thank you...*

Maintaining success is always a challenge and will continue to be so in 2011. We are fortunate to have a strong and viable business that is supported by an excellent team and I would like to personally thank all of our staff for their hard work and ongoing commitment.

Once again I am grateful to the Independent Financial Advisers that continue to support us and recommend our income protection contract.

And as ever I continue to be particularly grateful to you, our Members, for placing your welfare in our hands. Even with the significant challenges ahead, you should rest assured that as a Board, we will continue to grow the business with a view to the long term and continue to run the Society in a way that gives you the confidence that we have your interests at heart.

A J Knight  
**Chairman**  
17 March 2011



Details of the Board appear on pages 3 and 4 of the full 121st Annual Report and Accounts available from the Society.

The rules of the Society require that following their first election all Members of the Board are subject to re-election every three years. Once a Member of the Board has served for 9 years their continued service is also subject to rigorous review by the Nomination Committee to determine whether continued service has merit and in cases where it is felt appropriate, an explanation will be given to Members justifying why. It is now agreed practice that Board Members who have served for more than 9 years on the Board will submit themselves to annual re-election.

The following Board Members retire this year and in accordance with the Society's rules and the Friendly Societies Act 1992 are eligible to offer themselves for re-election;

The Board of Management supports the re-election of these individuals because they continue to bring the correct mix of business skills and experience to their respective roles. Their full biographies can be found on pages 3 and 4 of the full 121st Annual Report and Accounts.



**Peter L Brown FCA FCCA**

*Deputy Chief Executive*

Age 59.

Married with 2 adult children. Appointed Deputy Chief Executive and a executive Member of the Board of Management in October 2004. Serving Member of the Strategy, Audit and Risk, Remuneration and Solvency II committees, also a member of the IT Work Group. Formerly a partner in an Oxfordshire Accountancy firm for 16 years to 2000 with considerable experience in the audit of Building and

Friendly Societies, subsequently owner of an Oxfordshire based company providing accountancy and management services. Associated with the Society as the auditor from 1995 to 2000. Fellow of the Institute of Chartered Accountants (England and Wales) and Fellow of the Association of Chartered Certified Accountants.



**Dr James E Miller TD BSc MBChB DA DRCOG DFFP DTM&H MRCGP**

Age 52.

Married with 2 children. Qualified from St Andrews 1979 and Manchester Universities in 1982. Chief Medical Officer for the Society since 1993. Non-executive Member of the Board of Management since March 1998. General Practitioner in Cirencester since 1993; GP Trainer; GP Appraiser in General Practice for Gloucestershire PCT. Hospital Practitioner in Gynaecology and for Cirencester Hospital. Member of BASICS (immediate care scheme). Unit Medical Officer for

243 (Wessex) Field Hospital and Medical Officer in Territorial Army for 29 years.



**David Williams APFS FCol FCIM**

Age 65.

Non-executive Member of the Board of Management since July 2004. Previous Member of the Audit and Risk Committee and Chairman of the TCF Committee. Managing Director of Haven Risk Management which provides compliance consultancy services to the Society.

1984-1996 various roles in advisory management capacities in financial services. 1996 to present Managing Director DWT Ltd which became Haven Risk Management on taking over another company in

2005. Associate of the Personal Finance Society, Fellow of the Compliance Institute, Fellow of the Chartered Institute of Management.



**Michelle Harvey-Jones FCIPD**

Age 43.

Non-executive Member of the Board of Management since June 2007. Serving Member of the Remuneration Committee. An experienced HR generalist, and has spent over 15 years working in HR departments; she now specialises in change project management and runs her own consultancy business. She was the Head of Human Resources and Corporate Services with responsibility for all aspects of HR, Marketing, Communications, Press, IT, Facilities and Secretariat at the

Learning and Skills Council, previously she worked within the public and private sector and has experience of working with charities, manufacturing organisations, banks and the NHS. She is a Chartered Fellow of the Chartered Institute of Personnel and Development. She balances her career with family life and enjoys riding her motorbike and scuba diving in her spare time.



**Philip C Whitefield BSc FIA**

Age 51.

Family man, married with 4 grown up daughters. An experienced Life Actuary, who owns a consultancy business that specialises in Capital Management and Solvency II. Acts as a Reviewing Actuary for Mazars in respect of 3 friendly society audit clients. Formerly a Director and Chief Actuary from 2002 to 2007 of Lincoln Financial Group, where he had worked for 21 years. Currently serves 4 local charities WEMTC, Tony's House, Christ Church Cheltenham and Christ Church Playground as Hon. Treasurer.



**Tony J Knight ACIB**

*Chairman*

Age 66.

Married with 2 children. Chairman since May 2004. Chairman of the Audit and Risk Committee 2002-2004. Director of the Society's subsidiary company Friendly Computer Services Limited which is a dormant company. Non-executive Member of the Board of Management since 2000. Serving Member of the Strategy, Nomination, Audit and Risk, TCF, and Remuneration Committees and IT Work Group. Retired July 1999 from Lloyds TSB after 37 years. Career included spells in retail banking, internal audit, area management and as a Senior Manager in corporate banking. Associate Member of the Chartered Institute of Bankers. Enjoys rugby and country sports.



**Martin T King BSc Hons MRICS MCI Arb MCI OB MAICA**

*Vice-Chairman*

Age 54.

Married with 1 child. Chartered Quantity Surveyor and Registered Adjudicator. Non-executive Member of the Board of Management since 2000, Vice-Chairman since 2004. Chairman of the Audit and Risk Committee since May 2004. Serving Member of the Nomination and Remuneration Committees and IT Work Group. Partner Henry W King & Partners 1984-1990. Partner Castons 1990-2007. Director CCAS Ltd 1998-2007. Director Castons Consulting Ltd 2001-2007. Director Caston King Ltd since 2007. Director of Wychavon Leisure Community Association since 2007. Member of Royal Institution of Chartered Surveyors since 1984. Member of Chartered Institute of Arbitrators since 1992. Member of Institute of Directors. Director of the Society's subsidiary company Friendly Computer Services Limited which is a dormant company. Member Wychavon District Council since 2007.

**Arbitrators For Election**

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1. Eric Mouzer FRICS FCI Arb, Chartered Quantity Surveyor, Chartered Arbitrator
2. Philip Harris, LLB, FCI Arb, Solicitor
3. Roger Warrington FRICS FCI Arb, Chartered Surveyor

## SUMMARY OF THE REPORT OF THE BOARD OF MANAGEMENT

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*For the detailed Report please refer to the full 121st Annual Report and Accounts.*

**Our mission is: "To efficiently grow market share through product innovation and development whilst staying true to our Holloway roots."**

**To achieve this we have developed six supporting pillars and the following section details the efforts taken to support each of these towards reaching our main objective.**

### *1) Giving customers products that meet their needs*

#### Principal Activity

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2010 was another challenging year for the Financial Services Industry. Cirencester friendly continues to be a strong, viable business and is undertaking actions to ensure that there is a bright future for our Members and staff.

The investment market remains volatile and our outlook remains one of caution and prudence. We continue to liaise very closely with our Actuary to ensure very careful management of the Society's Investment Portfolio.

The Society has always been run with the prudent policy of protecting capital to an extent considerably beyond the statutory requirements and we will continue with this policy during 2011.

#### Product Development

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To achieve the service levels we insist upon we need improved systems and this could incur a considerable cost. We must however, operate within our means and we are researching developments that are cost effective to get where we want to be sensibly.

During 2010 we have enhanced the product by introducing nurse screenings and GP Admin support in order to further streamline our underwriting and business processing procedures.

Currently the majority of the Society's business is obtained through the recommendation of Independent Financial Advisers (IFAs). The FSA are proposing a set of new rules known as the Retail Distribution Review (RDR). We are actively exploring alternative business channels to operate alongside our current system and ensure that the Society is in a position to continue to grow.

#### Bonuses to Members

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Under the "Holloway" principle, that is the basis of our core business, our Members are able to share in the surpluses of the Society. We are delighted to report that due to the prudent management of the Society's investment portfolio, the growth in premium income and Membership and despite the tough economic situation we are able to report significant increases in bonuses to Members.

- Health & Wealth Surplus Allocation per share £1.56 (£0.90)
- Income Assured Surplus Allocation per unit £3.66 (£2.10)
- Income Assured Plus Surplus Allocation per unit £2.40 (£1.38)
- Income Assured Plus Surplus Allocation per unit (capital sum only) £0.51 (£0.51)
- Bonus Allocation rate for active members 2.5% (2.75%)
- 2011 Interest Rate (which is set in advance) for retired Members is 2.5% (2.0%).

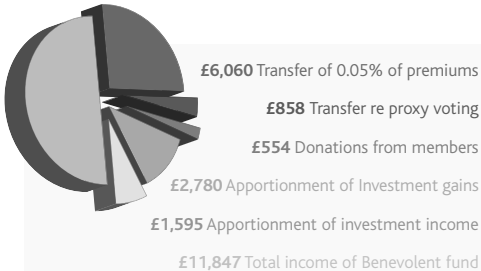
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## Charity Committee

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The Society's Charity Committee was established in 2008 with the aim of providing more charitable support for both Members and the wider community in which the Society operates. The fund income is made up of donations of 0.05% of premiums and £1.00 for every Proxy voting form returned at the AGM.

In 2010 the following donations to the Charity Fund were made;



## 2) Growing the customer base

### Membership

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We are pleased to announce that as of the 1st of January 2010 the total membership of the Society was 32,209. On 31st December 2010 membership had increased to 33,837 (an increase of 5.05%)

There were 636 retired members at 31st December 2010 (668 in 2009).

### Outlook for 2011

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Despite the economic situation we have continued to increase our membership in 2010. This creditable performance reflects the continued popularity of our product and service. Our prudent management of the investment of Members funds has also contributed to positive results.

We will remain cautious in 2011 and endeavour to maintain the competitiveness of our product, whilst at the same time continue to provide the highest standards of service to our Members and the IFAs who recommend the Society to their clients.

## 3) Protecting capital

Net earned premiums have increased over the year by £0.75m to £12.1m (an increase of 6.6%).

Investment income was £1.4m.

Total return on investments of 3%. Our investment performance exceeded the overall market performance. For further information see the report of our Investment Managers Quilter in the Full Annual Report & Accounts.

Investment income less expenses and charges was £3.98m (£1.2m in 2009).

Claims payments increased by £0.1m or 3.8% to £2.7m, indicating that we are committed to our fundamental aim of providing financial support for our Members when they need it most.

94% of all eligible claims were valid and paid in 2010.

£3.3m was transferred to long term business provision (£2.2m in 2009).

The total bonus and surplus allocation paid to Members amounts of £1.7m. Despite three years of difficult economic conditions in the market we are pleased to be able to increase the allocation of bonuses in 2010.

When all is taken into account, we were able to transfer £2.3m to the Fund for Future Appropriations, which currently stands at £15.2m as at 31 December 2010.

## SUMMARY OF THE REPORT OF THE BOARD OF MANAGEMENT (CONT'D)

*For the detailed Report please refer to the full 121st Annual Report and Accounts.*

The holdings in Government Stocks at the year-end had reduced to £11.3m (2009 £15.2m). The Society's overall investment portfolio has increased by £6.2m to £47.5m as at 31st December 2010 (2009 £41.3m).

2010 has resulted in a net increase to the total funds of the Society from £49m to £54.7m. Of this amount £24m represents amounts due to Members and creditors plus the various reserves established by the appointed Actuary leaving £15.2m in the Fund for Future Appropriations.

At 31 December 2010 the Society had a level of solvency significantly in excess of the minimum capital resource requirements prescribed by the Financial Services Authority's 'Integrated Prudential Sourcebook'. The Society is also well placed to meet the more stringent revised requirements of Solvency II that will be introduced in 2012.

There were no significant additions to the society tangible assets during 2010.

### 4) *Controlling costs*

The overall operating expenses increased by £0.1m during 2010 or 1.8% over the previous year. Included in these costs were exceptional property maintenance (toilet refurbishment) £0.05m and the implementation of the document scanning project £0.16m. The cost of acquiring new business in 2010 was £3.7m (£3.6m in 2009). Administration expenses remained at the same level as 2009, reflecting the prudent policy of strict control over costs.

Our strict cost control policy has been effective since total management costs in 2010 have reduced as a percentage of premium income, a widely adopted measure of efficiency, from 21.1% in 2009 to 20% during the year.

### 5) *Delivering high standards of service*

#### Treating Customers Fairly

The Society has, throughout its history, taken pride in the high standard of service offered to its Members and the IFAs who recommend their clients to us. The FSA have expressed the opinion that the regulator is very satisfied with the Society's standard of service under their continued monitoring of "Treating Customer Fairly" (TCF).

Our Members are perhaps most at need of sympathetic and professional service at the time when they need to make a claim. We closely measure our performance in this area and we are pleased to report that in 2010 we maintained our 2009 performance of payment of 94% of legitimate claims. We publish this figure widely so that easy comparison can be made between us and our competitors.

We support the clarification of claims statistics throughout the industry and call for standard calculations and published audit trails to support these figures. Our Members deserve the highest standards and transparency in all their dealings with the Society.





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### Award Winning Service

We are confident of the quality of our service by the consistent presentation of prestigious industry awards over recent years. The high quality of our service was once again recognised in 2010 by the Society being awarded a Five Star Online Service Award from FT Adviser.com by FT Adviser and the COMMENDED AWARD from Money Facts 2010 in the Best Income Protection Provider category.

We will continue to look to improve on our high levels of service and take pride in the recognition of our efforts by those in the Financial Service Industry.

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### Complaints and Disputes

Whilst we constantly endeavour to improve our service, from time to time we do receive complaints. We consider these to be opportunities to improve our relationship with our Members by rectifying errors without undue delay or taking time to investigate and explain in detail the Society's position when we conclude that a complaint is not justified.

We are in constant contact with the Financial Ombudsman Service to ensure that our complaints procedure is reasonable and fair to our Members.

## 6) Developing staff and systems

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### Information Technology

Throughout 2010 the task of scanning documents has been undertaken and the Document Scanning System has now been fully embedded into the Society's procedures. This enables greater efficiency in our day to day work, higher standards of security and far easier document retrieval.

Following the Comprehensive Business Analysis that was undertaken in 2009 we have taken advantage of The Knowledge Transfer Project (KTP) in partnership with the University of the West of England (UWE). This allows us access to the extensive expertise of UWE in our task of updating, improving and generally modernising all of the Society's IT systems.

On behalf of the Board

P.R. Hudson  
**Chief Executive**  
17 March 2011



### The Level and Make-up of Remuneration

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Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive director's remuneration should be structured so as to link rewards to corporate and individual performance.

#### *Board Response:*

The Board recognises the need to engage staff at all levels of the Society who are capable of delivering enduring success and firmly believe the reward structure at the Society needs to reflect this commitment to attract, retain and motivate all staff towards corporate and individual goals consistent with the long term prosperity of the Society.

As the Board serves as an example for the rest of the Society the Remuneration Committee has established a remuneration policy for executive Members of the Board that has a clear focus on Member value. To this end the remuneration package of the Chief Executive and Deputy Chief Executive who are executive Members of the Board are linked to the success of the Society and personal performance of the individual.

Their remuneration package is based upon the following principles:

- Executives are rewarded for creating long term value for Members and the Society (performance related rewards)
- Performance related rewards form part of the total remunerative package
- They are competitive in the market in which the Society operates

- Failure is not rewarded
- Contractual terms agreed which ensure on termination (and any subsequent payments) rewards are fair to the individual and the Society.

### Reward Components for Executive Remuneration

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#### *Base Salary*

Base salaries for executives are positioned in the top quartile for similar Friendly Societies in the relevant market. Salaries are reviewed annually around November and, if considered necessary, are adjusted from 1 January in the following year to recognise the individual's role, performance and experience as well as changes in the external executive pay market.

#### *Annual Incentive Payments*

Annual incentives designed to motivate and reward executives for the achievement of strategic and financial goals of the Society are applied in equal proportion using KPI's in respect of the undermentioned:

- New Business Activity
- Business Retention
- Financial Performance
- Staff Development and Training
- Specified Key Projects and Objectives

The maximum bonus opportunity for the executives is 20% of salary which has applied since 1 January 2009. The Remuneration Committee retains absolute discretion in the final determination of awards taking account of the Society's achievements measured against predetermined key performance indicators.

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## *Pensions*

The retirement benefits of executives forms an important part of their total remuneration package. The Society has arranged a defined contribution Scheme for all staff in to which executives may make their own contributions in addition to the contributions made on their behalf by the Society up to the maximum permitted by law.

The contribution made by the Society on behalf of the Chief Executive is 25% of base salary plus benefits in kind but excluding annual incentive payments. The contribution recognises that the Chief Executive gave up entitlement to a Final Salary Scheme which was an onerous burden upon the Society. The contribution made on behalf of the Deputy Chief Executive is 10% of base salary.

## *Service Agreements*

Executives are employed on contracts subject to no more than 12 months' notice in accordance with corporate governance best practice. The Remuneration Committee endorses the principle of mitigation of damages in the event of the early termination of service agreements.

## *Chairman and Non-Executive Board Members*

The remuneration of the Chairman and non-executive Members of the Board is intended to reflect the time commitment and responsibilities of the role.

To this end the Society has established a remuneration structure for the Chairman and non-executive Members of the Board that includes a base fee paid in recognition of the responsibilities and expectations of the role and, in the case of the Chairman and Vice-Chairman only, an operational fee for their day to day involvement in the business affairs of the Society, plus a meeting fee for attendance at meetings.

In addition Members of the Board are also paid an allowance for prior authorised business mileage based on Inland Revenue Fixed Profit Car Scheme rates for own car use. Alternatively Members of the Board can reclaim authorised cost of travel if travelling by taxi, train or by air.

Deductions for personal taxation and National Insurance Contributions apply with the exception of P A Rouse, M Kirby and M Harvey-Jones who invoice the Society for their services.



<b>BOARD MEMBERS' GROSS EMOLUMENTS</b>						
	<b>Basic Salaries<sup>1</sup></b>	<b>Annual Incentive Payments and Fees<sup>2</sup></b>	<b>Benefits<sup>3</sup></b>	<b>Defined Contributions Pension<sup>4</sup></b>	<b>Total 2010</b>	<b>Total 2009</b>
	£000's	£000's	£000's	£000's	£000's	£000's
A J Knight	10.6	11.4	-	-	22.0	21.1
M T King	6.7	8.8	-	-	15.5	15.5
P R Hudson	128.6	25.2	18.9	36.9	209.6	206.9
P L Brown	74.6	14.6	5.4	7.5	102.1	100.8
R H Sanders	2.8	5.9	-	-	8.7	9.5
Dr J E Miller	2.8	3.6	-	-	6.4	6.4
D J G Williams	2.8	6.0	-	-	8.8	8.4
J Bridge	2.8	6.8	-	-	9.6	9.4
P A Rouse	2.8	6.8	-	-	9.6	9.1
M Kirby	1.4	2.0	-	-	3.4	8.4
M Harvey-Jones	2.8	4.7	-	-	7.5	7.7
<b>Total</b>	<b>238.7</b>	<b>95.8</b>	<b>24.3</b>	<b>44.4</b>	<b>403.2</b>	<b>403.2</b>

**Notes:**

- Salaries for all Society staff excluding Board Members and executives were increased by 1.8% with effect from 1 January 2011 in-line with increases in the average earnings index.
- Annual incentive payments represent targeted bonuses for the executives. Fees represent the amounts paid to Board Members (excluding the executives) for attendance at meetings.
- The amounts shown under the heading Benefits represent the taxable benefit based on the original value of the second hand company cars provided for the executives, not the actual price paid which was lower. The Chief Executive also had an entertainment allowance of £5,000 which was not used during 2010.
- The amounts represent the contributions made on behalf of the executives to the Society's defined contribution pension scheme.

**Electronic Voting:**

In the future the Board wishes to give Members the option to cast their votes electronically. There is an option to vote for or against this on your Proxy Voting Card contained in this pack.

Chartered Accountants and Registered Auditors, Moore Stephens (Bath), have audited the full financial statements of the Society for the year ending 31 December 2010.

In their opinion the financial statements and the Report of the Board of Management give a true and fair view of the state of the Society's affairs as at 31 December 2010 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 and the regulations made under it.

For the detailed report of Moore Stephens, please refer to page 21 of the full 121st Annual Report and Accounts.

## MEMBERSHIP

Membership started the year at 32,209, and ended the year at 33,837 (an increase of 5.05%) There were 636 retired Members at 31 December 2010 (668 in 2009)

## BONUSES

BONUSES			
	2010	2009	% Change
Health and Wealth – Dividend	£1.56	£0.90	(11.8)
Income Assured – Surplus Allocation	£3.66	£2.10	(69.6)
Income Assured Plus – Surplus Allocation	£2.40	£1.38	(73.3)
Income Assured Plus - Surplus Allocation (capital sum only)	£0.51	£0.51	-
Bonus Allocation / Interest	2.5%	2.5%	-

(Interest for retired Members is credited at the stated interest rate on the balance to their deposit account and may be paid six monthly at their request)



## SUMMARY INCOME AND EXPENDITURE ACCOUNT

	2010 £000's	2009 £000's	% Improvement/ Deterioration
<b>INCOME</b>			
Premiums	12,120	11,372	6.6%
Investment Income	1,423	1,502	(5.3%)
Other Income	84	81	3.7%
Total Income	13,627	12,955	5.2%
<b>EXPENDITURE</b>			
Sickness Benefit Paid	(2,720)	(2,619)	(3.9%)
Management Expenses	(6,104)	(5,996)	(1.8%)
Total Expenditure	(8,824)	(8,615)	(2.4%)
<b>Total Income Less Expenses</b>	4,803	4,340	10.7%
Net Gains/(Losses on Investment)	2,558	(309)	
	7,361	4,031	
Less Transfer to Reserves for Future Claims	(3,279)	(2,155)	
Surplus Available for Distributions	4,082	1,876	
<b>DISTRIBUTION TO MEMBERS</b>			
Interest paid to retired Members	(36)	(46)	
Bonuses paid to Members	(1,726)	(1,334)	
Balance transferred to fund for future appropriations	2,320	496	

**BALANCE SHEET**

as at 31 December 2010

	<b>2010</b> <b>£000's</b>	<b>2009</b> <b>£000's</b>
<b>ASSETS</b>		
<i>Investments</i>	49,395	43,122
<i>Other assets</i>		
Tangible assets	114	156
Cash at bank and in Hand	1,050	1,076
Debtors	18	-
	1,182	1,232
<i>Prepayments and accrued income</i>	4,117	4,689
	<u>54,694</u>	<u>49,043</u>
<b>LIABILITIES</b>		
<i>Reserves</i>		
Benevolent Fund	56	44
General Reserve	15,206	12,886
<i>Technical provisions</i>		
Members' Capital Accounts	22,229	22,442
Retired Members' Deposits	1,775	1,842
Long Term Provision	14,199	10,920
	38,203	35,204
<i>Creditors and Accruals</i>	1,229	909
	<u>54,694</u>	<u>49,043</u>

Net earned premiums have increased over the year by £0.75m to £12.1m (an increase of 6.6%) as a result of the continuing growth in the Membership of the Society. A prudent investment approach generated net investment returns of £1.4m. This represents a positive total return on investments over the year of 3%. A report by our Investment Managers Quilter on page 13 of the full Annual Report and Accounts indicates the challenges we faced in the investment market in 2010 and how our investment performance exceeded the overall market performance.

Overall claims payments increased by £0.1m or 3.8% to £2.7m. Whilst this is an increase over the previous year, it indicates that we are committed to our fundamental aim of providing for Members when they need us most. In fact, we paid out 94% of claims in both 2010 and 2009.

The overall operating expenses increased by £0.1m during 2010 or 1.8% over the previous year. The cost of acquiring new business amounted to £3.7m, an increase slightly in excess of £0.1m over the previous year. Administration expenses remained at the same level as 2009, reflecting the prudent policy of strict control over costs.

Total management costs have reduced as a percentage of premium income (a widely adopted measure of efficiency) for 2010 from 21.1% in 2009 to 20% during the year.

We are delighted to report that due to the prudent management of the Society's investment portfolio, the growth in premium income and Membership and despite tough economic conditions we were able to report significant increases in bonuses to Members for 2010. Details of these can be found on page 15 of this document.

When all is taken into account, we were able to transfer £2.3m to the Fund for Future Appropriations, which currently stands at £15.2m at 31 December 2010. The Society has increased the value of assets under its management to £54.7m during the year, an increase of £5.7m (11.6%) over 2009.

Also at 31 December 2010 the Society had a level of solvency significantly in excess of the minimum capital resources requirements prescribed by the Financial Services Authority's 'Integrated Prudential Sourcebook'.

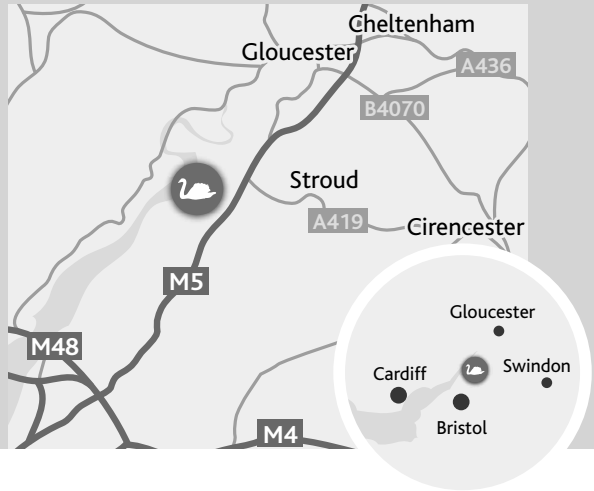




# Annual General Meeting - Saturday 21st May 2011

WWT Wetland Centre, Slimbridge, Gloucestershire GL2 7BT  
Tel: 01453 891900 [www.org.uk/slimbridge](http://www.org.uk/slimbridge)

Slimbridge Wetland Centre is conveniently located near to the M5 between Gloucester and Bristol. Exit at either junctions 13 or 14 and follow the brown duck signs. They have a large free car park.



Cirencester Friendly Society Limited,  
5 Dyer Street, Cirencester, Glos. GL7 2PP

**Tel: 01285 652492/653073**

**Fax: 01285 641246**

Email: [info@cirencester-friendly.co.uk](mailto:info@cirencester-friendly.co.uk)  
[www.cirencester-friendly.co.uk](http://www.cirencester-friendly.co.uk)

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