



Annual Report & Accounts

YEAR ENDED 31 DECEMBER 2020

A Message from the Chairman



CHAIRMAN
John Quinn

Performance

2020 was a challenging year on many levels due to the COVID-19 pandemic. This affected our ability to write new business across our whole product range and resulted in a significant increase in claims due to the adverse health impacts. It also affected the way in which we work. Quite understandably, the pandemic rapidly became the dominant issue of the year and remains so today, though we look forward to emerging from the crisis during 2021 with a high degree of confidence.

With this myriad of challenges, it is with great pride that I am still able to report a surplus for the year and a growth in our Membership. The dedicated effort of our people that led to this achievement shows the commitment everyone has to the long-term success of the Society.

As a result, we have been able to maintain bonuses to participating Members despite the tough year, demonstrating the benefits of mutuality whilst preserving the long-term stability of the Society's finances. Additionally, we are delighted that we have been able to pay 94% of the claims that we received, which continues to demonstrate our commitment to be there for our Members when they need us most.

Our bonus interest rate for depositors was maintained in 2020 but has been reduced slightly from 2021 onwards, reflecting the lower rates of return in 2020 and we anticipate a low interest rate environment to continue for a number of years to come. However, the new rate of 2% remains significantly above current CPI and retail interest rates. That, I believe, demonstrates our strong commitment that Members are at the heart of everything we do at the Society. Due to the challenging year, there has been no transfer into the Members Mutual Fund (2019 £1.5m), though the Fund retains a significant surplus.

Customer Service

We take great pride in the high standards of service that we offer to Members and Financial Advisers. During 2020 we have affiliated ourselves with the Institute for Customer Service, achieving accreditation at the first attempt. On surveying our Adviser community, we are very pleased to have increased our customer satisfaction score during 2020, when the wider financial services industry scores actually dropped. The Society's service has once again been recognised by the industry through the achievement of several prestigious awards, including winning the Moneyfacts award for 'service beyond the call of duty'.

Our People

We have always taken business resilience shocks very seriously. In response to the pandemic, we were able to transition our staff to remote working within a matter of a few days and ensure that our service to existing Members and to Financial Advisers has largely been unaffected. We also took the decision to press ahead with our ambition to achieve accreditation with Investors In People, becoming the first organisation for this assessment to be undertaken entirely remotely. The fact that the Society gained silver accreditation is an impressive testament to the hard work of our people, which is clearly visible to independent external assessors.

It was with regret that we had to host our 130th AGM remotely, rather than from our new head office Mutuality House as planned. We hope to be able to host a face to face AGM on site soon!

It would be remiss of me not to place on record my personal and heartfelt thanks to Andrew Horsley our Company Secretary who had stated his intention to retire from office at the end of 2020 and who has very kindly continued to work beyond his leaving date to support the search for his replacement and to help the Society through the challenge of COVID-19. Andrew has worked incredibly hard for the Society and has provided me with a wonderful level of support and knowledgeable guidance. On behalf of everyone at the Society I wish you a happy, healthy, and long retirement, Andrew.

Thank you

To be able to introduce a report describing the achievements of the Society in 2020, despite all the hurdles, is the best credit I can give in thanking our staff for their resilience and commitment to Cirencester Friendly. These results ensure that we have confidence in our long-term financial security and stability, enabling ongoing investment for the future. I am grateful to the Financial Advisers who recommend the Society to their clients and of course, to you, our Members, who place your trust and welfare with the Society. These results are testament that, despite what the wider world may throw at us, your trust and confidence in the Society is well placed.

John Quinn
Chairman of the Board

2020 Selected Highlights:

- **Financial surplus achieved and Membership growth in an exceptionally challenging year**
- **Bonuses maintained**
- **94% of Claims paid**
- **Winner of IL&P Moneyfacts award for 'Service Beyond the Call of Duty'**
- **Investors in People Silver accreditation**

**Our Mission:
We protect lifestyles**

Strategic Review from the Chief Executive

I am immensely proud of the achievements of everyone at the Society given the extraordinary challenges of 2020. Despite the backdrop of the pandemic and volatile market environment, we have continued to deliver on our strategic roadmap and maintain our exemplary customer service, while delivering a surplus to sustain our robust financial position. This gives me considerable confidence that the Society is well placed for further long-term success.

Financial Results and Business Review

As a mutual institution we have adopted a cautious, long-term approach to business as we want to be able to support our Members in the years to come, just as we have done for the past 130 years. The pandemic has meant that we had to take a hard decision to temporarily suspend our short-deferred products to new entrants, in order to protect the interests of the Society and maintain our high levels of service to existing Members. That said, throughout the events of 2020 we continued to offer longer deferred period products and are looking to normalise operations as soon as possible after the impact of the pandemic reduces.

In spite of these necessary limitations on our business operations to manage risk, we still achieved growth across the business:

- **Assets have grown by £6.0m** (2019: £9.1m)
- **Active Membership has grown** by a further 674 (2019: 4,485)
- **£5.9m** (2019: £7.2m) was transferred to the Fund for Future Appropriations for future development

At the end of the year, we had a level of solvency which covered the minimum capital resource requirements prescribed by the Regulator by over six times. We prepared an Own Risk and Solvency Assessment (ORSA) during 2020, adjusted to take account of the impact of the pandemic. In all the envisioned scenarios, the Society would continue to have a comfortable margin of capital resources over the minimum capital resource requirements, as necessary under the provisions of Solvency II.

Claims

We are committed to supporting Members financially when they need us most. In 2020, we paid 94% of claims (2019: 95.7%). The reasons for rejecting claims include the inability to provide proof of earnings or medical evidence, no loss of earnings and claims for previously undisclosed pre-existing medical conditions. We are proud of our strong record of results in relation to the payment of claims, as we believe this clearly demonstrates the importance of income protection insurance in financial planning.

The payment of claims is important to us and each year we produce a detailed and transparent analysis of our claims statistics, enabling our Financial Advisers, existing and potential new Members to judge our performance on the facts. As one of the very first firms to publish these figures and an advocate of mutuality, we support the standardisation of comprehensive claim statistics across the industry, so that firms can be judged on their claims payment record, as well as their financial performance. We believe that education is the best way to ensure that everyone knows what is expected and involved in the claims process and how to make a successful claim.

Bonus Rewards to Members

One of the key benefits of mutuality is the opportunity for Members to share in our success. This is done in a number of ways but one of the most obvious is in the form of bonuses added to profit participating Members' credit balances, held by us until the end of their contract, and through the Members' Mutual Fund. As a Member owned mutual organisation, we have adopted a cautious approach to business to safeguard the interests of Members and this extends to the way we only award bonuses that can be supported by the surplus we create and sustain over time. We aim not to put our financial welfare and that of Members at undue risk, demonstrated by our long track record of delivering steady and sustained results.

As a consequence of this and despite a difficult year, bonus rates added to Members' Credits for 2020 have been maintained:

	2020	2019
Health & Wealth Dividend (maintained)	£1.56	£1.56
Income Assured Plus - Surplus Allocation (maintained)	£10.80	£10.80
Income Assured Plus - Investment Only - Surplus Allocation (maintained)	£0.53	£0.53
Bonus Allocation/Interest*	2.0%	2.5%

* Interest Rate (which is set in advance) for retired Members is 2.5% (2019 - 2.5%). The interest added to retired Members' deposits should be declared by Members for tax purposes. Please note that the rate has been reduced to 2.0% for 2021 onwards. (The Board has the right to revise the rate without notice).

Treating Customers Fairly

We are committed to the fair treatment of customers.

The number of complaints we receive each year is very small. That said, we are not complacent and when we do receive a complaint, we aim to make it a positive learning experience.

Complaints are thoroughly and impartially investigated, and we aim to resolve them at an early stage using our internal dispute resolution processes.

Award Winning Service

We aim to deliver high standards of service and believe that this is evidenced by the many prestigious industry awards we have received in recent years. In 2020, I am very proud that we won the Investment Life & Pensions Moneyfacts Award for 'Service Beyond the Call of Duty', reflecting all our staff hard efforts to maintain standards during the pandemic, alongside winning the UK Enterprise Award for 'Most Outstanding in Income Protection Support'.

I am also proud that we achieved 'Best Income Protection Provider' from What Mortgage Awards, in recognition of a core part of our business proposition. Although we were not quite able to make it four years in a row for the COVER Customer Care Awards 'Young Insurance Person of the year', we did achieve Highly Commended for

Our Vision: To be the go-to provider when it comes to protecting lifestyles

Strategic Review from the Chief Executive

Sam Njoroge, as well as 'Outstanding Customer Care individual' for Julie Gibson and in the Best New Product Innovation category for Children's Critical Illness Support. Well done all!

Developing Staff

Employees are a vital part of the Society as they are the resource through which the strategic ambitions of the Society will be delivered. The Society is proud of the fact that we have not made use of the government's furlough scheme, keeping all staff in full time employment, and we did not make anyone redundant as a result of the pandemic. Having an effective and engaged workforce will enable the Society to grow and prosper.

We continue to hold the values at the heart of the Society, as captured in a deliberately clear and straightforward mnemonic:



Employee Engagement is pivotal to the success of the Society, an engaged workforce is an effective workforce working towards the 'Excellence' in our Heart values. An engaged workforce will take 'Accountability' for their roles. This reduces staff turnover and creates brand awareness through word of mouth. We will be honest in all our dealings and say it as it is but with due respect towards those we are dealing with, to build a trusting relationship.

Community Contribution

At Cirencester Friendly, we are proud of the difference we make to the communities we work in and whose Members we support. We have continued with our chosen charity as James Hopkins Trust, given it has not been possible to support the organisation as much as we would have liked due to the national restrictions. That said, we are pleased to be able to say that staff managed to raise £3,405.42 through their efforts during the year.

The staff kicked off the year of fundraising in January by holding a 'Big Fat Quiz of the Year' in our local town which raised an impressive £378.51. Following the new restrictions that came into place, staff turned to virtual fundraising by holding Bake Sales, Quizzes, and plenty of seasonal games!

Cirencester Friendly 125 Foundation

The Cirencester Friendly 125 Foundation was launched in January 2016.

The 125 Foundation provides financial support to individuals and

causes, for the benefit of Members and their communities. There are two types of awards which Members, or their Financial Adviser on their behalf, can apply for:

- **Individual Awards** are for the simple things that make a huge difference. Members, or their Financial Adviser on their behalf, can nominate someone close to them who may be suffering hardship and could benefit from financial support.
- **Half Yearly Community Awards** are for local projects and causes that Members value and support.

Throughout 2020 the 125 Foundation helped many of our Members and their Communities. Our aim is to always give back to our Members and support them in any way we can. We encourage all Members to get in touch and make the most of this fantastic benefit that we offer.

Climate Change

At the Society we take an active interest in the local environment and also how we can make our contribution to the efforts to combat climate change. We are committed to and fully support the PRA initiative to ensure that insurers prepare for the potential business challenges presented by climate change, with our Finance Director Andy Morris as the senior manager responsible. He has set up a working group to collaborate with the Association of Financial Mutuals (AFM) in looking at how the industry will respond.

Through the production of the ORSA, we have worked with our external actuaries to model the potential detrimental impact climate change may have on the Society's assets, in the event that the effects are more serious than current predictions. This impact covers the three-year Business Plan and shows that the Society has the necessary financial resources and is well placed to manage the risk. This modelling will be enhanced as we go forward and we are working with our investment Advisers LGT Vestra to ensure that Environmental, Social and Governance criteria are a core part of the investment portfolio of the Society, with climate change a central part of this process.

This working group is also keen to take practical steps to make a difference at the individual level. Our new head office Mutuality House has been constructed as an energy efficient building, but we are not yet able to be carbon neutral. As a result, the Board has agreed to contribute to carbon offset schemes to the equivalent of our total carbon footprint, to ensure we play our part even in the short term. We are also looking at how best to reduce our waste and increase the proportion that is recycled, together with supporting local environmental initiatives.

Strategic Objective 1: To be sustainable and profitable, building capital for a stronger future together

Strategic Review from the Chief Executive

Strategic Objective 2: To be great to do business with



Delivering on our Strategy

We remain committed to our four ray Strategic Roadmap and have continued to progress its delivery throughout 2020: We have focussed efforts on replacing existing operating systems, aimed at delivering higher standards of service to Members and their Financial Advisers, along with other stakeholders. Good progress is being made and we are forging strong partnerships with key suppliers in the industry, helping to progress our infrastructure and put the building blocks in place for the future development of the Society. We are committed to increasing the range of products and services we offer and to improving service through technology and staff training.

The fact that we have been able to successfully advance our strategic ambitions in the midst of a pandemic is a powerful testament to the efforts and commitment of our dedicated staff. We remain confident that we are in a good position to rise to the inevitable challenges we will face, with 2021 looking every bit as challenging as 2020. Everyone here works to look after the interests of Members and supporters alike. Through all of our efforts and commitment, we have continued to grow and have delivered a robust set of results in the face of one of the most extraordinary years that anyone has had to work through.

My personal thanks go to each and every member of staff for their continued support, hard work and enthusiasm during 2020. I also extend my very best wishes to Andrew Horsley who I have enjoyed working with over the last 6 years. Andrew is retiring as our Company Secretary and has made a significant contribution to the wellbeing of the Society since he joined us. I hope you have a long, wonderful, and well-earned retirement.

On behalf of the Board

Paul Hudson
Chief Executive

Strategic Objective 3: To be a place where people want to work and grow

The Board of Management Profiles



Non-Executive Director
Janice W Banks
MBA

Term of Office: Janice joined the Board in January 2016

Independent: Yes

Skills and Experience: A Senior Executive with over 30 years' experience in Financial Services, including investment management and various senior roles in Nationwide Building Society including Member Service, Retail, Communications, HR, Compliance and Company Secretariat. Involved in the sales and regulation of the insurance operations and later in the establishment of Nationwide Life. Since leaving Nationwide Janice has provided CEO services and transformational change in the housing and charitable sectors.



Non-Executive Director
Marian L Evans
FInstLM. ACII. BSC
(Hons) Chartered
Insurance Broker

Term of Office: Marian joined the Board in January 2016

Independent: Yes

Skills and Experience: Qualified and practised as both a Chartered Insurer and Chartered Insurance Broker. Marian was awarded the Fellowship of the Institute of Leadership and Management in 2017. A former Director of Thomas Carroll Group, where she headed up the Special Risks Division, working with key clients throughout the UK. Marian spent her early career at NFU Mutual where she became an award-winning Sales Associate and Consultant and latterly a Sales Manager, responsible for 16 NFU Mutual regional offices. Marian now owns a successful property and consultancy business and serves as a Mentor for Women on Boards' UK and School Governor.



Operations Director
Shirley E Fell

Term of Office: Shirley joined the Society in April 2019

Independent: No as an Executive

Skills and Experience: 40 years' experience working in Financial Services. Held senior roles in Zurich Financial Services, Halifax Bank of Scotland and MetLife Inc. including UK Chief Operations Officer and Head of Strategy and Transformation. Appointed as Operations Director for the Society in April 2019. Passionate about delivering excellent customer service, she is also a Non-Executive Director for the Institute of Customer Service.



Chief Executive
Paul R Hudson
MBA FCG MCSI

Term of Office: Paul joined the Board in February 1997

Independent: No as an Executive

Skills and Experience: Over 40 years' experience working in Financial Services all gained within the mutual sector. A Fellow of the Institute of Chartered Secretaries and Administrators since 1994, Master of Business Administration since 1997 and Member of the Chartered Institute of Securities and Investments from 2011. Prior to joining the Society, he held a number of senior and general management positions at a number of other Friendly Societies and Trade Bodies. Board member of the Trade Body, the Association of Financial Mutuals from March 2016 to present.



Commercial Director
David R Macgregor
Cert PFS

Term of Office: David joined the Board in April 2018

Independent: No as an Executive

Skills and Experience: Over 40 years Financial Services experience in the Sales and Marketing of protection, pension and investment products to Financial Advisers. Previous Board experience gained over the past 20 years with three other Friendly Societies writing Income Protection and held senior positions including Chief Executive and National Sales Manager. A former Director of the Association of Friendly Societies. Provided interim cover for the Society's Director of Sales and Marketing from January 2015 and appointed as Commercial Director in April 2017.



Non-Executive Director
Ian M Maude

Term of Office: Ian joined the Board in May 2015

Independent: Yes

Skills and Experience: A Senior Board Executive with 40 years in Financial Services, spanning life, pensions, motor, household and health insurance. In the 14 years leading up to his retirement, Ian was an Executive Director of SimplyHealth, the last four of which were as joint Financial Director and Chief Information Officer, as well as being a Director of Denplan. Prior to that, he worked in senior IT management roles in Legal & General, Municipal Mutual Insurance and Zurich Insurance, progressing to becoming IT Director at Frizzell Insurance and Liverpool Victoria Friendly Society and then Senior Partner at a prestigious IT consultancy.



Non-Executive Director
Katharine S McIntyre
 BA (Hons), ACA

Term of Office: Kate joined the Board in August 2017

Independent: Yes

Skills and Experience: A chartered accountant by background, Kate is an experienced director who has worked in a wide variety of roles and organisations over the last thirty plus years, primarily in financial services. Organisations where Kate has held senior roles include: Skipton Building Society; First Direct, AXA; Lloyds Banking Group and Engage Mutual. Kate is a NED at Darlington Building Society, and a Trustee at both Tadcaster Community Swimming Pool and The Brathay Trust.



Finance Director
Andy Morris
 MBA, FCA, MCSI

Term of Office: Andrew joined the Society in April 2019

Independent: No as an Executive

Skills and Experience: Andy is a Fellow of the Institute of Chartered Accountants in England and Wales with over 20 years of international experience across the Financial Services industry. This experience includes the mutual sector, with his last role being Finance Director for Leek United Building Society in Staffordshire. He is a Member of the Chartered Institute of Securities and Investments and holds a Masters in Business Administration from London Business School.



Chairman
John F Quinn
 M. Litt. BA (Hons)

Term of Office: John joined the Board in November 2012 and has been Chairman of the Board since July 2016

Independent: Yes

Skills and Experience: Retired from Lloyds Banking Group in December 2011 after a career of 36 years during which he held managerial posts in Branch Management, Area Management and as a Senior Manager in Corporate and Commercial Banking.



Senior Independent Director
William J M Schouten
 MBA

Term of Office: William joined the Board in November 2012

Independent: Yes

Skills and Experience: A Senior Executive with more than 40 years' experience in the Financial Services industry. Held Executive Director positions with varying responsibilities in NFU Mutual 1998 to 2009 and in Royal Insurance 1993 to 1996 and in between worked for a short spell at IBM UK Ltd as an Executive Consultant. From 2010 to 2016 operated as an Independent Management Consultant and Executive Coach assisting mainly mutual organisations with planning and implementing change.



Non-Executive Director
Mark C Sedgley
 ACII

Term of Office: Mark joined the Board in May 2015

Independent: Yes

Skills and Experience: Almost 30 years' Financial Services experience mainly in the mutual sector. Having worked in both large and small organisations, Mark has a good understanding of many areas including underwriting, budgeting and cash flow management, business planning, strategic reviews, re-branding, due diligence, investments, product and process design and financial education presentations. He has held both technical expert positions and senior management roles including being Chief Executive of a Friendly Society.

Report of the Board of Management

The Board of Directors is pleased to present the Annual Report, together with the financial statements for the year ended 31 December 2020.

Business Objectives and Activities

The Board is committed to the ongoing development of the Society, through the effective delivery of good value for money protection products, added value Membership benefits to an increasing audience, through a range of distribution channels.

Business Review

Key business developments and the future outlook for the business are reviewed in the Strategic Report on pages 4 to 6. The Board of Directors is of the opinion that all activities performed during the year have been carried out within our respective powers.

Principal Risks, Uncertainties and Going Concern

The principal risks and uncertainties faced by the Board relate to:

- **Insurance risks:** being those risks arising from uncertainties in the level of claims arising, the length of those claims, management costs and the closure rate of the insurance contracts issued. The Society has systems in place to monitor and control, including underwriting procedures in place for the assessment of risk and all claims are subjected to rigorous validation. The Board undertake to ensure that the Society retains sufficient assets to cover the liabilities in relation to its insurance risk.
- **Market risk:** being all risks relating to uncertainties in the value of investments and the returns achievable from them including interest rate, property price, currency and credit spread risk. This risk is mitigated as far as is practicable by the matching of asset types to relevant classes of liabilities by the quality of the investments held and the Society's policy to limit the exposure to any one counterparty and foreign currency.
- **Counterparty risk:** being the risk of third parties not fulfilling their financial obligations to the Society. In order to mitigate this risk, the Society has set out within its investment policy statement both the quality of counterparties in which the Society may invest and the level at which investment may be made with those counterparties.
- **Operational risk:** being the risk of a breakdown of procedures or from an external event. The Society has defined procedures for the monitoring of operational risk and reporting to the Board. This risk is also mitigated by internal audit and compliance monitoring processes and procedures and via oversight by the Non-Prudential Risk Officer.

The Board performs a robust and ongoing assessment of risks and uncertainties facing the Society. Note 3 of the accounts sets out the risks in greater detail together with our approach for managing them.

The Board has assessed the Society's going concern over a three-year period to December 2023. This is based on our three-year rolling strategic plan. The three-year strategic plan was last approved by the Board in February 2021. This assessment included consideration of the Society's resilience in severe but plausible scenarios, supported by the use of stress testing and sensitivity analysis around the central

assumptions of the strategic plan. The scenarios considered included significant variations in the levels of new business, contract lapses and claims compared to those expected and changes to the underlying economic assumptions such as interest rates.

The Directors believe that the Society is well placed to manage its risks successfully, having considered its business activities and overall financial position, including liquidity and capital adequacy levels.

Based on this assessment, the Directors are confident that the Society will be able to continue in operation and meet all its liabilities as they fall due over the period considered.

The Board has reviewed the summary of the Guidance for Directors published by the Financial Reporting Council and concluded that in the light of:

- the published year end position on statutory solvency
- available financial resources in liquid form
- the capital projections within our agreed business plans
- the results of our ORSA

there are no material uncertainties that may cast significant doubt about our ability to continue as a viable going concern.

Staff

The average number of staff (including Executive Directors but excluding Non-Executive Directors) employed by us totalled 84 (2019: 72). The aggregate remuneration paid to Directors and staff employed during the year, amounted to £5.3m including pension and National Insurance contributions (2019: £4.4m).

We have an Equal Opportunities Policy for recruitment and existing staff and are committed to the ongoing development of staff. Our staff are key to our operations and we support the continued learning and development of our staff through regular analysis of training needs and by the provision of a broad range of training opportunities.

Board of Directors

A list of Directors who held office during the year appears in the Board of Management Profiles on pages 8 and 9.

We maintain Directors' and Officers' liability insurance cover in respect of legal action against our Directors and Officers. Combined Professional Indemnity, Directors & Officers and crime liability insurance was reviewed and renewed in 2020 at a cost of £99,200 (2019: 25,750). The significant increase in premiums over 2019 being as a direct result of a hardening market due to the COVID-19 pandemic.

The Directors in office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Auditor is unaware.

Membership

Membership of the Society stood as follows:

	2020	2019
Active Members	42,810	42,136
Retired Members	672	633
Total Membership	43,482	42,769

Complaints Policy

We aim to deliver a high standard of service to our Members. If any Member believes that we have failed in this aim, they have recourse to our complaints procedures. We have documented procedures for the handling and recording of complaints. We deal with all complaints with due care, ensuring that they are thoroughly investigated. The Audit and Risk Committee regularly reviews the number and type of complaints received in order to monitor that complaints are properly dealt with and corrective action is taken to prevent recurrence. Senior management deals with serious complaints. In the unlikely event that a complaint cannot be resolved to the complainant's satisfaction, they will be made aware of the option to appeal to the Financial Ombudsman Service.

Supplier Payment Policy

It is our policy and practice to settle invoices within 30 days of receipt, unless specifically agreed otherwise in advance with suppliers.

Pensions Arrangements

We are committed to assisting our staff to make adequate provision for their retirement. For all employees, we have a Defined Contribution arrangement in place whereby we make an agreed percentage contribution of salary.

Environmental, Social and Community Issues

We take our role as a socially responsible organisation very seriously, be that in the way we treat our employees or in the role we play helping and protecting the environment in which we work and live. Please see our climate commitments and activities separately detailed within the Strategic Review on page 5. Our community work has seen us support local charities, which has made a positive contribution to our working environment and the wider community. In 2020, we raised funds for a number of charities, including our charity of the year, James Hopkins Trust.

Appointment of Auditors

The Board is satisfied that BDO LLP continue to offer best value and as a result, a resolution to appoint BDO LLP as Statutory Auditors will be proposed at the forthcoming Annual General Meeting. BDO LLP is entirely independent of the Society and no member of the Board has a business relationship with BDO LLP.

Disclosure of Information to Auditors

The Directors that held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Society's auditors are unaware, and each Director has taken all the steps he/she ought to have taken as a Director to make himself / herself aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

By order of the Board



Andy Morris
Company Secretary

25 March 2021

Report of the Board of Management on the AFM Corporate Governance Code

Good corporate governance provides a framework for the way in which the Board and the rest of the organisation operates. It is also vital in providing effective leadership and in assisting us to continue as a successful organisation, run for the benefit of our current and future Members, in a legal, ethical and transparent manner.

Our approach to corporate governance is based on the principles and provisions of the UK Corporate Governance Code (“the Code”). Although, as a mutual friendly society, we are not subject to the Code, the Society has implemented the Code guidelines where it has been practical and appropriate to do so. The Board has also considered the Wates Corporate Governance Principles for Private Business (“Wates Principles”) which were published on 10 December 2018, noting that their adoption is voluntary but welcoming the focus on purpose, culture and employee and stakeholder engagement. They introduce ‘Principles’ of best practice to be adopted on an ‘apply and explain’ basis and provide suggested guidance as to how organisations might achieve each of the respective principles. These have been summarised in the AFM Corporate Governance Code (the “Code”), which the Board supports:

	Purpose and leadership	An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.
	Board composition	Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.
	Director responsibilities	The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.
	Opportunity and Risk	A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.
	Remuneration	A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.
	Stakeholder relationships and engagement	Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

1. Purpose and Leadership

Everyone who works for the Society has a clear understanding of the key drivers behind what we do. We have distilled this into a clear and succinct Mission, which is fundamentally to provide financial support to our Members and can simply be expressed as We Protect Lifestyles. In developing the Society's business, we have a clear Vision of our over-arching intention, which is to be the go-to provider when it comes to protecting lifestyles.

These succinct statements show our determination to go beyond traditional income protection, to offer our Members a range of products to meet their wider needs and demonstrate our commitment to the concept of Mutuality.

The Role of the Board

The organisation is headed by the Board, whose principal role is to:

- Safeguard the interests of Members, ensuring our long-term success;
- Focus on our strategy;
- Ensure that the necessary resources are in place for us to meet our objectives;
- Provide general direction to the organisation;
- Monitor the performance of the Leadership Team.

Matters Reserved for the Board

The Board maintains a schedule of reserved matters in order to ensure that it exercises control over our affairs. These include the approval of our annual results and strategic aims, as well as setting the risk appetite, the tone for our culture, the approval of policies and matters which must be approved by the Board under legislation and our Rules. The Board is also responsible for the recruitment and terms of employment of the Executive Directors. Other matters are delegated to the Leadership Team or to other specified colleagues or Committees, including the Board Committees referred to below.

Board Attendance

The Board held six meetings in 2020. The attendance record of each Director at these meetings and at relevant Board Committee Meetings is set out below:

Name (Alphabetical)	Board	Audit and Risk	Nomination & Remuneration	Investment
J W Banks	6 of 6	N/A	5 of 5	N/A
M L Evans	3 of 6	3 of 5	N/A	N/A
S E Fell	6 of 6	N/A	N/A	N/A
P R Hudson	6 of 6	N/A	5 of 5	2 of 2
D R Macgregor	6 of 6	N/A	N/A	N/A
I M Maude	6 of 6	5 of 5	5 of 5	N/A
K S McIntyre	6 of 6	5 of 5	N/A	N/A
A J Morris	6 of 6	N/A	N/A	2 of 2
J F Quinn	6 of 6	N/A	5 of 5	2 of 2
M C Sedgley	5 of 6	5 of 5	N/A	2 of 2
W J M Schouten	6 of 6	N/A	5 of 5	N/A

A J Morris attended meetings of the Audit & Risk Committee and Nomination & Remuneration Committee in an Advisory role.

Board focus and activities during the year

The activities undertaken by the Board are designed to support and advise executive management on the delivery of the Society's strategy, within a framework of effective corporate governance. Focused discussion assists the Board in making good decisions, based on the long-term needs of the business and its stakeholders. Key areas of focus in the year were:

- **Review the Society's vision, mission, values and strategy:** The Board has had full oversight of the progress of the Society strategy during the year. The impact of the pandemic has been closely monitored and the Board received regular updates of issues arising and actions taken, such as on the performance of investments, suspension of short deferred products and remote working arrangements, which also applied to the Board. At each meeting the Board had the opportunity to question and challenge the work being undertaken. The October Board Meeting was used to review the strategy for the Society.
- **Review of principal risks:** The Board and Audit & Risk Committee undertake a regular formal review of the principal risks to the Society.
- **Risk Appetite:** The Board considers its adherence to and appropriateness of the risk appetite quarterly, with a formal annual review held each year, in conjunction with the review of the ORSA.
- **Board Evaluation:** Internal Board evaluation is carried out annually, with the intention to commission external reviews every three years. The next external review is intended to be conducted towards the end of 2021, the delay resulting from the pandemic.
- **Operational performance updates:** The Board receives regular operational performance updates from each of the Society's key business streams, giving executive management the opportunity to further interact with the Board on their specialist areas of responsibility. These included the impact of the pandemic and the mitigations taken to offset this, such as some sales staff being transferred to help deal with the higher volumes of claims.

2. Board Composition

Composition of the Board

The size and composition of the Board and the Board Committees are kept under constant review by the Chairman and are reviewed formally by the Nomination & Remuneration Committee at least annually. This is to ensure that there is adequate succession planning for Executive and Non-Executive Directors and that there is the optimum mix of skills and experience on the Board for the direction of our activities and to populate and chair the Board Committees.

Appointments to the Board

The appointment of new Directors is initially considered by the Nomination & Remuneration Committee which is made up of John Quinn, Janice Banks and Paul Hudson, under the Chairmanship of William Schouten. The Committee is responsible for considering matters relating to the composition of the Board, considering the

balance of skills, knowledge and experience of Directors, and making recommendations to the Board as appropriate. The Board believes that there is ample provision for the refreshment of the Board and that the introduction of annual elections would not provide any material benefit to the Membership.

Diversity

The Board considers all aspects of diversity, including gender, on the Board although it continues to adopt the principle that all appointments should be based on merit and the skills and experience that the individual can bring, and consider the composition, skills and experience on the Board. As a result, the Board has not set an aspirational target for diversity or gender split. However, the percentage of females on our Board is 36%. As at the end of 2020 the equivalent percentage for all staff (excluding the NEDs) is 61%, and 78% of the Heads of Department are female.

Board Evaluation

The Board undertakes an annual evaluation of the performance and effectiveness of the Board together with an annual review of the performance of individual Directors.

In 2020, internal performance evaluations of the Audit & Risk, Nomination & Remuneration and Investment Committees were carried out at the meeting by all Committee Members. The results were discussed by the relevant Committees and any appropriate improvements were identified for action.

Each Board Member, as part of their formal appraisal with the Chairman of the Board, provide comments on their own effectiveness and that of their fellow Board Members. The Senior Independent Director carried out a formal appraisal of the Chairman of the Board and the Chairman carried out an appraisal of the Chief Executive. The Chief Executive appraises the executive team members in their respective operational functions and the Chairman confines his appraisal of the executive directors to their role on the Board.

Induction and Development

The Chairman ensures that, on appointment, Non-Executive Directors receive a comprehensive tailored induction programme on our business and regulatory environment. All Non-Executive Directors update their skills, knowledge and familiarity, through relevant external and internal courses. Individual training requirements for Non-Executive Directors are discussed as part of the performance evaluation process. All Directors have access to independent professional advice if required and have the benefit of appropriate liability insurance cover at our expense. In addition, they have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are complied with and for advising the Board, through the Chairman, on governance matters.

Re-appointment

All directors are subject to election by Members at the first annual general meeting after their appointment, and to re-election thereafter by rotation at an interval of no more than three years.

Report of the Board of Management on the AFM Corporate Governance Code

3. Director Responsibilities

The Roles of the Chairman and the Chief Executive

The roles of the Chairman and Chief Executive are held by different people and are distinct in their purpose. The Chairman is responsible for leadership of the Board and for ensuring that the Board acts effectively, promoting high standards of corporate governance. The Chairman is key in setting the tone of the Board Meetings to ensure, amongst other things, that there is a culture of openness. The Chief Executive has overall responsibility for managing the organisation and for implementing the strategies and policies agreed by the Board, supported by the Executive. It is current practice and policy that no former Chief Executive will serve as Chairman of the Board.

Non-Executive Directors

The Non-Executive Directors are responsible for bringing independent judgement to Board debate and decisions using their own experience and skills, and for constructively challenging the Executive Team. The Non-Executive Directors meet, without the Executive Directors present, at least annually to discuss relevant matters including the overall performance of the Executive Team and the viability of the Society. The Senior Independent Director would act, if required, as an intermediary for the other Directors. The Senior Independent Director is also the main point of contact for Members should the normal channels of communication with the Chairman or Chief Executive fail or be inappropriate. The Board has a conflict of interest policy which sets out procedures for regularly reviewing, and if appropriate, dealing with any potential conflicts as they arise. The letters of appointment of Non-Executive Directors give an indication of the time commitment required. The Board is satisfied that all of the Non-Executive Directors are independent.

Company Secretary

The Company Secretary is responsible to the Board for ensuring Board procedures are complied with, and that Directors are supplied with information in a timely manner. Andrew Horsley is retiring as our Company Secretary and Head of Compliance on 31st March 2021, his successor as Company Secretary is Andy Morris.

4. Opportunity and Risk

Risk Management

The Society recognises that risk management is a vital activity that both underpins and forms part of the vision, values and strategic objectives. Risk is present in everything the Society does and it is therefore the Board's policy to identify, assess and manage the key areas of risk on a proactive basis. The Society seeks to embed risk management into the culture of the Society without introducing unnecessary bureaucracy. The aim for the risk management framework is that it is fit for purpose, reflects the size of the organisation and uses the Society's skills and capabilities to the full.

For risk management to be most effective and become an enabling tool, the Board ensures that there are robust, consistent, communicated and

formalised policies and processes across the Society. In implementing risk management, the Society seeks to provide assurance to all stakeholders that the identification and management of risk plays a key role in the delivery of the Society strategy and related objectives.

Internal Control

The Board is responsible for the system of internal control. The Audit & Risk Committee report sets out the internal control framework which is designed to safeguard Member and Society assets and to facilitate the effectiveness and efficiency of operations which helps to ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations. The Board is also responsible for setting our risk appetite and ensuring that there is a robust system for risk management in place. The Board has delegated to the Audit & Risk Committee oversight of the relationship with the External and Internal Auditors (who are external to the Society) to ensure that they remain independent and objective. The Board confirms that it has conducted a review of the effectiveness of the Society's risk management and internal control systems in operation during the year. The Board considers that the risk review activities addressed the key aspects of risk management and internal control for the year under review.

Anti-bribery and the prevention of corruption

The Society has internal procedures in place that are designed to ensure compliance with the UK Bribery Act 2010. The Society's anti-bribery and corruption e-learning is also mandatory for new employees, along with regular refresher training for existing staff.

Whistleblowing

The Society operates an independent whistleblowing procedure to allow staff to confidentially raise any concerns about business conduct.

Board Committees

Certain matters are referred to Board Committees in order that they can be considered in more detail by those Directors with the most relevant skills and expertise. The Board Committees are:

- **The Audit & Risk Committee** which met on 5 occasions during 2020 considering matters of finance, risk and compliance;
- **The Nomination & Remuneration Committee** which met on 5 occasions during 2020 - considering Board membership, staff pay and performance bonus arrangements;
- **The Investment Committee** which met twice during 2020 - to consider investment matters.

The terms of reference of the Committees are available on request from the Company Secretary or on our website at www.cirencester-friendly.co.uk. The Chairman of each Committee reports to the subsequent Board Meeting on the matters discussed at each Committee Meeting. The minutes of each Committee Meeting are circulated to all Directors.

Audit & Risk Committee

The Audit & Risk Committee consists of Marian Evans, Ian Maude and Mark Sedgley under the Chairmanship of Kate McIntyre. All of the Committee Members have relevant financial sector experience. The responsibilities of the Committee are in line with the provisions of

the Financial Reporting Council Guidance on Audit Committees. The main function of the Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of:

- **The integrity of the financial statements** and reviewing significant financial reporting judgements contained in them;
- **The effectiveness of systems** of internal control;
- The Internal and External **Audit processes**;
- **Compliance** with applicable laws and regulations;
- The **recommendation to the Board on the appointment, re-appointment and removal of External Auditors**; and the periodic review of their performance and independence and the policy on the use of the External Auditor for non-audit work.

During 2020 the Committee met five times in the execution of its responsibilities. During the meetings the Committee considered reports on:

- **The system of internal control** – the Committee receives reports from the Internal and External Auditors on control matters;
- **The integrity of financial statements** – a review of viability considers the impact on our capital, liquidity and profitability;
- **Compliance with laws and regulations**, including adherence to money laundering regulations – the Committee receives reports from the Head of Compliance and the Head of Non-Prudential Risk on conduct matters, which express an opinion on the effectiveness of the systems of internal control;
- **The activities of Internal Audit and External Auditors** – the Committee receives reports from both the External Auditor and Internal Auditor and closely monitors all issues raised until they have been resolved satisfactorily by management.
- **Re-tendering of Internal Auditors** – the Committee completed an extensive process that resulted in the Internal Auditor (who is external to the Society) changing from Case Accounting Ltd to RSM LLP, which will take effect from the start of 2021 and was approved by the Board.
- **The level of non-audit fees paid to the External Auditor** – in 2020 was zero. 2019 (£0).

The Committee considers that it has met its responsibilities and performed its duties with appropriate levels of care and expertise during 2020.

5. Remuneration

The Board has delegated to the Nomination & Remuneration Committee the policy on remuneration for the Chairman, the Executive Directors and other members of the Executive Team. A review of its activities and the Remuneration Policy is set out in the Remuneration Report.

6. Stakeholder Relationships and Engagement

Member Engagement

As a mutual business, our owners are our individual Members. We encourage dialogue from our Members on any aspect of our activities. This dialogue takes various forms, including issue of Annual Renewal Notices, Annual Bonus Statements, occasional newsletters and the distribution of our shortened version of the Annual Report & Accounts which is sent to every Member annually, along with a personal invitation to attend the Annual General Meeting. During the year we maintained regular telephone contact with Members, and also continue to conduct regular satisfaction surveys on a variety of topics, the results of which are used to inform our business development.

We also introduced a Member Reward programme, in conjunction with Parliament Hill Limited, to enable our Members to gain access to exclusive offers.

Our Customer Care Department has as its major objective the provision of care and high service standards to Members, Financial Advisers and other Stakeholders. The Senior Independent Director, William Schouten, is a further point of contact for our Members.

Constructive use of the Annual General Meeting

At the Annual General Meeting, the Chairman and the Chief Executive make presentations on the previous year's performance and future plans. This gives Members who attend the Annual General Meeting the opportunity to ask direct questions about their Society. All Board Members attend the Annual General Meeting (unless their absence is unavoidable) and each Chairman of the respective Board Committees make themselves available to answer direct questions from Members.

All Members who are eligible to vote at the Annual General Meeting receive a proxy voting form, which includes a 'vote withheld' option, and a pre-paid reply envelope to encourage them to exercise their vote if they cannot attend and vote at the meeting. Members are also able to vote on-line. The results of the proxy votes, and the votes cast at the Annual General Meeting, are published on our website. A separate resolution is proposed on each issue, including a resolution on the Annual Report and Accounts.

The 2020 Annual General Meeting only had the minimum number of Directors physically present, due to social distancing rules during the pandemic, but the meeting was also held via video conference that enabled many more Members to dial in remotely to listen to the proceedings of the Society for the year.

By order of the Board



Andy Morris
Company Secretary

Mutuality House, The Mallards, South Cerney, Cirencester,
Gloucestershire, GL7 5TQ

25 March 2021

Remuneration Report

We are required to prepare accounts in accordance with the Friendly Societies Act 1992 and applicable accounting standards. This report provides details of the remuneration of the Executive and Non-Executive Directors.

Policy on Remuneration for Executive Directors

The Remuneration Committee has established a Remuneration Policy for Executive Directors of the Board that has a clear focus on Member value. To this end, the remuneration packages of the Executive Directors of the Board are linked to our success and personal performance of the individual.

Their remuneration package is based upon the following principles:

- **Executive Directors** are rewarded for creating long-term value for Members;
- **Performance related rewards** form part of the total remuneration package;
- They are competitive in the market in which we operate;
- **Failure is not rewarded;**
- **Contractual terms** agreed ensure that rewards are fair to the individual and the organisation on termination.

The remuneration includes a performance related element which is linked to the achievement of business and personal objectives. Throughout the business, we aim to ensure that our people are rewarded fairly for their contribution. To achieve this, we obtain independent benchmarking data from external HR consultants and set remuneration for each Executive Director. The Remuneration Committee thereby ensures that Executive Director remuneration is set at a level designed to reflect similar roles carrying comparable responsibility in other organisations.

Reward Components for Executive Director Remuneration

Base Salary

It is the Committee's policy to ensure that the basic salary for each Executive Director is appropriate and competitive for the responsibilities involved. Base salaries for Executive Directors are reviewed annually to recognise the individual's role and performance. These are set with reference to comparative data from independent external HR consultants.

Performance Related Pay

We operate a discretionary performance related pay scheme for employees. The Remuneration Committee meets annually to agree objectives and set incentive targets. The measures used to assess performance comprise:

- Financial Performance;
- Pandemic Recovery;
- Customer Service;
- Employee Proposition.

The maximum bonus payable to the Executive Directors under the scheme is 50% of basic salary. The Remuneration Committee retains absolute discretion in the final determination of awards.

Pension Arrangements

We have arranged a Defined Contribution Scheme for all staff into which both employee and employer contributions may be made.

The employer contribution made on behalf of the current Chief Executive is 27% of base salary 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 employer. The contribution made on behalf of the other directors is 10% of base salary.

Service Contracts

Executive Directors 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.

Share Options

As a mutual institution we do not have share capital and as a consequence, we do not operate a share or share option plan.

Non-Executive Directors

The remuneration of our Non-Executive Directors is recommended and set by the Chief Executive annually. The remuneration of Non-Executive Directors is intended to reflect the time commitment and responsibilities of the role.

The remuneration is determined on the basis of an agreed minimum number of days committed to Society business and is also benchmarked against Non-Executive remuneration in other financial services organisations of similar size, including other mutuals.

The remuneration of Non-Executive Directors does not include any incentive element and Non-Executive directors are not entitled to participate in any of our pension scheme or bonus arrangements.

Non-Executive Directors are elected for a period of three years. The Board may resolve to reappoint a Non-Executive Director at or before the expiry of their term. It is our policy to allow Non-Executive Directors to serve no more than nine years in aggregate, unless there are exceptional circumstances.

The terms and conditions of the Non-Executive Directors are available for inspection by Members before the Annual General Meeting.

Details of the fees of our Directors are shown below.

Board Members' Emoluments						
	Basic Salaries	Performance Related Pay	Benefits and other Emoluments ¹	Defined Contributions Pension ²	Total 2020	Total 2019
	£000's	£000's	£000's	£000's	£000's	£000's
J W Banks	24.4				24.4	23.9
P L Brown (retired 30 June 2019)						183.8
M L Evans	24.4				24.4	23.9
S E Fell (appointed 1 April 2019)	168.3	84.2	11.2	16.8	280.5	188.7
P R Hudson	232.6	116.3	22.7	62.8	434.4	406.8
D R Macgregor	156.9	78.5	17.2	15.7	268.3	243.8
I M Maude	24.4				24.4	26.5
K S McIntyre	27.5				27.5	27.0
A J Morris (appointed 2 April 2019)	163.2	81.6	10.5	16.3	271.6	176.0
J F Quinn	38.0				38.0	37.3
W J M Schouten	27.5				27.5	25.2
M C Sedgley	24.4				24.4	23.9
Total	911.6	360.6	61.6	111.6	1,445.4	1,386.8

Notes:

- The amounts shown under the heading "Benefits and other Emoluments" represent the taxable benefit based on car allowances, amounts due in respect of pension contributions where direct payment into the pension were limited by legislation and private medical benefit.*
- The amounts represent the contributions made on behalf of the Executive Directors to the defined contribution pension scheme.*

On behalf of the Board of Management



William J M Schouten

Chairman of the Nomination & Remuneration Committee

25 March 2021

Statement of Directors' Responsibilities

Directors' Responsibilities in Respect of the Annual Report and Accounts and the Directors' Report

The following statement, which should be read in conjunction with the Independent Auditors' Report on pages 19 to 22, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts and Directors' Report.

The Directors are required by the Friendly Societies Act 1992 ("the Act") to prepare, for each financial year, Annual Accounts which give a true and fair view of the state of the affairs of the Society as at the end of the financial year and of the income and expenditure and cash flows of the Society for the financial year.

In preparing the Annual Accounts, the Directors are required to:

- Select **suitable accounting policies** and apply them consistently;
- Make **judgements and estimates** that are reasonable and prudent;
- State whether applicable **UK Accounting Standards** have been followed, subject to any material departures disclosed and explained in the Annual Accounts, and
- **Prepare the Accounts** on the going concern basis, unless it is inappropriate to presume that the Society will continue in business.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, a Directors' Report, each containing prescribed information relating to the business of the Society.

Directors' Responsibilities for Accounting Records and Internal Controls

The Directors are responsible for ensuring that the Society:

Keeps accounting records in accordance with the Friendly Societies Act 1992, and

Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Regulator under the Financial Services and Markets Act 2000 and Financial Services Act 2012.

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The current economic conditions present risks and uncertainties for all businesses. The Directors have carefully considered the risks and uncertainties and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The Directors concluded that in the light of:

- The published year end position on **statutory solvency**;
- **Available financial resources** in liquid form;
- **The capital projections** within our agreed business plans;
- The results of **the ORSA**.

The Society has adequate resources to continue in business for the foreseeable future. For this reason, the Accounts are prepared on a going concern basis.

Independent Auditor's Report to the Members of Cirencester Friendly

Opinion on the financial statements

In our opinion, the Society's financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2020 and of the Society's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Friendly Societies Act 1992.

We have audited the financial statements of Cirencester Friendly Society Limited (the "Society") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

Following the recommendation of the Audit Committee, we were reappointed by the Society's Members at the Annual General Meeting on 18 June 2020 to audit the financial statements for the year ended 31 December 2020. The period of total uninterrupted engagement, including previous renewals and reappointments is 14 years.

We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Society.

Conclusions relating to going concern

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

- Review and challenge of the Society current plans and budgets, challenging growth assertions and ensuring that movements were in line with justifiable assumptions and movements;
- Reviewing the basis of solvency projections for the next 12 months and ensuring that an appropriate mechanism for calculating solvency had been applied; and
- Challenge and discussion around the latest Own risk and

Solvency Assessment provided by the Society. In addition, we have reviewed the solvency projections, reconciling current positions to the financial statements and challenged management as to the future assumptions embedded within the model. We have also ensured that the modelling used for solvency is in line with industry standards.

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

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

Overview

		2020	2019
Key audit matters	KAM 1	Valuation of technical provisions	Valuation of technical provisions
	KAM 2	None	Going Concern
	KAM 2 is no longer considered a KAM as the Society has been able to operate effectively throughout the year and has continued to trade profitably. There have been increased sickness claims throughout the period but these are not considered to represent a Key Audit Matter in the current period.		
Materiality	<i>Society financial statements as a whole</i> £1,200,000 (2019: £1,250,000) based on 2% (2019: 2%) future value of long term insurance contracts.		

An overview of the scope of our audit

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

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

Key audit matters

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

Independent Auditor's Report to the Members of Cirencester Friendly

Description of Key Audit Matter	Procedures performed to address this risk
<p>Valuation of technical provisions</p> <p>The financial statements include a future value of a long insurance contract of £62.8 million (2019: £57.6 million), which represents the estimated costs of settling benefits and claims associated with mainly income protection products. This is set out in further detail in note 18.</p>	<p>We have assessed this area as being of significant risk to the audit due to the significance of these amounts in deriving the Society's results and because of the degree of assumptions and estimation underpinning the calculation, which can be highly subjective.</p> <p>In assessing the valuation of technical provisions, we performed the following procedures:</p> <ul style="list-style-type: none"> We have utilised an independent external actuary to report to us on the methodology and assumptions that underpin the calculation of the provision and the accuracy of the calculation itself. We have obtained and reviewed the actuarial reports prepared by the Society's actuary and our reviewing actuary and ensured that all relevant judgements and estimates have been considered in forming our opinion. We have reviewed and assessed changes to the assumptions used in the technical provisions to ensure these are reasonable and in line with acceptable parameters based on our independent actuary's assessment. We have reviewed and reconciled the data used by the actuary in their projections to that used by the audit team and extracted from the underlying member systems, to ensure completeness and accuracy. We have challenged the conclusions arrived at by our independent actuary and ensured that processes are in accordance with both Technical Actuarial Standards (TAS) and industry practices. <p>Key observations:</p> <ul style="list-style-type: none"> As a result of the procedures performed, we did not identify any matters to suggest that the technical provisions are materially misstated.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2020 £'000's	2019 £'000's
Materiality	1,200	1,250
Basis for determining materiality	2% of future value of long term insurance contracts	2% of future value of long term insurance contracts
Performance materiality	840	875
Basis for determining performance materiality	70% of Materiality	70% of Materiality

The principal determinant in this assessment was the Society's future value of long term insurance contracts, as it reflects a key measure of the performance of an insurance body and is used to assess the overall financial strength of the Society and in assessing solvency.

Performance Materiality

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Basic performance materiality was set at £840,000 (2019: £875,000) which represents 70% (2019: 70%) of the above materiality levels. We selected 70% as this was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement we consider this level appropriate.

Specific Materiality

We also determined that for items in the Income Statement, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users. As a result a lower level of materiality has been determined and applied to these items being £400,000 (2019: £400,000 which represents approximately 1.9% of premiums (2019: 2.1%)). We further applied a performance materiality of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them any misstatements in excess of £24,000 (2019: £12,500) that we identified through the course of our audit, together with any qualitative matters that warrant reporting.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Friendly Societies Act 1992 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Friendlies Societies Act 1992 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; andthe Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Friendlies Societies Act 1992 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">adequate accounting records have not been kept by the Society, or returns adequate for our audit have not been received from branches not visited by us; orthe financial statements are not in agreement with the accounting records and returns; orcertain disclosures of Directors' remuneration specified by law are not made; orwe have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Cirencester Friendly

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA); and
- review of the Society's Own Risk and Solvency Assessment (ORSA).

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

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

Use of our report

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



Thomas Reed
Senior Statutory Auditor

22 April 2021

For and on behalf of
BDO LLP
Statutory Auditor
London, UK

BDO LLP is a limited liability partnership registered in England and Wales (with the registered number OC305127)

Statement of Comprehensive Income for the Year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Technical Account: Long-Term Business			
These are the premiums paid by Members to the Society during the year.			
Earned Premium Income	4	21,363	19,885
This is the investment income earned by the Society on the investments that it holds.			
Investment Income	5	1,805	2,240
Net gains on Investments	6	510	6,868
This amount includes increases in the value of investments held.			
Other income		70	119
Total technical income		23,748	29,112
This is the amount paid and due to Members in respect of sick pay benefit claims during the year.			
Claims for Benefits	7	(7,871)	(5,860)
These amounts represent the bonuses added to Members' credits during the year.			
Bonuses and rebates	8	(1,931)	(3,618)
Net operating expenses	9	(12,921)	(16,795)
This is what it has cost to run the Society during the year.			
Investment expenses and charges		(290)	(226)
		735	2,613
This is the amount of surplus left over after all income and expenditure for the year has been taken into account. It is added to the reserves held by the Society as required to help meet future running costs and debt liability.			
Movements in the future value of long term insurance contracts	18	5,211	4,556
Transfer (to)/from the Fund for Future Appropriations	15	(5,946)	(7,169)
Balance on the Technical Account: Long-Term Business		-	-

The above results relate wholly to continuing activities. The Society had no other comprehensive income other than what has been included in the movements on the Technical Account and therefore no separate statement of other comprehensive income 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 as it is a mutual organisation.

Statement of Financial Position at 31 December 2020

These are the investments held by the Society.

Assets

Investments at fair value through comprehensive income

	Notes	2020 £'000	2019 £'000
Land and buildings	11		650
Other financial investments	11	86,068	86,040
		<u>86,068</u>	<u>86,690</u>

Other assets

Investment in Group Undertaking	12		1,200
Amounts due from Subsidiary Undertaking	12		3,038
Tangible assets	13	4,716	972
Intangible assets	14	3,260	2,196
Cash at bank and in hand		2,061	1,334
		<u>10,037</u>	<u>8,740</u>

Prepayments and accrued income

Accrued interest and rent		414	496
Other prepayments and accrued income		507	280
		<u>921</u>	<u>776</u>

Future value of long term insurance contracts (Net of Risk Margin)

	18	62,847	57,636
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Total assets

		<u>159,873</u>	<u>153,842</u>
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Liabilities

Funds for Future Appropriations

Surplus over Solvency Capital		53,843	49,337
Solvency Capital Requirement		63,952	62,512
		<u>117,795</u>	<u>111,849</u>

125 Foundation

	16	3,738	3,060
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Members' Funds

	17	35,576	36,335
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Technical provisions

Claims outstanding		318	367
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Creditors

Arising out of direct insurance operations		583	700
Other creditors including taxation and social security		1,212	807
		<u>1,795</u>	<u>1,507</u>

Accruals and deferred income

		651	724
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Total liabilities

		<u>159,873</u>	<u>153,842</u>
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These are the amounts currently standing to the credit of contributing Members and also those who have chosen to leave money with the Society after their contract has reached maturity.

The financial statements on pages 24 to 25 were approved by the Board of Directors on 25 March 2021 and signed on its behalf by:


Chairman


Chief Executive

Notes to the Financial Statements

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1. Accounting policies

General Information

The Society is a Friendly Society incorporated in the United Kingdom under the Friendly Societies Act. The address of the registered office is given on page 43. The nature of the Society's operations and its principal activities are set out in the Strategic Review on pages 4 and 6.

Going Concern

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 4 and 6. Note 2 and 3 also describes the financial position of the Society; its cash flows, liquidity position and borrowing facilities; the Society's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Society meets its day to day working capital requirements through its own cash reserves. The Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and Financial Reporting Standard 103 (FRS 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 investment 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 1.20. 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.

1.2 Basis of consolidation

The current year accounts only include the Society accounts with comparatives, as the previously owned subsidiary used to purchase the head office has been closed down, having not traded since acquisition in November 2017. This means there is no longer a group of organisations.

1.3 Accounting for earned premiums

Regular premiums on long-term insurance business are recognised as income upon receipt. The Society has not entered into a reinsurance treaty.

The Society currently offers the Holloway based 'Income Assured Enhanced' product, which can only be sold via qualified investment Advisers. This is a refreshed version of the Income Assured and Income Assured Plus products, which in turn replaced the original Health & Wealth product. These Holloway products are complemented by My Earnings Protected (MEP), a non-Holloway protection product, itself an enhanced version of the original My Earnings Insurance that is also sold via Advisers, though it is a simpler 'pure' protection offering that more Advisers can market for the Society.

1.4 Accounting for investment income

Investment income includes dividends and interest from financial investments, as well as deposits and rents. Dividends are included on an ex-dividend basis. All other investment income is included on an accruals basis.

1.5 Accounting for financial investments

Realised gains and losses on investments are calculated as the difference between net sales proceeds and their valuation at the last Statement of Financial Position date or, where purchased during the year, the purchase price.

Unrealised gains and losses on investments represent the difference between the valuation of fair value assets at the Statement of Financial Position date and their valuation at the last Statement of Financial Position date or, where purchased during the year, the purchase price. Fair value for financial investments is by reference to market value, where they are publicly traded, or where they can be measured reliably, for example by using a valuation technique (see 1.20).

1.6 Accounting for other income

Other income primarily relates to deductions from Members capital account upon early termination of their contract with the Society.

1.7 Accounting for claims and benefits

Claims for benefits under the terms of the contracts issued to Members are accounted for on the accruals basis. Recovery of benefits overpaid to Members are accounted for upon receipt.

1.8 Accounting for long term insurance liabilities

The long-term business provision is determined by the Board on the advice of the Chief Actuary as part of the annual actuarial valuation of the Society's long-term business. The provision is determined in accordance with the requirements of Solvency II equal to the value of the best estimate liabilities plus the risk margin. Future reversionary bonuses are allowed for within the valuation of these liabilities. 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.

The best estimate liabilities are the present value of future estimated sickness benefits and expenses, less future premiums. These cashflows are projected on a best estimate basis for each future year and discounted back to the valuation date using prescribed Solvency II discount rates. The sum of these items is generally negative for the Society and these negative reserves effectively represent an asset of the Society.

1.9 Accounting for mutual bonuses and interest

Bonuses and interest are allocated to participating Holloway Members of the Society, with reference to the terms of the contracts for insurance that they hold with the Society and are agreed by the Board. Bonuses to members in the form of interest and allocations are recognised in the Technical Account Long-Term Business when declared. Transfers to or from the Members Mutual Fund are made when declared, payments from this fund are made, dependent upon set criteria, to Members on the termination of their contract with the Society.

1.10 Accounting for plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The residual values and useful lives of plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period if there are indicators of change. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Depreciation is charged on assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Buildings	2%
Plant	5% to 10%
Fixtures, Fittings and Furniture	25% to 50%
Computer Equipment	25%
Motor Cars	25%

The Society does not hold any assets subject to finance leases.

1.11 Accounting for intangible assets

Intangible assets relate to the development of computer software for the management of all aspects of Members' contracts with the Society. The assets are amortised over their estimated useful life of up to ten years, from the date of being finalised and being brought into service by the Society. Amortisation is included within administration expenses within the Statement of Comprehensive Income.

1.12 Accounting for property

Land is not depreciated as it is deemed to have an infinite useful life. Buildings utilised by the Society for its ongoing business are held at value in use, typically cost of purchase or construction and are depreciated over fifty years. The value in use is assessed in each accounting year for reasonableness, or when there is a significant change in activity and any impairment is written down to the continuing useful value.

Investment property, which is property held to earn rentals and/or for capital appreciation, are stated at their 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 properties at least every three years. 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.

Where current prices cannot be established by reference to an active market, valuations are prepared by considering the aggregate of the estimated net cash flows to be received from renting the property. A yield that recognises the specific risks inherent in the net cash flows is then applied to the net annual rental cash flows to determine the value

1.13 Investment in Subsidiaries

Investment in subsidiaries are measured at cost less impairment.

1.14 Accounting for impairments of non-financial assets

At each reporting date, the Society reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Society estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its

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recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation

1.15 Accounting for cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

1.16 Accounting for leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

The Society does not hold any assets subject to finance leases.

1.17 Accounting for retirement benefits

The Society operates a defined contribution plan under which it pays fixed contributions into a separate entity.

1.18 Accounting for foreign currencies

The value of the Society's investments denominated in foreign currencies are calculated at the closing market exchange rates as at 31 December, the Society does not have any liabilities denominated in foreign currencies.

1.19 Fund for Future Appropriations

The Fund for Future Appropriations represents the excess of assets over and above the long-term insurance contract liabilities and other liabilities. It represents amounts that have yet to be formally declared as bonuses for the participating contract policyholders together with the free assets of the Society. Any profit or loss for the year arising through the Statement of Comprehensive Income is transferred to or from the unallocated divisible surplus.

1.20 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. The key judgements and estimates used are:

- **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 consider the marketability of the assets being valued.

- **Long term business provision**

The valuation of the Society's business is based on assumptions reflecting the best estimate at the time. The assumptions used for mortality, morbidity and longevity are based on standard industry tables, adjusted where appropriate to reflect the Society's own experience. Assumptions for expenses, lapse and surrender rates are based on product characteristics and relevant claims experience.

The assumptions used for discount rates are based on risk-free rates of return specified by the European Insurance and Occupational Pensions Authority ("EIOPA").

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.

1.21 Cash Flow Statement

The Society, being a mutual life assurance company, is exempt from the requirement under FRS 102 to produce a cash flow statement.

1.22 Taxation

Friendly Societies are taxed on their life or endowment business so far as the annual premiums or sums assured exceed limits prescribed in tax law, and on certain investment returns referable to their subsidiaries (where applicable). No tax is due in the current or prior year.

2. Capital management

The Society's key capital management objectives are:

- (i) To ensure the Society's strategy can be implemented and is sustainable;
- (ii) To ensure the Society's financial strength and to support the risks it takes on as part of its business;
- (iii) To give confidence to policyholders and other stakeholders who have relationships with the Society; and
- (iv) To comply with capital requirements imposed by its UK regulator, the PRA.

These objectives are reviewed at least annually, and benchmarks are set by which to judge the adequacy of the Society's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Society.

The assessment depends on various actuarial and other assumptions about potential changes in market prices, future operating experience and the actions management would take in the event of particular adverse changes in market conditions.

The capital requirement in the annual PRA return is the statutory minimum capital. The statutory minimum capital requirement is based on EU directives.

Management intends to maintain surplus capital in excess of the Risk Capital Requirements to meet the PRA's total requirements and to maintain an appropriate additional margin over this to absorb changes in both capital and capital requirements.

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

Capital Statement

	2020	2019
	£'000	£'000
Funds for future appropriations	117,795	111,849
Members' Mutual Fund	9,930	10,884
Total capital resources before deductions	127,725	122,733
Regulatory solvency adjustments		
Other Assets*	(4,866)	(4,134)
Capital available to meet regulatory capital requirements	122,859	118,599

A reconciliation of the movements in the Excess Available Capital over Resource Requirement is set out below:

	2020	2019
	£'m	£'m
Available capital at the start of the year	107.7	102.9
Investment returns	1.4	8.8
Policy cashflows	(9.9)	(5.2)
New business	8.0	3.6
Model and methodology changes	(1.0)	(0.3)
Assumption changes	7.4	(1.2)
Unwind of Risk Margin	*	3.0
Change in Risk Margin	*	0.9
Change in IBNR and unmodelled	*	(0.2)
Change in Retired Members' deposits	(0.1)	(0.4)
Change in the Members' Mutual Fund	0.9	(0.7)
Change in Current liabilities	(0.8)	(1.2)
Change in admissible assets	(0.7)	(2.3)
Available capital at the end of the year	112.9	107.7

*included in other movements as more relevant

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Measurement and monitoring of capital

The capital position of the Society is monitored on a regular basis and reviewed formally by the Board of Management at scheduled meetings. These objectives are reviewed and benchmarks are set by which to judge the adequacy of the Society's capital and ensure that sufficient capital is available.

The Society's capital requirements are forecast annually and compared against the available capital as part of the regular ORSA procedures.

In the event that sufficient capital is not available, actions would be taken either to raise additional capital or to reduce the amount of risk accepted thereby reducing the capital requirement through, for example, reinsurance, reducing business volumes or a change in investment strategy.

Available capital – Long-term insurance contracts

The liabilities in respect of the Society's participating (with-profits) business are determined in accordance with the regulations of the PRA.

Sensitivity of long-term insurance contract liabilities

Assumptions used in the calculation, such as morbidity and persistency rates.

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 the liabilities. An adverse change in market conditions may therefore reduce the level of the available capital resources.

Demographic assumptions – Changes in the morbidity, mortality, expense or persistency experienced by the business 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. The sensitivity of the liabilities to changes in the assumptions varies according to the type of business.

3. Risk management and control

3.1 Insurance Risk

Insurance risk is the combination of risks that the Society is exposed to, by the issuance of long term insurance contracts, arising from the uncertainties of morbidity, both inception and recovery rates, mortality, the level of expenses and the rate of closure of contracts. The Society has systems in place to monitor and control, as far as is practicable, the risks as stated above.

The Society has underwriting procedures in place for the assessment of risk in relation to new long term contracts being issued and also in

respect of requests by existing members to amend their contracts. All claims are subjected to rigorous validation, including the use of external agencies where appropriate, prior to payment. The Society does not currently use reinsurance to mitigate insurance risk.

The insurance contracts issued by the Society are all initiated within the United Kingdom, though they may be retained by holders who move to reside within Europe, in order that it does not incur additional risks in geographical areas in which it has no knowledge.

The Board undertake to ensure that the Society retains sufficient assets to cover the liabilities in relation to its insurance risk. The decisions taken in respect of this undertaking include the allocation of investments between different asset classes, the level of distributions made to Members and the control of expenses.

3.2 Market Risk

Market risk arises from the possibility that the value or cash flows of the Society's assets and liabilities fluctuate as a result of movements in market prices. The most important components of market risk are set out below:

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows arising from financial instruments will vary as market rates of interest change. Changes within market rates of interest will also affect the value of the Society's reserves against long term insurance liabilities due to a commensurate rate of change in the discount rates used in the calculation of those liabilities. This risk is mitigated as far as is practicable by the matching of asset types to relevant classes of liabilities.

(ii) Property price risk

The property price risk is the risk that the fair value or the future cash flows arising from the affected property will fluctuate because of changes in market prices, other than those arising from interest rate risk.

(iii) Currency risk

Currency risk is the risk that the relative value of Sterling compared to other currencies changes affecting the fair value of assets denominated in those other currencies. The schedule below sets out the value of investments held by the society, either directly or held within collective investments, in currencies other than sterling.

	2020	2019
	£'000	£'000
US Dollars	10,486	7,081
Euro	938	437
Other currencies	2,340	1,230
	13,764	8,748

(iv) Credit spread risk

Credit spread risk results from the sensitivity of fixed interest investments to changes in the risk-free interest rates and the subsequent change in value of the underlying investment. The

risk is mitigated by the quality of the investments held and the Society's policy to limit the exposure to any one counterparty. A summary of the fixed interest holdings, including those held within collective investments, excluding those issued by UK and EU governments, by credit rating is set out below.

	2020 £'000	2019 £'000
AAA	2,541	3,466
AA	2,539	3,547
A	10,464	8,912
BBB	15,056	16,637
B	421	0
NR	1,573	1,416
	32,594	33,978

3.3 Counterparty Risk

Counterparty risk is defined as the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. Exposure to counterparty risk may arise in connection with a single transaction or to an aggregation of transactions with a single counterparty.

The Society has, in order to mitigate this risk, set out within its investment policy statement both the quality of counterparties in which the Society may invest and the level at which investment may be made with those counterparties.

3.4 Liquidity Risk

Liquidity risk is the risk that the Society does not have adequate funds to settle its liabilities as they fall due.

The Society has, in order to mitigate this risk, set out within its investment policy statement that the Society will at all times hold assets in readily realisable form where they are held to cover the liabilities of the Society.

3.5 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Society has defined procedures for the monitoring of operational risk and reporting to the Board.

3.6 Capital Resource Sensitivities

The capital position of the Society is sensitive to changes in market conditions, due both to the changes in the value of the assets and the effect that changes in investment conditions may have on the value of liabilities. It is also sensitive to assumptions and experience relating to expenses, persistency and morbidity.

The table below demonstrates the sensitivity of available capital to movements in assumptions:

Variables	Potential Movement in Available Capital	
	£'000	
An increase in the inception rate of claims of 10%	(4,364)	Decrease
A decrease in the inception rate of claims of 10%	4,364	Increase
An increase in the recovery rate of claims of 10%	9,546	Increase
A decrease in the recovery rate of claims of 10%	(13,274)	Decrease
An increase in the rates of mortality of 10%	454	Increase
A decrease in the rate of mortality of 10%	(461)	Decrease
An increase in the discount rate of interest of 0.5%	(3,435)	Decrease
A decrease in the discount rate of interest of 0.5%	3,704	Increase
An increase in lapses of 10%	(11,373)	Decrease
A decrease in lapses of 10%	13,433	Increase
An increase in expenses of 10%	(5,614)	Decrease
A decrease in expenses of 10%	5,614	Increase
An increase in the value of investment assets of 10%	8,882	Increase
A decrease in the value of investment assets of 10%	(8,882)	Decrease

The timing and ultimate extent of any impact on the reserves would depend on the interaction of past experience and assumptions about future experience and management actions taken to mitigate that impact. Possible management actions would be to amend the investment strategy, reduce where practical the discretionary expenditure of the Society or to reduce the level of future distributions (including the Members Mutual Fund) until any adverse conditions were resolved.

The term 'inception rate' refers to the proportion of the Society's Members claiming on the funds of the Society in respect of sickness benefit, an increase in the inception rate would result in a greater level of claims being paid within a year and would also require the Society to increase the level of reserves held to pay future benefits. A reduction in the rate would have the converse effect.

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The term 'recovery rate' refers to the rate at which Members in claim recover from their incapacity and are able to resume their occupation so ending their claim for benefits. An increase in the rate of recovery would reduce the level of payments being made to Members within a year and would also reduce the level of reserves required to be held to pay future benefits. A decrease in the recovery rate would have the converse effect.

The term 'mortality rate' relates to the number of members dying during the term of their contract with the Society. An increase in the mortality rate would, in respect of members claiming during the period immediately preceding death, reduce the level of benefits being paid by the Society. It will also reduce the future sickness benefits and the future premium income. A decrease in the mortality rate would have the converse effect.

The term 'discount rate' refers to the rates used to bring potential future claims liabilities back to present day values. An amendment to this rate will affect the current reserving requirements of the Society to ensure adequate reserves are held to defray the cost of those potential future claims.

Unless otherwise stated, the above movements in available capital relates only to the effect on the liabilities.

4. Earned Premium Income

	2020 £'000	2019 £'000
Gross premiums written in respect of income protection contracts	21,363	19,885

All contracts are written in the UK and relate to single premiums on contracts written for individuals.

5. Investment Income

	2020 £'000	2019 £'000
Rental income from investment properties	47	52
Income from investments:		
Interest income	1,017	1,128
Dividend income	741	1,060
	1,805	2,240

6. Net gains / (losses) on investments

	2020 £'000	2019 £'000
Investment properties – realised loss	(3)	-
Investments at fair value through income – unrealised gains and (losses)		
Debt securities	1,303	618
Equity securities	316	5,513
Investments at fair value through income – realised gains and (losses)		
Debt securities	108	25
Equity securities	(1,214)	712
Net gain/(loss) on investments	510	6,868

7. Claims Incurred

	2020 £'000	2019 £'000
Long-term insurance		
Benefits and claims paid	7,655	5,665
Change in the provision for claims	216	195
Total Claims Incurred	<u>7,871</u>	<u>5,860</u>

8. Bonuses

The Board has declared bonuses as set out below, along with allocated interest and transfers to the Members Mutual Fund:

	2020 £'000	2019 £'000
Members' Bonus	1,401	1,502
Members' Interest	425	517
Retired Members' Interest	105	84
Transfer to Members' Mutual Fund	-	1,515
	<u>1,931</u>	<u>3,618</u>

9. Operating Expenses

	2020 £'000	2019 £'000
Long-term insurance		
Acquisition costs	1,479	2,122
Commissions paid and payable	3,586	6,989
Administrative expenses	7,856	7,684
Net operating expenses	<u>12,921</u>	<u>16,795</u>

Net operating expenses include the following:

	2020 £'000	2019 £'000
Long-term insurance		
Fees payable to the Society's auditor for the audit of the annual accounts		
- Audit	75	66
- Other services	-	-
Depreciation on tangible fixed assets	261	210
Amortisation of intangible assets	1,023	640
Adjustment on disposal of tangible fixed assets	-	36
Operating lease rental charges	<u>17</u>	<u>19</u>

Notes to the Financial Statements

31 December 2020

10. Employee benefits expense

	2020 £'000	2019 £'000
Wages and salaries (excluding Non-Executive Directors)	4,447	3,751
Social security costs	422	350
Pension costs	413	347
Employee benefits expense	5,282	4,448

The number of employees during the year, including Executive Directors, calculated on a monthly average basis was as follows:

	2020	2019
Board and senior management	11	11
Acquisition and Member contact	28	28
Administration	52	40
	91	79

The aggregate remuneration of key management personnel, being the Executive Directors and the Company Secretary, was as follows:

	2020 £'000	2019 £'000
Salaries, bonuses and taxable benefits	1,396	1,189
Social security costs	174	171
Pension costs	127	58
Key management remuneration	1,697	1,418

The Society is proud of the fact that we have not made use of the government's furlough scheme, keeping all staff in full time employment, and we did not make anyone redundant as a result of the pandemic. During the prior year, the Society recruited a new Finance Director and Operations Director, whose costs are now included in full during 2020. Also in 2019, senior staff were recruited within IT and Change to facilitate significant strategic projects over the next few years, the full year costs of which are included in 2020.

Full details of directors' emoluments are contained in the Directors Remuneration report on pages 16 and 17.

11. Investments

a) Land and Buildings

	Land & Buildings £'000
At fair value	
At 1 January 2020	650
Disposals	(650)
At 31 December 2020	-

The last investment property 27-8 St Clements, Oxford was sold in December 2020 for its valuation, before costs were deducted.

b) Other financial investments	2020	2019	2020	2019
	Valuation	Valuation	Cost	Cost
	£'000	£'000	£'000	£'000
Financial assets – Fair value through income				
Shares, other variable yield securities and units in unit trusts				
- UK listed	34,326	34,090	30,555	31,590
Debts and other fixed income securities				
- UK listed	51,594	48,193	49,669	48,106
- Deposits	148	3,757	582	3,757
	<u>86,068</u>	<u>86,040</u>	<u>80,836</u>	<u>83,453</u>

Fair Value measurement

Fair value is the amount for which an asset could be exchanged between willing parties in an arm's length transaction. Fair values are generally determined at prices quoted in an active market (level 1). Where such information is not available it may be possible to apply calculation techniques making use of market observable data for all significant inputs (level 2). Where inputs are not based on observable market data, fair value are classified as level 3. All of the Society's key financial assets are determined using level 1 with the exception of Property which is determined using level 3.

12. Investment in Subsidiary

	Investment in Group Undertaking	Amounts due from Subsidiary Undertaking
	£'000	£'000
At 1 January 2020	1,200	3,038
Transferred to Tangible assets	(1,200)	(3,038)
At 31 December 2020	-	-

The Society has closed down M. H. Property Management Ltd, following the transfer of Mutuality House from the subsidiary to the Society in September 2020. This means the prior year comparatives show the investment in and the amounts due from the subsidiary, which are all moved into the Society following the transfer of Mutuality House from the now closed subsidiary to the Society.

13. Tangible Assets

	Land & Buildings	Plant & Machinery	Fixtures, Fittings and Furniture	Computers and Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 January 2020	200	90	371	707	1,368
Transferred from Subsidiary	4,281				4,281
Additions			74	74	79
Write-downs	(308)				(308)
At 31 December 2020	<u>4,173</u>	<u>90</u>	<u>376</u>	<u>781</u>	<u>5,420</u>
Accumulated Depreciation					
At 1 January 2020	4	2	147	243	396
Transferred from Subsidiary	43				43
Provided in the year	28	5	66	166	265
At 31 December 2020	<u>75</u>	<u>7</u>	<u>213</u>	<u>409</u>	<u>704</u>
Net Book Value					
Net Book Value at 31 December 2020	<u>4,098</u>	<u>83</u>	<u>163</u>	<u>372</u>	<u>4,716</u>
Net Book Value at 31 December 2019	<u>196</u>	<u>88</u>	<u>224</u>	<u>464</u>	<u>972</u>

Notes to the Financial Statements

31 December 2020

14. Intangible Assets

	Software £'000	Assets under Construction £'000	Total £'000
Cost or Valuation			
At 1 January 2020	2,993	514	3,447
Additions	2,087		2,087
Assets capitalised	271	(271)	-
Disposals	(520)		(520)
At 31 December 2020	4,771	243	5,014
Accumulated Depreciation			
At 1 January 2020	1,251	-	1,251
Provided in the year	1,023	-	1,023
Disposals	(520)		(520)
At 31 December 2020	1,754	-	1,754
Net Book Value			
Net Book Value at 31 December 2020	3,017	243	3,260
Net Book Value at 31 December 2019	1,682	514	2,196

15. Fund for Future Appropriations

Long-term business

	2020 £'000	2019 £'000
At 1 January	111,849	104,680
Transfer included within comprehensive income for the year	5,496	7,169
Balance at 31 December	117,795	111,849

Realised and unrealised surpluses

Within the Balance Sheet the Best Estimate Reserves is included at an amount which represents future profits of the Society on insurance contracts in issue, it is considered that these amounts are not immediately available for appropriation. The division of the Fund for future appropriation between funds immediately available and available on realisation are set out below:

	2020 £'000	2019 £'000
Realised surpluses	54,948	54,213
Unrealised surpluses	62,847	57,636
	117,795	111,849

16. 125 Foundation

	2020 £'000	2019 £'000
Balance at 31 December	3,738	3,060

The Cirencester Friendly 125 Foundation was set up in 2016 to provide financial support to individuals and causes, for the benefit of Members and their communities. It is funded by early redemption charges where Members chose to exit contracts prematurely.

17. Member's Funds

Contributing Members	2020	2019
	£'000	£'000
Bonuses and Rebates:		
- Interest on Members' balances	424	517
- Apportionment	1,401	1,502
- Other Member Credits	-	-
	<u>1,825</u>	<u>2,019</u>
Withdrawals During the Year:		
- Deaths	(19)	(37)
- Retirements	(836)	(1,110)
- Withdrawals	(27)	
- Resignations and lapses	(1,134)	(1,013)
- Other Member Debits	(67)	(66)
Net increase/(decrease) in Member Funds during the year:	<u>(258)</u>	<u>(207)</u>
Balance at 1 January	22,089	22,296
Balance at 31 December	<u>21,831</u>	<u>22,089</u>
Non-contributing Members	2020	2019
	£'000	£'000
Transfers in and Interest:		
- Interest on Members' balances	91	68
- Transfers from Members' accounts on retirement	536	421
	<u>627</u>	<u>489</u>
Withdrawals during the year	<u>(174)</u>	<u>(184)</u>
Net increase during the year	453	305
Balance at 1 January	3,362	3,057
Balance at 31 December	<u>3,815</u>	<u>3,362</u>
Members' Mutual Fund	2020	2019
	£'000	£'000
Transfers in:		
- Apportionment of surpluses / (losses)	-	1,515
Withdrawals during the year		
- Payments on cessation of contracts	(180)	(367)
- Transfer of adjustments on closures to the 125 Foundation	(774)	(487)
Net increase during the year	<u>(954)</u>	<u>661</u>
Balance at 1 January	10,884	10,223
Balance at 31 December	<u>9,930</u>	<u>10,884</u>
Total Members' Funds	<u>35,576</u>	<u>36,335</u>

The Member's Mutual fund represents an allocation of part of the Society's surpluses, when available, over and above specific rights conferred to Members by virtue of the contracts they hold for income protection. The amounts held within the fund are not guaranteed and may be transferred back to the general reserves should they be required to support the ongoing operations of the Society. The fund was established during December 2012. At the date of termination of a Member's contract with the Society the Member may participate in the fund in accordance with the rules of the Member's Mutual Fund.

Notes to the Financial Statements

31 December 2020

18. Future value of long term insurance contracts

a) Movement in long-term insurance contracts valuation – non-participating

	2020	2019
	£'000	£'000
Balance at 1 January	57,636	53,080
Transfer included within comprehensive income for the year	5,211	4,556
Balance at 31 December	62,847	57,636

The valuations are expected to be released as follows:

	1 year or less	2 - 5 years	6 - 15 years	Over 15 years	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 31 December 2019	(78)	(141)	11,816	46,039	57,636
Balance as at 31 December 2020	(62)	21	13,579	49,309	62,847

The long term provisions are shown at a value representing the value of future cashflows arising from the Society's insurance business less a Risk Margin. The future cashflows are the present value of future estimated sickness benefits and expenses, less future premiums, which is a well-established actuarial valuation method for this class of business to create a best estimate of liabilities. These cashflows are projected on a best estimate basis for each future year and discounted back to the valuation date using prescribed Solvency II discount rates. The sum of these items is generally negative for this type of business and these negative reserves effectively represent an asset of the Society.

For Solvency II purposes the value of the long term provisions are taken as the net value of the future cashflows less balances due to Members, as detailed in note 17, and the Risk Margin as shown below.

	2020	2019
	£'000	£'000
Valuation of future cashflows arising from insurance contracts	95,309	88,572
Less: Risk Margin	(32,462)	(30,936)
Per Balance Sheet	62,847	57,636
Less: Members' funds	(35,576)	(36,335)
Net Solvency II valuation	27,271	21,301

b) Long term insurance valuation assumptions

The assumptions for the calculation of the long term business provisions are set out below:

	2020	2019
	EIOPA risk free rates	EIOPA risk free rates
Interest rate		
Morbidity Incidence rate (shown as a percentage of CMIR 12 table with morbidity recovery rates below)		
Health and Wealth contracts	27%	35%
Income Assured Plus and Enhanced contracts	13%	17.5%
My Earnings Insurance and Protected Contracts (level)	17%	30%
My Earnings Insurance and Protected Contracts (escalating)	27%	35%
Morbidity recovery rates (shown as a percentage of CMIR 12 table)		
Health and Wealth contracts		
month 1	60%	65%
month 2	120%	125%
month 3	125%	150%
months 4 - 6	135%	175%
months 7 - 12	175%	200%
thereafter	255%	200%
Income Assured Plus and Enhanced contracts		
month 1	35%	50%
month 2	60%	110%
month 3	100%	170%
months 4 - 6	135%	190%
months 7 - 12	175%	250%
thereafter	255%	250%
My Earnings Insurance and Protected contracts		
month 1	25%	45%
month 2	60%	110%
month 3	100%	170%
months 4 - 6	135%	190%
months 7 - 12	175%	250%
thereafter	255%	250%

Notes to the Financial Statements

31 December 2020

	2020	2019
Lapse Rates		
Health and Wealth contracts		
All years	5.0%	3.50%
Income Assured Plus and Enhanced contracts		
Year 1	6%	6%
Year 2	6%	6%
Year 3	8%	8%
Year 4	9%	9%
Year 5	10%	10%
Year 6+	10%	10%
My Earnings Insurance contracts (level)		
Year 1	Not applicable	10%
Year 2	10%	10%
Year 3	10%	8%
Year 4	10%	9%
Year 5	10%	10%
Year 6+	10%	10%
My Earnings Insurance contracts (escalating)		
Year 1	Not applicable	15%
Year 2	15%	15%
Year 3	17%	15%
Year 4	14%	12%
Year 5	12%	10%
Year 6+	10%	10%
My Earnings Protected contracts (level)		
Year 1	12%	12%
Year 2	12%	12%
Year 3	12%	10%
Year 4	12%	11%
Year 5	12%	12%
Year 6+	12%	12%
My Earnings Protected contracts (escalating)		
Year 1	19%	17%
Year 2	19%	17%
Year 3	19%	17%
Year 4	16%	14%
Year 5	14%	12%
Year 6+	12%	12%
Mortality Rates (shown as a percentage of CMIR 12 table)	50%	50%

Morbidity – an inception annuity approach is used to reserve for morbidity. The reserving tables are split by age, gender and deferred period. The rates are reviewed annually to allow for emerging experience.

19. With-Profits Actuary

The Society has made a request to the With-Profits Actuary, Mrs C Spinks of OAC, to furnish it with the particulars specified in Rule 9.36 of the Accounts and Statements Rules and the particulars furnished pursuant to the request are identified below:

Mrs Spinks has confirmed that neither she, nor any of her family, nor any of her partners were members of the Society, nor have they any financial or pecuniary interest in the Society, with exception of fees paid to OAC for professional services, which amounted to £258,192 (including VAT) (2019: £ 226,348).

20. Related parties

There were no loans outstanding from Board members at the year-end (2019: nil).

During the year no services were provided to the Society by any Member of the Board (2019: nil).

21. Commitments

Capital commitments of the Society at the end of the year for which no provision has been made are as follows:

Contracted

Approved by the Board of Management but not contracted for

2020

£'000

1,562

-

2019

£'000

489

2,371

Commitments of the Society under non-cancellable operating leases are as follows:

Operating leases which expire

Within one year

In the second to fifth years inclusive

Over five years

2020

£'000

23

70

-

93

2019

£'000

34

46

-

80

22. Contingent Liabilities

The Society had no contingent liabilities at the year end.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the **131st Annual General Meeting of Cirencester Friendly Society Limited** will be held at **Mutuality House, The Mallards, South Cerney, Cirencester, Gloucestershire, GL7 5TQ** on **Thursday 17 June 2021** at **5pm** for the purpose of transacting the following business:-

1. To confirm the Minutes of the Annual General Meeting held on 19 June 2020.
2. To receive the Chairman's Statement, Strategic Report, Report of the Board of Management, Financial Statements and the Auditor's Report for the year ended 31 December 2020.
3. To approve the Board of Management's Remuneration Report for the year ended 31 December 2020.*
4. To re-elect P R Hudson as a member of the Board.
5. To re-elect I M Maude as a member of the Board.
6. To re-elect K S McIntyre as a member of the Board.
7. To re-elect J F Quinn as a member of the Board.
8. To re-elect W J M Schouten as a member of the Board.
9. To re-elect M C Sedgley as a member of the Board.
10. To re-appoint BDO LLP as Auditors for the year 2021.
11. To approve Partial Alteration of Rules, as registered with the FCA.
12. To transact any other business not requiring notice of motion.

Members of the Society over the age of 18 may attend the Annual General Meeting and speak and vote on any item on the Agenda.

Members who wish to attend may be admitted on production of satisfactory evidence of their Membership and identity. Members who are eligible to vote, but who are unable to attend the Annual General Meeting, may appoint a proxy to attend and vote at the meeting and direct the proxy how to vote at the meeting. The Proxy Voting Form can be found accompanying the 2020 Member News sent to you in the post. To make voting easier, online voting is available alongside our traditional methods of voting by post or in person. Please see the Proxy Form for full details of the different ways you can vote.

In light of the current situation, we will be facilitating our AGM online via Microsoft Teams, which can be accessed through your internet browser. If you would like to attend, please email agm@cirencester-friendly.co.uk.

* You are asked to approve the Board of Management's Remuneration Report by way of an Advisory vote. This is not a legal requirement, but your Board considers it is best practice to enable Members to express a view on this issue.

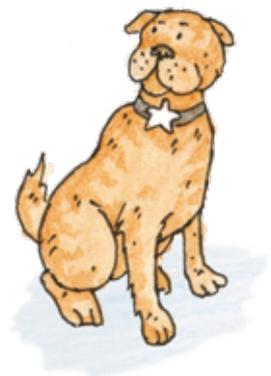


By order of the Board

Andy Morris
Company Secretary

Mutuality House, The Mallards, South Cerney,
Cirencester, Gloucestershire, GL7 5TQ

25 March 2021



Cirencester Friendly Society Limited

Founded 1890

Registered No.149F

Registered Office:

Mutuality House, The Mallards, South Cerney, Cirencester, Gloucestershire, GL7 5TQ Telephone: 01285 653073 or 652492 Fax: 01285 641246

Email: info@cirencester-friendly.co.uk Web: www.cirencester-friendly.co.uk

Board of Management:

Chairman:	John F Quinn M. Litt. BA (Hons)
Chief Executive:	Paul R Hudson MBA FCG MCSI
Director of Finance & Risk:	Andy J Morris MBA FCA MCSI
Commercial Director:	David R Macgregor Cert PFS
Operations Director:	Shirley E Fell
Board Members:	Janice W Banks MBA Marian L Evans BSc (Hons), FinstLM. ACII. Chartered Insurance Broker Katharine S McIntyre BA (Hons), ACA Ian M Maude William J M Schouten MBA Mark C Sedgley ACII

Arbitrators:

Phillip Harris LLB, FCI Arb, Solicitor

Roger Warrington FRICS, FCI Arb, Chartered Surveyor

Mark Thomas Dip Adj BSc MSc LLM FRICS FCI Arb MAE, Chartered Surveyor

Chief Executive:

Paul R Hudson MBA FCG MCSI

Company Secretary:

Andy J Morris MBA FCA MCSI (succeeding Andrew Horsley who retires on 31st March 2021)

Senior Independent Director (Board Member):

William J M Schouten MBA

External Auditors:

BDO LLP

Internal Auditors:

RSM LLP (replacing Case Accounting Ltd from 1st January 2021)

Actuary:

Chief Actuary and With Profits Actuary

Cara Spinks, OAC plc

Investment Managers:

LGT Vestra

Bankers:

Lloyds Bank plc



Cirencester Friendly
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GL7 5TQ

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Your friend for life

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Cirencester Friendly Society Limited is Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 109987.

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