



2009

**REPORT AND  
FINANCIAL  
STATEMENTS**

**The Original Holloway Friendly Society Limited  
Report and Financial Statements  
for the year ended 31 December 2009**



**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2009**

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## REGISTERED OFFICE, OFFICERS AND ADVISERS

### REGISTERED OFFICE

Holloway House, 71 Eastgate Street, Gloucester, GL1 1PW.  
Telephone: 01452 526238 Fax: 01452 386859

Email: mail@holloway.co.uk

Web: www.holloway.co.uk

	Applicable Meetings	Attended Meetings		Applicable Meetings	Attended Meetings
<b>BOARD OF MANAGEMENT 2009</b>			<b>AUDIT COMMITTEE 2009</b>		
Ian Gardner ( <i>Chairman</i> )	10	10	Kevin Wiltshire ( <i>Chairman</i> )	5	5
Martin Collins	10	10	Ian Gardner	5	5
Kieron Griffin	11	10	Mike Matthews	5	5
David Macgregor	10	9	Philip Whitefield( <i>resigned 16/10/09</i> )	4	4
Mike Matthews	11	11			
Colin Organ	11	11	<b>NOMINATIONS COMMITTEE 2009</b>		
Bob Perks	11	11	Kieron Griffin ( <i>Chairman</i> )	1	1
Philip Whitefield ( <i>resigned 16/10/09</i> )	6	6	Ian Gardner	1	1
Kevin Wiltshire	11	11	Mike Matthews	1	1
			Bob Perks ( <i>appointed 14/07/09</i> )	1	1

### RISK MANAGEMENT GROUP 2009

Martin Collins ( <i>Chairman</i> )	3	3
David Macgregor	3	1
Kevin Wiltshire	3	3
Philip Whitefield ( <i>resigned 16/10/09</i> )	3	3
Other Members – Keith Taylor, Darrell Stevens and Joanna Woodward		

### MARKETING COMMITTEE 2009

Bob Perks ( <i>Chairman</i> )	7	7
David Macgregor	7	5
Colin Organ	7	7
Other Members – Keith Taylor		

### SOLVENCY II COMMITTEE 2009

Philip Whitefield ( <i>resigned 16/10/09</i> )	1	1
David Macgregor	1	1
Martin Collins	1	1

### ARBITRATORS

R. W. Farrington, F.C.A.      M. Hammond      A. Bishop

### AUDITORS

Moore Stephens, 30 Gay Street, Bath BA1 2PA

### INTERNAL AUDITORS

Hurst Business Risk Consulting, Lancashire Gate, 21 Tiviot Dale, Stockport, Greater Manchester. SK1 1TD

### FUND MANAGERS

Tilney Investment Management, Royal Liver Building, Pier Head, Liverpool L3 1NY  
Royal London Cash Management, 55 Gracechurch Street, London EC3V 0UF

### BANKERS

Lloyds TSB Bank Plc. 19 Eastgate Street, Gloucester, GL1 1NU.

### HEAD OF ACTUARIAL FUNCTION

Christopher Critchlow, BSc, F.I.A. OAC Actuaries and Consultants, Portsoken House, Minories, London, EC3N 1LJ

## CHAIRMAN'S STATEMENT

I am delighted to say that in another extremely difficult year for the global economy the Society has continued to weather the turbulent times and continues to remain financially, very strong.

Over the past years, we have maintained a prudent investment strategy, one which is resilient to difficult market conditions. Having enjoyed solid returns on our cash deposits during 2008, we always knew that 2009 was likely to see those 'heady' returns diminish as interest rates tumbled to an almost unprecedented low. Due to this prudent strategy, we have not had direct exposures to any sub-prime assets and we are now well positioned to take advantage of the investment opportunities in the coming years.

Our overriding aim is of course to ensure that we can support our members when they need us most, which is when they are facing hardships as a result of accidents or illness that prevent them from working and earning an income. Once again, we have demonstrated our enviable claims paying record to the membership and Independent Financial Advisers.

### **Annotated Combined Code of Corporate Governance**

The report and Financial Statements follow the same format as last year and contain a great deal of information on the way in which the Society is organised and operated. The Society acknowledges that good corporate governance is essential in this day and age and is more than happy to comply with the annotated combined code, having given due regard to the nature and scale of the Society's activities.

### **Financial Highlights**

Despite the exceptionally low bank base rate and savings rates offered by financial institutions, we managed to achieve a highly respectable return of 2.2% on our cash portfolio during 2009. Unfortunately, this was some £773k less than 2008, but the return was made with minimal risk to the capital. The economic downturn unsurprisingly hit the membership numbers, with fewer new members joining than in recent years combined with leavers at their selected retirement age and those who could no longer afford the monthly premiums. The Society is however not alone in reporting lower volumes of sales. According to the Swiss Re Term and Health Watch 2009, reported new sales fell by 11.2% which was yet another year on year decline and has been ongoing for at least 5 years.

The assets of the Society did enjoy some further overall growth, rising from £38.7m in 2008 to £40.8m at the end of 2009.

### **Treating Customers Fairly**

The Society continues to fully embed the TCF initiative throughout all areas of the business and during the year formed a Staff TCF group to enable the Society to make progress between meetings of the TCF Committee. It is clear that staff are ideally placed to provide feedback on any areas that could be seen as not treating our members fairly and whilst we strongly believe that as a Friendly Society owned by our members we always place their needs first, some areas were highlighted as needing improvement and actioned accordingly. We actively seek feedback from the membership and welcome both positive and negative comments.

### **Sick Pay Claims**

2009 saw us pay out a net amount of £942,105 an increase of £133,584 from 2008's figure of £808,521. As a percentage of Income Protection premiums paid, this figure rose to around 18% compared to 15% in 2008.

### **Professional Advisers**

This year saw us appoint a new Head of Actuarial Function, Christopher Critchlow from OAC who follows in the footsteps of Simon Grout who worked with the Society for some 20 years. I would like to express my personal thanks to Simon for his professional advice and assistance over this period. I would also like to extend my sincere thanks to all our Professional Advisers who contribute so much to the successful operation of the Society.

I. G. Gardner, Chairman  
9 March 2010

## **BOARD OF MANAGEMENT**

### **Ian Gardner - Chairman**

Ian originally joined the Board of Management in 1977. He was in legal practise in Gloucester for 32 years before joining the Society's management in 1992 and becoming Chief Executive in 1993. Upon his retirement in 2003 he was invited to join the Board and was elected Chairman which position he continues to hold.

### **Mike Matthews – Vice Chairman**

Mike was appointed to the Committee of Management in 1991 and subsequently joined the Board upon incorporation. Mike had chaired the Audit Committee for a number of years until taking on the role of Vice Chairman in 2009. He was Production and Finance Director of a commercial printing company in Gloucester for 25 years.

### **Martin Collins – Finance Director**

Martin is a Chartered Accountant. He joined the Society in 1994 as Financial Controller having worked for a construction company and a tyre manufacturer and distributor. He was appointed to the Board as Finance Director in 2003.

### **Kieron Griffin**

Kieron is a Partner in a firm of Solicitors in Gloucester. He has been a Board Member since 1997 and is Chairman of the Nomination Committee.

### **David Macgregor – Chief Executive**

David has been a full time executive of the Society since joining in 2003. Prior to his appointment as Chief Executive he has worked within Financial Services for over 25 years, gaining valuable experience with two major life offices and one other friendly society. His main focus the past 20 years has been Sales and Marketing to Independent Financial Advisors.

### **Colin Organ**

Colin was appointed as a non-executive director in 1997. He has spent most of his career in sales and marketing in the property and construction industry, a former director designate of Westbury Homes plc and is the owner of The Estate Agency in Clarence Street, Gloucester.

### **Bob Perks**

Bob has been a non-executive Director since 2005 and is Chairman of the Marketing Committee. He has spent most of his career in Financial Services with Natwest and latterly as Sales and Marketing Director at Britannic Money PLC. He now runs his own consultancy practice as well as being a Director of Intermediary Group, Financial Synergies Plc. Bob has previous experience of friendly societies boards of management, serving some eight years prior to joining Holloway Friendly.

### **Kevin Wiltshire - Senior Independent Director**

Kevin has been a non-executive Director since 2007 and is Chairman of the Audit Committee. He is currently a senior partner with a Financial Planning practice based in the South West and is also a director of an IFA network. Kevin has over 20 years' experience in insurance, financial services, asset management and tax planning and has previously served on the Board of another friendly society for 18 years.

## REPORT OF THE BOARD OF MANAGEMENT

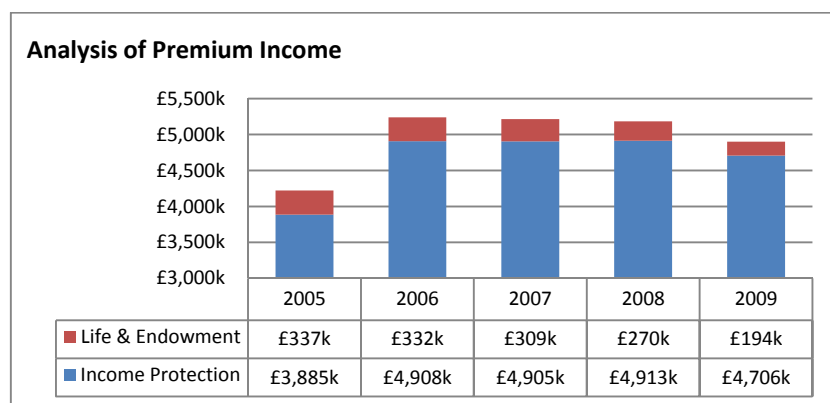
The Board of Management (Board) has pleasure in presenting the Report and Financial Statements of The Original Holloway Friendly Society Limited, (the Society), for the year ended 31 December 2009.

### Principal Activities

The principal activity of the Society is to provide Income Protection Insurance based on Holloway principles. No activities have been carried on which are outside the Society's powers.

### Business review and Financial Results

Earned premiums net of reinsurance fell over the year by £282k. Net Income Protection premiums fell by £207k with the balance of £76k being due to reduced premiums from the Linked Life Fund now that this fund has closed to new business.

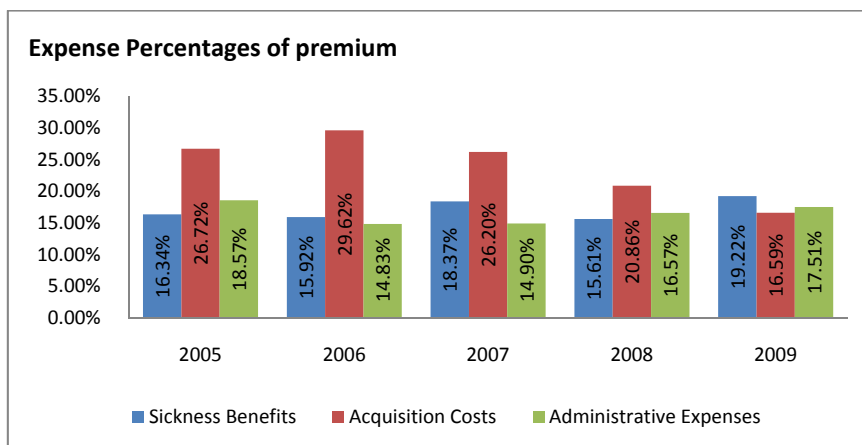


Investment income excluding gains was down 42% from £1,963k to £1,143k. The substantial fall in income is due to much lower rates of return being earned on the Society's investments; in particular deposits with credit institutions.

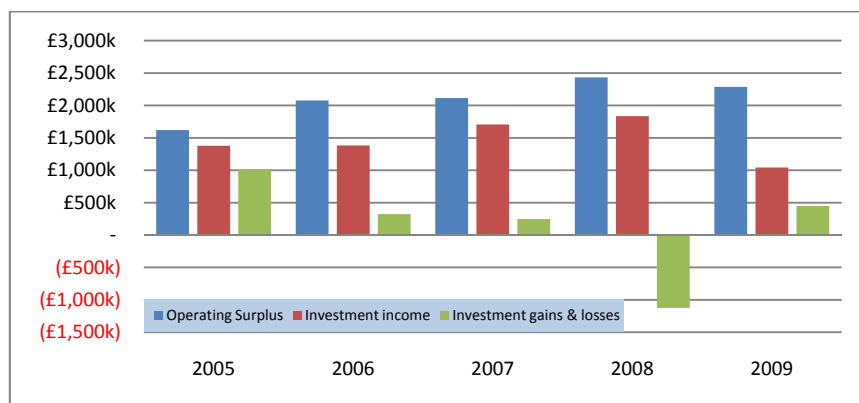
Realised and unrealised investment gains in 2009 were £450k. This compares to losses of £1,123k in 2008.

Note 6 of the financial statements shows that claims incurred increased by £458k compared to 2008. Of this increase, sickness benefit accounted for £134k, increasing by 16% to £942k. As a percentage of Income Protection premiums, sickness benefits increased from 15.07% to 18.05%.

Operating expenses decreased by £268k. Acquisition costs fell by £269k. Most of the reduction being due to reduced Commission costs. Administration costs remained unchanged



The operating surplus has fallen by £147k (6%). When income and gains on investments are brought into account, the surplus is £3,779k. This is an increase of £634k. Although investment income fell due to lower interest rates there were capital gains of £450k. This compares to £1,123k of capital losses in 2008. Allocation and Bonuses of £1,880k have been approved by the Board following advice from the Head of Actuarial Function who also recommended a transfer to the long term business provisions of £918k leaving £1,813k, after exceptional item, to be transferred to the Fund for Future Appropriations.



Total investments have increased by £1,967k helped by gains of £450k. In 2009 the Society moved around £5m of funds from cash deposits to fixed interest securities with the aim of the Society to match its liabilities as recommended by the Head of Actuarial Function. The overall increase results from the reinvestment of income and investment gains.

Linked Liabilities are represented by the Ten Year Plan Fund. This has decreased during the year by £261k due to the net effect of premium receipts and maturity and surrender payments and an increase in the unit price. The unit price was at £1.67 at the year-end, an increase of 7.8% over the year.

The Society's total funds have increased by £2,060k during the year to £40,834k. Amounts due to members at 31 December 2009 totalled £20,866k with £4,901k being held in reserves and a balance of £11,501k in the Fund for Future Appropriations.

### Exceptional Item

The Society ceased reinsurance arrangements on its Classic Plus policies. This became effective from 1 January 2010 and has resulted in a settlement sum due to the Society of £1,091k. This has been reflected in the Financial Statements as an exceptional item.

### Income Protection Membership

Opening Membership	15,206
New Members	462
Withdrawals & Lapses	(1,437)
Current Membership	14,231

### Future Developments

We were delighted with the positive feedback received from IFAs and Networks when we launched our new Personal Income Protection Plan in February 2009 and even more so when Health Insurance magazine awarded us Product of the Month in May. This now means that the Society has three strong plans which can cater for a significant part the population that need Income Protection. The Marketing Committee continues to review the strengths of these plans and will launch new products to fulfil any other areas that are identified.

### Statement of Solvency

The Society has maintained the required margin of solvency as prescribed in the Regulations made under Chapter 4 Section 1 of the Interim Prudential Sourcebook for Friendly Societies.

### Political Donations

The Society made no political donations during the financial year.

### Indemnity Insurance

The Board of Management maintained the Indemnity Insurance against Board Members' and Officers' Liability.

### Complaints

The Board of Management is committed to the maintenance of high standards of integrity and fairness in its dealings with members. However, the Board acknowledges that complaints can arise. To this end the Society has established systems to ensure that any complaints received are handled with due care and sensitivity and are thoroughly and impartially investigated. Members retain the right to take their complaint to the Financial Ombudsman Service.

### Board of Management

The Board currently meets every other month. Additional meetings, seminars and workshops are held as required to formulate strategy and for training purposes.

Details of Board members who held office during 2009 together with details of meetings attended are shown on Page 2.

### Financial Reporting

The Board has a duty to report to members on the Society's performance and financial position, and are responsible for preparing the financial statements on pages 13 to 22.

### Appointment of Auditors

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

### Statement of Board of Management's Responsibilities

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

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to ensure that the accounts comply with the Friendly Societies Act 1992. It is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Apportionment of Surplus, Compound Bonus and Reversionary Bonus

The Board of Management has been able to declare the following:

	2009	2008		2009	2008
<b>Sickness Benefit</b>					
Holloway Old Tables	£1.30	£1.30	Provident Standard	£1.30	£1.30
Holloway New Tables & Classic	£1.50	£1.50	Provident D13	£0.95	£0.95
Holloway New Classic Plan	£1.00	£1.00	Provident D26	£0.70	£0.70
Holloway Premier Plan	£0.10	£0.10	Provident S26	-	-
Holloway Classic Plus	£0.50	£0.50	Provident Commuted	£2.40	£2.40
Holloway Classic Plus - Guaranteed	£0.40	£0.40	Holloway Commuted	£1.86	£1.86
<b>Compound Bonus</b>	2.00%	4.00%	<b>Terminal Bonus</b>	7%	7%

### Service to Our Customers

Following the recent 'Four Star Service Awards' from Financial Adviser, we were disappointed to only receive Two Stars in 2009. The staff continue to excel in providing a first class service and IFAs comment on how easy it is to place business with us and when necessary contact Head Office for help and information.

We are of course fully committed to providing superb service to our members and the regular surveys that are issued to sections of the membership clearly confirm that this is indeed the case. If we are informed of any areas that require improvement, this is actioned by the Staff TCF group without delay.

### Thanks and Appreciation

The Board of Management would once again like to record their thanks and appreciation to the staff who continue to demonstrate the dedication and hard work on behalf of the Members and Independent Financial Advisers. Special thanks must be recorded to Darrell Stevens who completed 45 years service in 2009 and I'm delighted to report that his contributions, albeit on a part-time basis, continue to prove invaluable.

On behalf of the Board of Management  
D.R. Macgregor, Chief Executive  
9 March 2010

## CORPORATE GOVERNANCE REPORT

The Society is committed to high standards in Corporate Governance. The Society has made considerable progress in complying with The Combined Code on Corporate Governance having particular regard to the Annotated version published by the Association of Mutual Insurers (AMI) and The Association of Friendly Societies (AFS).

### DIRECTORS

The Board

**Code Principle:** Every Company should be headed by an effective Board, which is collectively responsible for the success of the company.

**Board Comment:** The Board is responsible for the strategic direction of the Society with certain responsibilities delegated to sub-committees. The day-to-day management and implementation of the strategy is delegated to the Chief Executive.

### Sub Committees

#### Audit Committee

The Board operates an Audit Committee to assist in the effective management of the Society. The Audit Committee normally meets at least three times each year and as and when required to perform its responsibilities. These are:

- Ensure the continuation of effective financial reporting, internal control, risk management and investment management.
- To provide a direct means of communication for internal and external auditors to the Board.
- To review the risk register and internal audit annual plan.
- To consider and recommend to the Board, Executive, Non-Executive and Senior management remuneration.
- Annually review the performance and cost effectiveness of internal and external auditors and investment managers.

The Chief Executive and Finance Director are not members of the Committee although they usually attend meetings except when the Audit Committee wishes to meet alone. Minutes of each meeting are circulated to the Board.

Details of Audit Committee members who held office during 2009 together with details of meetings attended are shown on Page 2.

#### Nominations Committee

The Nominations Committee meets at least once each year and as and when required to perform its responsibilities. These are:

- To regularly review the structure, size and composition of the Board.
- To give full consideration to succession planning for directors and other senior executives.
- To be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies.
- To keep under review the leadership needs of the organisation, both executive and non-executive and the time required from non-executive directors.

Details of Nominations Committee members who held office during 2009 together with details of meetings attended are shown on Page 2.

#### Other Committees

The Board has formed additional committees to improve management and control of other areas of the business. These committees include members of the Senior Management Team and staff. The members and meeting details are shown on Page 2 for the following committees:

Risk Management Group  
Treating Customers Fairly Group  
Marketing Committee (incorporating the Product Development Team)  
Solvency II Implementation Committee

### CHAIRMAN AND CHIEF EXECUTIVE

**Code Principle:** There should be a clear division of responsibilities at the head of the company between the running of the Board and Executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

**Board Comment:** The roles of the Chairman and the Chief Executive are held by different people and formal written roles and responsibilities of each have been agreed by the Board. The Chairman is elected by the Board each year at the first meeting following the Annual General Meeting (AGM).

## BOARD BALANCE AND INDEPENDENCE

**Code Principle:** The Board should include a balance of Executive and Non-Executive Directors (and in particular independent Non-Executive Directors) such that no individual or small group of individuals can dominate the Board's decision taking.

### **Board Comment:**

**Balance** - The Board must consist of not more than 12 nor less than 6 members. Currently the Board is made up of the Chairman and six other non-executive members and two executive members being the Chief Executive and the Finance Director.

**Independence** – The Annotated Combined Code on Corporate Governance sets out a number of requirements that define if a Non-Executive Director is considered independent. These are set out below together with comments where the Board feel this is appropriate.

- a) The Non-Executive Director should not have been an employee within the last 5 years. - No Non-Executive Director has been an employee of the Society during the past 5 years.
- b) The Non-Executive Director should not have had any direct or indirect business relationship with the Society within the last 3 years. – There have been no material transactions with Non-Executive Directors during the last 3 years. Details of transactions with Board Members are set out in the Note 22 to the Financial Statements.
- c) The Non-Executive Director should not receive any additional remuneration apart from Board fees and expenses. – Non-Executive Board Remuneration does not include performance related bonuses.
- d) The Non-Executive Director should not have close family ties with any of the Society's advisors, directors or senior employees. – No Non-Executive Director had any close family ties as detailed above.
- e) The Non-Executive Director should not have served on the Board for more than 9 years. –Mr K P Griffin, Mr M J Matthews and Mr C A Organ have all served as a Director for more than 9 years and will remain as Non-Executive Directors due to their extensive knowledge and experience of the Society and the value that this experience brings to the Board.

Notwithstanding the disclosures made above, the Board considers all Non-Executive Directors to be independent in character and judgement.

## APPOINTMENT TO THE BOARD

**Code Principle:** There should be formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

**Board Comment:** The Board aims to achieve a mix of skills amongst its members to ensure that appropriate strategies are formulated and achieved. Selection of Board members is by introduction by existing Board members or by nomination by the membership.

## INFORMATION AND PROFESSIONAL DEVELOPMENT

**Code Principle:** The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

**Board Comment:** The Chairman ensures that the Board receive accurate, timely and clear information. A Board member induction pack is available for new appointees. The Society carries out internal training sessions and makes external training courses available when appropriate. Board members have access to external independent professional advice, funded by the Society, should this be required.

## PERFORMANCE EVALUATION

**Code Principle:** The Board should undertake formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.

**Board Comment:** During 2009 a self-assessment exercise was undertaken with all Board members completing a detailed questionnaire. The results have been given consideration by the Chairman of the Board and the Chairman of the Nomination Committee with each Director being interviewed. Identified areas for further improvement will be actioned during 2010.

#### RE-ELECTION

**Code Principle:** All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The Board should ensure planned and progressive refreshing of the Board.

**Board Comment:** The Combined Code provides for re-election every 3 years with a recommended maximum term of 9 years. The Society's Rules currently provide for a 4-year term with no maximum length of service. The Board have adopted the provisions of the Combined Code for new appointments and on re-election.

#### REMUNERATION

The provisions recommended in the Combined Code on Remuneration are set out in the Remuneration Report.

#### FINANCIAL REPORTING

**Code Principle:** The Board should present a balanced and understandable assessment of the company's position and prospects.

**Board Comment:** A statement of the Board of Management Responsibilities is set out in the Report of the Board of Management on Page 7.

#### INTERNAL CONTROL

**Code Principle:** The Board should maintain a sound system of internal control to safeguard members' interests and the company's assets.

**Board Comment:** The Board has responsibility for the Society's internal control and for the review of its effectiveness. The Society maintains a Risk Register, which is regularly reviewed and updated by senior management and the Board. Society policy and procedures have been designed to manage rather than eliminate the risks.

The internal auditors review policy and procedures in operation and report to the Audit Committee on their findings. Policy and procedures are updated as necessary as a result of the findings to ensure effective maintenance of systems of control.

#### CONSTRUCTIVE USE OF THE AGM

**Code Principle:** The Board should use the AGM to communicate with members and to encourage their participation.

**Board Comment:** Each year the Society sends members notice of the AGM incorporated within an annual newsletter. The Rules of the Society are still under review with due consideration being given to best practice guidelines produced by AMI and the AFS.

## DIRECTORS REMUNERATION REPORT

This report explains how the Society has applied the principals in the Combined Code on Corporate Governance relating to Remuneration as applicable to a mutual insurer. The Audit Committee is responsible for considering and recommending to the Board, Executive, Non-Executive and Senior Management remuneration.

### THE LEVEL AND COMPOSITION OF REMUNERATION

**Code Principle:** Levels of remuneration should be sufficient to attract, retain and motivate Directors of the quality to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

#### Board Comment:

##### Executive Directors

The remuneration package comprises a basic salary, an annual bonus scheme and a medium term bonus scheme.

Basic salaries are reviewed annually with reference to comparable positions in similar organisations and to reflect the Director's role, experience and performance. The Society participates in an annual executive remuneration survey together with a number of other friendly societies.

Executive Directors participate in the Senior Management annual bonus scheme providing for a maximum of 44% of salary for the Chief Executive and 20% of salary for the Finance Director.

Senior Management including Executive Directors also participate in a 3-year bonus scheme providing for a maximum additional bonus at the end of the 3 years of 15% of annual basic salary.

Pension: Executive Directors are members of the Society's defined contribution pension scheme. The Society contributes 10% of salary and bonus payments for the Chief Executive and 15% of basic salary only for the Finance Director.

Benefits: Executive Directors are entitled to family private health cover, dental insurance cover and a company car or car allowance.

Service Contracts: Neither Executive Director has a service contract in excess of 12 months, in accordance with Corporate Governance best practice.

##### Non-Executive Directors

The level of fees payable to Non-Executive Directors is determined using information from comparable organisations together with other factors. The Society participates in an annual remuneration survey together with a number of other friendly societies.

Remuneration comprises a basic fee plus meeting attendance fees. Additional payments are made to the Chairman, Vice Chairman and Sub-Committee Chairmen to reflect additional responsibilities. Non-Executive Directors are entitled to personal private health cover. Non-Executive Directors do not have service contracts.

### Board Member Emoluments

	Basic Salary and Fees	Meeting Attendance Fees	Bonuses	Benefits and Car Allowance	Sub Total	Pension Contributions	Total 2009	Total 2008
David Macgregor	£87,565	-	£100	£15,191	£102,856	£8,806	£111,662	£108,929
Martin Collins	£58,383	-	£100	£7,999	£66,482	£8,813	£75,295	£73,604
Ian Gardner	£10,966	£5,339	-	£467	£16,772	-	£16,772	£15,282
Mike Matthews	£6,630	£4,496	-	£467	£11,593	-	£11,593	£9,755
Kieron Griffin	£6,332	£3,091	-	£467	£9,890	-	£9,890	£9,755
Colin Organ	£6,018	£4,777	-	-	£10,795	-	£10,795	£8,006
Bob Perks	£6,134	£5,058	-	-	£11,192	-	£11,192	£8,206
Philip Whitefield	£4,889	£4,496	-	£277	£9,662	-	£9,662	£12,626
Kevin Wiltshire	£5,861	£5,058	-	-	£10,919	-	£10,919	£7,936
Former members of the board								£9,308
	£192,778	£32,315	£200	£24,868	£250,161	£17,619	£267,780	£263,407

In 2009 accrued bonuses were sacrificed in favour of pension contributions as follows: - Martin Collins - £1,120; David Macgregor - £1,000.

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF  
THE ORIGINAL HOLLOWAY FRIENDLY SOCIETY LIMITED**

We have audited the financial statements of The Original Holloway Friendly Society Limited for the year ended 31 December 2009 which comprise the Income and Expenditure Account, Balance Sheet and the related Notes 1 - 26, which have been prepared in accordance with the accounting policies set out therein. We are also required to report on the Report of the Board of Management for the year ended 31 December 2009.

This report is made solely to the Society's members, as a body, in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors 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.

***Respective responsibilities of the Board of Management and auditors:***

The Board of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on the Statement of the Board of Management's Responsibilities on page 7. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it. We also report to you our opinion as to whether the Report of the Board of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and as to whether the information given therein is consistent with the accounting records and the financial statements.

We also report to you if, in our opinion the Society has not kept proper accounting records, or if we have not received all the information, explanations and access to the documents that we require for our audit.

M P Burnett  
Senior Statutory Auditor  
For and on behalf of Moore Stephens  
Chartered Accountants & Statutory Auditor

12 March 2010

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises only the Report of the Board of Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

***Basis of audit opinion:***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board of Management in the preparation of the financial statements and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

***Opinion:***

In our opinion the financial statements give a true and fair view of the state of the Society's affairs as at 31 December 2009 and of the income and expenditure of the Society for the year then ended and have been properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it.

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

## INCOME AND EXPENDITURE ACCOUNT for the year ended 31 December 2009

	Notes	2009		2008	
		£	£	£	£
<b>TECHNICAL ACCOUNT - LONG TERM BUSINESS</b>					
Earned premiums net of reinsurance					
Gross premiums written			5,372,588		5,643,451
Less outward reinsurance premiums			(472,704)		(460,354)
			<u>4,899,884</u>		<u>5,183,097</u>
Investment Income	5		1,084,157		1,857,777
Unrealised (losses)/gains on investments	5		509,302		(1,017,573)
Commissions and sundry income			101,811		94,452
			<u>6,595,154</u>		<u>6,117,753</u>
Claims incurred, net of reinsurance	6		1,564,691		1,106,745
Change in other technical provisions					
Long term business provisions		917,903		1,108,556	
Technical provision for linked liabilities		(261,163)	656,740	(111,093)	997,463
Bonuses and rebates					
Member's apportionment of surplus		1,397,550		1,653,760	
Member's compound bonus		388,253		786,051	
Terminal Bonus and other interest paid		93,988	1,879,791	106,170	2,545,981
Net operating expenses					
Acquisition costs		533,884		314,670	
Change in deferred acquisition costs		279,390		766,822	
Administrative expenses		858,290	1,671,564	858,959	1,940,451
Investment expenses and charges			84,731		93,001
Tax attributable to long term business	7		-		-
Allocated investment return transferred to the non-technical account			16,010		36,185
Exceptional Item	26		(1,091,036)		-
Transfer (from)/to the fund for future appropriations	13		1,812,663		(602,073)
			<u>6,595,154</u>		<u>6,117,753</u>
Balance on technical account - long term business			<u>-</u>		<u>-</u>
<b>NON TECHNICAL ACCOUNT</b>					
Balance on the long term business technical account					
Allocated investment return transferred from the long term business technical account			16,010		36,185
Other charges, including value adjustments			(16,010)		(36,185)
Excess of income over expenditure for the financial year	8		<u>-</u>		<u>-</u>

All of the above except as where noted relate to continuing operations of the Society.

## BALANCE SHEET as at 31 December 2009

	Notes	2009		2008	
		£	£	£	£
<b>ASSETS</b>					
Investments					
Land and buildings	9		955,000		955,000
Other financial investments	10		<u>35,639,735</u>		<u>33,673,264</u>
			<u>36,594,735</u>		<u>34,628,264</u>
Assets held to cover linked liabilities			2,280,501		2,541,696
Debtors					
Other debtors	11		1,122,032		13,095
Other assets					
Tangible assets	12		29,620		25,044
Stocks			16,458		10,553
Cash at bank and in hand			176,905		206,555
Product development costs			-		85,465
Prepayments and accrued income					
Accrued interest and rent			89,391		472,508
Deferred acquisition costs			487,432		766,822
Other prepayments and accrued income			<u>36,845</u>	613,668	<u>24,341</u>
					1,263,671
			<u>40,833,919</u>		<u>38,774,343</u>
<b>LIABILITIES</b>					
Fund for future appropriations	13		11,501,125		9,688,462
Technical provisions					
Long term business provision					
Sickness benefit provision	14		4,901,357		3,975,744
Life and endowment	15		10,940		18,650
			<u>4,912,297</u>		<u>3,994,394</u>
Members surplus	16		<u>20,866,180</u>	25,778,477	<u>21,273,509</u>
					25,267,903
Claims outstanding					
Gross amount			127,100		88,073
Reinsurance amount			-	127,100	-
					88,073
Technical provisions for linked liabilities	17		2,280,501		2,541,696
Creditors					
Creditors arising out of direct insurance operations			74,462		98,179
Amount owed to credit institutions			-		-
Other creditors including taxation and social security	18		<u>1,072,254</u>	1,146,716	<u>1,090,030</u>
					1,188,209
			<u>40,833,919</u>		<u>38,774,343</u>

The financial statements on pages 13 to 22 were approved by the Board of Management and were signed on its behalf by:-

I G Gardner  
Chairman  
9 March 2010

D R Macgregor  
Chief Executive  
9 March 2010

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 1. Accounting Policies

The financial statements have been prepared in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994 ('the Regulations') made under the Friendly Societies Act 1992 and with applicable accounting standards in the United Kingdom and with all material provisions of the Statement of Recommended Practice (SORP) on 'Accounting for Insurance Business' issued by the Association of British Insurers in 1998. A summary of the more important accounting policies, which have remained unchanged from the previous year, is set out below:

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as required by the Regulations.

#### **Premiums**

Written premiums are accounted for when due for payment. New business premiums are recognised when the policy liability is set up and the premium is due for payment.

#### **Reinsurance**

Outwards reinsurance premiums are accounted for in accordance with the contract terms when due, reflecting the period in which the risk is transferred.

#### **Investment income**

Income from investments is included, together with any related tax credit, in the technical account - long term business. Account is taken of dividend income when received and other investment income is included on an accruals basis.

#### **Realised and unrealised investment gains and losses**

Realised gains and losses, being the difference between the net sale proceeds and the valuation at the preceding balance sheet date or cost of acquisition if later, are included within investment income or investment expenses in the technical account - long term business. Unrealised gains and losses are reported in the technical account - long term business.

#### **Acquisition costs**

The Regulations require the Society to expense acquisition costs over current and future accounting periods in line with the margins in matching revenues. Acquisition costs are written-off over an appropriate period.

#### **Pension costs**

Contributions payable to the Society's defined contribution pension scheme are charged to the operating expenses in the period in which the cost accrued.

#### **Tax attributable to long term business**

The Society is only liable to taxation on part of the life and endowment assurance fund. Taxation is provided on an accruals basis, provision being made for the current year's liability.

#### **Investments**

Land and buildings - current valuation based on the open market value of the property, as valued every three years by an independent surveyor. Office premises occupied by the Society and included in investments are valued assuming vacant possession. In accordance with SSAP 19 'Accounting for investment properties' no depreciation is charged on freehold investment properties.

Other financial investments - investments are stated at market value, with any appreciation or diminution in value during the year being accounted for in the technical account - long term business.

#### **Assets held to cover linked liabilities**

Assets held to cover linked liabilities reflect the terms of the related policies and are valued on a basis consistent with the related liabilities.

#### **Tangible assets**

The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible assets over their estimated useful lives at the following rates:-

Motor vehicles	25% on a straight line basis
Office equipment	10% - 25% on a straight line basis

#### **Product development costs**

Costs incurred in the development and launch of significant new products are written off in equal instalments over the first four years following the launch of the product.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 1. Accounting Policies (Continued)

#### Claims and benefits

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

#### Fund for future appropriations

The fund for future appropriations represents amounts which have yet to be allocated to policyholders. Transfers to and from the Fund reflect the excess or deficiency of revenues (including premiums and investment gains and losses) over expenses (including claims) in each accounting period.

#### Long term business provision

The long term business provision has been estimated for the Society by the Head of Actuarial Function, having due regard to the principles laid down in the EC Council Directive 92/96/EEC. A prospective gross premium valuation method has been adopted for sickness business, with members' Capital Accounts provided at face value. For Life and Endowment business, a net premium valuation method has been used, with the exception of linked contracts, where the provision is based on the value of units attached to members' contracts plus additional provisions for administrative expenses and the guaranteed surrender values attached to the contract.

#### Valuation statement

An Actuarial Valuation of the Society's long term business was made as at 31 December 2009 in accordance with General Prudential Sourcebook and the Prudential Sourcebook for Insurers. A copy of the report may be inspected at the Registered Office of the Society.

### 2. Staff

Number of employees

Average monthly number of persons employed by the Society in the financial year.

	2009	2008
Administration	16	15
Sales	3	3
	19	18

Staff Costs

Salaries and wages	£517,246	£471,111
Social security costs	£47,115	£45,857
Other pension costs	£48,877	£52,198
	£613,238	£569,166

### 3. Board of Management

The total emoluments of the Board of Management comprise:

	2009	2008
Fees of non-Executive Board members	£80,823	£80,874
Remuneration of Executive Board Members	£170,815	£160,629
Pension contributions on behalf of Executive Board members	£19,739	£21,904
	£271,377	£263,407

The emoluments of the Chairman was £16,772 (2008 £15,282) and those of the highest paid member of the Board of Management was £104,333 (2008 £100,155). Further details of Board of Management remuneration can be found in the Remuneration Report on Page 11.

### 4. Commissions

	2009	2008
Commission payable on the acquisition of new business	£426,514	£799,849
Renewal commissions payable	£33,258	£28,426
Portfolio management commission	£84,731	£77,523
	£544,503	£905,798

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

5. Investment Income	2009	2008
Income from land & buildings	£54,096	£59,805
Bank interest	£550,752	£1,466,932
British Government securities	£282,593	£154,298
Other fixed interest securities	£80,669	£117,002
Ordinary stocks and shares	£174,885	£165,201
	<u>£1,142,995</u>	<u>£1,963,238</u>
(Losses)/Gains on realisation of investments	(£58,838)	(£105,461)
	<u>£1,084,157</u>	<u>£1,857,777</u>
Unrealised (losses)/gains on investments	£509,302	(£1,017,573)
<b>Net Investment Return</b>	<b>£1,593,459</b>	<b>£840,204</b>

6. Claims incurred, net of reinsurance	2009		2008	
Death claims paid	£4,007		£7,602	
reinsurers' share	-	£4,007	-	£7,602
Sickness benefit	£1,047,016		£871,995	
reinsurers' share	(£104,911)	£942,105	(£63,474)	£808,521
Maturity		£587,022		£275,703
Surrender		£31,557		£14,919
		<u>£1,564,691</u>		<u>£1,106,745</u>

7. Taxation	2009	2008
Taxation is calculated in relation to the Society's taxable life business		
Current taxation	-	-

8. Excess of income over expenditure for the financial year	2009	2008
Excess of income over expenditure for the financial year is stated after:		
Depreciation charge for the year		
Tangible assets		£14,095
Auditors' remuneration for:		
Audit		£23,141
Other services		£5,296
Actuarial fees for:		
Valuation and consultancy		£103,212

9. Land and buildings	Investment Property	Office Property	Total
Cost/Valuation			
As at 1 January 2009 and 31 December 2009	£115,000	£840,000	£955,000

Land and buildings are freehold and are included at valuations at 31 December 2008. The valuations were carried out by Bruton Knowles, Chartered Surveyors. The investment properties were valued at market value and the office property, partially occupied by the Society, was valued on an existing use basis.

10. Other financial investments	2009		2008	
	Market Value	Cost	Market Value	Cost
Shares, other variable yield securities and unit trusts	£5,083,009	£4,406,860	£3,269,060	£3,577,034
Debt securities and other fixed income securities	£8,912,523	£9,100,977	£4,854,482	£4,551,178
Deposits with credit institutions	£21,644,203	£21,644,203	£25,549,722	£25,549,722
	<u>£35,639,735</u>	<u>£35,152,040</u>	<u>£33,673,264</u>	<u>£33,677,934</u>

All of the Society's investments in shares and other variable yield securities and units in unit trusts and debt securities and other fixed income securities are listed on a recognised investment exchange.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 11. Other debtors

	2009	2008
Accounts receivable	£27,801	£8,430
Loans	£3,195	£4,665
Amount due from reinsurers (see Note 26)	£1,091,036	-
	<b>£1,122,032</b>	<b>£13,095</b>

### 12. Tangible assets

	Motor Vehicles	Equipment	Total
<b>Cost</b>			
As at 1 January 2009	£22,523	£164,930	£187,453
Additions	£14,800	£14,036	£28,836
Disposals	(£22,523)	(£1,310)	(£23,833)
As at 31 December 2009	£14,800	£177,656	£192,456
<b>Depreciation</b>			
As at 1 January 2009	£8,256	£154,153	£162,409
Charge for year	£6,603	£7,492	£14,095
Eliminated on disposals	(£12,384)	(£1,284)	(£13,668)
As at 31 December 2009	£2,475	£160,361	£162,836
Net Assets Value as at 31 December 2009	£12,325	£17,295	£29,620
Net Assets Value as at 31 December 2008	£14,267	£10,777	£25,044

### 13. Fund for future appropriations

	General Reserve	Life & Endowment	Total 2009	Total 2008
Balance at 1 January 2009	£9,436,254	£252,208	£9,688,462	£10,290,535
Transfers to/(from) fund for future appropriations	£1,800,032	£12,631	£1,812,663	(£602,073)
Balance at 31 December 2009	<b>£11,236,286</b>	<b>£264,839</b>	<b>£11,501,125</b>	<b>£9,688,462</b>

### 14. Sickness benefit provision

	2009	2008
Balance at 1 January 2009	£3,975,744	£2,865,471
Premiums	£5,172,812	£5,365,638
Investment Income	£362,190	£597,579
Forfeitures and lapses	£101,711	£94,202
	<b>£9,612,457</b>	<b>£8,922,890</b>
Benefit	£942,105	£808,521
Cost of reinsurance	£467,095	£452,663
Contributions to management	£1,639,085	£1,775,215
Apportionment to members	£1,397,550	£1,653,760
Transfers to/(from) reserves	£265,265	£256,987
	<b>£4,711,100</b>	<b>£4,947,146</b>
Balance at 31 December 2009	<b>£4,901,357</b>	<b>£3,975,744</b>

### 15. Life and endowment

	PRFS Death Benefit	Holloway TYP Reserve Fund	Total 2009	Total 2008
Balance at 1 January 2009	£330	£18,320	£18,650	£20,367
Premiums	£1,550	£4,527	£6,077	£8,045
Transfer (to)/from reserve	-	-	-	-
	<b>£1,880</b>	<b>£22,847</b>	<b>£24,727</b>	<b>£28,412</b>
Death, maturity and surrenders	-	£74	£74	£1,296
Cost of reinsurance	£1,082	-	£1,082	£1,300
Transfer to/(from) fund for future appropriations	£798	£11,833	£12,631	£7,166
Corporation tax	-	-	-	-
	<b>£1,880</b>	<b>£11,907</b>	<b>£13,787</b>	<b>£9,762</b>
Balance at 31 December 2009	-	£10,940	£10,940	£18,650

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 16. Members surplus

	2009	2008
Balance at 1 January 2009	£21,273,509	£21,190,200
Apportionment of surplus	£1,397,550	£1,653,760
Compound bonus	£388,253	£786,051
Terminal bonus	£93,322	£102,742
	<b>£23,152,634</b>	<b>£23,732,753</b>
Withdrawals	£2,184,743	£2,365,042
Forfeitures and lapses	£101,711	£94,202
	<b>£2,286,454</b>	<b>£2,459,244</b>
Balance at 31 December 2009	<b>£20,866,180</b>	<b>£21,273,509</b>

### 17. Technical provisions for linked liabilities

	2009	2008
Linked life fund:		
Balance at 1 January 2009	£2,541,664	£2,652,757
Premiums	£193,699	£269,768
Investment income and growth	£180,762	(£65,440)
	<b>£2,916,125</b>	<b>£2,857,085</b>
Death, maturity and surrenders	£622,512	£296,928
Management charge	£8,585	£12,070
To Holloway TYP Reserve Fund	£4,527	£6,391
	<b>£635,624</b>	<b>£315,389</b>
Balance at 31 December 2009	<b>£2,280,501</b>	<b>£2,541,696</b>

### 18. Other creditors including taxation and social security

	2009	2008
Taxation and social security	£34,061	£32,232
Amounts due to retired members	£770,388	£749,711
Amounts due to current members - extra contributions	£131,681	£137,368
Other creditors	£136,124	£170,719
	<b>£1,072,254</b>	<b>£1,090,030</b>

### 19. Capital Commitments

	2009	2008
Capital expenditure contracted for but not provided	-	-
Capital expenditure authorised but not contracted for	-	-
	<b>-</b>	<b>-</b>

### 20. Financial commitments

At 31 December 2009 the Society had annual commitments of £2,287 (2008 £2,066) under non cancellable operating leases.

### 21. Particulars of business

All the Society's business relates to direct insurance business, being income protection and Friendly Society Ten Year Plans.

### 22. Board of Management Members' loans and transactions

#### Transactions in which members of the Board of Management had an interest

Mr K P Griffin is a partner in the legal firm Dee & Griffin. Fees of £863 were invoiced during 2009 (2008 £Nil). At the year end a balance of £Nil (2008 £Nil) was due to Dee & Griffin.

Mr R J W Perks is a Director of Alchemy Business Partners Limited. Commission of £64 (2008 £220) was paid to Alchemy Business Partners Limited during 2009. At the year end a balance of £92 was due to Alchemy Business

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 23. Capital Statement

The following summarises the capital resources and requirements of The Original Holloway Friendly Society Limited as determined for UK regulatory purposes.

The Society does not write with-profits to the scale required to calculate a realistic balance sheet. Therefore the capital statement below covers all their life assurance business. There are no specific constraints on the capital of the Society.

As the Society has no shareholders, all capital belongs to its members.

#### Life Business UK non-participating

Fund for future appropriations	
Closure reserve	
<b>Total capital resources before deductions</b>	
Adjustments to assets	
<b>Total available capital resources</b>	

2009 £000s	2008 £000s
£11,501	£9,688
£525	£1,610
£10,976	£8,078
£548	£915
<b>£10,428</b>	<b>£7,163</b>

#### Risk Management

Risk Management has a permanent place on agendas for the Audit Committee meetings and Senior Management Team meetings and is continually monitored by a Risk Management Group. Additionally, the Society actively uses its Financial Condition Report and Individual Capital Assessment to focus on the areas of risk that are likely to have the greatest affect on solvency. Actions are then put in place to mitigate these risks.

#### Capital Management

The Society's Free Asset position is regularly reviewed to ensure it maintains an acceptable level of solvency. As the capital belongs to the members, if the Society sees large changes in its available capital due to the morbidity experience of the members, it will amend the level of profit allocation and bonus payable to its members accordingly.

#### Basis for setting technical provisions

A gross premium valuation is used for calculating the Society's liabilities.

Interest Rate	2.50% p.a. (2008 - 2.50% p.a.)
Mortality Rates	50% of AMC00 Ultimate (2008 - 50% of AMC00 Ultimate)

#### Morbidity:

For sickness products the Manchester unity approach is used. The rates are split by age, sex and deferred period. The rates are reviewed annually to allow for emerging experience.

#### Persistency:

lapses are not allowed for within the valuation.

#### Interest rates:

a matching rectangle was used to match the admissible assets to the Society's liabilities. A prudent margin was then included.

#### Expenses:

the Society's expenses were analysed between acquisition and maintenance expenses and allow a prudent allowance for future years as a percentage of future premiums.

#### Options & Guarantees:

The Society is open to an implicit investment guarantee in the surrender values for the two linked contracts run by the Society. A Black-Scholes approach was used to calculate the liability associated with this guarantee.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### Analysis of change

There has been an increase in the available capital resources from 31 December 2008 to 31 December 2009. This is predominantly because of better investment returns than allowed for within the valuation assumptions. Other contributory factors include amendments to the methodology used to calculate sickness and expense reserves as well as the recapture of the reinsurance treaty with Scor. An analysis of change is set out below:

	Change in Available Capital £000s	Available Capital £000s
Basis		
2008 available capital resources		£7,163
New business and lapses	£8	
Change in methodology	£578	
Change in reinsurance	£664	
Change in capital accounts	£407	
Change in assets	£1,598	
Change in other liabilities	£10	
2009 available capital resources		£10,428

### Sensitivity analysis

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

Variable	Change in Variable	Change in Available Capital £000s
Morbidity	+10%	(£3,172)
Morbidity	-10%	£2,052
Expenses	+10%	(£762)
Expenses	-10%	£616
Mortality	+10%	£9
Mortality	-10%	(£9)
Interest	+1.00% per annum	£625
Interest	-1.00% per annum	(£768)
Fixed Interest	-10%	(£899)
Equities	-10%	(£508)
Property	-10%	(£96)

In a situation where morbidity increased by the levels in the table above the Society would review its allocation of profits accordingly.

When interest rates change, any movement in the available capital is partially offset by an opposite change in asset values. This has not been reflected in the value change above.

## 24. Actuary

The actuarial function holder until 15 November 2009 was Mr Simon Grout, a Director with Oliver Wyman Limited. Mr Grout has confirmed that neither he nor his family were members of the Society, nor have they any financial or pecuniary interests in the Society, with the exception of fees paid to Mercer Oliver Wyman Limited for professional services, which amounted to £117,118 in 2009.

Mr Christopher Critchlow, Chief Executive of OAC Actuaries and Consultants ("OAC"), became the Society's actuarial function holder on 17 December 2009. Mr Critchlow has confirmed that neither he nor his family were members of the Society, nor have they any financial or pecuniary interests in the Society, with the exception of fees paid to OAC for professional services, which amounted to £Nil in 2009.

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009**

### **25. Actuarial Valuation**

In accordance with the requirements of the Integrated Prudential Sourcebook the Society is obliged to have an annual actuarial valuation of its long term business. The valuation report has been prepared by the Head of Actuarial Function, Mr Christopher Critchlow, in accordance with the requirements of the guidance notes of the Institute of Actuaries namely GN40: The Role of the Actuarial Function Holder and GN44: Mathematical Reserves and Resilience Capital Requirement. A copy of this report can be seen at the registered office of the Society.

### **26. Exceptional Item - Reinsurance Arrangements**

The Society has ceased its reinsurance arrangements for its Classic Plus business with effect from 1 January 2010. Following discussions with the reinsurers the Society will receive a settlement sum of £1,091k as part of these arrangements. This is reflected in the Income and Expenditure Account under Exceptional Items and shown in the Balance Sheet in Other Debtors. The actuarial reserving for Classic Plus has been made on the basis of there being no reinsurance in place.



Holloway Friendly is the trading style of The Original Holloway Friendly Society Limited.  
Registered and Incorporated under the Friendly Societies Act 1992. Registered in the UK No. 145F  
Authorised and regulated by the Financial Services Authority. FRN 109986  
Income Protection from the original provider. Founded in 1880