

2016

Annual Report and Accounts


The Original Holloway
Friendly Society Limited



Income protection from the *original* provider

The Original Holloway Friendly Society Limited
Report and Financial Statements for the year
ended 31 December 2016

We are a mutual Society owned by and existing solely for the benefit of our members. This means we can provide real value for money support to our members and their families at their time of need.

An abstract graphic at the bottom of the page consisting of several overlapping, flowing shapes in various shades of blue, creating a sense of movement and depth.

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A seafarer's tale

How we helped George recover from the trauma of an accident at sea – when no one else would help.

GEORGE MIDDLETON	Crew Agent
Age	50
Status	Company Director
Condition	Post-traumatic stress disorder

"In 2002 I was with a crew on a trip when a crew member fell overboard in heavy seas. I was severely traumatised and suffered flashbacks and nightmares.

"I thought that 'being busy' was the best way to keep these fears at bay but, looking back, my state of mind was deteriorating. I withdrew from family life, I couldn't

answer the phone or look at emails. Eventually I was afraid to go out at all and stopped going into work."

The only support George got from his GP or the NHS was anti-depressants – but they failed to refer George to specialist charities such as MIND to aid his recovery.

Instead we referred George to a Health Management agency for a mental health assessment at which point George agreed to a rehabilitation regime to help him overcome depression and anxiety.

The regime normalised his behaviours and helped him understand that what had happened on that trip was an extreme incident, and not a cause for anxiety. We were delighted to see that George returned to work after only a few weeks.

"In 2002 I was with a crew on a trip when a crew member fell overboard in heavy seas. I was severely traumatised and suffered flashbacks and nightmares."

Officers, Advisers and Registered Office

Board of Directors

Chairman	Martin Day
Vice Chairman	Kevin Wiltshire
Senior Independent Director	John Holland
Other Non-Executive	Anna East Adrian Humphreys Bob Perks
Chief Executive	Stuart Tragheim
Finance Director	Martin Collins
Company Secretary	Martin Collins

Arbitrators

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

Head of Actuarial Function

Christopher Critchlow, BSc, F.I.A.
OAC Actuaries and Consultants
141-142 Fenchurch Street, London
EC3M 6BL

Independent 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

Investec Wealth & Investment Limited
Royal Mead, 4-5a Railway Place, Bath
BA1 1SR

Deutsche Asset & Wealth Management
Royal Liver Building, Pier Head, Liverpool
L3 1NY


Royal London Asset Management
55 Gracechurch Street, London
EC3V 0UF


Bankers


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

Registered Office

Holloway House,
71 Eastgate Street, Gloucester
GL1 1PW

 mail@holloway.co.uk

 holloway.co.uk

 01452 526 238

Chairman's Statement



This has been a significant year for the Society, not only due to changes in the regulatory environment, but also our development of a new strategy that builds on our competitive advantages: financial strength and value for money products.

We appointed a new Chief Executive, Stuart Tragheim, to initiate a root and branch review of the Society. Through this process we identified an opportunity for the Society to modernise and grow, which we set about realising by developing a new strategy.

With this work now largely complete, the Board has approved the new strategy and the initial investments required to fund its implementation. More detail about the new strategy can be found in Stuart's Chief Executive Report.

In addition, Martin Collins, previously our Chief Executive Officer, has been appointed Finance Director and 2016 saw the departure from the Executive of Mathew Crompton-Manser, our Sales and Marketing Director.

Membership

Against a backdrop of significant change, both in terms of the new appointments described above and the broader regulatory and market environment, the Society performed well in 2016. Our membership numbers continue to grow, albeit slowly, and we have again produced a solid operating profit. Our future short-term profitability will be impacted by the investments required to fund our growth ambitions, but we expect the Society's long-term Embedded Value to continue to grow strongly as the new strategy is implemented.

Regulation

Like all friendly societies, Holloway Friendly faces a challenging regulatory landscape. Much management and actuarial time continued to be spent during 2016 on the implementation of Solvency II, which came into force on 1st January 2016. The Society has made good use of its Chief Actuary, Christopher Critchlow and his team at OAC Actuaries and Consultants to assist in this work and we are pleased to say that the Society continues to fully comply with the new regulations.

Corporate governance

During the year, the Board changed the structure of some of its sub-committees to rebalance some of the workload which will become effective from 1st January 2017. As such, we have established a new Nomination and Remuneration Committee under the chairmanship of a recently appointed Non-Executive Director, Anna East.

In addition, the Board have agreed a number of changes to the rules of the Society that will enable a more efficient decision making process on product developments. In addition, the rule changes modernise some of our other governance practices, such as redefining the maximum terms of office for Non-Executive Directors.

These changes have been approved by the Board and will be subject to formal approval by the Financial Conduct Authority, and by our members at the 2017 AGM.

Allocation, compound bonus and final bonus

After another positive year in terms of sickness claims experience, the Board have been able to maintain the current rates of Allocations of Profits. Even though income earned from investments continues to suffer from persistently low interest rates, the Board have also been able to declare a consistent Compound Bonus rate and keep the Final Bonus rates for the coming year the same as 2015. A table of the various rates are set out in the Bonus Report on page 27.

Looking ahead

Having achieved solid financial results and made significant progress on our new strategy to modernise the Society, we can look forward to 2017 and beyond with confidence. None of this would, however, be possible without the hard work of our colleagues and management, and the support of our members. In particular, I would like to thank Colin Organ and Kieron Griffin for their contribution to the Society over so many years. Both stepped down from the Board at the 2016 AGM after having served on several Board sub-committees over the years.

A handwritten signature in blue ink, appearing to read 'Martin Day', with a stylized flourish at the end.

Martin Day

Chairman

9th May 2017

CLAIMS CASE STUDY



A vision of a better life

Eyesight problems impacted not only on Kerry's ability to work, but also her ability to commute, or even get out of the house...

KERRY EVANS	Training and Education Assessor
Age	54
Status	Employed
Condition	Nystagmus Rapid Eye Movement

"I was working in training and education as an Assessor visiting students throughout the county when I started to experience problems with my eyesight. They told me it was "rapid eye movement" which, despite treatment, meant that I was unable to drive or work as I could only look at a computer screen for short periods."

"I was determined to get back to work and found a part-time telephone sales support role but I wanted to understand if this would affect the benefit payments I got from Holloway. I also told them that I was having a problem getting to work as I lived in a rural location."

We could see Kerry's problem. Living out in the country without a car had made her virtually housebound for months. That's why Kerry was desperate to get back to work – not so much for the money, but for the human contact. So when she did find a suitable job, we were pleased to help her with a £500 contribution towards the cost of the three-wheeled bike she needed to commute.

Just getting out of the house was a huge step and we were delighted to see her life getting back to normal. Kerry wrote to thank us admitting to "a few tears" when she received the money and explaining how this was "the first step towards getting some independence back".

"I was working in training and education as an Assessor visiting students throughout the county when I started to experience problems with my eyesight."

Chief Executive's Report



It is a pleasure to write my first report as Chief Executive of Holloway Friendly. Having joined the Society mid-year, my main focus has been fulfilling the brief given to me by the Board – developing a new strategy that will result in a modernised and larger business.

While recent financial results have been strong, with good levels of free assets and annual profits, we cannot be complacent. The financial services marketplace continues to move at a rapid pace and the Society must adapt to make the most of the opportunities and address any challenges. Our new strategy is designed to put us in a stronger position to do exactly that, while continuing to serve the needs of new and existing members.

Developing our new strategy

As the first in the UK to offer disability insurance, the Society is no stranger to innovation. Our challenge now is to maintain this spirit of innovation by re-energising and refocussing the Society on growth opportunities.

We began this process by conducting a comprehensive review of all aspects of the Society's operations to set the right path going forward. To expedite this, we engaged a number of professional, specialist external consultants to help us develop the new strategy and to ensure that we were able to do so at considerable pace. This proved to be highly effective and we completed seven of the work streams by the end of 2016, with the remaining four due to be completed by mid-2017.

“This has been an important year for the Society, in which we have laid the foundations for a successful and sustainable future.”

Part of this process was to re-examine the Society's mission to ensure that our future direction is firmly rooted in our core purpose. Supporting our members remains the bedrock of the Society and we have therefore agreed an updated articulation of our mission statement:

“We exist to provide real value for money support to our members and their families at their time of need.”

Our new vision is *“To be the most recommended provider of innovative, specialist protection products for individuals and businesses, that are ideally matched to the needs of our customers, provide real value for money, are easy to arrange and are backed by great service.”*

...in short *“To be the most recommended specialist protection provider.”*

Targeting and achieving growth

The Society's ability to generate profit and maintain a strong capital position in challenging markets is testament to our prudent cost management and the value we offer customers. This provides a solid platform for our growth strategy as we make our 'real value for money support' available to a much larger membership. We are targeting a significant growth in our membership numbers over the next five years. This growth will also increase total financial value for our members, with our overall governing KPI measure of Embedded Value expected to increase significantly over the same period.

We intend to achieve this valuable growth through the delivery of a number of fresh propositions over the next three to four years by rationalising and updating our core range of propositions so the products better meet the demands of the markets that we serve. In addition we will use our expertise to bring new products to the market that meet emerging consumer needs.

Financial strength and existing product profitability are the key existing competitive advantages that we can leverage to drive this growth. Together, they enable us to guarantee premiums (a key preference of intermediaries) and at a price that competes even against reviewable premiums in our existing target market of higher risk occupations.

The right people, processes and systems to deliver

We are building the expertise required to deliver these propositions by recruiting top people from across the industry in the key areas of marketing, sales, financial and risk management and operations. We will also invest in the capability of our people, systems, processes, infrastructure and organisational design so our growth is both efficient and effective.

In addition, we have developed a new target operating model (TOM) – a blueprint that defines who does what and when and how all these elements will work together to deliver our strategic objectives. We will combine the existing Holloway and Optimal operations to build a professional and modern Society that's fit to deliver our mission and vision.

Effective distribution, supported by valuable insight

We will develop deep insight across the various types of intermediary, understanding the key drivers that influence them to recommend products to their customers. Our investments will be defined by that knowledge; we recognise that having the best end-customer proposition is fully effective only if we design and deliver on a winning service proposition that persuades intermediaries to choose Holloway and Optimal products. We will also invest in end-customer insight to ensure that our propositions are targeted effectively for specific customer groups. This will help intermediaries better understand how our propositions work for customers and also improve our marketing support for intermediaries. As a result, we will be seen as being 'easy to do business with'.

RIISING TO THE CHALLENGE



At Holloway Friendly, we are committed to improving staff welfare and supporting the local community. Our Wellness Club challenge, held during 2016, combined both these objectives.

The aim was to raise money for local Gloucester charity James Hopkins Trust, which provides care and support for families and their young children who are life limited or life threatened. We did this through a three-month, competitive Fitbit challenge

to walk the equivalent distance from our office in Gloucester to Marlborough in New Zealand.

With Holloway Friendly matching the money raised by staff and supporters, the charity was delighted to receive £3,672. Staff felt the benefit too. One, who has a diabetic condition, found that the increased exercise enabled him to better control his blood sugar levels and reduce medication. Many others are continuing their good habits, helping us to be a healthier organisation while also supporting important work in the community.



“We can create a re-energised business to drive growth, serve members and increase Embedded Value.”

Further advantage in proposition and distribution will be achieved through new senior hires, whose proven track record will further strengthen existing management capabilities.

Measuring our progress and success

As we put in place the building blocks to deliver our strategy it is vital that we have the means to accurately measure progress. Our mission-critical KPIs, outlined below, will enable us to adapt delivery of our strategy, refocussing our activity where required.

The Board will monitor performance regularly against these key performance indicators as the implementation of the new strategy starts to take shape.

Delivering together

We recognise it's not just about what we do but how we do it. We particularly value our existing mutual-based strengths of integrity, teamwork, prudence, fairness and perseverance – and our new capabilities will add vitality and creativity to help us stand out from our competitors.

This combination of our historic strengths and our willingness to embrace the future has been enshrined in a new set of values, which will help us work together to achieve our common aims.

Looking ahead

This has been an important year for the Society, in which we have laid the foundations for a successful and sustainable future. Delivering this will take time and effort but the route ahead is now clear. With the support of the Board, management and our colleagues, we can create a re-energised business to drive growth, serve members and increase Embedded Value.



Stuart Tragheim
Chief Executive
9th May 2017

The key metrics agreed with the Board are:

Board Key Performance Indicators	Rationale
Embedded Value (EV)	The long-term financial value of the Society to members
Free Asset Ratio (FAR)	The financial strength to meet our promises to members
Solvency Ratio	150% of the Solvency Capital Requirements is a prudent benchmark for financial strength and risk
Colleague Engagement	Employees who share a mutual-gains relationship are more likely to increase customer satisfaction levels, productivity and innovation
Annual Premium Income (API)	Indicator of top line growth, supporting our member growth ambitions
Total Membership	Making value for money support available to as many as possible
% Lapses/Ongoing API	Member retention is the dominant determinant of value in our business plan
% Applications/Portal Quotes returned	Indicator of adviser recommendations compared to the market
% of Total Premiums Received Paid as Claims	Responsiveness to members in their time of need
% of Total Premiums Received Paid as Member Benefits	Direct financial value to members from Society income

STRATEGIC REPORT

Business Review

Principal activities

The Society's core business remains the provision of income protection insurance. In addition, the Society sells Group Life insurance through its subsidiary HF Life Limited.

Key performance indicators

Information on developments in the membership, claims and expenses and investments are detailed below. Relevant graphs covering movements in various key performance indicators are also provided on page 11.

Income protection membership

2016 saw another, albeit very small, increase in the number of income protection policies, the fourth year in a row with the total in-force policies increasing from 13,822 to 13,831 at the end of 2016. Although new policies written were less than in recent years due to a reduction in our niche market and increased competition, the number still exceeded those maturing or lapsing.

Group business review and financial results

HF Life Limited trading as Optimal in the group protection market has been writing business since March 2014. Whilst the levels of business written have been lower than anticipated by the Board, we are still confident that this venture has a future within the Group. The investment by the Society in this venture is shown as an investment in subsidiary on the Society Statement of Financial Position on page 34 and includes a write-down to recognise that the full investment may not be recovered in the foreseeable future.

Solvency II

As from 1st January 2016 the Society moved to a Solvency II basis of valuation. This change has resulted in material changes to the Society's technical provisions. Please refer to Note 27 for further detail on these changes.

Society business review and financial results

Earned premiums net of reinsurance increased over the year by £184k with an increase in Net Income Protection premiums of £141k, a fall in premiums from the closed Linked Life Fund of £11k and net increase in premiums from Group Protection business of £54k.

Investment income, excluding gains, increased by £33k to £1,216k.

Realised and unrealised investment gains in 2016 were £2,750k and compares to losses of £1,231k in 2015. The improvement is due to good investment returns during the year from both the fixed interest and equity portfolios.

Note 8 of the financial statements shows that claims incurred rose by £47k compared to 2015 with Sickness benefit payments showing a £126k increase over the previous year. As a percentage of Income Protection premiums, sickness benefits increased from 15.0% to 16.5% before reinsurance. Overall, the percentage of claims paid in 2016 was 96% (using the Friendly Society methodology).

New business levels in 2016 saw another fall compared to the previous year. The Board has agreed to a significant investment in Society capacity and capability to develop the business. Following the recruitment of a new Chief Executive the Society embarked on a project to assess an appropriate direction for the Society. This included significant expenditure during the latter half of 2016 to develop the new strategy.

Acquisition costs have increased by £266k to £1,530k and administration expenses increased by £774k to £1,819k. The 2016 costs include an element of one-off costs in connection with strategy project work however the expense base of the organisation is planned to increase substantially during 2017 to support the revised strategy.

The result of the investment in strategy has seen a fall in the operating surplus to £1,394k. When income and gains on investments are brought into account, the surplus is £5,360k, a £3,089k increase over 2015 due to the investment gains during the year. This was achieved after a £348k write down in the Society's investment in its subsidiary, HF Life Limited and writing off £214k for a specific investment.

The operating surplus together with investment gains resulted in an increase in the Fund for Future Appropriations of £8,948k during 2016.

Allocation and Bonuses of £1,489k have been approved by the Board following advice from the Chief Actuary who also recommended a transfer from technical provisions of £5,790k.

The Ten Year Plan Fund has decreased during the year by £39k due to the net effect of reducing premium receipts, maturity and surrender payments and an increase in the

unit price. The unit price was at £2.3677 at the year-end, an increase of 8.75% over the year.

The Society's total funds have increased by £3,476k during the year to £52,039k. Amounts due to members at 31 December 2016 totalled £19,350k with negative technical provisions of £3,825k and a balance of £54,137k in the Fund for Future Appropriations.

Principal risks and uncertainties

The Board of Management consider the largest risks impacting the Society are as follows:

Insurance risk

The principal activity of the Society is the provision of income protection insurance. This involves assuming the risks of our members by providing replacement income that is lost through accident, injury or sickness. The Society's principal risk therefore is that the level of claims from members is higher than anticipated.

Financial risks

The Society invests members' funds in a mix of cash, Government and corporate bonds, stocks and shares and property. The value of these investments and the income derived from them can increase and decrease depending on asset selection and market conditions.

New business risk

The Society's business plan provides for a substantial increase in the levels of new business and this will be supported by increased management and operational expenses. This is required to develop the business in order to provide improved returns to the membership and to protect the Society from the increasing costs of doing business. Associated risks include those related to product development, marketing strategy and service levels.

Governance and management

The Board needs to ensure that it has the skills to manage the business effectively and the systems, reporting and controls in place to provide the information to ensure that these are maintained. The Board ensures that the Business Plans, budgets and Business Continuity Plan are regularly reviewed and updated.

Regulation

Financial services is a highly regulated environment. The Society needs to maintain its high standards of compliance with current regulation and ensure that it adapts to the constant changes in the regulations. The Board needs to evaluate any proposed changes to ensure that the Society can continue to compete in what is a highly competitive industry.

Strategic and execution risk

Following the Board's decision to invest in an expansion strategy, the Society has become exposed to additional risk from this strategy and its execution. The Board firmly believes that this is a beneficial move by the Society and have recruited a management team to ensure the effective execution of the strategy.

Prospects

The Society prepares its business plan on a five-year horizon. From analysis carried out during the year the Board are satisfied that the business plan can be achieved. The business plan has been agreed following a significant amount of consultancy and analysis to establish the Society's capacity and capability to achieve the improvements in levels of business that the Board is looking for.

Management and colleagues

As at 31st December 2016 the Society had 29 Executives, management and colleagues. This was made up of 19 women and 10 men. The leadership team consists of five men and three women and includes the two Executive Directors.

On behalf of the Board of Management,

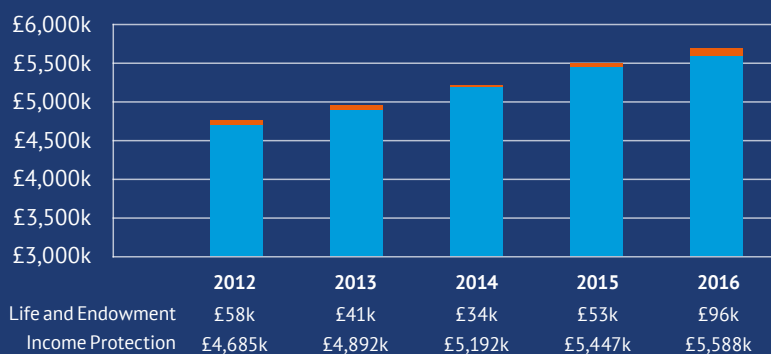


Stuart Tragheim
Chief Executive
9th May 2017

Key Performance Indicators

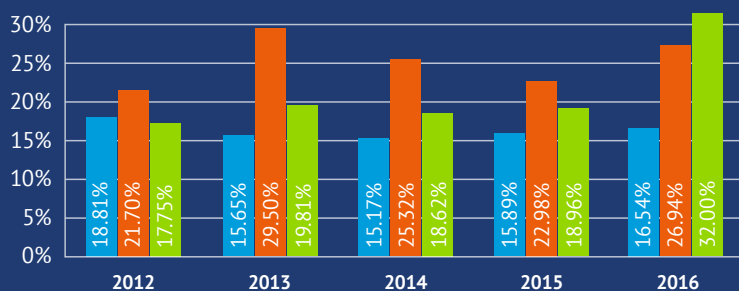
Analysis of net premium income

Life and Endowment Income Protection



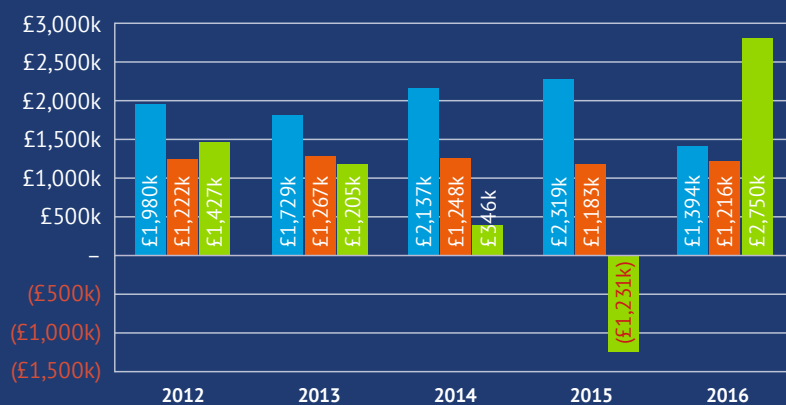
Expense percentages of premium income

Claims Acquisition Costs Administrative Expenses



Society Results

Operating Surplus Investment Income Investment Gains and Losses



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 2016.

Principal activities

The principal activity of the Society continues to be the provision of Income Protection Insurance based on Holloway principles. The Society's subsidiary, HF Life Limited trades under the name Optimal providing Group Protection products. No activities have been carried on which are outside the Society's powers.

Statement of solvency

The Society has maintained levels of solvency well above the required margin of solvency as prescribed by the Regulations.

Dividend

As a friendly society there is no share capital and therefore no dividend is payable.

Bonuses to members

The bonuses payable to Holloway plan policyholders are set out in the Bonus Report on page 27.

Members of the Board of Management

Names of the members of the Board of Management who served during the year are set out on page 16 under Directors' attendance. Biographical details are provided on pages 16-17.

Indemnity insurance

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

Political donations

The Society made no political donations during the financial year.

Board of Management

The Board currently meets every second 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 2016 together with details of meetings attended have been incorporated into the Corporate Governance Report on pages 14-23. The Corporate Governance Report also provides information on the responsibilities and activities of the Board and the operation of its Committees.

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 31-50.

Appointment of independent auditors

A resolution to reappoint Moore Stephens as the Society's Independent Auditors will be proposed at the forthcoming Annual General Meeting.

Gender diversity

The Board of Holloway Friendly has followed the important debate around the recommendations of Lord Davies' review on Women on Boards and the question of boardroom diversity.

The Board of Holloway Friendly is committed to maintaining the highest standards of corporate governance. We regard the composition and the effectiveness of our board as a crucial element of our corporate governance. We do not think quotas, for the proportion of women on the board or otherwise, are appropriate for a number of reasons. We believe all appointments should be made on merit rather than through positive discrimination.

When we next make an appointment to the Board, our brief in the selection process as regards external candidates will be to review candidates from a variety of backgrounds and perspectives. We will work to a specification which will include the strong desirability of producing a long list of possible candidates which fully reflects the benefits of diversity, including gender diversity. Any appointment of an internal candidate, while similarly based on merit, will also take into account the benefits of diversity, including gender diversity. We believe that diversity amongst board members is of great value but that diversity is a far wider subject than just gender. We will give careful consideration to issues of overall board balance and diversity in making new appointments to the Board.

Statement of disclosure of information to the auditor

As at the date of this report each director confirms that:

- ▶ so far as (s)he is aware, there is no information relevant to the audit of the Society's financial statements for the year ending 31 December 2016 of which the auditor is unaware;
- ▶ (s)he has taken all steps that (s)he ought to have taken in his/her duty as a director to make him/ herself aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

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.

We consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Society's performance, business model and strategy.

Service to our customers

Our colleagues continue to make every effort to provide a first class service and both members and advisers regularly comment on this when contacting the Society. The surveys that are issued to sections of the membership confirm that this is the case. If we are informed of any areas that require improvement, this is actioned by the Colleague TCF group without delay.

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.

Thanks and appreciation

The Board of Management would once again like to record their thanks and appreciation to our colleagues who continue to demonstrate the dedication and hard work on behalf of the members and advisers.

On behalf of the Board of Management,



Stuart Tragheim
Chief Executive
9th May 2017

Governance Report

The Annotated Corporate Governance Code

The Board is committed to a high standard of corporate governance. The Board considers that, throughout the period under review, it has applied the relevant principles and complied with the relevant provisions of The Annotated Corporate Governance Code for Mutual Insurers ('the Code').

The following are exceptions to our compliance with the Code for the stated reasons:

CP-B.4.1

Has the chairman ensured that all new directors meet with members, either via member forums or panels or individually, as part of their induction?

Reason The Society does not currently operate member forums or panels.

CP-B.6.2.B

Has any external facilitator of the Board evaluation been identified in the annual report?

Reason No external evaluation took place. It has however been agreed that there will be an external evaluation of the Board during 2017. The external facilitators have yet to be determined.

CP-B.6.2.C

Has a statement been made available as to whether the external facilitator of the Board evaluation has any other connection with the company?

Reason No external evaluation took place.

CP-B.7.1.A

Are all directors subject to annual election by members?

Reason Election is based on rotation and time served. Non-Executive Directors who have served over six years are now subject to annual re-election. The Board plans to change the Society's rules in 2017 (subject to AGM approval) so that the initial term of appointment is for three years, then two then one followed by annual re-election subsequently. The Board has agreed to this change and it will be sent to FCA for approval shortly.

CP-C.3.1

Has the Board satisfied itself that at least one member of the audit committee has recent and relevant financial experience.

Reason The Board has identified that currently, the Audit and Risk Committee does not meet this requirement. The Nomination Committee recently recruited an NED to join the Board and assume chair of the Audit and Risk Committee. This appointment is still subject to regulatory approval.

SP-D.2

Does the chairman maintain contact, in relation to remuneration, with any forums (such as member forums or panels and/or delegate systems) and/or members with significant membership rights that may be in place for facilitating member dialogue?

Reason There are no forums in relation to remuneration.

CP-E.1.1

Can the Board confirm that where a senior independent director has been appointed this director attended sufficient meetings with a range of members in order to help develop a balanced understanding of the issues and concerns of members, or where no senior independent director has been appointed another independent director(s) has fulfilled the same role?

Reason No such meetings have been called but the senior independent director is available should they be.

The Board does not regard the exceptions as a material departure.

The Board of Management

The Board is collectively responsible for the long-term success of the Society. Its role is to provide entrepreneurial leadership of the Society within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Society's strategic aims, ensures that the necessary financial and human resources are in place for the Society to meet its objectives, and reviews management performance. It also sets the Society's values and standards and ensures that its obligations to its members (including reporting to members on the Board's stewardship) and others are understood and met.

The Chairman and Chief Executive

Role profiles are in place for the Chairman, Martin Day and the Chief Executive, Stuart Tragheim, which clearly set out the duties of each role. The Chairman's priority is leadership of the Board and ensuring its effectiveness;

the Chief Executive's priority is the management of the Society. The Board has also delegated authority for the operational management of the businesses to the Chief Executive for execution or further delegation by him in respect of matters which are necessary for the effective day-to-day running and management of the business, within certain limits, above which, matters must be escalated to the Board for consideration and approval.

During the year, the Non-Executive Directors, led by John Holland (Senior Independent Director) have met without the Chairman present and John Holland led the review of the Chairman's performance during the year. The Chairman has commitments outside of the Society as detailed in his profile on page 16.

Senior Independent Director

John Holland was appointed Senior Independent Director on 3rd December 2015. The role of a Senior Independent Director is to provide a sounding Board for the Chairman, to serve as an intermediary for the other directors where necessary and to be available to members should they have concerns that they have been unable to resolve through normal channels, or when such channels would be inappropriate.

Non-Executive Directors

The Non-Executive Directors are independent of management, bringing effective and constructive challenge to the deliberations of the Board and help develop proposals on strategy.

Independence – The UK Corporate Governance Code 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.

- ▶ **The Non-Executive Director should not have been an employee within the last five years.** No Non-Executive Director has been an employee of the Society during the past five years.
- ▶ **The Non-Executive Director should not have had any direct or indirect business relationship with the Society within the last three years.** There have been no material transactions with Non-Executive Directors during the last three years. Details of transactions with Board Members are set out in Note 29 to the Financial Statements.

- ▶ **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.
- ▶ **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.
- ▶ **The Non-Executive Director should not have served on the Board for more than nine years.** Mr R J W Perks and Mr K C W Wiltshire have both served as a Director for more than nine years. Mr R J W Perks will not be standing for re-election at the 2017 AGM. Mr K C W Wiltshire, subject to his re-election at the AGM, will remain as a Non-Executive Director due to his 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.

Directors' attendance

The Board comprises two Executive Directors and six Non-Executive Directors. The Company Secretary acts as the secretary to the Board. The table on page 16 shows the members during the year and their attendance at meetings.

Directors' profile



Martin Day Chairman

Martin joined the Board in January 2010 and was elected as Chairman in 2013. He was a Senior Relationship Manager and Assistant Area Director for Lloyds TSB Corporate until taking early retirement in 2006. He worked for Lloyds TSB for 37 years. He now runs his own banking consultancy practice.



Kevin Wiltshire Vice Chairman

Kevin has been a non-executive Director since 2007 and is Chairman of the Audit and Risk Committee. He is currently a senior partner with a financial planning practice based in the South West. Kevin has over 30 years' experience in insurance, financial services, asset management and tax planning and previously served on the Board of another friendly society for 18 years.



Stuart Tragheim Chief Executive

Stuart joined the Society in June 2016 as CEO Designate and became CEO in October 2016. Stuart has worked in the financial services market for over 30 years in a range of strategy, leadership and business development roles including with various market leading firms such as Equiniti and LV= and has run his own consultancy business providing strategic and business development advice and support to financial

services businesses (insurers, reinsurers, banks, building societies, distributors, charities and retailers) focused mainly on strategy development and implementation.

Stuart has considerable Board, Executive and Management Committee experience and contributes regularly to industry wide developments, having previously chaired ILAG and been a member of the ABI's Distribution and Regulation Committee.



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 and became Chief Executive in April 2010. He relinquished the post of Chief Executive in 2016 and has resumed the role of Finance Director.



Anna East

Anna joined the Board in November 2015. Anna East is a solicitor having practised at Eversheds and a financial services plc. Anna is currently Chairman of Dudley Building Society, Vice Chair and Chair of Audit Committee at Midland Heart Housing Association and a non-executive director at Entrust which is a national regulator. Anna has also held a number of NHS Board roles and is a governor of King Edwards School in Edgbaston, Birmingham.

Board of Directors meeting attendance

Board of Directors	Applicable Meetings	Attended Meetings
Martin Day (Chairman)	8	8
Kevin Wiltshire (Vice Chairman)	8	8
Stuart Tragheim (Chief Executive from 17/10/16)	3	3
Martin Collins (Finance Director; CEO until 17/10/16)	8	8
Mathew Crompton-Manser (Resigned 06/06/16)	4	3
Anna East	8	8
Kieron Griffin (Retired 21/06/16)	4	4
John Holland (Senior Independent Director)	8	8
Adrian Humphreys	8	7
Colin Organ (Retired 21/06/16)	4	4
Bob Perks	8	7



John Holland Senior Independent Director

John joined the Board in 2012 and was appointed Senior Independent Director in 2015. He is a senior Programme Director with 35 years' experience in

insurance and banking industries. John has spent much of his career working in IT and leading transformational change programmes internationally. During his time with Zurich Financial Services, John was previously the IT Director for Zurich's UK Banking Division. He has also recently served as the Interim Director of IT for The Pensions Regulator.



Adrian Humphreys

Adrian joined the Board in September 2015. He spent the last 15 years of his career working for Western Provident Association, a not-for-profit health insurer, of which for 10 years he was the

Managing Director of WPA's Corporate Division. Prior to this he worked for the management consultant Arthur D. Little Inc. He currently runs the Group Risk and Health Team at JLT. He holds an MBA from Cranfield and a PhD in the field of Physics and Mathematics.



Bob Perks

Bob has been a non-executive Director since 2005 and is Chairman of the Strategic Development and 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 holds the position of Chief Executive of the Wessex Chambers of Commerce who work with Government to support and advise the Business community across the South West. Bob has previous experience of friendly societies boards of management, serving some eight years prior to joining Holloway Friendly.

Conflicts of interest

The Board maintains a register of potential conflicts of interest with its Directors and confirms that no such conflicts exist. The register is reviewed and updated as necessary throughout the financial year.

Balance of the Board

The Board contains an appropriate balance of expertise in management, investment, administrative and financial services, including general insurance and life insurance, to meet the requirements of our members and customers.

Board oversight

The Audit and Risk Committee assists the Board in its oversight of risk and risk management and makes recommendations on risk appetite to the Board. The Audit and Risk Committee is also responsible for assisting the Board in discharging its responsibilities for the integrity of the Society's financial statements, the effectiveness of the system of internal financial controls and for monitoring the effectiveness, performance and objectivity of the internal and external auditors. The responsibilities and activities of the Audit and Risk Committee are set out in the Audit and Risk Committee Report.

Board committees

The Board has established Audit and Risk, Nomination, Investment and Strategic Development and Marketing Committees as principal standing committees of the Board. These committees form a key element of the society's corporate governance framework.

Each Board committee has written terms of reference which were reviewed during the course of the year to ensure that these remained in line with best practice and that each committee continued to have suitable delegated authority to fulfil their responsibilities without creating duplication of activities. The committee chairmen report to the Board on matters of significance after each meeting.

Copies of the updated terms of reference can be found on the Society's website. The committees have access to the services of the Company Secretary and may seek external professional advice at the Society's expense. The effectiveness of the committees is considered annually as part of the overall performance review of the Board.

Financial and business reporting

The Board believe that the Report and Financial Statements provide for this requirement. A statement of the Board of Management Responsibilities is set out in the Report of the Board of Management on page 13.

Views of the membership

The Board is fully committed to all Members who are both owners and customers of the Society. We encourage communication with our members via letters, our website, telephone contact, survey responses and an invitation to the Annual General Meeting.

Members are encouraged to use their vote and we continue to offer different ways of casting votes to make it easier including allowing members to cast their vote electronically or complete and return the Proxy voting form.

For those personally able to attend the AGM the Chairman of the Board and the Chief Executive, make presentations on the previous year's performance and on the future plans for the Society. All Board members attend the AGM (unless they are unavailable) and make themselves available to answer questions from members.

Nomination Committee

Committee role and responsibilities

The Nomination 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 and considering the continuing suitability of Directors for re-election.

- ▶ To keep under review the leadership needs of the organisation, both executive and non-executive and the time required from non-executive directors.

The Nomination Committee will take on responsibility for overseeing the Society's remuneration policy from 2017 and will be renamed Nomination and Remuneration Committee with the terms of reference being updated accordingly.

Committee membership and attendance

The Committee comprises independent non-executive Directors only. The Company Secretary acts as the secretary to the Committee. The table below shows the Committee members during the year and their attendance at Committee meetings.

Committee performance and effectiveness

The Board undertook an annual review of the Committee's performance and effectiveness as part of the Board effectiveness review and the results of the review will be incorporated into the Committee's processes and activities for 2017.

Diversity

The Committee strongly believes that diversity throughout the Society and at Board and senior management level is a driver of business success. Diversity brings a broader, more rounded perspective to decision-making and risk management, making the Board and senior management more effective. The Committee and the Board believe that diversity also includes criteria such as nationality, race, age and experience of different businesses.

Nomination Committee meeting attendance

Nomination Committee	Applicable Meetings	Attended Meetings
Anna East (Chairman from 21/06/16)	1	1
Martin Day	1	1
Kieron Griffin (As Chairman until 21/06/16)	0	0
Bob Perks	1	1

The Board's policy is always to take gender diversity into account in making Board appointments, however the over-riding consideration is that appointments must be made on merit. Therefore the Board currently has no specific objectives as regards Board diversity but will keep the matter under review.

Development

There is formal induction for Non-Executive Directors following appointment on the nature of friendly societies and the history and culture of Holloway Friendly. The Society maintains an extensive library of information that is regularly updated and available to Board and Management at all times. The appraisal process aims to identify training and development needs and seeks to provide these where appropriate. 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.

Board performance evaluation

The performance of the non-executive directors was assessed by the use of self-assessment and peer-review questionnaire. The interview process was led by the Senior Independent Director together with the Chairman of the Nomination Committee. The Senior Independent Director led the non-executive directors in a performance evaluation of the Chairman. It has been agreed by the Nomination Committee that there will be an external evaluation of Board performance in 2017. Executive directors are subject to regular review and the Chief Executive individually appraises the performance of the Finance Director as part of the annual performance evaluation of all colleagues and the Chief Executive is evaluated by the Chairman in individual meetings.

The requirement for an independent Chair of the Audit and Risk Committee has been identified together with the desire for additional relevant skills for this committee. The Board will look to recruit to this position during 2017.

Succession planning

The Board is actively engaged in succession planning for both executive and non-executive roles to ensure that Board composition is regularly refreshed and that

the Board retains its effectiveness at all times. This is delivered through an established review process which covers both executive director and senior management succession and development.

The Board considers annually the outcome of the review and any actions arising from the review are implemented as part of the management development agenda.

The Society's rules provide for the re-election of Directors every three years. There are a number of current non-executive Directors who have served for more than nine years. Whilst the Nomination Committee considers that these Directors remain independent, the Committee has implemented plans for the refreshing of the Board whilst ensuring that appropriate knowledge and experience remains to support Executives and management.

Process for Board appointments

The Board recruited Stuart Tragheim as the new Chief Executive during 2016. The process followed for this recruitment was as follows:

- ▶ A revised job specification and person specification was written for the role of the new Chief Executive.
- ▶ The Board discussed the options for identifying candidates and agreed to use a recruitment consultant. RSE Group was appointed.
- ▶ The Board determined an indicative salary package.
- ▶ A Recruitment Group, consisting of Non-Executive directors, was formed to manage the recruitment process.
- ▶ The use of emotional intelligence testing was agreed.
- ▶ RSE Group produced a short list of candidates from which the Recruitment Group selected candidates for interview.
- ▶ The Recruitment Group carried out the interviews and assessed the results from the emotional intelligence testing. A preferred candidate was agreed to be put forward to the Board.
- ▶ The preferred candidate gave a presentation to the Non-Executive directors of the Board and a question and answer session held.
- ▶ The Board accepted the Recruitment Group's preferred candidate.

There were no new Non-Executive Director appointments to the Board in 2016 however recruitment is currently underway with a view to an appointment early in 2017. The following summarises the current process:

► **Documenting Society needs**

The Nomination Committee prepares a description of the roles and capabilities required of any identified Non-Executive Director requirements.

► **Non-Executive Director Information Pack**

The Company Secretary prepares an information pack for prospective candidates. This included access to selected sections of the extranet to review documents.

► **Identification of Candidates**

- Recommendations from members, current members of the Board and from respected third parties
- National advertising and CVs posted on the AFM website
- External Consultants

► **Current Recruitment**

The Society is currently using an external consultant, Ezek Talent Management, to assist in the identification of suitable candidates. Ezek Talent Management has no other connections with the company other than for recruitment.

► **Selection of Candidates and interview**

The Nomination Committee will meet to select candidates for interview with reference to CVs together with any relevant testimonials and references. Interviews will be held with members of the committee and Chief Executive.

► **Board Introduction and co-option to the board**

The favoured candidates will be invited to meet with the Board prior to a Board Meeting. The Board then consider the candidate(s) and, if appropriate, co-opt the candidate onto the Board.

Audit and Risk Committee

Committee role and responsibilities

The Audit and Risk Committee 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 Society's risk appetite, risk management policy and procedures, risk register and internal audit annual plan and make recommendations to the Board.
- Annually review the performance and cost effectiveness of the head of actuarial function, the internal and external auditors and investment managers.

During 2016 the Audit and Risk Committee also had responsibility to consider and recommend to the Board, Executive, Non-Executive and Management remuneration. This responsibility will pass to the Nomination and Remuneration Committee for 2017. The terms of reference will be updated accordingly.

The Audit and Risk Committee reports regularly to the Board on their activities and makes recommendations and escalate significant risk exposures to the Board as appropriate. They ensure that mitigating actions are taken when risks are, or are expected to move, out of appetite.

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

Committee membership and attendance

The committee comprises independent Non-Executive Directors only. The Society's Financial Controller acts as the secretary to the committee. The table on page 21 shows the committee members during the year and their attendance at committee meetings.

Committee performance and effectiveness

The Board undertook an annual review of the committee's performance and effectiveness as part of the Board effectiveness review and the results of the review will be incorporated into the committee's processes and activities for 2017.

Audit and Risk Committee meeting attendance

Audit and Risk Committee	Applicable Meetings	Attended Meetings
Kevin Wiltshire (Chairman)	7	7
Martin Day	7	7
John Holland	7	7
Anna East (From 19/01/16)	7	7

Executive directors' disclosure

The Finance Director is a Non-Executive Director of HF Life Limited, the Society's subsidiary and no remuneration is made for this.

External audit

The Committee is responsible for overseeing the relationship with the external auditor, Moore Stephens LLP, monitoring its performance, objectivity and independence, to ensure that its coverage is focused and that suitable overlap with the work of internal audit is achieved.

Auditor performance and independence

The Committee assessed the performance, as well as the independence and objectivity, of the external auditor and the effectiveness of the audit process. A key component of this assessment is the consideration that the auditor is sufficiently robust in its challenge. The Committee also reviewed the external audit strategy and received reports from the auditor on its own policies and procedures regarding independence and quality control, including an annual confirmation of its independence in line with industry standards.

Re-appointment of the Independent Auditor

The external audit has not been put out to competitive tender in recent years and Moore Stephens LLP have acted as Independent Auditor for many years. The Committee annually considers the need to re-tender the external audit service and it again considered this in 2016, concluding that there was nothing in the performance of the auditor which required a change. The Committee are however aware of recent regulatory changes that will require a change of external auditor by 2020.

Fees payable to the Independent Auditor

The fees payable to the Independent Auditor for the year ended 31 December 2016 amounted to £32,200, of which £1,200 was payable in respect of non-audit services. Non-audit services accounted for 3.7% of total fees payable.

Strategic Development and Marketing Committee

Committee role and responsibilities

The Strategic Development and Marketing Committee normally meets at least three times each year and as and when required to perform its responsibilities. These are:

- ▶ The Committee is responsible for developing strategy, taking its lead from the Board strategy sessions.
- ▶ It is primarily a strategic marketing group researching and recommending to the Board a strategic marketing plan to deliver the Society's goals over the short, medium and longer term.
- ▶ It will cover research and make recommendations on strategic alliances, joint ventures, subsidiary opportunities, as well as new markets, new products, new distribution opportunities and any other developments which are in the interests of securing the Society's long-term goals.

Committee membership and attendance

The Committee comprises independent NEDs and Executive Directors. The Company Secretary acts as the secretary to the Committee. The table on page 22 shows the Committee members during the year and their attendance at Committee meetings.

Committee performance and effectiveness

The Board undertook an annual review of the Committee's performance and effectiveness as part of the Board effectiveness review.

Future of the committee

Following a review of Society governance during the year, the agreement to the new strategic plan and the creation of an Executive Committee, the Board agreed to disband this committee at the end of 2016.

Investment Committee

Committee role and responsibilities

The Investment Committee normally meets at least three times each year and as and when required to perform its responsibilities. These are:

- ▶ To make appropriate arrangements for Investment Management
- ▶ The appointment, reappointment and removal of Investment Managers.
- ▶ To arrange and review contract terms with Investment Managers.

- ▶ To advise the Board of any planned changes in Investment Management.
- ▶ To monitor:
 - The performance of financial investments
 - The performance of investment management
- ▶ To provide a direct means of communication between the Board and:
 - Investment Manager(s)
- ▶ To maintain effective communication on investment matters between the Actuary and:
 - Investment Committee
 - Investment Manager(s)

Committee membership and attendance

The committee comprises independent NEDs only. The Financial Controller acts as the secretary to the committee. The table below shows the committee members during the year and their attendance at committee meeting.

Strategic Development and Marketing Committee meeting attendance

Strategic Development and Marketing Committee	Applicable Meetings	Attended Meetings
Bob Perks (Chairman)	1	1
Martin Collins	1	1
Mathew Crompton-Manser (Until 06/06/16)	1	0
John Holland	1	1
Colin Organ (Until 21/06/16)	1	1
Adrian Humphreys (From 19/01/16)	1	0

Investment Committee meeting attendance

Investment Committee	Applicable Meetings	Attended Meetings
Kevin Wiltshire (Chairman)	3	3
Martin Day	3	3
Bob Perks	3	3

Committee performance and effectiveness

The Board undertook an annual review of the committee's performance and effectiveness as part of the Board effectiveness review and the results of the review will be incorporated into the committee's processes and activities for 2017.

Executive Committee

The Board have agreed to the formation of an Executive Committee from 2017. This committee will consist the executive board members plus selected members of the senior leadership team.

Committee role and responsibilities

The Executive Committee will normally meet at least twelve times each year and as and when required to perform its responsibilities. These are:

- ▶ To discuss and implement the agreed business strategy
- ▶ To operate the business prudently within the limits set by the Board
- ▶ To review, monitor and challenge the performance specifically in the following key areas: culture, financial, risk, strategy, product, customer outcomes, internal controls and governance (including the Product Development process).

Matters Reserved for the Board and Committee Terms of Reference

Copies of each of these can be found on the Society's website at: www.holloway.co.uk/about-us/governance

On behalf of the Board of Management,



Martin Collins

Company Secretary

9th May 2017

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. During 2016 the Audit and Risk Committee was responsible for considering and recommending to the Board, Executive, Non-Executive and Senior Management remuneration. This responsibility will pass to the Nomination and Remuneration Committee for 2017.

Executive Directors

The remuneration package comprises a basic salary, an annual bonus scheme and a medium-term bonus scheme. Executive Directors participate in annual and three-year bonus schemes.

The Board of Management has agreed to make various changes to Executive remuneration as outlined in the Remuneration Policy section below.

Pension Executive Directors are entitled to membership of the Society's defined contribution pension scheme. The Society contributes 15% of salary for the Finance Director. The Society provides a salary enhancement equal to 10% of salary in lieu of the Chief Executive's membership of the scheme.

Benefits Executive Directors are entitled to family private health and dental cover and a car allowance.

Service Contracts The Executive Directors do not have service contracts 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 in 2016 comprised a basic fee plus meeting attendance and other fees. Additional payments are made to the Chairman, Vice Chairman and Committee Chairmen to reflect additional responsibilities. Non-Executive Directors are entitled to personal private health cover. Non-Executive Directors do not have service contracts. The Board have agreed to move to a fixed fee remuneration structure from 2017.

Remuneration Policy

There is formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. Basic salaries and the level of benefits together with performance related bonus schemes are reviewed annually with reference to comparable positions in similar organisations and to reflect the Director's role, experience and performance. Responsibility for the policy and oversight of its implementation has been delegated by the Board of Management to the reconstituted Nominations and Remuneration Committee.

Following the Board of Management's strategic review in 2016, it was agreed that:

- ▶ the Remuneration Policy should be re-aligned to support and incentivise the Society's management and employees to successfully deliver the new strategy, as further outlined below; and
- ▶ the existing executive bonus scheme should terminate with effect from 31/12/16, with a full pay out of accrued benefits.

Board Member Emoluments

	Basic Salary and Fees	Meeting and Other Fees	Bonuses	Benefits	Pension Contribution	Total 2016	Total 2015
Martin Collins	£60,677		£31,455	£6,419	£72,384	£170,935	£143,205
Mathew Crompton-Manser ¹	£29,886		(£8,222)	£3,080	£10,531	£35,275	£96,005
Martin Day	£14,266	£11,045		£1,422		£26,733	£23,895
Anna East	£7,968	£7,035				£15,003	£3,158
Kieron Griffin ²	£4,234	£1,675		£330		£6,239	£13,545
John Holland	£8,468	£8,040				£16,508	£13,425
Adrian Humphreys	£7,468	£4,690				£12,158	£5,342
Mike Matthews							£7,287
Colin Organ	£3,734	£2,010				£5,744	£12,450
Bob Perks	£8,468	£6,365				£14,833	£14,875
Stuart Tragheim ³	£94,800		£9,761	£3,241		£107,802	
Kevin Wiltshire	£10,468	£8,375				£18,843	£20,002
	£250,437	£49,235	£32,994	£14,492	£82,915	£430,073	£353,189

During 2016 Martin Collins and Mathew Crompton-Manser exchanged part of their basic salaries and bonuses for additional employer pension contributions whilst Stuart Tragheim received a salary supplement in lieu of pension contributions.

¹ To 6 June 2016 – The provision for bonuses has been adjusted following Mathew Crompton-Manser's resignation and his leaving the Society.

² To 21 June 2016

³ From 17 October 2016

Principles for Remuneration

The principles of the new remuneration policy are:

- ▶ Incentives should strike a balance between rewarding delivery of results and managing the Society's risks, including demonstrating adherence to regulatory requirements and the Society's values and standards set by the Board;
- ▶ All incentive schemes are fully discretionary, non-contractual and overseen by a Board Committee that is independent of executive management; and
- ▶ All employees should be able to participate in an incentive scheme based on objectives that are aligned to the their role and the Board's key strategic objectives.

Summary of Remuneration

The following table summarises the main part of our Executive Directors reward package

Base Salary To attract, retain and motivate the best people	Salaries are usually reviewed annually and fixed for 12 months. This decision includes the following factors: <ul style="list-style-type: none"> ▶ Level of experience, skill and responsibilities ▶ Society performance, economic and market conditions ▶ Availability of talent and comparable positions in similar organisations
Pension To remain competitive	Executive directors may choose to sacrifice salary for additional employer contributions.
Benefits To aid retention and remain competitive	Car allowance Private Dental and Medical Other benefits in line with all employees i.e. death insurance, sick pay, paid holiday etc.
Annual Bonus (Short-term Incentive Plan) To motivate achievement of key annual targets and individual objectives, including adherence to risk, regulatory requirements and the Society's values and standards	Performance is measured against stretching financial and non-financial targets. No bonuses will be paid unless minimum financial targets are achieved. The scheme rules enable the Society to reduce and/or clawback bonus payments under certain defined circumstances, including where there has been a failure to observe regulatory requirements or the Society's policies. The scheme is open to: <ul style="list-style-type: none"> ▶ The Chief Executive and other Executive Committee members, who can earn up to 35% of basic salary for achieving targets (45% for stretch targets); ▶ Members of the Senior Leadership team, who can earn up to 30% of basic salary for achieving targets (40% for stretch targets); ▶ Managers, who can earn up to 20% of basic pay; ▶ all other employees (save for those who participate in a sales incentive scheme) can earn up to 12.5% of basic salary.
Long-term Incentive Plan To motivate and drive sustained performance over the long-term thereby discouraging short-term risk taking	Base awards are granted each year. The key target is to achieve growth in the Embedded Value of the Society. The targets are determined by the Board. In order for any bonus to be paid for achieving the Embedded Value targets, the Society's solvency ratio must be maintained in excess of 150%. The scheme is open to: <ul style="list-style-type: none"> ▶ the Chief Executive who can earn up to 50% of basic salary (60% for achieving stretch target); ▶ other Executive Committee members, who can earn up to 40% of basic salary (50% for achieving stretch target). A key feature of the scheme is that only 50% of any bonus earned is paid at the end of year three. Payment of the remaining bonus is deferred: 25% paid at the end of year four and the remaining 25% paid at the end of year five. The scheme rules enable the Society to reduce and/or clawback bonus payments under certain defined circumstances, including where there has been a failure to observe regulatory requirements or the Society's policies.

On behalf of the Board of Management,



Martin Collins
Company Secretary
9th May 2017

Bonus Report

Apportionment of surplus, compound bonus and reversionary bonus

The traditional Holloway plans issued by the Society were designed to build up a capital sum to be provided at the maturity of the policy.

The capital sum grows by the application of a number of factors:

Apportionment of surplus

This is effectively a return to members of surplus premiums. The amount of the surplus will be dependent on the amount of claims made by all members as a group and is calculated as an annual amount per unit held which is added to the capital account of the member.

Compound bonus

This Bonus is a distribution to the member based on an agreed percentage of the members opening capital balance after adjustment for any movements during the year.

Final bonus

Where appropriate, an additional bonus is added to the capital sum immediately prior to the maturity of the plan. The amount paid will be based on the accrued capital value and the term that the policy has been in force.

Bonus Rates

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

Apportionment of Surplus	2016	2015
Holloway Old Tables	£1.30	£1.30
Holloway New Tables and Classic	£1.50	£1.50
Holloway New Classic Plan	£1.25	£1.25
Holloway Premier Plan	£0.20	£0.20
Holloway Classic Plus	£0.90	£0.90
Holloway Classic Plus – Guaranteed	£0.75	£0.75
Holloway Classic Plus – New Table	£0.30	£0.30
Provident Standard	£1.30	£1.30
Provident D13	£1.30	£1.30
Provident D26	£1.30	£1.30
Provident S26	–	–
Provident Commuted	£2.40	£2.40
Holloway Commuted	£1.86	£1.86

	2016	2015
Compound Bonus	2.00%	2.00%

Final bonus

For the coming year the final bonus rates to be applied to maturing policies will be as follows:

Policy Term	Bonus %	
	2017-2018	2016-2017
0 to 4 years	Nil	Nil
5 to 9 years	5.0%	2.5%
10 to 14 years	7.5%	5.0%
15 to 19 years	10.0%	10.0%
20 to 24 years	15.0%	15.0%
Over 25 years	20.0%	20.0%

Independent Auditor's Report to the Members of The Original Holloway Friendly Society Limited

We have audited the consolidated financial statements of The Original Holloway Friendly Society Limited for the year ended 31 December 2016 which comprise the Group and Society Statements of Comprehensive Income, the Group and Society Statement of Financial Position and the related Notes 1-29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standards 102 and 103 'The Financial Reporting Standards applicable in the UK and the Republic of Ireland'.

This report is made solely for the Society's members, as a body, in accordance with the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state, to the Society's members, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or resume responsibility to anyone other than the Society's members as a body, for our audit work, for this report or other opinions we have formed.

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Board of Management's Responsibilities Statement set out on page 13, the Board of Management is responsible for preparing consolidated financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Our assessment of risks of material misstatement

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

- ▶ the operation and effectiveness of the Society's Member's system during the year and specifically the operation of the system over premium income and claims paid to members;
- ▶ the valuation and ownership of the Society's investments at the year end and the recording of transactions throughout the year;
- ▶ the Society's compliance with applicable regulations including adoption of Solvency II regulations and valuation;
- ▶ the application of revenue recognition accounting; and
- ▶ the risk of fraud arising from management override of internal controls.

Our application of materiality

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

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the consolidated financial statements. We determined materiality for the Society to be £100,000 for items impacting the Statement of Comprehensive Income, which is approximately 1.5% of income. We determined materiality of £700,000 for items which require reclassification on the Statement of Financial Position, which is approximately 1.5% of gross assets. We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £5,000, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

- ▶ In order to address risk around the operation of the Society's Member's system during the year we have tested the operation of the controls over membership records, premium income and claims paid to members.
- ▶ In order to address risk around ownership of the Society's investments held at the period end, we confirmed the holdings to independent third party confirmations provided by the Society's Custodian.
- ▶ In order to address the risk around the valuation of the Society's investment we obtained from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2016 and vouched these on a sample basis.
- ▶ In order to address the risk of associated with the recording of investment transactions through the year ended 31 December 2016 we have tested a sample of transactions to independent documentation.
- ▶ In order to address the risk over the Society's compliance with its regulatory environment we updated our

understanding of the regulatory requirements and reviewed the Society's correspondence with its regulators and statutory filings.

- ▶ In order to address the risk around the valuation of the technical provisions under Solvency II we have engaged an independent Actuarial firm as our expert to assess the work of the Society's Actuarial function and the reasonableness of estimation techniques applied.
- ▶ In order to address the risk of revenue recognition we have considered the accounting policies applied by the Society and have performed cut off testing to ensure that income has been recognised in the correct period.
- ▶ We have performed analytical procedures and carried out journal entry testing in order to identify and test the risk of fraud arising from management override of controls. We have also reviewed key estimates and judgements for bias.

Opinion on financial statements

In our opinion the consolidated financial statements:

- ▶ give a true and fair view, in accordance with UK Generally Accepted Accounting Practice of the state of the Group's and the Society's affairs as at 31 December 2016 and of the income and expenditure of the Group and Society for the year then ended; and
- ▶ have been properly prepared in accordance with the Friendly Societies Act 1992.

Opinion on other matters prescribed by the Friendly Societies Act 1992

In our opinion the Report of the Committee 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 consolidated financial statements for the financial year.

Opinion on corporate governance statement

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- ▶ materially inconsistent with the information in the audited financial statements; or
- ▶ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- ▶ otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Board of Management's statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

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

D T Slocombe

Senior Statutory Auditor

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

9th May 2017

Group Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 £	2015 £ Restated
TECHNICAL ACCOUNT – LONG-TERM BUSINESS			
Net Earned Premium Income	5	5,773,622	5,509,078
Investment Income	6	2,358,611	1,743,674
Unrealised gains on investments	7	2,116,924	837,047
Other income		128,671	147,841
Total technical income		10,377,828	8,237,640
Claims incurred, net of reinsurance	8	1,092,760	1,045,802
Change in long-term business provision	21	(5,790,121)	2,960,785
Bonuses and rebates	9	1,653,198	1,757,407
Net operating expenses	10	3,906,379	2,792,667
Investment expenses and charges	11	682,489	2,775,017
Tax attributable to long-term business	13	–	–
Allocated investment return transferred to the non-technical account		3,371	3,374
Exceptional Item	15	–	–
Transfer to/(from) the fund for future appropriations	20	8,829,752	(3,097,412)
		10,377,828	8,237,640
Balance on technical account – long-term business		–	–
NON TECHNICAL ACCOUNT			
Balance on the long-term business technical account		–	–
Allocated investment return transferred from the long-term business technical account		3,371	3,374
Other charges, including value adjustments		(3,371)	(3,374)
Excess of income over expenditure for the financial year		–	–

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

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

Society Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 £	2015 £ Restated
TECHNICAL ACCOUNT – LONG-TERM BUSINESS			
Net Earned Premium Income	5	5,683,877	5,499,367
Investment Income	6	2,358,611	1,743,674
Unrealised gains on investments	7	2,116,924	837,047
Other income		128,671	147,841
Total technical income		10,288,083	8,227,929
Claims incurred, net of reinsurance	8	1,092,760	1,045,802
Change in long-term business provision	21	(5,790,121)	2,960,785
Bonuses and rebates	9	1,653,198	1,757,407
Net operating expenses	10	3,349,360	2,308,511
Investment expenses and charges	11	682,489	2,775,017
Tax attributable to long-term business	13	–	–
Allocated investment return transferred to the non-technical account		3,371	3,374
Exceptional Item	15	348,776	1,169,875
Transfer to/(from) the fund for future appropriations	20	8,948,250	(3,792,842)
		10,288,083	8,227,929
Balance on technical account – long-term business		–	–
NON TECHNICAL ACCOUNT			
Balance on the long-term business technical account		–	–
Allocated investment return transferred from the long-term business technical account		3,371	3,374
Other charges, including value adjustments		(3,371)	(3,374)
Excess of income over expenditure for the financial year		–	–

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

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

Group Statement of Financial Position

as at 31 December 2016

	Notes	2016 £	2015 £ Restated
ASSETS			
Investments			
Land and buildings	14	750,000	875,000
Investment in subsidiary undertakings	15	–	–
Other financial investments	16	48,982,980	45,644,425
		49,732,980	46,519,425
Assets held to cover linked liabilities	17	1,157,534	1,196,446
Debtors			
Arising out of direct insurance operations	18	–	90,000
Other debtors	18	179,776	133,435
Other assets			
Tangible assets	19	73,605	70,696
Stocks		7,499	9,432
Cash at bank and in hand		681,997	339,018
Product development costs		79,438	100,131
Prepayments and accrued income			
Accrued interest and rent		339,732	311,180
Other prepayments and accrued income		79,290	78,877
		419,022	390,057
Technical provisions	21	3,825,322	–
		56,157,173	48,848,640
LIABILITIES			
Fund for future appropriations	20	54,186,397	45,356,645
Technical provisions	21	–	1,964,799
Creditors			
Arising out of direct insurance operations		68,537	129,484
Claims outstanding		118,011	135,670
Amount owed to credit institutions		–	2,074
Other creditors including tax and social security	22	1,784,228	1,259,968
		1,970,776	1,527,196
		56,157,173	48,848,640

The financial statements on pages 31-50 were approved by the Board of Management and were signed on its behalf by,



M J Day
Chairman
9th May 2017



S J Tragheim
Chief Executive
9th May 2017

Society Statement of Financial Position

as at 31 December 2016

	Notes	2016 £	2015 £ Restated
ASSETS			
Investments			
Land and buildings	14	750,000	875,000
Investment in subsidiary undertakings	15	–	–
Other financial investments	16	48,982,980	45,644,425
		49,732,980	46,519,425
Assets held to cover linked liabilities	17	1,157,534	1,196,446
Debtors			
Arising out of direct insurance operations	18	–	90,000
Other debtors	18	17,732	31,655
Other assets			
Tangible assets	19	50,020	36,596
Stocks		7,499	9,432
Cash at bank and in hand		523,485	219,117
Product development costs		60,271	70,131
Prepayments and accrued income			
Accrued interest and rent		410,290	311,180
Other prepayments and accrued income		79,290	78,877
Technical provisions	21	3,825,322	–
		55,864,423	48,562,859
LIABILITIES			
Fund for future appropriations	20	54,136,928	45,188,678
Technical provisions	21	–	1,964,799
Creditors			
Arising out of direct insurance operations		68,537	129,484
Claims outstanding		118,010	135,670
Amount owed to credit institutions		–	2,074
Other creditors including tax and social security	22	1,540,948	1,142,154
		55,864,423	48,562,859

The financial statements on pages 31-50 were approved by the Board of Management and were signed on its behalf by,



MJ Day
Chairman
9th May 2017



SJ Tragheim
Chief Executive
9th May 2017

Notes to the Financial Statements

1. 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.

Basis of preparation

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

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

As from 1st January 2016 the Society moved to a Solvency II basis of valuation. This change has resulted in material changes to the Society's technical provisions, which now incorporate the liabilities for the Members Funds and Linked Life Fund as well as sickness and life reserves. Note 27 provides further detail.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. [The principal accounting policies that have been applied consistently by all Society companies to all periods presented in these consolidated financial statements are set out below.]

Certain comparative amounts have been reclassified to conform with the current year presentation (see Note 27).

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 2. 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.

Basis of consolidation

The Group accounts consolidate the accounts of the Society and its subsidiary, both of which have accounting periods ending 31st December 2016.

Accounting for net earned 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 premiums payable are accounted for when due for payment.

Accounting for investment income

Investment income includes dividends, interest from investments at fair value and rents. Account is taken of dividend income when received and other investment income is included on an accruals basis.

Accounting for net gains/(losses) on 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.

Accounting for other income

Other income primarily relates to the value of forfeitures and lapses on policies.

Accounting for deferred acquisition costs

The Society no longer accounts for deferred acquisition costs as this is now incorporated into the calculation of the technical provisions. This is a change in policy over previous years.

Accounting for 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.

Accounting for the 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.

Accounting for 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. 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
Computer Equipment	25% on a straight line basis
Software Development	25% on a straight line basis

Accounting for 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.

Accounting for claims and benefits

Maturity claims are accounted for when due for payment. Surrenders are accounted for on the earlier of the date

when paid or when the policy ceases to be included within the long-term insurance contract liability.

Death claims and claims for sickness are accounted for when the Society is notified. The value of claims on participating contracts includes bonuses paid or payable. Claims values include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of recoveries. However, it is likely that the final outcome will prove to be different from the original liability established.

Provisions are adjusted at the Statement of Financial Position date to represent an estimate of the expected outcome.

Accounting for the 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.

Accounting for policy Allocations and Bonuses

The Technical Account Long-Term Business assumes all bonuses to policyholders are maintained at current rates.

Accounting for the technical provisions

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 Solvency II rules as specified by the European Insurance and Occupational Pensions Authority (EIOPA).

Valuation statement

An Actuarial Valuation of the Society's long-term business was made as at 31 December 2016 in accordance with the Solvency II rules. A copy of the report may be inspected at the Registered Office of the Society.

2. Critical Accounting Judgements and Estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past

experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Fair value of financial assets

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

Long-term business provision

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

The assumptions used for mortality, morbidity and longevity are based on standard industry or reinsurers' tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for investment returns, expenses, lapse and surrender rates are based on current market yields, product characteristics, and relevant claims experience.

The assumptions used for discount rates are based on risk free rates, specified by 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.

3. Capital Management

This section details the capital and risk management approach of the Society. The Society seeks to create value for its members by investing in the development of the business while maintaining an appropriate level of capital available.

The risk appetite for each type of principal risk is set based on the amount necessary to meet the PRA's capital requirements.

Capital Management

Policies and objectives

The Society's key capital management objectives are:

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

Details of the Society's objectives and its strategy to achieve them are provided in the Strategic Report – Chief Executive's report on page 6.

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 solvency capital requirement is calculated in accordance with EIOPA's standard formula. The statutory minimum capital requirement is based on EU directives.

Management intends to maintain surplus capital in excess of its solvency capital requirement 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

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	2016 £000s	2015 £000s
Total capital resources before deductions	54,137	45,189
Adjustments to assets	12	0
Total available capital resources	54,125	45,189

Risk 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, the Society is able to amend the level of profit allocation and bonuses payable to its members should there be any large changes in its available capital.

Long-term insurance liability valuation assumptions

The following sets out the assumptions underlying the valuation of the Society's long-term insurance liabilities. The section also details the analysis of change in the Society's capital resources over the year.

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

Discount rate of interest: Discount rates are set having regard to risk free rates of return (without volatility adjustment) as specified by EIOPA as at 31 December 2016.

Expenses: Maintenance expenses have been allowed for in the valuation of the Society's liabilities allowing for new business in accordance with the Society's business plans for the period 2017-2021. Thereafter expenses are assumed to increase in line with an expense inflation assumption of 3.80%pa.

Morbidity: For sickness products, an inception and recovery approach is used based on CMIR12 rates – broadly 30% of inceptions and 60% recovery rate for weeks 0-4 of sickness, 125% recovery rate for weeks 4-13 of sickness and 200% thereafter. The rates are reviewed annually to allow for emerging experience. The assumption arguably gives a small margin for prudence within the valuation but represents a reasonable central basis.

Persistency: Lapses are assumed at 7.5% per annum for the Society's income protection business and 2.5% per annum for the Society's commuted Holloway members. No lapses or surrenders are assumed to apply to the valuation of both unit linked business and the Society's Group life business.

Mortality: Mortality rates are set by reference to standard actuarial tables. At the end of 2016 mortality in line with 50% of AMC00 Ultimate was assumed for healthy lives (2015 – 100% of AMC00 Ultimate) and 100% CMIR12 mortality rates for sick lives.

Options and guarantees: None of the Society's contracts had any options or any guaranteed surrender values in place during the year up to the valuation date.

Analysis of change: There has been an increase in the available capital resources from 31 December 2015 to 31 December 2016. This is predominantly because of higher investment returns than allowed for within the valuation assumptions, favourable new business volumes written over the year and lower projected per policy expenses. An analysis of change is set out in the table on page 39.

Analysis of Change

	Change in Available Capital £000s	Available Capital £000s
2015 available capital resources		45,189
Investment gains	4,005	
New business	3,988	
Trading surplus	(2,570)	
Change in risk free rates	1,251	
Change in benefit inflation	1,302	
Final bonuses	(46)	
Model changes	(1,530)	
Change in mortality	382	
Change in expense inflation	(484)	
Change in expense	5,625	
Change in current liabilities	(318)	
Change in risk margin	(2,657)	
Other	(12)	
Total free assets at end of year		54,125

4. Risk Management and Control

This note provides information on the main risks to which the Society is exposed and how the Society manages these risks.

Underlying approach to risk management

The following key principles outline the Society's approach to risk management and internal control:

- ▶ The Board has responsibility for overseeing risk management.
- ▶ The Audit and Risk Committee handle a number of delegated functions on behalf of the Board.
- ▶ An open and receptive approach to solving risk problems is adopted by the Board.
- ▶ The Management Team supports, advises and implements policies approved by the Board.
- ▶ The Society makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.

- ▶ Managers are responsible for encouraging good risk management practice.
- ▶ Identified key risk indicators are regularly reviewed and are closely monitored.

Overview of risk identification, assessment, management and mitigation process

The Society has a Risk Register which is reviewed at least annually through the Head of Risk and Risk Management Group. The risk scores are re-assessed annually also. Risk is an agenda item on the agendas for meetings of management, the Board and its Committees.

Insurance Risk (Health Risk)

Morbidity Risk is the risk that sickness claims are significantly more than expected in terms of numbers and value.

Lapse Risk is the risk the policies cease and therefore contributions from future premiums are not as high as anticipated.

Expense Risk is the risk that the future costs of administering claims are higher than anticipated.

Providing insurance policies is the business of the Society and we must accept these risks to remain in business. Some of the risk can be mitigated by reinsurance. The major risks are in poor underwriting and claims assessment and management. This would increase the level of claims. There are also risks associated with medical advancements which improve longevity.

The current product range is currently profitable and therefore the levels of persistency would also impact on the business. This is because the technical provisions recognise the expected future profits generated by these policies which would not be achieved if policy lapses were higher than anticipated.

Most of the Society's current book is self-insured however for new products there is a significant amount of reinsurance. Reinsurance is used to mitigate the potential cost of the claims risk where these could have a significant impact on the Society's reserves.

The Society also mitigates risk through internal claims and underwriting audits together with making use of external reviews on a regular basis.

Note 21 sets out the technical provisions and the changes over the year.

New Business Risks

Accepting these risks is a result of being open to new business. Higher new business volumes have in the past exposed the Society to potential free asset issues whilst low new business levels may result in an inability to recover the costs of writing that new business.

The Society has continued to monitor new business levels although the implications of new business strain have reduced in recent years. The Society does continue to have a risk in falling customer service levels should business levels outpace the Society's ability to deliver a high standard of service.

The stagnation in demand and increasing competition increases the risk of writing too little business. The

Society's strategy is to diversify into new product areas to mitigate this risk.

Financial Risks (Market Risk, Credit Risk, Liquidity Risk)

Market Risk is the risk of losses due to changes in the value of investment assets or the income from those assets.

Credit Risk is the risk of loss due to default by debtors, reinsurers and counterparties of the Society in meeting their financial obligations.

Liquidity Risk is the risk that the Society is unable to meet its own commitments to pay its liabilities when they become due.

The Society operates an Investment Committee which oversees investment activity, monitors investment managers and ensures that the investment policy and asset allocations are adhered to.

The Society manages its assets for the benefit of its members. The asset allocation policy, counterparty limits and other controls provided in the Investment Policy balance the risks against the rewards.

Investment managers are used to manage much of the Society's investment portfolio with the Actuarial Function Holder being asked to review the Investment Policy. Investor Policy statements are used to assist in the portfolio management with investment managers.

Group Risk

The Society's has written down its investment in HF Life Limited at the end of 2016. The Society continues to provide financial support to HF Life Limited which is currently trading at a loss. The Board are aware of this ongoing risk to the Society and are closely monitoring the performance of its subsidiary. In addition, management plan to integrate HF Life Limited operations into the overall Society organisation during 2017.

Sensitivity of the Society's results to changes in key assumptions

The table opposite sets out the sensitivity of the Society's results to changes in key assumptions.

Variable	Change in Variable	Change in Available Capital £000s
Change in morbidity inceptions (%CMIR12)	+10%	(650)
Change in morbidity inceptions (%CMIR12)	-10%	650
Change in morbidity recoveries (%CMIR12)	+10%	2,040
Change in morbidity recoveries (%CMIR12)	-10%	(3,050)
Expense allowances	+10%	(680)
Expense allowances	-10%	680
Change in rate of mortality (%AMC00)	+10%	130
Change in rate of mortality (%AMC00)	-10%	(130)
Change in risk free yields	EIOPA shock up	(3,370)
Change in risk free yields	EIOPA shock down	1,300
Fall in fixed interest asset value	-10%	(2,210)
Fall in equity values	-10%	(1,900)
Fall in property values	-10%	(80)

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

5. Earned Premium Income

Sensitivity of the Society's results to changes in key assumptions

	2016		2015	
	Group	Society	Group	Society
Gross premium written	£6,675,548	£6,372,899	£5,945,115	£5,827,981
Outward reinsurance premiums	(£901,926)	(£689,022)	(£436,037)	(£328,614)
Net Earned Premium Income	£5,773,622	£5,683,877	£5,509,078	£5,499,367
Gross premium written				
Income protection business – regular premiums	£5,671,471	£5,671,471	£5,532,431	£5,532,430
Life cover business – regular premiums	£1,004,077	£701,428	£412,684	£295,551
	£6,675,548	£6,372,899	£5,945,115	£5,827,981

All contracts are written in the UK

6. Investment Income

	2016	2015
Rental income from investment properties	£28,249	(£9,978)
Income from investments		
Interest income (Cash deposits)	£89,742	£106,467
Interest income (British Government securities)	£128,626	£141,056
Interest income (Other fixed interest securities)	£435,340	£462,025
Dividend income	£533,543	£483,094
	£1,215,500	£1,182,664
Gains on realisation of investments	£1,143,111	£561,010
Net Investment Return	£2,358,611	£1,743,674

7. Net Unrealised Gain on Investments

	2016	2015
Investments at fair value through income		
Equity securities	£2,116,924	£837,047
Net gain on investments	£2,116,924	£837,047

8. Claims Incurred

	2016	2015
Death claims paid	£5,850	£850,000
Reinsurers' share	–	(£790,000)
	£5,850	£60,000
Sickness benefit	£953,756	£834,182
Reinsurers' share	(£13,422)	(£19,706)
	£940,334	£814,476
Maturity	£146,576	£171,326
Surrender	–	–
	£1,092,760	£1,045,802

9. Bonuses and Rebates

The Board declared the following allocations and bonuses in respect of the year ended 31st December

	2016	2015
Member's apportionment of surplus	£1,124,372	£1,206,004
Member's compound bonus	£365,168	£362,612
Final Bonus and other interest paid	£163,658	£188,791
	£1,653,198	£1,757,407

10. Net Operating Expenses

	2016		2015 Restated	
	Group	Society	Group	Society
Long-term insurance				
Acquisition costs	£1,887,562	£1,530,647	£1,595,028	£1,264,155
Administrative expenses	£2,018,817	£1,818,713	£1,197,639	£1,044,356
Net operating expenses	£3,906,379	£3,349,360	£2,792,667	£2,308,511
Net operating expenses include the following:				
Fees payable to the Society's auditor for the audit of the annual accounts				
Audit	£32,400	£28,800	£28,600	£25,000
In respect of the reviewing actuary	£8,700	£8,700	£6,000	£6,000
Other services	£6,000	£6,000	£1,200	£1,200
Actuarial fees for valuation and consultancy	£224,893	£224,893	£158,661	£158,661
Depreciation on tangible fixed assets	£36,384	£25,869	£46,892	£36,387
Operating lease rental charges	£3,218	£2,077	£3,439	£2,298

11. Investment Expenses and Charges

	2016		2015	
	Group	Society	Group	Society
Investment management expenses	£172,580	£172,580	£145,711	£145,711
Impairment of investment	£213,507	£213,507	£298,982	£298,982
Loss on the realisation of investment assets	£296,402	£296,402	£2,330,324	£2,330,324
Investment expenses and charges	£682,489	£682,489	£2,775,017	£2,775,017

12. Employee Benefits Expense

	2016		2015	
	Group	Society	Group	Society
Staff costs				
Salaries and wages	£1,271,806	£913,986	£1,018,293	£701,420
Social security costs	£117,632	£80,849	£91,116	£56,024
Pension costs	£90,153	£61,834	£86,827	£61,922
	£1,479,591	£1,056,669	£1,196,236	£819,366

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

Board and senior management	11	10	12	11
Acquisition and member contact	14	9	14	8
Administration	13	11	13	11
	38	30	39	30

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

	2016	2015
Salaries and wages	£208,424	£145,612
Social security costs	£26,430	£16,591
Pension costs	£82,916	£93,308
	£317,770	£255,511

Full details of directors' emoluments are contained in the Directors Remuneration report on pages 24-26.

13. Taxation

	2016		2015	
	Group	Society	Group	Society
Current taxation	–	–	–	–

14. Land and Buildings

	Freehold Property	Occupied by Society	Total
Cost/valuation			
As at 1 January 2016	£125,000	£750,000	£875,000
Disposals	(£125,000)	–	(£125,000)
As at 31 December 2016	–	£750,000	£750,000

Land and buildings are freehold and are included at valuations at 31 December 2014. The valuations were carried out by Alder King, Property Consultants. The investment properties were valued at market value and the office property, partially occupied by the Society, was valued on an existing use basis. The Board of Management are satisfied that the current valuation of land and buildings has not materially changed since the last valuation.

15. Investment in Society Undertakings

	2016	2015
Cost less provisions as at 1 January 2016	–	£602,601
Additions	£348,776	£567,274
Reduction in carrying value including write-offs	(£348,776)	(£1,169,875)
	–	–

During 2013 the Society set up a subsidiary, HF Life Limited and, having registered the subsidiary as an Appointed Representative and having negotiated a reinsurance treaty, the subsidiary commenced trading under the name Optimal in March 2014. The investment in subsidiary shown in these accounts represents the expenditure to date on behalf of the subsidiary in the preparations for the launch of the business and its subsequent development and support. The development of the business has been slower than originally anticipated. As a result of this the Board has reviewed its investment in the subsidiary and decided at 31st December 2015 to write down this investment to nil. A further loss was made by the subsidiary in 2016 and this has again been written down to nil as at 31st December 2016.

Exceptional Item The value of the write down has been treated as an Exceptional Item in the Statement of Comprehensive Income.

16. Other Financial Investments

	2016		2015	
	Market Value	Cost	Market Value	Cost
Financial assets – fair value through income				
Shares, other variable yield securities and unit trusts				
UK Listed	£12,921,884	£9,995,689	£11,719,598	£12,673,174
UK Unlisted	£1,134,117	£1,000,000	£1,097,409	£1,000,000
Overseas Listed	£4,991,857	£3,904,498	£4,346,571	£3,936,229
Overseas Unlisted	–	–	£213,536	£250,000
Debt securities and other fixed income securities	£13,366,234	£12,322,182	£12,289,628	£11,402,512
	£32,414,092	£27,222,369	£29,666,742	£29,261,915
Financial assets – at amortised cost				
Deposits with credit institutions	£16,568,888	£16,568,888	£15,977,683	£15,977,683
	£48,982,980	£43,791,257	£45,644,425	£45,239,598

17. Assets Held to Cover Linked Liabilities

	2016		2015	
	Market Value	Cost	Market Value	Cost
Financial assets – fair value through income				
Shares, other variable yield securities and unit trusts				
UK Listed	£653,217	£611,244	£661,882	£647,023
Debt securities and other fixed income securities	£444,747	£386,095	£481,106	£453,974
	£1,097,964	£997,339	£1,142,988	£1,100,997
Financial assets – at amortised cost				
Deposits with credit institutions	£59,570	£59,570	£53,458	£53,458
	£1,157,534	£1,056,909	£1,196,446	£1,154,455

18. Debtors

	2016		2015	
	Group	Society	Group	Society
Arising out of direct insurance operations				
Due from reinsurers	–	–	£90,000	£90,000
	–	–	£90,000	£90,000
Other Debtors				
Accounts receivable	£175,556	£13,512	£127,235	£25,455
Loans	£4,220	£4,220	£6,200	£6,200
	£179,776	£17,732	£133,435	£31,655

19. Tangible Assets

		Office Equipment	Software Development	Computer Equipment	Total
Group Tangible Assets					
Cost	As at 1 January 2016	£90,361	£100,409	£152,360	£343,130
	Additions	£34,353	£1,457	£3,506	£39,316
	Disposals	(£7,876)	–	(£39,387)	(£47,263)
	As at 31 December 2016	£116,838	£101,866	£116,479	£335,183
Depreciation	As at 1 January 2016	£89,903	£76,417	£106,114	£272,434
	Charge for year	£750	£18,796	£16,838	£36,384
	Eliminated on disposals	(£7,867)	–	(£39,373)	(£47,240)
	As at 31 December 2016	£82,786	£95,213	£83,579	£261,578
Net Assets Value as at 31 December 2016		£34,052	£6,653	£32,900	£73,605
Net Assets Value as at 31 December 2015		£458	£23,992	£46,246	£70,696
Society Tangible Assets					
Cost	As at 1 January 2016	£90,361	£100,409	£99,087	£289,857
	Additions	£34,353	£1,457	£3,506	£39,316
	Disposals	(£7,876)	–	(£39,387)	(£47,263)
	As at 31 December 2016	£116,838	£101,866	£63,206	£281,910
Depreciation	As at 1 January 2016	£89,903	£76,417	£86,941	£253,261
	Charge for year	£750	£18,796	£6,323	£25,869
	Eliminated on disposals	(£7,867)	–	(£39,373)	(£47,240)
	As at 31 December 2016	£82,786	£95,213	£53,891	£231,890
Net Assets Value as at 31 December 2016		£34,052	£6,653	£9,315	£50,020
Net Assets Value as at 31 December 2015		£458	£23,992	£12,146	£36,596

20. Fund for Future Appropriations	General Reserve	Life and Endowment	Total 2016	Total 2015 Restated
Group Fund for Future Appropriations				
Balance at 1 January	£20,642,576	£285,612	£20,928,188	£21,350,104
Solvency II restatement adjustment	£24,428,457	–	£24,428,457	£27,103,953
Balance at 1 January	£45,071,033	£285,612	£45,356,645	£48,454,057
Transfers to/(from) fund for future appropriations	£8,829,176	£576	£8,829,752	(£3,097,412)
Balance at 31 December	£53,900,209	£286,188	£54,186,397	£45,356,645
Society Fund for Future Appropriations				
Balance at 1 January	£20,474,609	£285,612	£20,760,221	£21,934,698
Solvency II restatement adjustment	£24,428,457	–	£24,428,457	£27,046,822
	£44,903,066	£285,612	£45,188,678	£48,981,520
Transfers to/(from) fund for future appropriations	£8,947,674	£576	£8,948,250	(£3,792,842)
Balance at 31 December	£53,850,740	£286,188	£54,136,928	£45,188,678

21. Technical Provisions	Group Life	PRFS Death Benefit/ Breast Cancer	TYP Reserve Linked Liabilities	Sickness Benefit and other Provisions	Total 2016	Total 2015 Restated
Balance at 1 January	£11,662	£232	£1,196,446	£6,677,183	£7,885,523	£7,646,687
Solvency II restatement adjustment	£70,524	(£232)	(£83,386)	(£5,907,630)	(£5,920,724)	(£8,642,673)
Balance at 1 January	£82,186	–	£1,113,060	£769,553	£1,964,799	(£995,986)
Premiums	£696,354	£1,321	£3,753	£5,671,471	£6,372,899	£5,827,661
Investment Income	–	–	£110,012	£435,924	£545,936	£447,589
Forfeitures and lapses	–	–	–	£128,671	£128,671	£147,840
	£778,540	£1,321	£1,226,825	£7,005,619	£9,012,305	£5,427,104
Benefit	–	–	–	£940,334	£940,334	£874,476
Cost of reinsurance	£604,608	£745	£82	£83,587	£689,022	£328,612
Contributions to management	£8,211	–	£169	£1,810,665	£1,819,045	£1,903,088
Deaths, maturities and surrenders	–	–	£152,426	–	£152,426	£171,326
Apportionment to members	–	–	–	£1,124,372	£1,124,372	£1,206,004
Transfer to fund for future appropriations	£40,761	£576	£9,198	£8,061,893	£8,112,428	(£1,021,201)
	£653,580	£1,321	£161,875	£12,020,851	£12,837,627	£3,462,305
Balance at 31 December	£124,960	–	£1,064,950	(£5,015,232)	(£3,825,322)	£1,964,799
Change in technical provisions	£42,774	–	(£48,110)	(£5,784,785)	(£5,790,121)	£2,960,785

Note 3 – Capital Management and Note 4 – Risk Management and Control provide supporting information regarding the valuation assumptions and approach to risk associated with the technical provisions.

Note 21 (continued)

Sickness Benefit and Other Provisions

These provisions include the actuarial value of members Funds. The financial value and movement in Members Funds is provided to the right.

Members Funds	2016	2015
Balance at 1 January	£19,367,709	£19,374,020
Apportionment of surplus	£1,124,372	£1,206,004
Compound bonus	£365,168	£362,612
Terminal bonus	£162,745	£187,167
	£21,019,994	£21,129,803
Withdrawals	£1,540,945	£1,614,254
Forfeitures and lapses	£129,188	£147,840
	£1,670,133	£1,762,094
Balance at 31 December	£19,349,861	£19,367,709

22. Other Creditors Including Taxation and Social Security

	2016		2015	
	Group	Society	Group	Society
Taxation and social security	£89,617	£89,617	£74,561	£74,561
Amounts due to retired members	£592,354	£592,354	£568,922	£568,922
Amounts due to current members – extra contributions	£98,857	£98,857	£96,540	£96,540
Other creditors	£1,003,400	£760,120	£519,945	£402,131
	£1,784,228	£1,540,948	£1,259,968	£1,142,154

23. Capital Commitments

	2016		2015	
	Group	Society	Group	Society
Capital expenditure contracted for but not provided	–	–	–	–
Capital expenditure authorised but not contracted for	–	–	–	–
	–	–	–	–

24. Financial Commitments

Non-cancellable Operating Lease commitments

	2016			2015		
	< 1 year	2-5 years	> 5 years	< 1 year	2-5 years	> 5 years
Group	£38,862	–	–	£6,927	–	–
Society	£2,998	–	–	£3,503	–	–

25. Particulars of Business

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

26. Board of Management Remuneration and Transactions

Details of the remuneration paid to Directors is provided in the Directors Remuneration Report on pages 24-26.

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 £960 were invoiced during 2016 (2015 £1,920). At the year end a balance of £Nil (2015 £Nil) was due to Dee & Griffin.

Some board members and senior management have policies with the Society and pay premiums on an arms length basis.

All transactions were undertaken at arm's length under commercial terms of business.

27. Transition to Solvency II

As from 1st January 2016 the Society moved to a Solvency II basis of valuation. This change has resulted in material changes to the Society's technical provisions, which now incorporates the liabilities for the Members Funds and Linked Life Fund as well as sickness and life reserves. The Society has also changed its policy on deferred acquisition costs as a consequence of these changes. The comparative figures have been updated for these changes in policy and the impact of these changes can be seen in Notes 20 and 21 through the Solvency II restatement adjustment.

28. Actuary

The Chief Actuary is Mr Christopher Critchlow of OAC Actuaries and Consultants ("OAC"). The Society has requested him to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. 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 Actuaries and Consultants ("OAC") for professional services, which amounted to £224,893 in 2016 (£158,661 in 2015).

29. Actuarial Valuation

In accordance with the Prudential Regulation Authority Handbook (Supervision 4.3.13 R) the Society is obliged to have an actuarial valuation of its long-term business. The valuation report has been prepared by the Chief Actuary, Mr Christopher Critchlow, in accordance with the relevant Technical Actuarial Standards ("TAS") published by the Financial Reporting Council, in particular, TAS D: Data, TAS M: Modelling, TAS R: Reporting and the Insurance TAS. A copy of the report can be seen at the registered office of the Society.



From the horse's mouth

A farrier describes how a back injury from an accident nearly put an end to his career.

TONY UNDERWOOD Self-Employed Farrier

Age 50

Status Company Director

Claim type Musculo-skeletal

"Being a farrier is tough, physical work. So a few years back, when a horse suddenly pulled on me and twisted my back, I had a real problem. The next few months I couldn't work at all. Then, when I managed to get myself back into work it was pretty painful to be honest, and I couldn't do anywhere near the same amount of work. I was earning less and less, and every day my business was suffering.

Trouble is, being a farrier is a very specific skill, so I knew I wasn't really trained to switch to another career. And anyway, I love working with horses!"

We supported Tony by paying his monthly benefit while he wasn't working, but we could also see that we needed to help him when he went back to work – because he simply couldn't do it like he did before.

We arranged not only for intensive physiotherapy (which he couldn't get through the NHS) but also for a functional capacity specialist to advise him on how he might change things at work to make life easier. The specialist helped him apply to the Council for a workshop so he could prep horse shoes before going on site, suggested a battery-operated winch to help him lift the anvil on and off the truck, and pointed out how Tony could also benefit from taking on an apprentice. The apprenticeship scheme meant Tony used his skills to teach and, in return, got an extra pair of hands and someone to help with the lifting. Tony is now back working full-time and business is looking up.

We arranged not only for intensive physiotherapy (which he couldn't get through the NHS) but also for a functional capacity specialist to advise him on how he might change things at work to make life easier.



Holloway Friendly is the trading name of The Original Holloway Friendly Society Ltd.
Holloway Friendly is registered and incorporated under the Friendly Societies Act 1992, registered No. 145F.
Registered office: Holloway Friendly, Holloway House, 71 Eastgate Street, Gloucester, GL1 1PW.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.