



Graeme McAusland, Chief Operating Officer, presented a brief summary of the 2009 Report & Accounts in which he covered some background about the Accounts and highlighted key points on sales and expenses. He also commented briefly on the Society's approach to Corporate Governance issues, investment markets and performance and the changes which were being considered in relation to the Boots Life Fund. Mr McAusland pointed out that against the backdrop of the global downturn and the challenges this presented the Report and Accounts showed a positive picture.

Mr McAusland reported that due to a change in the Financial Services Authority's ("FSA") realist reporting regime in 2008 the Society is now able to show a more reasonable value of Tunbridge Wells Equitable Investments Company (affectionately known as "TWEICL") through which Child Trust Fund business is written. He explained that the Society had continued the funding arrangement with Hannover Re which essentially helps TWEICL to fund itself as the loan is repaid from profits that will emerge from the TWEICL business.

Mr McAusland reported that the Society was able to report good compliance with corporate governance as set out in the Annotated Combined Code for Mutuals although, like all mutuals, the Society faced the challenge of generating member engagement. He noted that whilst the numbers present at the AGM were relatively limited, all members have the opportunity to take part in our proxy postal vote, and nearly 500 had done so this year.

Turning to Investments Mr McAusland reported that the economic downturn had been severe and 2009 had seen a number of high profile bankruptcies and rise in unemployment figures whilst UK interest rates and equities were at an historic low.. He reported that during 2008 the Society had adopted a strategy which protected the fund from significant downside falls in equity markets. Although the cost of that equity protection did reduce overall investment returns as equity values rose further in the second half of 2009, the strategy had protected members' funds from significant losses and the equity protection will remain an important part of the Society's overall investment strategy.

Mr McAusland reported that the market falls during 2008 had had an adverse effect on the financial strength of the Society and, although assets values increased during 2009, they had not returned to the level of 2007 although the overall capital position had improved due to positive returns in 2009. He confirmed that the Society continued to assess capital requirements by means of stress and scenario testing.

Mr McAusland reported that the Society was currently in discussions with the FSA about the potential merger of the Boots Life Fund into the Society's Main Fund. He explained that the rationale for this was to ensure the fund did not become too small and suffer disproportionate expenses. Mr McAusland reported that the Society continued to have dialogue with the FSA about capital issues following the developments in the risk and regulatory world during 2009.

In his summing up Mr McAusland concluded that there had been some positive results for 2009 and the Society's financial strength had improved although he believed there would continue to be regulatory, political and economic challenges in the next few years.

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