

# Anglo-Saxons Friendly Society

## Report and Financial Statements For the year ending 31<sup>st</sup> December 2023

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## Society Information

Bankers:	Barclays Bank 76A New Road Gravesend DA11 OAF
Auditors:	Ricky Hutson Berringers LLP Lygon House 50 London Road Bromley Kent BR1 3RA
Actuary:	John Burgum OAC plc 141 – 142 Fenchurch Street London EC3M 6BL
Legal Advisers:	Tees Law Cathedral Place, Brentwood, Essex, CM14 4ES  John Gilbert MMG Advisory Services Limited 3 Northolme Road London, N5 2UZ
Investment Managers:	Legal and General Investment Management 1 Coleman Street London EC2R 5AA
Internal Auditor	HW Controls and Assurance Ltd 30 Camp Road, Farnborough, Hampshire, GU14 6EW
Compliance Manager	Bhavin Vadher

## Chairman's Introduction

2023 in summary, has seen a continuation of the fallout from 2022 with high inflation, high interest rates, high energy prices, and further impacts of both Brexit and the Ukraine war. There have been some positive signs with the reduction in inflation and energy prices, but not to the extent that disposable income of households across the UK has increased significantly.

A mixture of high mortgage rates, cost of living pressures and low market confidence has led to a fall in property prices and impacted the major asset class we invest our members money. The Society's property portfolio, which is concentrated in North Kent, fell by 5% in value in 2023, which equates to an unrealised loss of £1.6m. However, the solvency remains very strong at £17.5m (2022: £19.3m) with a free asset ratio of 56.9% (2022:57.2%), one of the strongest in the mutual sector.

Despite the economic uncertainty, I am pleased to say the Society continued to progress its strategic objectives and meet its regulatory requirements in 2023. The implementation of the new Consumer Duty regulations took up a lot of staff and management time and was implemented to plan on 31<sup>st</sup> July for new and existing products and services that are open for sale or renewal. Consumer Duty introduced a new consumer principle for financial organisations to ensure they act to deliver good outcomes for all members and set higher and clearer standards of consumer protection across the financial services industry. The core of the Society strategy is to communicate with members electronically and almost 95% of members e-mail addresses are held. Using this communication approach, we have introduced feedback across all touchpoints with members to ensure that service and outcomes meet their expectations. The Board has also introduced a standing Board agenda item for Consumer Duty to ensure member outcomes are discussed regularly. Further work continues for closed products or services, which are no longer marketed or distributed, where the deadline for implementation is 31 July 2024.

The Board's sustainable strategy for the Society is built on 4 pillars, or key areas of focus. I have reported on the implementation progress of these four pillars in previous years and have documented the progress in 2023 below.

A reminder of our vision and mission statements.

**Vision** - *"To grow the Society's membership to a sustainable level by providing financial support for health care and hardship, whilst enriching the Gravesham community and the environment."*

**Mission** - *"To support our members in times of hardship and to help them stay healthy, whilst addressing the challenge of climate change."*

The Society's mission statement refers to "addressing the challenge of climate change". A Climate Change Strategy is in place, and I am very pleased to report that the Society became a carbon neutral Society in 2023 by working in partnership with Carbon Neutral and planting a number of trees to offset the carbon the Society uses. Aligned to this carbon offset, the Society has been discussing a programme to support the mature trees programme in the Gravesham community which will be implemented in 2024.

As part of the strategic projects, the Board of Directors previously made the decision to simplify the operations of the Society by paying out the with profit Bonds to members who held this type of policy. After selling a small number of properties in 2022 to raise funds for this payout, I am pleased to say that this project was overseen by the Actuary, John Burgum of OAC and completed in June 2023. The Society now only administers a series of sickness policies.

The Investment Committee over the past couple of years has reviewed the strategic alignment of the financial investments with the investment pillar of the Society strategy, which states that financial investments should reflect our vision and mission and have a proactive approach to ESG. Environmental, Social and Governance (ESG) investing is a set of standards measuring a business's impact and behaviour on society, the environment, and how transparent and accountable it is. Companies that meet these standards align with our values and are the companies we want to invest in. In 2023 our financial investments were moved into two unit trusts managed by Legal and General Investment Managers (LGIM) to meet our ESG values.

Our strategic pillars summarise what we will do in order that the Society has a long-term sustainable future. Progress in 2023 is shown below:

Strategic Pillar	Strategic Objective	Progress in 2023
<b>Products and Benefits</b>	<b>Evolve</b> our <u>products &amp; benefits</u> to deliver against our vision & mission and add value to our members, whilst fairly distributing surplus.	<ul style="list-style-type: none"> <li>• New sickness product launched.</li> <li>• Paid out all with profit bonds to simplify policy administration.</li> <li>• Revision of discretionary benefit limits aligned to financial model and new discretionary benefits launched for education, climate impact and first-time buyers.</li> <li>• Consumer duty implemented and member outcomes at the core of all operational processes.</li> <li>• Commencement of Brand review culminating in a new brand to be launched in 2024.</li> </ul>
<b>Membership</b>	<b>Expand</b> our <u>membership</u> to better reflect the profile of the community we serve.	<ul style="list-style-type: none"> <li>• New Social media sites launched on Facebook, X and Linked In.</li> <li>• Website relaunched and upgraded.</li> <li>• New digital website (linked to a new CRM system) launched that introduced new and simplified paperless claims and new member application process.</li> <li>• Onboarded 30 new members.</li> <li>• New Member Forum Terms of Reference approved by the Board to become operational in early 2024.</li> </ul>
<b>Investments</b>	<b>Ensure</b> our strategic, property portfolio & financial <u>investments</u> reflect our vision & mission & a proactive approach to ESG.	<ul style="list-style-type: none"> <li>• Investment Management of financial investments transferred to a strong ESG fund within LGIM.</li> <li>• Liquidity analysed and calculated with £600k invested in a UK Gilt Fund managed by LGIM to support liquidity.</li> <li>• Development of a medium-term property strategy commenced with a retrofit review of a sample of the property portfolio.</li> <li>• Continuation of project to align tenant's rents with market benchmark which has improved property yields and the return on assets.</li> </ul>
<b>Community</b>	<b>Enrich</b> the local Gravesham <u>community</u> and the environment, making a positive contribution & being a responsible landlord.	<ul style="list-style-type: none"> <li>• Member of the Kent Invicta Chamber of Commerce and accreditations with Good Business Charter Accreditation and National Minimum wage.</li> <li>• Zero Carbon Society.</li> <li>• Progress to a paperless office with large scanning project completed in 2023, aligned to a zero carbon footprint and the climate change strategy.</li> <li>• Discussions held with numerous community business leaders.</li> <li>• Use of local suppliers in the community.</li> </ul>

The Board has seen no changes since 2020 and the Non-Executive Directors and the Chief Executive Officer have driven the Mission, Values and Strategy that are integral to the Society. It was therefore, with regret, that I accepted Paul Wiltshire's resignation in January 2024 for health reasons. The Board and I would like to place on record our thanks to Paul for his tireless work chairing the Investment Committee, his work on the investment and property strategies and for his expertise when changing investment advisors from Quilter to LGIM that allowed focus on ESG investments. Paul has kindly agreed to be retained for one year in order that his expertise can be called on, for which we are grateful. His absence on the Board will be missed. At this point, there are no plans to recruit another Non-Executive Director.

The Society operates with a very small team who work to a high standard, as evidenced by the feedback and positive outcomes from members. As always, they have my sincere thanks for going the extra mile to help our members.

Kim Harris  
Chairman

5 April 2024

## Chief Executive's Operational Report

A small mutual friendly society like ASFS has a number of challenges, due to its size some can be easy to resolve, and others more difficult. Having the right level of skills to meet these challenges and provide compliant implementation of strategic, operational and regulatory projects, has seen the operational side of the Society improve member outcomes and progress the Society towards achieving its strategic and climate change ambitions. I have expanded on these points below.

### Operational improvements that have improved member outcomes

Two years ago, almost all of the Society operations were paper based with vast paper storage of applications, claims, property records and expense invoices. I am pleased to report that in 2023 all of the operational work is now paperless. This has been achieved through:

- ❖ Obtaining members e-mails, where we now hold almost 95% of members e-mail addresses and 100% of bank details. All communication to these members is electronic (e-mail or text).
- ❖ A new Customer Relationship Management (CRM) system, bespoke to the Society, went live in 2023 that stores all member records and transactions. This links electronically to both the payment system and the website enabling direct processing backed up with cloud storage. Members can join, or make a claim, electronically reducing costs and speeding up the processing.
- ❖ A large scanning project was completed in 2023 that scanned all historical paper records that are required to be kept. This has allowed simpler access to information that was difficult to locate in cardboard boxes.

Staff have embraced the operational improvements that have speeded up processing time and improved member outcomes, as evidenced by numerous positive responses to our questionnaires. The foundations are now in place for implementing the next stages of the strategy to ultimately increase the size of the membership, without increasing costs. This process will commence with a new brand in 2024 which will enable the Society to work with, and support, a small number of Gravesham based business to progress the Community pillar of the strategy.

A number of other operational improvements have been made in 2023 to improve member outcomes:

- ❖ An AGM where members attended in person or electronically by Zoom. This included postal proxy voting.
- ❖ Member Forum Terms of Reference approved, the new Forum will be launched in 2024.
- ❖ Memorabilia from the former office relocated to the Foresters Heritage Trust in Stoke-on-Trent or to the current office in Northfleet. The former office was sold in February 2024.
- ❖ Further progress in aligning rent for the Society's properties with market rental values. This is a two-year process that commenced in 2023.
- ❖ Carbon Neutral Business Badge and certificate received, supporting the Zero carbon objective of the Society.
- ❖ New Discretionary Benefits launched, including ASFS Extra with Parliament Hill a free benefit for members, first time buyers grant, education grant and home energy efficiency grant.
- ❖ Online application and claims process instigated followed by automated e-mails and text messages from the new CRM system that links with the website.
- ❖ Social media campaign launched to promote the Society via Facebook, X and Instagram. This will gain traction in 2024 with the launch of a new brand.

# Chief Executive's Operational Report

## Property Investments

The Society invests most of its assets in property, which is in North Kent and close to the Gravesham community it supports. Property is an asset class that provides income to support the business and strategic model and is favoured by the Membership. However, higher interest rates, higher inflation and low market confidence led to a fall in property prices that started at the end of 2022 and continued through 2023. The Chairman explains the impact of this fall in his report and how it has only reversed a small amount of the significant gains of previous years. Despite this fall in property values, the rental market has remained very buoyant with any properties becoming available being occupied as soon as they appear on the market. This has helped the rental review project as rental income has increased by £100k from 2022 to 2023.

The Actuary, in his valuation, provides a stress for a 20% drop in the property market that provides good information to the Board on how this impacts solvency. The Board regard the investment portfolio as a long-term investment, particularly property, which is a fundamental part of the financial model. Subsequently there are no plans to move away from residential property in North Kent in the medium term, even if there is a further fall in property values.

## Operational Results

The key points on the 2023 financial results of the Society, which are explained more fully on pages 30 to 41, are as follows:

- ❖ The Society made a deficit in 2023 of £1.9m (2022: £0.7m surplus). This was very much the result of a fall in property prices (£1.6m) a strengthening of the long-term business provision (£0.1m) and strategic project costs (£0.2m) including the Consumer Duty implementation.
- ❖ The Solvency of the Society after all required margins, explained in more detail in note 19, has fallen by £1.8m and reduced surplus capital resources from £19.3m in 2022 to £17.5m in 2023. This is at the same level as 2021.
- ❖ Investment income, comprising mainly of rental income, has increased by £100k despite having sold five properties in the past 18 months to pay the with profit bonds.
- ❖ The Society paid £0.4m (2022: £0.4m) in discretionary claims in 2023, a similar amount to 2022. This excludes the one-off energy grant paid in 2022.
- ❖ All valid insurance and discretionary benefit claims were paid during the year along with all essential property maintenance.
- ❖ Management expenses, including project costs, show a small reduction in 2023 including implementing the Consumer Duty requirements. This is as a result of most of the paperless infrastructure now being in place and staffing at the level required now that the Society is incorporated and is a large Non-Directive Society.

The Society operates with a very small team who provide a service to a very high standard. They are approachable and friendly and always happy to help. The positive feedback from questionnaires and the lack of complaints received are a testament to their hard work. As always, they have my thanks for going the extra mile to help our members. I would also like to offer my gratitude to my colleagues on the Board for their continued hard work, support and enthusiasm. In particular to Paul Wiltshire for his contribution in getting the Society to where it is now, and I wish him all the best for the future.

Paul Osborn  
Chief Executive Officer  
5 April 2024

# Strategic Report

## Business Purpose, Model and Strategic Pillars

The Society’s business purposes, model and strategic pillars are represented in its Vision and Mission Statements and the Society’s Values. These were reviewed in 2023 as the Board progressed the implementation of the strategy.

Our **Vision** is:

*“To grow the Society’s membership to a sustainable level by providing financial support for health care and hardship, whilst enriching the Gravesham community and the environment.”*

Our **Mission** is:

*“To support our members in times of hardship and to help them stay healthy, whilst addressing the challenge of climate change.”*

The members and Board of Directors were asked what they would consider the Society values to be at the present time. The response can be articulated as follows:

- ❖ Financial strength & stability
- ❖ Dependability
- ❖ Teamwork
- ❖ Supportive
- ❖ Great Service
- ❖ Trust
- ❖ Open to all members, focused on lower income groups, Mutual/Not for Profit.
- ❖ Staid/Maintaining the status quo/Traditional/Tired
- ❖ Simplicity
- ❖ Community
- ❖ Empathetic
- ❖ Caring
- ❖ Honesty/Integrity

Moving forward, the values we aspire to are as follows:

- ❖ Fairness
- ❖ Democracy (members input)
- ❖ Inclusive
- ❖ Transparency
- ❖ Sustainable
- ❖ Community (members and the local area)

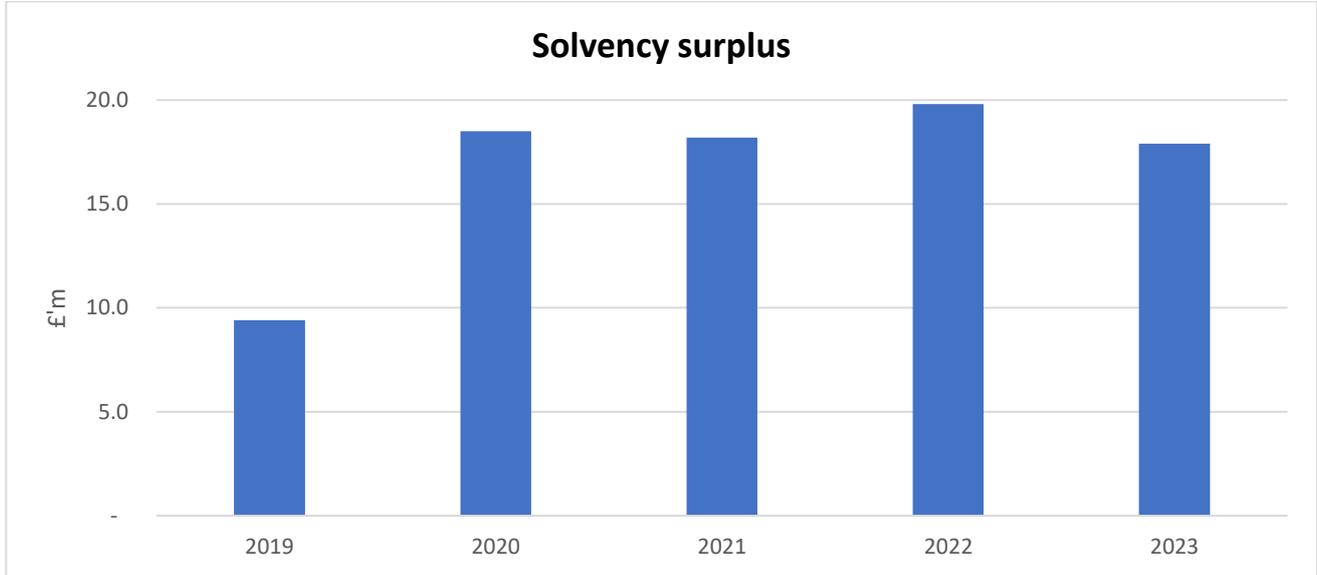
Our strategic pillars summarise what we will do, so that we become a long-term sustainable business.

<p><b>Products &amp; Benefits</b></p> <p><b>Evolve</b> our <u>products &amp; benefits</u> to deliver against our vision &amp; mission and add value to our members, whilst fairly distributing surplus.</p>	<p><b>Membership</b></p> <p><b>Expand</b> our <u>membership</u> to better reflect the profile of the community we serve.</p>	<p><b>Investments</b></p> <p><b>Ensure</b> our strategic, property portfolio &amp; financial <u>investments</u> reflect our vision &amp; mission &amp; a proactive approach to ESG.</p>	<p><b>Community</b></p> <p><b>Enrich</b> the local Gravesham <u>community</u> and the environment, making a positive contribution &amp; being a responsible landlord.</p>
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## Business Performance

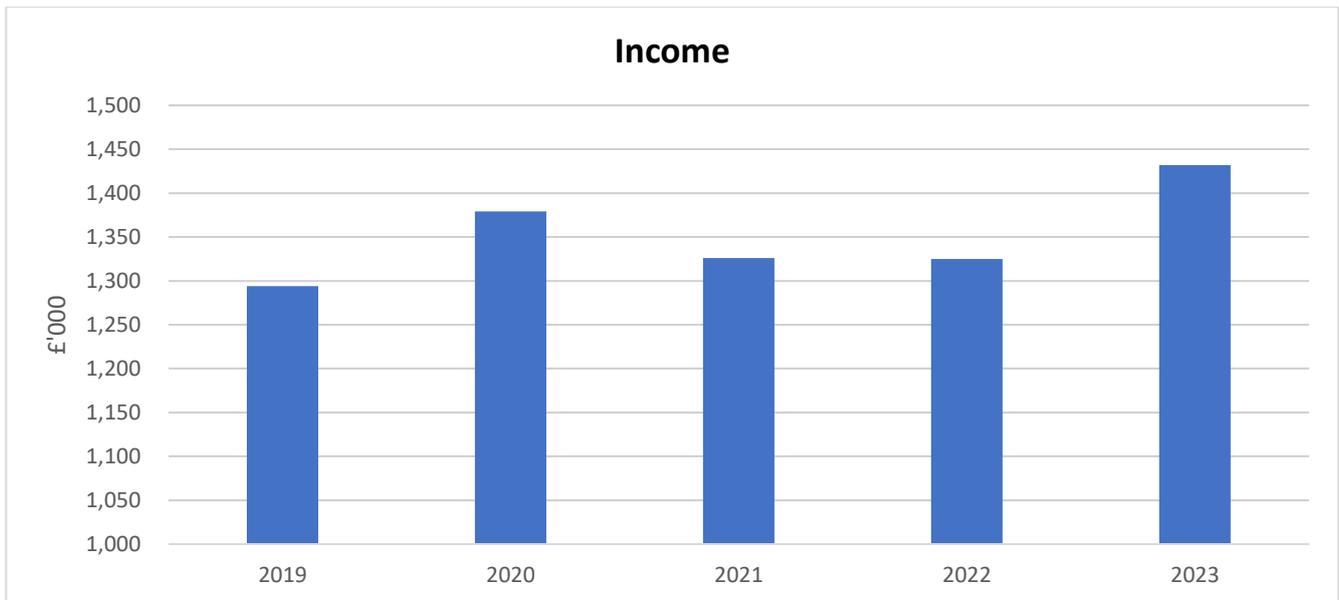
The results for 2023 are set out on pages 30 to 41. The Society has four key measures to assess its strategic performance and ensure it retains its financial strength and strong solvency position.

### 1 Solvency



The Society maintains a very strong regulatory solvency position and has one of the strongest financial positions within the Friendly Society sector. Although this has fallen in 2023, due mainly to the drop in property prices in the year, at the end of 2023 the Society has surplus capital of £18m (2022: £19.8m). This is explained further in notes 4 (page 34) and 19 (page 38). This represents a free asset ratio of 56.9% (2022: 57.2%). The free asset ratio is calculated as the amount of surplus assets over the amount of admissible assets. Along with unrealised property losses of £1.6m, there has been a strengthening in the long-term business provision of £0.1m and an operational loss of £0.1m.

### 2 Income



Income is measured by adding premium income and investment income.

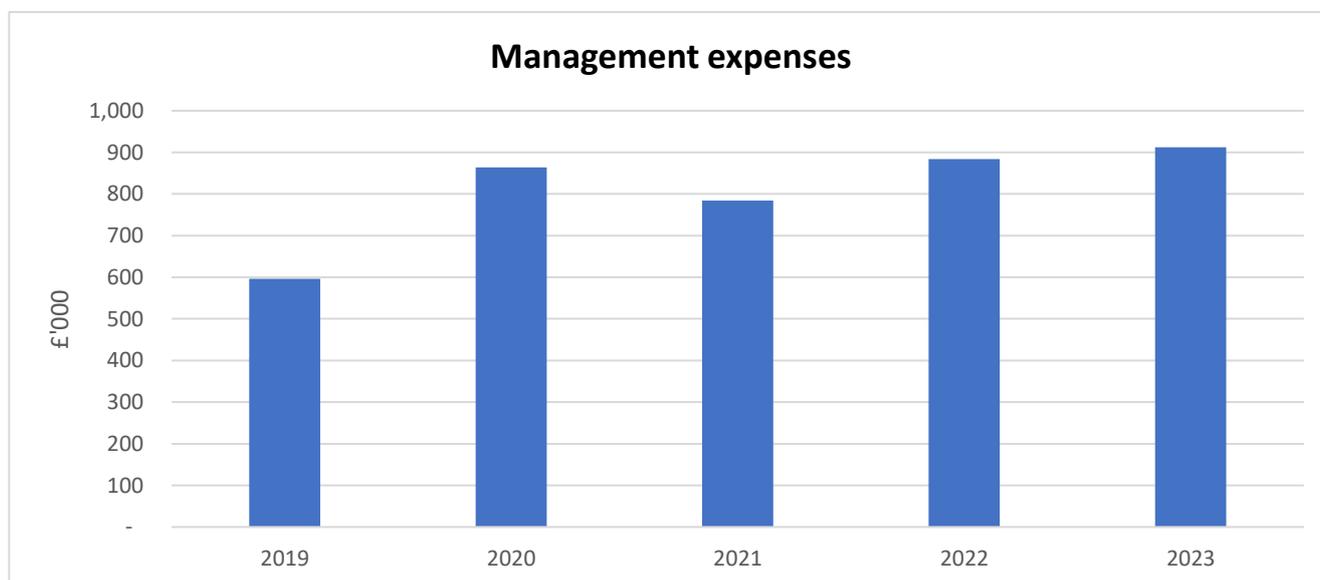
This is an important measurement as it provides money to:

- ❖ Pay insurance claims and discretionary benefits to our members.
- ❖ Maintain and re-furbish residential properties rented to our tenants.
- ❖ Meet the operational and project expenses of the business.

The Society generates income primarily from rents on the residential properties it owns, and dividend and interest on its stocks and shares investments. Residential properties are owned by the Society in and around the Gravesham community. Stocks and shares were actively managed on the Society's behalf by a professional investment management firm for most of 2023 before they were transferred into unit trusts investments in December. 93% of the assets are represented by residential property and 7% by stocks, bonds and cash. Despite a fall of 5% in the property market in 2023, we remain satisfied that investment in residential properties in North Kent gives our membership the best opportunity to see their assets increase in value as it has low investment volatility risk and provides cash to support operational activity. A new Liquidity Policy was approved in 2023, using several adverse scenarios to calculate the amount of liquidity required by the Society based on its strategic plans and operational activities. As a result of this, a ringfenced fund to the value of £600k invested in bonds and cash has been established. In extreme circumstances, financial liquidity is also covered by a readily realisable unit trust fund.

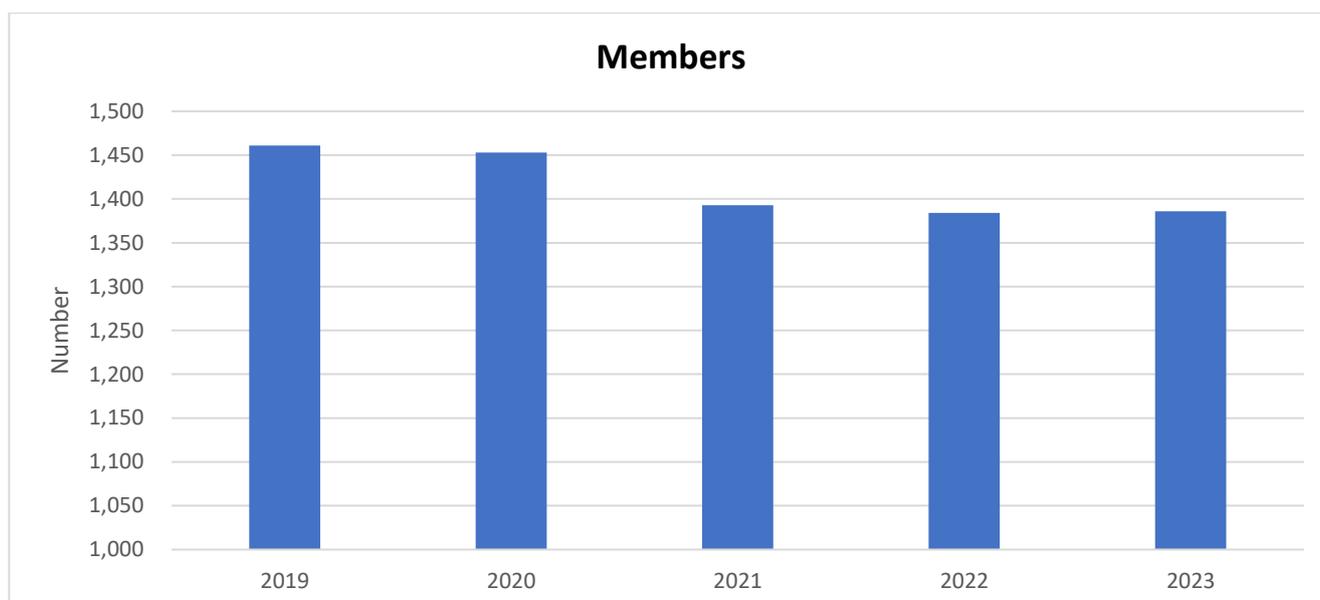
Throughout the uncertain COVID years, the Directors made the decision to keep rental increases at a minimum to ensure tenants could afford to live in the properties and that there were no empty properties. This strategy achieved its objectives, but also caused a divergence between market rents and the rent charged to tenants. Towards the end of 2022 and throughout 2023, the Society embarked on an exercise to increase property rents to market rates over a two-year period. This accounts for the increase in income in 2023 and was carried out in conjunction with tenants to ensure any rent increases were affordable. The expectation is that annual rents will increase by a further £100k in 2024.

### 3 Expenses



Management expenses are the costs of running the Society business, including all property management costs but excluding property maintenance and one-off project costs. For 2023, management expenses were £690k (2022: £672k) shown in note 10 (page 36) as administration and other costs. £222k (2022: £211k) are the internal and external costs of managing the property portfolio. Management expenses are controlled through a budgetary process feeding into the Business Plan that is authorised by the Board. Monthly reports are produced to understand any variances from the budget. This is an important measurement and control as the Society implements change. Management Expenses in 2023 were £28k higher than 2022, largely because of inflationary and salary increases referred to in the Chairman's report. Project costs were £165k in 2023 (2022: £204k) and shows a smaller cost reflecting the progress of the strategic work that has taken place, including project work to repay the Bonds in 2023.

## 4 Membership



At 31<sup>st</sup> December 2023, the Society had 1,386 members (2022: 1,384). The Society launched a new sickness product in December 2022, which has halted the reduction in membership numbers that has been occurring since 2019. This decline resulted from a Board decision in 2020 to suspend the old sickness product due to the difficulties of administering new business during the initial phase of Covid restrictions. Since then, the Board has updated the product to ensure it meets future members' needs and is sustainable for the future of the Society. This will be promoted through the community and social media when the brand work is completed in the first half of 2024.

### Risk Management and Principal Business Risks

The Society conducts its risk management through a framework which includes:

- ❖ The Board setting the Risk Appetite
- ❖ Maintaining a Risk Register which identifies the materiality of risk and mitigating actions
- ❖ Reviewing risks and mitigating actions of risks above risk appetite and considering whether more risk can be taken for risks below risk appetite
- ❖ Maintaining an emerging risk register
- ❖ Review of material risks by the Audit and Risk Committee, and
- ❖ An annual review by the Board of Directors to recalibrate the Risk Appetite statement in the light of experience.

The principal business risks faced by the Society are:

- ❖ *Market Risk* – this is the risk that extreme movements in the markets, where the Society holds its assets, cause the surplus funds to diminish very significantly making it difficult for the Society to remain solvent and meet its liabilities as they fall due.
- ❖ *Liquidity Risk* – this is the risk that the Society experiences an increased demand to pay members, trade suppliers, staff and professional advisers unexpectedly high sums and cannot sell assets quickly enough to make the payments, or that we face a significant interruption to revenue, specifically rental income.
- ❖ *Insurance Risk* – this is the risk that the Society experiences a level of insurance claims far greater than expected, or has been recently experienced, and finds it difficult to pay those claims.
- ❖ *Operational Risk* – this is the risk that the Society has failures in how it manages its day-to-day business, which then causes significant unplanned expenditure to occur. Examples include Information Systems failures, customer service failures, compliance failures in respect of legal and regulatory requirements, litigation, data security breaches, business continuity/disaster recovery incidents.

## Climate Change Strategy

Towards the end of 2020, the Government announced a target for the UK to reduce its carbon emissions by 68% from 1990 levels by the end of 2029. This is a demanding target in a short timeframe and the Society is affected. The Board regards Climate Change as very important, to the extent that the mission statement states:

*“To support our members in times of hardship and to help them stay healthy, whilst addressing the challenge of climate change.”*

As a result of this, the Society developed a Climate Change Strategy 2021-30 based on the following key objectives:

- ❖ Understanding and reflecting members views about climate change and ESG
- ❖ Reducing carbon emissions from Society property investments and operational activities
- ❖ Evolving the property portfolio to establish climate change resilience from extreme weather conditions, particularly in respect of flooding
- ❖ Investing the Society equity and bond portfolios in ESG compliant investments, which also contribute towards a carbon neutral environment
- ❖ Ensuring that the impact of climate change is carefully considered in developing new insurance and discretionary products so that the risks are in line with the risk appetite
- ❖ Selecting and working with partners who are aligned to the Society’s principles on climate change and Environmental, Social and Governance (ESG)
- ❖ Appropriate and proportionate measurement and reporting of climate related Financial Disclosures.

Progress on these objectives is summarised below:

Key Objectives	Progress in 2023
Members Views	<ul style="list-style-type: none"> <li>• Regular feedback questionnaires in place with all members.</li> <li>• A new Member Forum will commence in early 2024 after the Terms of Reference were agreed by the Board in 2023.</li> </ul>
Carbon Emissions	<ul style="list-style-type: none"> <li>• Scanning project completed of historic paper storage. A paperless office will be achievable in 2024.</li> <li>• New business (100%) and claims (86%) received digitally and paperless.</li> <li>• The Society became a Zero Carbon Society in 2023.</li> </ul>
Property Portfolio	<ul style="list-style-type: none"> <li>• Retrofit survey carried out in 2023 to assess costs and work to achieve a Carbonlite standard.</li> <li>• Progress on improving the EPC rating of the residential properties which are below the EPC C energy rating through installing double glazing and insulation.</li> </ul>
ESG Investments	<ul style="list-style-type: none"> <li>• New Investment Policy Statement agreed.</li> <li>• Equity and Bond investments now invested in an ESG fund managed by LGIM and aligned with Society culture and values on ESG investing.</li> </ul>
New Products	<ul style="list-style-type: none"> <li>• Sickness product developed, new business transacted online and all communication is paperless.</li> <li>• New discretionary benefits went live in 2023 to support members insulating their properties to improve energy efficiency.</li> </ul>
Partners	<ul style="list-style-type: none"> <li>• Living Wage Foundation accreditation approved.</li> <li>• Local partners/suppliers considered at first instance.</li> <li>• Good Business Charter member.</li> <li>• Member of Kent Invicta Chamber of Commerce</li> <li>• Partnership agreed to sponsor Mature Trees programme at Shorne Woods in Gravesham.</li> </ul>
Measurement and Reporting	<ul style="list-style-type: none"> <li>• Carbon footprint measurement planned for 2024 to develop a range of metrics and targets.</li> </ul>

The key risks of climate change on the Society have been discussed by the Audit and Risk Committee and are embedded into the risk process by either being added to the risk register or to the emerging risk register. At a high level, the risks evolve around the large property portfolio and the operational model which are the areas the Society is prioritising to reduce its carbon footprint.

## Review of Business Risks and Internal Controls

During 2023 the Society has continued to implement improvements to its risk framework, how it reviews its business risks, how it assesses its risk appetite and how it operates its internal controls. The Audit and Risk Committee's (ARC) Terms of Reference require it to champion the importance of successful Risk Management within the Society and promote a culture that encourages good stewardship of risk and demonstrates the benefits to all stakeholders of a risk-based approach to internal control and management of the business. As part of embedding risk in the Society, a Risk and Compliance Group is operational that enables current and emerging risks, along with topical regulatory and compliance matters, to be reviewed and discussed by representatives of the ARC and Management. This group reports into the ARC.

To complete the "three lines of defence" model, the Board have appointed HW Controls and Assurance Ltd, trading as Validera, as Internal Auditors and Bhavin Vadher as Compliance Manager. Both have direct reporting responsibilities into the ARC and have their annual internal audit and compliance plans approved by the ARC.

The Society has a Risk Management Framework (RMF) document that outlines the risk and control processes for the Society's operations. The ARC carried out a thorough review of the RMF in 2023 and concluded that it is effective and proportionate and provided adequate assurance that the Society can be relied on to manage risks material to the achievement of its objectives and that the framework is suitably designed and applied.

- ❖ *Market Risk* – The Board of Directors has delegated to the Investment Committee, responsibility to manage the Society's Investment Strategy and particularly ensure its asset allocation is appropriate and aligned to the strategy and risk appetite. Currently, the Society has a high allocation to ownership of residential property in North Kent which remains well suited to its members' best interests. The Board of Directors regard it as having both low volatility and excellent prospects of rising capital values and rental income growth at least matching inflation in the medium term. Diversification is planned in the medium term to reduce market risk.
- ❖ *Liquidity Risk* – Liquidity risk, and the Liquidity Risk Policy, falls under the responsibility of the Investment Committee and are overseen by the Board. The Investment Committee has calculated the level of liquidity buffer and cash reserve required by the Society to meet its obligations, using several adverse scenarios. As a result, the required liquidity buffer was calculated at £600k and set up in 2023 by investing in high quality liquid assets in the UK Gilt Fund managed by LGIM. In addition, a cash reserve of £300k was calculated and is built into the regular cashflow monitoring which the Board receives in its management information. The Investment Committee monitor investments to ensure sufficient funds are held in its stocks and shares investments to meet liquidity and cash requirements.
- ❖ *Insurance Risk* - The Society pays a very small amount of insured benefits each year in respect of sickness protection, and monitoring shows this is not increasing significantly. Given the Society's large surplus, no material risk is apparent.
- ❖ *Operational Risk* – Over the past couple of years the Society has made a significant investment in improving its standards of corporate governance, compliance monitoring, Information Technology and cyber security, outsourcing its property portfolio, moving to a safer modern office, recruiting and enhancing staff skills, implementing a three lines of defence model and improving a range of internal systems and controls. These operational improvements have led to a planned increase in operating costs within the financial model. The Society has also developed and tested its Business Continuity Plan for what the Directors consider the worst case scenarios. This has resulted in several improvements to the plan. Operational improvements will continue during 2024 to ensure that the Society is fully compliant with what is expected from a large Non-Directive Friendly Society.

# Corporate Governance Report

## Purpose, Leadership and Strategy

Since its formation in 1877, Anglo-Saxons had been an unincorporated Society until 1<sup>st</sup> January 2020 when the Society incorporated into a limited company.

During 2023, the Board of Directors continued its work on reviewing and implementing the strategy of the Society ensuring it is fit for purpose for a long-term insurance business. In carrying out this work the Directors concluded that the financial strength of the Society, built up over the last 145 years, can support growth in the number of members to a level that will make the business sustainable in the long term. The current membership is aging and recruiting younger members from the Gravesham area is paramount for the future of the Society.

As part of the strategic review, the Board sent a questionnaire to every member of the Society residing in the UK, to obtain their view on what the Society currently offered and what they would like from the Society in the future. The response rate was very positive and provided several clear messages that have been built into the strategic work. This process included a review of the purpose of the Society and new Vision and Mission Statements along with the current and aspirational values. This is outlined in more detail on page 8.

This strategic process also concluded several other pertinent points which the Board is currently implementing:

- ❖ We exist to support our members and deliver the best member outcomes possible. Setting up a new Member Forum, which will meet twice a year to supplement the two general meetings, will give members an opportunity to contribute and feedback on strategic initiatives and plans. It is anticipated that 6-12 members will participate either in person or electronically.
- ❖ Our research demonstrated that to attract new members into the Society, the brand needs to be refreshed and modernised. This work commenced in 2023 and is scheduled to be launched in the first half of 2024.
- ❖ To simplify the policy administration, the Directors made the decision to pay out to Members the Society With Profit Bonds in 2023, raising monies through selling a small number of properties.
- ❖ To ensure the business has a sustainable future based upon its locality in Gravesham, it will need to focus on continuing to deliver excellent service and payment of benefits for the health-related needs of its members. To support this, it went live with a new Customer Relationship Management (CRM) system and developed digital member access through the website. This has enabled 86% of insurance and discretionary business with members to be transacted electronically, supporting our business and climate change strategies. Member outcomes have improved significantly with 92% of claims approved within 3 working days in the second half of 2023 as opposed to only 62% in the first half.

Changes to support this strategic work have been underpinned by improved governance, recruiting and retaining employees with the right training and skillset, improved technology infrastructure, completion of a three lines of defence model, enhancement of the controls and procedures within the day-to-day operations, all designed to meet the requirements of a 21st century member owned friendly society. It is pleasing to be able to report that significant progress has been made in all these areas in 2023.

## Board Composition

In 2023 there have been no changes to the Board of Directors, which has allowed focus to be on managing the business and implementing the strategy. However, in January 2024 Paul Wiltshire resigned from the Board and as Chair of the Investment Committee. He has agreed to support the Society for the rest of 2024, on a consultancy basis, as work progresses in developing the investment strategy. Justine Morrissey was appointed to Chair the Investment Committee from January 2024. The Board has assessed its skills matrix, after the departure of Paul, and concluded that they meet the requirements to manage the business of the Society now and we do not need to recruit a new Non-Executive Director.

At the end of 2023, the Board of Directors consisted of seven members: six Non-Executive Directors and one Executive Director. Of the Non-Executive Directors, five meet the definition of independent and one is a member of the Society.

In assessing the Board skills, it is pleasing to note that the Board has a diverse range of technical knowledge and skills with expertise in law, actuarial, accountancy, sales and marketing, investment banking and property management.

Board members are assessed annually to ensure they remain fit, proper and competent for their roles. Training and development plans are in place to assist Directors as needed. The Board of Directors will also appraise itself, annually, and decide if the composition of the Board needs to change. As part of this process, it has developed succession plans both for itself and the staff.

Elizabeth Woolman also holds the Board responsibilities for the Senior Independent Director and Deputy Chair roles.

The Society has gender diversity at Board of Director level and at staff levels and will seek to address ethnic diversity going forward.

Across the Society the gender balance of the Board and Staff at the balance sheet dates is as follows:

*Numbers*

	Male	Female	% Female	2022 % Female
Board – NEDs	4	2	33%	33%
Board - Executive	1	0	0%	0%
Staff	2	3	60%	60%
<b>Total</b>	<b>7</b>	<b>5</b>	<b>42%</b>	<b>42%</b>

*Remuneration*

	Male	Female	2022 % Female
Board – NEDs	69%	31%	29%
Board - Executive	100%	0	0%
Staff – Including CEO	43%	57%	56%
<b>Total</b>	<b>64%</b>	<b>36%</b>	<b>35%</b>

Below is a summary of the experience of each member of the Board of Directors who served in 2023:

**Kim Harris - Chairman**

Kim joined the Society in late 2019 and is Chairman of the Society. He has been associated with the mutual sector for many years, firstly through the Woolwich Building Society where he started as a cashier and progressed to senior management, and also at Shepherds Friendly Society where he held both non-executive and executive positions. At Shepherds, Kim acted as an adviser to the board of a start-up digital mortgage broker taking it through to significant venture capital investment. Kim is also the Chairman of the "Upper Nidderdale Federation", which is the governing body for rural primary schools in Nidderdale, Yorkshire.

**Gez Gibbs**

Gez has been a Non-Executive Director (NED) at Anglo-Saxons since 2018. He is a qualified solicitor who has been in practice for more than 20 years. Gez also serves on the Investment Committee where his long professional experience in residential property is particularly relevant to the management of the Society's core assets. Gez is himself a member of the Society as is his wife. As a Member NED, Gez is well-placed to represent members' interests at Board level.

### **Martin Collins**

Martin joined the Society in 2019 and is Chairman of the Audit and Risk Committee. He is a Chartered Accountant with 30 years' experience in the friendly society movement having started as an Accountant with Holloway Friendly Society before progressing to Finance Director and then Chief Executive. In recent years Martin has worked as a consultant to several other friendly societies and is a member of the With-Profits Committee at Healthy Investment. Martin is also a trustee of several charities.

### **Paul Wiltshire – resigned January 2024**

Paul joined the Society in late 2019 and was Chairman of the Investment Committee until his resignation in January 2024. He has worked in the Financial Services sector all his career, spanning some 40 years. This has included Corporate and Investment Banking with France's second largest lender as Managing Director of the Markets Division in London and more recently with Hambros Bank as one of the banks Senior Managers, serving on the banks Management Committee. During his tenure with both organisations, Paul was responsible for managing numerous market activities in the UK, Canada and Eastern Europe. In his most recent position, he was responsible for Investment, Portfolio and Treasury Management at Hambros Bank for the UK and the Channel Islands, before retiring in 2016. Paul currently serves as a Trustee Director of a Defined Benefit Pension Scheme Company in London.

### **Justine Morrissey**

Justine joined the Society as a Non-Executive Director in November 2020. She sits on both the Audit and Risk Committee and the Investment Committee and is the appointed Consumer Duty Champion. She was appointed Chairman of the Investment Committee in January 2024. Justine is a financial services professional with more than 25 years' experience working in the Insurance industry including both Executive and Non-Executive roles. Justine qualified as an actuary in 2000 and has had the opportunity to work in a broad range of actuarial areas from financial reporting through to product development. She maintains her Actuarial knowledge as a Fellow of the Faculty and Institute of Actuaries where she is also a volunteer. She is Director of Finance and Risk at a small Friendly Society that focuses on savings and investment products. She is also a Non-Executive Director at a general insurance company, owned by one of the UK's largest charities, where she chairs both the Audit and the Risk committees.

### **Elizabeth Woolman - Senior Independent Director and Deputy Chair**

Liz joined the Society as a Non-Executive Director in November 2020. She is the Senior Independent Director, and Deputy Chair and sits on both the Audit and Risk Committee and the Investment Committee. Liz has a degree in Management Studies and an MBA, she is also a qualified Marketeer. Liz is a Non-Executive Director for both the Pension Protection Fund and Local Pensions Partnership Administration and is an Executive Coach and Founder at Reconnect Business Coaching. Liz has over 20 years' experience in FTSE 100 organisations in the Financial Services & Global Technology Sector, where she held Senior Executive positions in a wide range of functions including Human Resources, Sales, Marketing, Strategy and Commercial Product Management.

### **Paul Osborn – Chief Executive Officer**

Paul joined the Society in November 2020 as Chief Executive Officer. He is a member of the Investment Committee. Paul is a qualified Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Directors. He currently has over 25 years affiliation with the friendly Society and mutual sector. He spent 13 years at Foresters Friendly Society: 6 years as Finance Director and 7 years as Chief Executive Officer. Prior to that he was Head of Finance and Investment at Teachers Provident Society. Paul also sat on the Association of Financial Mutuals Board for 3 years, the trade body for the mutual sector.

## **Board of Director's Responsibilities**

The responsibilities of the Board of Directors as a governing body and as individual Board members have been set out in a Board Manual. That document, along with the Rules of the Society, are the foundation documents upon which the governance of the Society is conducted.

The Board Manual lists 25 Board Policy Statements which define the expectations of the governing body on a wide range of subjects.

In addition, several of the Non-Executive Directors and the Chief Executive are approved by the Prudential Regulation Authority and the Financial Conduct Authority as Senior Manager Function Holders and have regulatory defined Prescribed Responsibilities allocated to them.

To assist the Board of Directors with its management of this increasingly complex area of governance, two sub committees are in place: Audit and Risk Committee chaired by Martin Collins, and Investment Committee chaired by Paul Wiltshire until January 2024 and Justine Morrissey from January 2024.

## **Opportunity and Risk**

The Board of Directors review the opportunities the Society has to support its desire for achieving and delivering long term sustainability in a low-risk way.

The Society has in place a comprehensive Risk Management Framework that interconnects with a Risk Appetite Statement and an emerging Risk Register. This has created an approach which closely monitors and mitigates the risks the Society is exposed to.

The outcome of the above work has been reflected in a Business Plan aligned with the Society's strategy, which sets out how the Board of Directors seeks to ensure the preservation of value for the members' benefit, and which is a low-risk approach to sustainability going forward.

Given its financial strength, the Board of Directors believes that growth in membership is planned in a controlled way that does not put members funds at risk by aggressive or innovative business expansion programmes.

## **Stakeholder Relationships and Engagement**

The Society informs its membership of its strategy, performance and future plans in a number of ways. These include:

- ❖ The Annual General Meeting held in May
- ❖ An additional half-yearly Special General Meeting held in November
- ❖ A quarterly newsletter and other ad-hoc newsletters reporting the events at annual and general meetings
- ❖ Regular electronic (e-mail) updates
- ❖ An updated modern and user-friendly website
- ❖ The availability of the CEO, Chairman, SID and other Board Members to receive feedback.

From 2024 a new Member Forum will be set up. More information on this can be found on page 14. These meetings are set up to ensure the Board has at least quarterly meetings with the members.

In terms of its relationship with staff, the Society is very small and all staff can speak to the CEO and any Board Member whenever they wish. The Board has an appointed staff representative that attends quarterly staff meetings. The annual staff appraisal procedures also allows staff and managers to raise and discuss any matters of importance to them. The Society also has in place a comprehensive Staff Manual to ensure communication channels are clearly explained and understood.

The Society has a limited number of suppliers in view of its small size. The most material business relationships are with its professional services providers and regular conversations and reviews are held with them to ensure business relationships are on a sound commercial basis which works for both parties.

## Remuneration Report

### Remuneration

The Society has one Executive (the CEO) and his pay has been determined by a benchmarking exercise against other Friendly Societies that have a similar asset size and characteristics. It has also been kept in line with the remuneration for previous CEOs, adjusted appropriately for inflation.

Each year the Board of Directors will review the level of pay to ensure it is commensurate with the scale and complexity of the business operation being managed and aligns with salaries paid elsewhere in the sector.

The Society has a small number of staff and similar principles are adopted in setting pay levels to ensure there is alignment with the structure of executive pay.

It is also recognised that certain additional employees may be subject to the Senior Manager and Certification Regime introduced by the Society's regulators, and this may cause reassessments to be made based upon the enhanced level of personal accountability attached to certain roles.

### Board of Directors Remuneration 2023

Name	Salary/Fee £	Bonus £	Pension £	Other £	Total 2023 £	Total 2022 £
<b>Executives</b>						
P Osborn	118,750	-	17,812	15,000	151,562	151,562
<b>Sub-total</b>	<b>118,750</b>		<b>17,812</b>	<b>15,000</b>	<b>151,562</b>	<b>151,562</b>
<b>Non- Executive Board Members</b>						
K Harris	33,000	-	-	-	33,000	33,000
M Collins	26,000	-	-	-	26,000	26,000
G. Gibbs	22,000	-	-	-	22,000	22,000
J Morrissey	22,000	-	-	-	22,000	22,000
P Wiltshire	26,000	-	-	-	26,000	26,000
E Woolman	26,333	-	-	-	26,333	22,000
<b>Sub -total</b>	<b>155,333</b>	-	-	-	<b>155,333</b>	<b>151,000</b>
<b>Total</b>	<b>274,083</b>	-	<b>17,812</b>	<b>15,000</b>	<b>306,895</b>	<b>301,562</b>

## Board of Directors Report

### Attendance 2023

Name	Board	Audit and Risk	Investment
<b>Number of meetings in year</b>	<b>6</b>	<b>4</b>	<b>4</b>
K Harris (Chairman)	6/6	-	-
M Collins (Chairman Audit & Risk Committee)	6/6	4/4	-
G Gibbs	5/6	-	4/4
P Osborn (Chief Executive)	6/6	-	4/4
J Morrissey (Chairman Investment Committee from Jan 2024)	6/6	4/4	4/4
P Wiltshire (Chairman Investment Committee until Jan 2024)	5/6	3/4	4/4
E Woolman (Senior Independent Director)	6/6	4/4	4/4

### Board Members and Interests

Details of the current members of the Board of Directors are given on pages 15 to 16. Information on how they have governed and managed the affairs of the Society in the year is given in the Corporate Governance Report on pages 14 to 17. The Society has continued to maintain Director's and Officer's liability insurance cover for the Board of Directors during the year and at the date of approval of these financial statements.

### Business Activities and Future Development

The Society carries out certain types of insurance and discretionary benefit financial services business in the United Kingdom. The Society is an incorporated Society under the Friendly Society Act 1992 and is categorised as a Large Non-Directive Friendly Society by the Prudential Regulation Authority.

The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Members of the Board of Directors confirm that, to the best of their knowledge, all activities carried out by the Society during the year were within its powers and authorisations.

The Board has a business plan, based upon implementing the strategic four pillars outlined on page 8. The plan describes what developments are underway to ensure the Society has a sustainable and low risk future.

Towards the end of 2020, the Government announced a target for the UK to reduce its carbon emissions by 68% from 1990 levels by the end of 2029. As a result of this, the Society developed a Climate Change Strategy 2021-30, which is outlined further on page 12.

The FCA published its final rules and guidance on Consumer Duty in July 2022, with implementation for the Society in July 2023. The objective of the Consumer Duty is to set higher and clearer standards of consumer protection across financial services and requires the Society to act to deliver good outcomes for customers. A new consumer principle was introduced to ensure that the Society acts to deliver good outcomes for all customers. The Society implemented the requirements of Consumer Duty in 2023 under the guidance of its Consumer Duty Champion. The focus on acting to deliver good outcomes is at the heart of the Society's strategy and business objectives. The Board appointed Justine Morrissey as its Consumer Duty champion and she is responsible for supporting the Chairman and CEO in raising Consumer Duty regularly in all relevant discussions, as well as challenging the firm's Board/Management on how it is embedding the Duty and focusing on consumer outcomes. Further work will continue in 2024 to meet the 31 July 2024 deadline for closed products or services, which are no longer marketed or distributed. The Board monitored the implementation plan throughout 2023 to ensure it met the regulatory requirements and timescale.

## **Risk Management and Internal Control**

In accordance with the UK Corporate Governance Code, the Board of Directors has carried out a robust assessment of the principal risks facing the Society. An overview of these risks can be found on page 11.

The effectiveness of the Society's internal control in managing those risks was monitored in 2023 by the Audit and Risk Committee. More details on the Audit and Risk Committee are shown on pages 22 and 23.

The Board of Directors has considered the effectiveness of risk management and internal controls in place during 2023 and concluded that, whilst a strengthened approach should be implemented, there were no control failings causing material loss to the Society or its members.

## **Employees**

The Society is committed to a policy which ensures that, in all aspects of recruitment, training and career development, equal opportunities are afforded to job applicants and employees irrespective of their protected characteristics. If employees become permanently disabled during employment, the Society will endeavour to retrain, or redeploy, individuals to enable their employment to continue. The Society is very small in terms of the number of employees. During 2023, in addition to the Chief Executive Officer, there were five members of staff. This limits the ability of the Society to offer career progression opportunities and to facilitate redeployment if requested.

## **Donations**

The Society made a £185 donation, matched by the Directors and Staff, to the Gravesham Sanctuary supporting homeless people in Gravesham. No charitable or political donations were made in 2022.

## **Going Concern Statement**

The Society seeks to meet the standards set by the UK Corporate Governance Code and therefore the Board of Directors wishes to state whether the business is believed to be a going concern over the next 12 months. In contemplating this, the Board has considered the following:

- ❖ The Society's business activities, together with the factors that are likely to affect its future development and position (see details in the Chief Executive's Report pages 6 to 7)
- ❖ The analysis of material risks faced by the Society and the management of those risks (see details in the Risk Management Report pages 11 to 13) and
- ❖ The confirmation from the Society's actuary that the Society had a solvency level significantly higher than that required by the PRA regulations as at 31 December 2023 and throughout the year.

Having due regard to these matters and after making appropriate enquiries, the Board of Directors confirm that it considers it appropriate to prepare the financial statements on a going concern basis.

## **Longer-Term Viability Statement**

The Board of Directors also assesses the prospects of the Society over a period longer than the 12 months required for the going concern review. During the year, the Board of Directors attended a strategy day during which they reviewed the current strategy, considered long term sustainability, considered views of members and opportunities and threats for the Society over the next three years.

Based on this assessment, the Board of Directors has reasonable expectations that the Society will be able to continue in operation and meet its liabilities as they fall due over the period to July 2025. Given the Society's financial strength they have no reason to think viability will be threatened going forward but will continue to review with a forward-looking timeline within its business plan.

## **Statement of Responsibilities of the Board of Directors**

The Board Members are responsible for preparing this Report in accordance with the Friendly Societies Act 1992 and the regulations made under it.

The Board Members are also responsible for preparing the Strategic Report (pages 8 to 13), the Report on Corporate Governance (pages 14 to 17) and the Financial Statements (pages 29 to 41), in accordance with applicable law and regulations.

Friendly Society law requires the Board Members to prepare Financial Statements for each financial year. Under that law, they have elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

The Financial Statements are required by law to give a true and fair view of the state of affairs of Anglo- Saxons Friendly Society as at the end of the financial year and of the income and expenditure for the financial year.

In preparing these Financial Statements, Board Members are required to:

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

The Board of Directors is responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Society and enable them to ensure that the Financial Statements comply with the Friendly Societies Act 1992 and the regulations made under it. It is responsible for the maintenance and integrity of the corporate and financial information.

The Board of Directors has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Board of Directors confirms that, in its view, it has complied with the above requirements in preparing the Report and Financial Statements and that it considers the Report and Financial Statements, taken as a whole, are fair, balanced and understandable.

## **Disclosure of Information to the Auditors**

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

By Order of the Board

Paul Osborn  
CEO and Company Secretary

5 April 2024

## Committee Reports

### Audit and Risk Committee (ARC)

#### Membership

The Committee membership during 2023 was as follows:

- ❖ Martin Collins (Chair)
- ❖ Paul Wiltshire
- ❖ Justine Morrissey
- ❖ Liz Woolman

The Committee's members have been appointed with due consideration for their skills and experience with a view to ensuring that the Committee is able to effectively carry out its purposes and responsibilities. The Society's Chair has a right to attend meetings. In addition, Committee meetings are attended, upon invitation, by the Society's Independent Auditor and its Appropriate Actuary. The Society's Chief Executive Officer, Chief Finance Officer and Compliance Manager also attend meetings.

#### Purposes

The purposes of the Committee are:

- ❖ To provide information, guidance and recommendations to the Board on matters affecting the firm's annual Report and Financial Statement. In so doing, aim to advise the Board that it considers the annual Report and Financial Statement, taken, is fair, balanced and understandable, and provides the information necessary for readers to assess the firm's financial performance, system of governance, business model and strategic direction.
- ❖ To evaluate independently assurances, however given, from management, the compliance function, internal audit and external audit in respect of the financial statements, governance standards, compliance with regulations and the systems of internal control.
- ❖ To ensure that the "lines of defence" deployed in the firm are of a high standard and sufficiently skilled and professional to protect the interests of all stakeholders in the firm.
- ❖ To champion the importance of successful Risk Management within the firm and assist in developing a culture that encourages good stewardship of risk and which demonstrates the benefits to all stakeholders of a risk-based approach to internal control and management of the business.
- ❖ To provide information, guidance and recommendations to the Board in relation to current and future risk appetite, risk measurement and mitigation. In so doing, contribute to assessing that capital management reflects the level of current and future enterprise wide risk taking and protects the solvency of the firm.
- ❖ To evaluate independently, assurances given from management, the compliance function, internal audit and external audit in respect of the risks facing the firm and how effectively they are being mitigated.

#### Specific Responsibilities

The Committee's Specific Responsibilities are set out within the Committee's Terms of Reference a copy of which can be found on the Society's website. The Terms of Reference were reviewed and updated during the year for the new Consumer Duty responsibilities. The specific responsibilities of the Committee cover:

- ❖ Independent Auditors
- ❖ Financial reporting and regulatory reporting
- ❖ Internal Audit, Compliance and Systems of Internal Control
- ❖ Risk Management and Risk Appetite
- ❖ Strategy and Business Planning

## Committee Activity in 2023

### Audit and Risk Committee (ARC) (cont)

#### Committee Activity in 2023

Activity scheduled and completed during 2023 was as follows:

- ❖ Review and recommend for approval, the Committee's Terms of Reference.
- ❖ 2022 Financial Year-End process
  - Receive the 2022 annual actuarial report from the Appropriate Actuary.
  - Review and recommend to the Board the Report and Financial Statements for the year ending 31<sup>st</sup> December 2022.
- ❖ Assessment and review of the role of the Independent Auditor through a selection process resulting in Berringers LLP being reappointed as Independent Auditor.
- ❖ Assessment of and consideration for a future review of the role of the Appropriate Actuary.
- ❖ Internal Audit
  - Review and approve the Internal Audit Plan.
  - Receive internal audit reports.
- ❖ Compliance
  - Review and approve the compliance monitoring plan for 2024.
  - Receive regular reports from the Compliance Officer on the 2023 plan.
  - Receive management reports on complaints and regulatory reporting.
  - Receive reports from the Money Laundering Reporting Officer and Whistleblowing Champion and on Threshold Conditions compliance.
- ❖ Risk Management
  - Review and approve the Risk Management Framework and Risk Appetite Statement.
  - Receive regular reports from the Risk and Compliance Group (RACG).
  - Review the Risk Register and the Society's emerging risks.
  - Risk review of the Business Plan.
- ❖ Policies - Review and recommend to the Board the approval of Society's policies within the Committee's remit
- ❖ 2023 Financial Year-End process
  - External Auditor – Work schedule, audit risk and fee structure
  - Appropriate Actuary - Work schedule, valuation assumptions and fee structure
  - Receive and consider the Year End Plan for annual financial reporting
  - Consideration of material accounting policies and judgements
    - Property and other investments valuations
    - Insurance technical provisions
    - Going concern
    - Internal controls
- ❖ Review of the Committee's performance during the year

#### Reporting

The Chair of the Committee submits regular reports to the Board on its activities after each Committee meeting. Minutes of all Committee meetings are circulated to all members of the Society's Board.

## Committee Reports

### Investment Committee (ICom)

#### Membership

The Committee membership during 2023 was as follows:

- ❖ Paul Wiltshire (Chair). - Resigned January 2024
- ❖ Gez Gibbs
- ❖ Justine Morrissey – Appointed Chair January 2024
- ❖ Liz Woolman
- ❖ Paul Osborn

The Society's Chair has a right to attend meetings. In addition, Committee meetings are attended, upon invitation, by the Society's Investment and Property Managers.

The members of the Investment Committee in 2023 remain unchanged from the previous year. The committee is formed of 5 Directors of the Society who have backgrounds in the following disciplines: Legal, Actuarial, Investment Management, Banking and Business Management/Development. These areas of expertise and experience remain relevant to the committee's remit and the challenges that it faces.

#### Purposes

The purposes of the Committee are to:

- ❖ Ensure that the Investment Strategy is in line with the Society's Purpose, Vision and Values and its obligations to its policyholders and members as to how the Society's assets are invested.
- ❖ Annually recommend to the Board, the Society's investment philosophy, embracing responsible investment and any material environmental, social and governance matters.
- ❖ Recommend to the Board the Investment Strategy, including asset allocation, for the Society. The Committee will make asset allocation decisions in line with agreed policy and strategy having considered the recommendations of the Appropriate Actuary and other relevant parties.
- ❖ Make recommendations to the Board on the Society's asset class mix. Ensure that the Society establishes the amount of funds it needs to hold as both a Cash Reserve as well as a Liquidity Buffer.
- ❖ The policy and strategy are to be reviewed and approved by the Board on an annual basis.
- ❖ Monitor the implementation and effectiveness of the Society's Investment Policy and Liquidity Policy

#### Specific Responsibilities

The Committee's Specific Responsibilities are set out within the Committee's Terms of Reference a copy of which can be found on the Society's website.

#### Committee Activity in 2023

Activity scheduled and completed during 2023 was as follows:

- ❖ Review and recommend for approval, the Committee's Terms of Reference, Liquidity Policy and Investment Policy.
- ❖ Reviewed all matters relating to Society's investments at each quarterly meeting, receiving regular written reports, reviewing performance and costs. This is in addition to the regular contact that takes place between the CEO and both firms monthly. The Committee continues to enjoy good working relationships with both managers who have a clear vision of what the Committee require for the Society and our goals.
  - Property Manager (Spicerhaart).
  - Investment Manager (Quilter and LGIM).

## Committee Reports

### Investment Committee (ICom) cont

#### Committee Activity in 2023(cont)

- ❖ For property:
  - We have been going through a process of reviewing and updating rents in a commercial but also sympathetic/pragmatic manner to ensure that tenants can afford to pay and don't suffer undue hardship. This is a two year process.
  - Each property has been reviewed to understand how energy efficient it is, what work might be needed to keep it to a level which meets regulatory standards and remains attractive to tenants whilst maintaining an acceptable return for the Society. Through this process the Committee is gaining a very clear view of which properties should be kept and which could be replaced with more appropriate, modern houses.
  - Preliminary work commenced in developing a property strategy over the medium term that is aligned to the Society's strategy and climate change strategy. This has commenced with commissioning a retrofit survey on a sample of properties.
- ❖ For Financial Investments:
  - The Board made the decision, upon the recommendation of the Committee to invest the Society's Financial Investments (equities) with LGIM into an ESG fund as it meets our needs for both good returns on our assets and ensures that we invest in companies that act in an ethical manner and minimise their impact on the environment.
  - The liquidity policy, based on a number of adverse scenarios, has calculated that the Society needs to have investments to the value of £600k as a liquidity buffer. This was set up in 2023 with investment into a UK Gilt Fund managed by LGIM.

#### Reporting

The Chair of the Committee submits regular reports to the Board on its activities after each Committee meeting. Minutes of all Committee meetings are circulated to all members of the Society's Board.

## **Auditors**

### **Opinion**

We have audited the financial statements of Anglo-Saxons Friendly Society (the 'society') for the year ended 31 December 2023, which comprise the Statement of Comprehensive Income, Statement of Financial Position and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements:

- ❖ give a true and fair view of the state of the society's affairs as at 31 December 2023 and of its surplus for the year then ended;
- ❖ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ❖ have been prepared in accordance with the Friendly Societies Act 1992.

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

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ❖ The board of managements use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ❖ The board of management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Key audit matters**

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

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

- ❖ In order to address the risk around the operation of the society's Membership system during the year we have tested the operation of the controls over membership records, premium income and claims paid to members. The controls were tested on a sample basis and the extent of testing varied depending on the frequency with which the control is operated.
- ❖ In order to address the risk around ownership of the society's investments held at the year end, we confirmed the entirety of the holdings to independent third party confirmations provided by the society's Custodian. These statements were compared to known movements in the investments holdings in the year through comparison to contract notes and testing of the management's monthly investment reconciliations.
- ❖ In order to address the risk around the valuation of the society's investments we obtained independent third party confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2023.
- ❖ In order to address the risk associated with the recording of investment transactions throughout the year ended 31 December 2023 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, statutory filings and managements' records of compliance with appropriate regulations.
- ❖ As part of our testing of the Membership system we performed testing relating to controls over the recognition of premium income and the process for ensuring the accuracy of changes to members' records, including new members. We also performed substantive testing on a sample of premium income and analytical procedures to validate whether revenue recognition procedures complied with UK Generally Accepted Accounting Practice.
- ❖ In order to address the risk relating to management override of controls we have reviewed all significant or unusual entries to ensure they are appropriate and reasonable. We have also reviewed key estimates and judgements for bias.

### **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 financial statements. For the purpose of determining whether the 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 financial statements, would be changed or influenced.

Due to gross assets being a key measure of the performance of the society by stakeholders and the fact it is used to assess the overall financial strength of the society, the basis of materiality is 1% of the gross assets of the society, which amounted to £317,000. This was applied as the materiality for the financial statements as a whole. Performance materiality, which was based on our risk assessment, was 75% of materiality. We agreed with the Audit Committee that we would report to the Committee and management all audit differences in excess of £1,000, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

### **An overview of the scope of the audit**

The scope of the audit for the financial statements has been determined by our application of our materiality to the financial statements in association to the risks of the society when determining the level of work to be performed. All audit work was performed directly by the audit engagement team with the assistance of appointed experts.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the board of management made subjective judgements, for example in respect of the valuation of legal and regulatory expenditure which are subject to management judgement and estimation.

We gained an understanding of the legal and regulatory framework applicable to the society and the industry in which it operates and considered the risk of acts by the society which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Friendly Societies Act, PRA and FCA rules, FRS 102 and FRS 103. We obtained our understanding through internal and external training, the use of an appropriately qualified and experienced audit team.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- ❖ agreement of the financial statement disclosures to underlying supporting documentation;
- ❖ enquiries of management;
- ❖ review of minutes of board meetings throughout the period;
- ❖ obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- ❖ review of correspondence with the PRA and FCA.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely, as auditor of the financial statements, we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

## **Other information**

The board of management are responsible for the other information. The other information comprises the information in the Report of the board of management, but does not include the financial statements and our Report of the auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Friendly Societies Act 1992

In our opinion, based on the work undertaken in the course of the audit:

- ❖ the information given in the Report of the board of management for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ❖ the Report of the board of management has been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the society and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the board of management.

We have nothing to report in respect of the following matters which requires us to report to you if, in our opinion:

- ❖ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ❖ the financial statements are not in agreement with the accounting records and returns; or
- ❖ certain disclosures of board of management emoluments are not made; or
- ❖ we have not received all the information and explanations we require for our audit;

## **Responsibilities of the board of management**

As explained more fully in the Statement of responsibilities of the board of management set out on page 21, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the auditors.

## **Use of our report**

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 a Report of the auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members, for our audit work, for this report, or for the opinions we have formed.

Ricky Hutson BSC FCCA ACA (Senior Statutory Auditor)  
for and on behalf of Berringers LLP,  
Chartered Accountants and Statutory Auditors  
Lygon House, 50 London Road,  
Bromley, Kent, BR1 3RA

5 April 2024

**Anglo-Saxons Friendly Society**  
**Financial Statements as at 31 December 2023**

**Statement of Comprehensive Income**

<b>Technical Account: Long-Term Business</b>	Notes	<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
Earned Premium Income	5	48	46
Investment Income	6	1,390	1,279
Realised Gains/(losses) on Investments	6	48	(22)
Unrealised Gains on Investments	6	-	1,343
<b>Total Technical Income</b>		<b>1,486</b>	<b>2,646</b>
Claims Incurred	7	(1,635)	(648)
Transfer from/(to) the Long Term Business Provision	8	1,159	(18)
<b>Other Expenditure</b>			
Investment Property Costs	9	(435)	(415)
Management Costs	10	(855)	(877)
Investment Expenses and Charges	15	(13)	(13)
Unrealised Losses on Investments	6	(1,639)	-
<b>Total Technical charges</b>		<b>(3,418)</b>	<b>(1,971)</b>
Surplus/(Deficit) of technical income over technical charges		(1,932)	675
Transfer from/(to) the Fund for Future Appropriations	17	1,932	(675)
<b>Balance on the Technical Account</b>		<b>-</b>	<b>-</b>

The above results relate wholly to continuing activities.

The Society has no recognised gains or losses other than those included in the movement on the Technical account and therefore no separate statement of recognised gains and losses has been presented.

Please see the Notes to the Financial Statements section for more detail.

**Anglo-Saxons Friendly Society**  
**Financial Statements as at 31 December 2023 (continued)**

**Statement of Financial Position**

<b>Balance Sheet</b>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
<b>Investments</b>			
Financial Investments	16	31,472	33,568
<b>Other Assets</b>			
Cash at Bank		138	1,089
Prepayments and Accrued Income		119	147
<b>Total Assets</b>		<b>31,729</b>	<b>34,804</b>
<b>Fund for Future Appropriations</b>	17	21,187	23,119
<b>Long Term Business Provision</b>	18	10,321	11,480
<b>Creditors</b>			
Other Creditors	20	221	205
<b>Total Liabilities</b>		<b>31,729</b>	<b>34,804</b>

The financial statements were approved by the Board and signed on the 5 April 2024 on its behalf by:

**Kim Harris**  
**Chairman of the Board**

**Paul Osborn**  
**Chief Executive Officer**

## **Anglo-Saxons Friendly Society**

### **Notes to the Financial Statements – 31 December 2023**

#### **General Information**

The Society is a Friendly Society that incorporated in the United Kingdom on 1st January 2020, under the Friendly Societies Act.

#### **1. Basis of Accounting**

The accounts have been prepared under the Historical cost convention, modified by the revaluation of certain assets as required by the Regulators.

#### **2. 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 (FRS 102) and Financial Reporting Standard 103 (FRS 103) as issued by the Financial Reporting Council and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 ('the Regulations').

As permitted by the amendments to FRS 103 Insurance contracts, the Society recognises and measures technical provisions on long term insurance contracts on a prudent basis in accordance with Prudential Regulation Authority rules relevant to the Society. This means that the value of technical provisions disclosed in these financial statements are aligned with the Society's other regulatory financial reporting.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Society. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3. 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.

#### **Earned Premiums**

Earned premiums are accounted for on an accruals basis based on the period they related to. Premiums relating to the unexpired term of policies in force at the balance sheet date are treated as unearned.

#### **Claims and Benefits**

Claims for sickness, death, dental, optical, hospitalisation, bonds, maternity and energy grants are accounted for from the appropriate date of the event as notified. In 2023, new discretionary benefit claims for First Time Buyer, Home Energy Efficiency and Educational grants have been introduced and they are accounted for from the appropriate date of the event as notified. Claims payable include all related internal and external claims handling costs.

#### **Investment Income**

Investment income is accounted for on an accruals basis based on the period it relates to. Income includes rental income, contributions, dividends and interest.

## **Anglo-Saxons Friendly Society**

### **Notes to the Financial Statements – 31 December 2023 (continued)**

#### **Realised and Unrealised Investment Gains**

Realised gains and losses, being the differences between the net sale proceeds and market value (see Valuation of Investments below) at the beginning of the year, is included within investment income in the Technical Account when attributable to assets in the Long Term Business Fund. Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and market value at the beginning of the year. Unrealised gains and losses on assets purchased during the year are valued on the difference between the purchase price and the valuation at the balance sheet date.

Movements in unrealised gains and losses attributable to assets in the Long-Term Business Fund are reported in the Technical Account – Long-Term Business.

#### **Taxation**

The Society is not subject to income, capital gains or corporation tax.

#### **Valuation of Investments**

Fixed Interest and equity investments, at the end of 2023, are invested in authorised unit trusts managed by Legal and General Investment Management. The unit trusts are measured at their bid value at the balance sheet date. For the 2022 year end, the market value of quoted fixed interest and equity investments is stated in the financial statements at the closing mid-market values at the balance sheet date. Where there is no apparent market for an asset and therefore no quoted market value, a mark to model approach is taken to estimate what the market value would be if a market existed.

Regarding note 16 below, the Society's investment properties are held at valuation. The basis of valuation is defined as the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, without deducting transaction costs. Transaction costs are provided for in the Long-Term Business Provision to be consistent with previous years. The investment properties are domestic residential properties in the North Kent area and are valued twice a year on an open market basis by qualified external valuers. For 2023 and 2022 the Society took advantage of using Spicerhaart Residential Lettings Limited, our property managers, to carry out this valuation, which valued the investment properties at a value based on the properties being unoccupied. The Board then applied a reduction to this value on a property-by-property basis depending on the type of tenancy agreement in place on that property.

#### **Pension Scheme Arrangements**

Under the Pensions Act 2008, the Society was required to comply with automatic enrolment. All staff who have joined the Society after that date have been automatically enrolled into the Pension Scheme under terms that comply with that specified by the Pension Regulators.

### **3. 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.

#### **Long Term Business Provision ("LTBP")**

The valuation of contract liabilities is based on prudent assumptions of the Appropriate Actuary in accordance with the Rules of the Prudential Regulation Authority as applicable to the Society.

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2023 (continued)

#### 3 Critical Accounting Judgements and Estimates (cont)

The assumptions used for discount rates are based on the yield on the Society's own investment portfolio, adjusted for the Society's own risk exposure. 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.

#### Capital and Risk Management

Note 4 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.

#### Property Valuations

The Society owns a portfolio of domestic residential properties in the North Kent area. The valuation of these residential properties is carried out at fair value by the Society's property managers, Spicerhaart Residential Lettings Limited. The property portfolio is the largest asset class on the balance sheet and the most material in having an impact on the balance sheet. The Board and Investment Committee regularly review the property values with actual historical experience, and expected outcomes, to ensure the estimates and assumptions are in line with current fair value. The basis for the fair value is shown in note 2 above.

#### 4. Capital Management

##### Policies and Objectives

The Society's key capital management objectives are:

- ❖ To safeguard the Society's financial strength and to support the risks it takes on as part of its business;
- ❖ To comply with the MCM capital requirements imposed by the PRA.

These objectives are reviewed by the Board annually. The surplus capital resources are monitored at regular intervals throughout the year to ensure sufficient capital is available for its capital management objectives. These assessments consider material changes in business planning assumptions, changes in financial market prices, and changes in the Society's insurance fund. The Society complied with all externally imposed capital requirements to which it was subject throughout the reporting period. The fall in the Capital Resources (FFA) in 2023 is almost entirely due to the fall in house prices in North Kent represented by the unrealised losses in note 6. The Society has 93% of its assets in property.

	2023	2022
Capital Statement (Note 19)	£000	£000
Total Capital Resources Before Deductions (FFA)	21,187	23,119
Regulatory Solvency Adjustments	(3,229)	(3,294)
<b>Capital Available to Meet Regulatory Capital Requirements</b>	<b>17,958</b>	<b>19,825</b>

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2023 (continued)

#### 4 Capital Management (cont)

##### Measurement and Monitoring of Capital

The capital position of the Society is monitored internally on a regular basis and reviewed periodically by the Board. These objectives are reviewed, and actions taken if necessary, to ensure the adequacy of the Society's capital position. In the event sufficient capital is not available, actions would be taken to either free additional capital by altering the asset mix of the Society's investment portfolio, or through action as explained under "Available Capital" below.

##### Available Capital

An allowance is made for actions that management would take in adverse conditions, such as reducing bonuses and grants to zero if necessary. The assets are taken at market value and are estimated where required. All admissible assets are available to meet the regulatory requirements of the fund.

#### 5. Earned Premium Income

	2023 £000	2022 £000
Members Contributions	48	46
<b>Earned Premium Income</b>	<b>48</b>	<b>46</b>

#### 6. Investment Income

	2023 £000	2022 £000
Rental Income	1,329	1,228
Deposits with Banks and Fund Managers	61	51
<b>Investment Income (excluding Realised Gains/(Losses))</b>	<b>1,390</b>	<b>1,279</b>
Net (Losses) on the Realisation of Property	(6)	(34)
Net Gains on the Realisation of Investments	54	12
<b>Total Realised Gains/(Losses)</b>	<b>48</b>	<b>(22)</b>
Unrealised Gains/(Losses) on Property revaluation	(1,629)	1,620
Unrealised (Losses) on Investments	(10)	(277)
<b>Total Unrealised Gains/(Losses)</b>	<b>(1,639)</b>	<b>1,343</b>
<b>Total Investment Income</b>	<b>(201)</b>	<b>2,600</b>

#### 7. Claims Incurred

	2023 £000	2022 £000
Sickness claims	32	29
Bond repayments	1,233	35
Discretionary claims	370	388
Discretionary -energy grant	-	196
<b>Total Claims Incurred</b>	<b>1,635</b>	<b>648</b>

The Society made the decision to simplify the with profit business by paying out the bond products in 2023. This payment totalled £1,232,616 with a similar credit offsetting the claims payment released from the Long Term Business Provision, see notes 8 and 18.

**8. Change in Technical Provisions - Movement in Long Term Business Provision**

	2023 £000	2022 £000
Movement in year (see note 18)	(1,159)	18
	<b>(1,159)</b>	<b>18</b>

**9. Investment Property Costs**

	2023 £000	2022 £000
Property Repairs	213	204
Management	222	211
<b>Investment Property Costs</b>	<b>435</b>	<b>415</b>

**10. Management Costs**

	2023 £000	2022 £000
New Business Costs	1	1
Administration and Other Costs	689	672
Strategic Project Costs	165	204
<b>Management Costs</b>	<b>855</b>	<b>877</b>

The costs of developing and implementing the Society's strategy in 2023 and 2022 are not directly correlated to administering the insurance policies or discretionary benefits.

**11. Independent Auditor Remuneration**

	2023 £000	2022 £000
Fees Paid to Berringer LLP for Audit Services	19	21

**12. Remuneration of the Appropriate Actuary**

Neither the Society's current Actuary, Mr John Burgum of OAC limited, or any of OAC's staff or family, were members of the Society in 2023 or 2022 and nor do they have any financial or pecuniary interest in the Society except for fees payable of £22,800 to OAC limited in 2022 and 2023.

**13. Board of Management Emoluments**

	2023 £000	2022 £000
Executive Director remuneration	152	152
Non-Executive Director fees	155	151
<b>Board of Management Fees (See remuneration report)</b>	<b>307</b>	<b>303</b>
Emoluments of the highest paid Board Member	152	152

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2023 (continued)

#### 14. Staff Costs

	2023 £000	2022 £000
Wages and Salaries	348	343
Social security costs	37	37
Other pension costs	60	55
<b>Total staff costs</b>	<b>445</b>	<b>435</b>

*The number of employees at the end year, including executive directors, were:*

	No	No
Board and Senior Management	7	7
Administration	5	5
	<b>12</b>	<b>12</b>

#### 15. Investment Expenses and Charges

	2023 £000	2022 £000
Management Charges	13	13
	<b>13</b>	<b>13</b>

#### 16. Investments

	2023 £000	2022 £000
<b>The Society's investments at current value were as follows:</b>		
Investment Properties	29,407	31,248
Listed Investments – Bonds	598	339
Listed Investments - Equities	1,465	1,956
Deposits with Credit Institutions	2	25
	<b>31,472</b>	<b>33,568</b>

#### 17. Fund for Future Appropriations

	2023 £000	2022 £000
At 1 January	23,119	22,444
Transfers from/(to) the Technical Account	(1,932)	675
<b>At 31 December</b>	<b>21,187</b>	<b>23,119</b>

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2023 (continued)

#### 18. Long Term Business Provision

	2023 £000	2022 £000
At 1 January	11,480	11,462
Transfers from the Technical Account (note 8)	(1,159)	18
<b>At 31 December</b>	<b>10,321</b>	<b>11,480</b>

Analysed as:	2023 £000	2022 £000
Sickness, annuity and other benefits	803	1,240
Bonds	-	1,233
Expenses	9,518	9,007
<b>At 31 December</b>	<b>10,321</b>	<b>11,480</b>

The Society made the strategic decision to simplify its with profit business in 2023 by paying out the bond policies in 2023.

#### 19. Capital Resources

Available Capital resources in respect of long-term business:	2023 £000	2022 £000
Fund for future appropriations (note 17)	21,187	23,119
Adjustment to assets onto regulatory basis	(1,029)	(1,094)
Resilience reserve	(2,200)	(2,200)
<b>Total available capital resources</b>	<b>17,958</b>	<b>19,825</b>
Required minimum margin	(503)	(550)
<b>Total surplus capital resources</b>	<b>17,455</b>	<b>19,275</b>
Total available capital resources as a percentage of required min margin	3,567%	3,605%

#### Movement in Capital resources

	2023 £000	2022 £000
Opening Capital Resources	19,825	18,166
Investment return (less than) in excess of valuation requirements	(2,083)	492
Change in valuation assumptions	(618)	(808)
Change in resilience requirements	-	(1,000)
Other miscellaneous workings of the Fund	770	991
Change in statutory property adjustment	64	(16)
<b>Balance as at 31 December</b>	<b>17,958</b>	<b>19,825</b>

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2023 (continued)

#### 19. Capital Resources – continued

The key assumptions used for the valuation of liabilities and the basis for setting them are as follows:

**Interest** 2.8% per annum (2022: 2.0%) – this is set having regard to the yield on the Society’s own investment portfolio.

**Management Expenses** £161.94 per annum per non-bond member (2022: £86.67) with an inflation rate of 3.5% (2022: 3.75%) per annum based on an analysis of the Society’s expenses. Plus 25% of sickness premiums.

An additional global expense reserve based on expenses in addition to the above of the following amounts, which were subsequently adjusted for inflation of 3.5% (2022: 3.75%) of:

First year following the valuation:	£648,100 (2022: £627,000)
Second year following the valuation:	£345,900 (2022: £520,000)
Third year following the valuation:	£279,600 (2022: £350,000)
Fourth year following the valuation	£200,400 (2022: £200,000)
Fifth year following the valuation	£36,600 (2022: £100,000)
Six and subsequent	Nil

For the year end 2022, in the sixth and subsequent years following the valuation the additional global expenses are the amount in the fifth year declining by 10% p.a. subject to a minimum before inflation of £25,000.

**Resilience reserve** 20% (2022: 20%) decrease in property values.  
10% (2022: 10%) decrease in rental income.  
10% (2022: 10%) decrease in equity values.

**Mortality** The following percentages of the English Life tables (No 17) (2022 figures shown for comparison).  
Assurances 45% (45%)  
Sickness 45% (45%)

These rates are set having regard to the Society’s own mortality experience averaged over the last 5 years.

**Sickness** The following percentages of the Manchester Unity Tables AHJ (2022 figures shown for comparison).

	<b>Males</b>	<b>Females</b>
First 6 months of claim	45% (75%)	45% (75%)
Second 6 months of claim	45% (75%)	45% (75%)
Between 1 and 2 years	55% (125%)	55% (125%)
Thereafter	90% (200%)	90% (200%)

These rates are set having regard to the Society’s own sickness experience averaged over the last 5 years.

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2023 (continued)

#### 19. Capital Resources – continued

The Society's risk management policies and processes include identification and control of business risks, the key components of which are:

- Market Risk - the risk of losses arising from changes in the value of assets or income from the assets.
- Insurance Risk - the risk of loss due to uncertainties over timing, amounts and occurrence of events insured by the Society.
- Credit Risk - the risk of loss due to default by a counterparty in meeting its financial obligations.
- Liquidity Risk - the risk that the Society, although solvent, is unable to meet its obligations as they fall due.
- Operational Risk - the risk of losses due to inadequate systems and controls, error or management failure.

The Society has a clearly defined risk appetite for each category of risks and business policies are set accordingly. A summary of each material risk and mitigating actions are set out below.

##### Market risk

The key risks are changes in the market value of the Society's investments and changes in interest rates. The majority of the Society's investments are in residential property and a 20% fall in values would reduce the available capital by £5,881k.

##### Credit risk

The Society seeks to minimise credit risk, in particular those related to deposit takers and direct holdings of fixed interest securities by limiting them to counterparties rated AA and higher. The Society has limited holdings (less than 1% of total assets) in fixed income funds where the credit rating may be lower than this, but the average credit rating of these funds is BBB or higher.

##### Liquidity risk

The Society's objective on liquidity risk management is to ensure that sufficient funds are available over the short and medium term to meet the expected pattern of cashflow by way of benefit claims and expenses of management. The Society believes that its Liquidity Buffer could be sold at very short notice to meet any unexpected demands. In the interim, whilst the Liquidity Buffer is being constructed, then its Stock Exchange investments could be liquidated to meet these needs. If the Society's expenses increased by 10% the available capital would reduce by £967k.

##### Insurance risk

Insurance related risks include mortality risk, morbidity risk, and persistency risk. The Society manages insurance risk by following standard underwriting. The Society does not have within its product range any embedded options or guarantees. Mortality risks impact the Society in two ways. An increase in mortality increases the assurance claims but reduces the potential sickness claims.

The persistency experience of the Society varies over time but has remained high in the past. Factors affecting persistency include members' perception of the Society and the insurance industry, investment performance and the general economic environment. Given the high level of persistency a large proportionate increase in lapses will have an immaterial effect on the Society.

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2023 (continued)

#### 19. Capital Resources – continued

##### Operational risk

Operational risk includes all risks to which the Society is exposed, other than the risks described previously. These include, amongst others, information technology and security, personnel, outsourcing, tax, legal, fraud and compliance risks. The Society regularly reviews the risks to which it is exposed and seeks to put in place actions to limit potential adverse effects.

If such risks were to occur, additional costs may arise in remedying any issues. The Society's members would bear the impact of any changes in expense levels, as the expenses affect the amounts available for distribution to members as discretionary grants.

#### 20. Other Creditors

	2023 £000	2022 £000
PAYE and National Insurance Contributions	22	23
Purchase Ledger Control	95	83
Pension Liability	5	-
Accruals	99	99
	<b>221</b>	<b>205</b>