

Anglo Saxons Friendly Society

**Report and Financial Statements
For the year ending 31st December 2019**

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Society Information

Bankers: Nat West Bank
30 King Street
Gravesend
DA12 2XX

Auditors: Neil Shaw
F W Berringer & Co
Lygon House
50 London Road
Bromley
Kent
BR1 3RA

Actuary: Nigel Silby
E D (Financial) Limited
Old Bank House
59 High Street
Odiham
Hampshire
G29 1LF

Legal Advisers: Martin Tolhurst Solicitors
7 Wrotham Road
Gravesend
Kent
DA11 0PD

Investment Advisers: Quilter Cheviot
1 Kingsway
London
WC2B 6AN

Chairman's Introduction

The Society accepted early in 2019 that it needed to re-organise its governing body both in terms of its Committee members and the roles they will fulfil in managing the affairs of the Society in the future. This need was further crystallised by our Regulators, the Prudential Regulation Authority and the Financial Conduct Authority, requiring us to commission an independent third party to carry out a Board Effectiveness Review.

This independent Review, conducted by Mutual Governance Ltd, made a number of recommendations, all of which the Committee of Management accepted, and began implementing in August 2019.

The most significant recommended changes were driven by the "The Senior Manager and Certification Regime" which was introduced by the Regulators in December 2018. This has meant we have reviewed extensively the composition of our Committee of Management and our staff resources to ensure we can achieve corporate governance and strategic management activities at the new, more demanding levels. We have appointed three new Committee of Management members all of whom are senior and very experienced directors from the financial services sector. Biographies of the Committee of Management team can be found on Pages 12, 13 and 14.

A further very significant change for the Society was the decision to become an Incorporated Society, which took effect from 1st January 2020. We believe this is a more suitable structure to accommodate modern governance standards such as those set by the UK Corporate Code. It also vests the Society's assets, which of course are the members' assets, in the name of the Society rather than Trustees. Additionally, it limits the liability of members should the Society ever find itself in financial or legal difficulties.

I am conscious that my first report to you as Chairman has been largely to do with restructuring events at the Society rather than focussing on what we have done for you. Other Reports in this Financial Statement explain in more detail how the Society operates in your best interests and I look forward to future Reports when I can write about more exciting developments that will be of greater interest to you personally.

Finally, may I say I am delighted to be working with your Society and have confidence that we will continue to bring you benefits you value in the future.



Kim Harris

Chairman

2 April 2020

Chief Executive's Report

The year was challenging for the Society but throughout we have been grateful for the ongoing support and commitment of our Members', the work of my Committee of Management colleagues, and our staff. We have been ably assisted by our external advisers throughout this period. Our Regulator's forbearance, while change is implemented, has also been welcome.

Difficulties emerged in late 2018 which led to directions being made by the Prudential Regulation Authority and the Financial Conduct Authority requiring us to change the membership of our Committee of Management, to improve our ability in the area of risk management and mitigation, to carry out a Board Effectiveness Review, to ensure we have sufficient people and system resources to manage our operations going forward, and to produce a sustainable forward looking business plan.

We have achieved our aims in respect of the required changes and have reported progress regularly throughout the year to our regulators.

Due to the unexpected departure of a new Chief Executive, I became the Acting Chief Executive of the Society for the period November 2018 to end of December 2019. The Committee of Management fully recognised that having the same person fill both the role of Chairman and Acting Chief Executive was not best governance practice. However, given the situation of needing a person with knowledge of how to run the Society and to see through the additional workload of meeting the requirements of the Regulators, the Committee of Management felt that this solution was the best for the Society. During much of this period, an independent external governance consultant worked alongside me and this gave the Committee of Management additional assurance that conflicts of interest between the roles of Chairman and CEO would not arise.

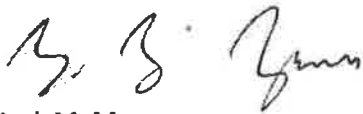
This year the Society reached the point where it must be classified as a "large non- directive Society", having previously been a "small non - directive Society". The change is necessitated because this has been the third successive year where the Society's assets have been in excess of £25 million. Members will know that most of their funds are invested in domestic properties which are rented out. The inexorable growth in the value of domestic residential property, especially in our South East heartland, has resulted in the value of assets increasing substantially over recent years, triggering our change in classification.

The Society itself has not changed in terms of what it is and what it does, but we will, as a consequence, strengthen considerably our abilities in the areas of corporate governance and achieving regulatory compliance with a more extensive regulatory regime than was previously applicable. We do so willingly, and with enthusiasm, recognising that protecting our member's benefits and assets are the highest priorities we have.

During the year, the Society's normal business activities continued with very little change from what has occurred in recent years. Our membership numbers have remained stable, we have paid all claims and benefits due, and the value of our assets and surplus funds have been maintained.

In terms of our Solvency ratio we are one of the strongest Friendly Societies in the country.

Finally, I want to thank those Committee members who have stepped down in the course of the year. Many of you will know Terry Plaw, John Briggs, Tony Verrill and Stewart Guyan who, between them, dedicated more than a 150 years of loyal and valuable service to the Society. The strong financial position of the Society today, and its ability to consistently pay valuable benefits to the Members is, in no small part, due to their untiring efforts.

A handwritten signature in black ink, appearing to read 'M. McManaman', written in a cursive style.

Mark McManaman

Chief Executive Officer

2 April 2020

Strategic Report

Business Purpose, Model and Strategic Objectives

The Society's business purposes, model and strategic objectives are represented in our Vision and Mission Statements.

Our Vision is –

"To be a not for profit organisation, well known and respected in our community, providing great value discretionary awards to Members to assist with their health needs".

Our Mission objectives are to –

- ❖ **Maintain the quality of our property investment portfolio to ensure capital is preserved and annual income from it is stable, and reliably received.**
- ❖ **Operate to high standards of corporate governance to protect our Members' best interests at all times.**
- ❖ **Establish, each year, a Target Operating Model which apportions forthcoming annual income to give annual budgets for benefit payments; property maintenance; operating expenses; addition to surplus.**
- ❖ **Regularly appraise the product and membership offerings to ensure they remain relevant and suitable both for the identified target market and have benefit levels which are sustainable in the longer term.**
- ❖ **Manage membership numbers by understanding what value of Members' discretionary awards can be supported by the average income from a property. This enables members to be added in relation to available income each time an additional property is acquired.**
- ❖ **Define clearly, and on a more frequent basis, what represents a fair distribution of surplus to members in respect of their discretionary benefits.**
- ❖ **Communicate regularly with Members' about the Society's work and provide clear and transparent information to them in meetings, in writing and via the website.**

Business Performance

During the year our business performance was in line with our expectations and in most respects similar to that achieved in the recent past. The key measures are shown below –

Key measure	2019 Value £	% change over previous year
Value of Assets	26,858,000	2.59
Value of liabilities	17,440,000	6.42
Surplus of assets over liabilities (Page 34)	9,418,000	(3.82)
Total income generated	1,999,520	60.10
Claims paid	537,444	14.97
Membership number	1,461	2.59

Our assets are represented by domestic properties owned by the Society in and around our hometown of Gravesend and by stocks and shares which are managed on our behalf by a professional investment management firm. 90% of our assets are represented by domestic property and 10% by stocks and shares. We remain satisfied that investment in domestic properties in the South-east of England gives our membership the best opportunity to see their assets increase in value with low investment volatility risk, and any needs we may have for financial liquidity are covered by the readily realisable stocks and shares assets. During 2019 there has been a good return on our investments and the increase in our income during the year has been mostly due to an increase in the realised and unrealised value of these assets of £705,447.

The Society maintains a very strong regulatory solvency position at all times, and it has one of the strongest financial positions within the Friendly Society sector. Bearing in mind we are required to set aside reserves for insurance liabilities and for other regulatory reasons, the surplus of free assets over insurance liabilities is 272%.

The Society generates income primarily from rents on the domestic properties and dividend and interest on its stocks and shares investments. Occasionally it will dispose of a property or an investment to add a capital gain to the investment income. The income received each year is use for three main purposes -

- ❖ To pay insurance claims and discretionary benefits.
- ❖ To maintain and re-furbish the domestic properties.
- ❖ To meet the operational expenses of the business.

The table below shows how we spent our income in 2019 –

Expenditure Category	2019 Amount £	% change over previous year
Claims	537,444	14.9
Property maintenance and refurbishment	435,447	(14.5)
Management costs	359,991	(0.01)

Whilst the overall management costs of the Society show a minimal decrease this disguises the underlying changes in the expenses of running the Society.

In the 2018 accounts we made a £100k provision for anticipated future regulatory expenses. This provision remains unused and therefore is causing a reduction in actual operating costs for 2019, as shown in these 2019 figures, of that amount.

During 2019 the Society started the process to improve its management and governance arrangements to meet the standards of the Society's status as a large Non-Directive Friendly Society. This expenditure was a mix of one-off and ongoing expenses. These increases in costs will continue into 2020 as the Society aims to meet it's increased Regulatory requirements.

Risk Management and Principal Business Risks

The Society conducts its risk management through a framework which includes setting the Risk Appetite at governing body level, maintaining a Risk Register which identifies materiality of risk and mitigating actions, review of material risks by an Audit and Risk Committee and an annual review by the whole Committee of Management 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.
- ❖ **Insurance Risk** – this is the risk that the Society experiences a level of insurance claims far in excess of what was expected, or has been recently experienced, and then 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 cause 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.

Review of Business Risks and Internal Controls

During 2019 the Society has made major changes to how it reviews its business risks and how it operates its internal controls. This was the first year when the Society categorised itself as a Large Non- directive Society and this required a step change from the approach it had previously utilised as a Small Non - directive Society.

The Committee of Management established new and more extensive Risk Management techniques, utilised external advisors and recruited new Committee of Management members with experience in risk management.

Further improvements will be made during 2020 in terms of strengthening the approach to governance by the Committee of Management. The Society will have installed a comprehensive “three lines of defence” approach by the end of 2020.

The following risk reviews occurred in 2019 -

- **Market Risk** – The Committee of Management considered if its asset allocation was appropriate and concluded that the current split, which has a high allocation to ownership of domestic property, remains well suited to its members’ best interests. The Committee of Management regards it as having both low volatility and excellent prospects of rising capital values and rental income growth at least matching inflation.
- **Liquidity Risk** – The Committee of Management realised in early 2019 that it would require more cash availability during the year to meet rising operational costs. It assessed the outflows as likely to occur steadily over the year, rather than in one large amount, and was therefore able to meet additional costs from a small number of property sales. It retains sufficient funds in its stocks and shares investments to meet a sudden large demand for cash should it arise.
- **Insurance Risk** - The Society pays a very small amount of insured benefits each year in respect of income protection, and monitoring shows this is not increasing materially. Given the Society’s large surplus no material risk is apparent.
- **Operational Risk** - During late 2018 needs emerged, which became subjects of discussion with our regulators, leading to extensive improvement actions to be undertaken from early 2019 onwards. The Society has improved its standards of corporate governance, its Information Technology systems and a range of internal systems and controls. These operational improvements led to increased operating costs in 2019 and further work on these operational improvements will continue into 2020.

Corporate Governance Report

Purpose and leadership

Given the Society's progression to "Large Non – directive" status the Committee of Management took the opportunity to revisit the Society's vision and mission statements during 2019. It then built upon these to develop its Corporate Plan for the period to the end of 2021.

Whilst this is a 30-month plan rather than the usual 60-month plan, the Committee of Management was satisfied that this is appropriate because of the significance of the degree of change being implemented during this period. Only if the 30-month plan delivers its change objectives will it become sensible for a 60-month plan to be developed.

The purposes of the Society remain largely unchanged and this is reflected in the Vision Statement expressed on Page 18. However, the structure necessary to deliver changes to the Society, which will enable it to deliver its vision in a more highly regulated environment, has required a change in leadership and in the career experience of those concerned .

The Committee of Management at the start of 2019 was characterised by long serving committee members, who were also members of the Society, and who progressed to the board through their long association with the Society. This gave rise to a situation where the Committee of Management did not have a majority of independent members and in that respect was falling short of what the Association of Financial Mutuals' Corporate Code expected, and neither did it meet the expectations of the Prudential Regulation Authority.

During the course of the year, four long serving Committee of Management members have stood down and have been replaced by three new members who have long experience of leading Financial Service businesses and who meet the definition of independent directors.

Since its formation, the Society has been an unincorporated Society placing upon it an obligation to invest its assets in the names of Trustees. The Committee of Management felt that it would be more appropriate now to incorporate the Society both to remove the need to be dependent upon Trustees and to vest the assets of the Society in the name of the limited company. The incorporation will occur on 1st January 2020 and the new Board of Directors will consist of six members of whom four meet the definition of independent directors.

The Committee of Management believe these changes are all a clear demonstration of an improved approach to Corporate Governance which will move the Society close to what are recognised standards of governance best practice.

During the year the Committee of Management re-stated the Vision and Mission of the Society and developed its Corporate Plan to deliver a business with sustainability and a future based upon its locality in North West Kent. The business does not intend to spend the member's surplus on aggressive expansion plans, either in terms of membership growth or

new product activities. Rather it intends to concentrate on continuing to deliver excellent service and payment of benefits for the health-related needs of its members. Changes that will occur to support this strategy include improved governance, improved technology infrastructure and a general modernisation of the operating systems and procedures within the day to day operations.

Board Composition

A major change was achieved during the year whereby long serving Committee of Management members retired and were replaced by members who have extensive and diversified industry knowledge and experience, and who can be classified as independent directors.

We started the year with a Committee of Management that had 9 members of whom 2 met the definition of independent, whereas we ended the year with 7 of whom 5 meet the definition of independent.

The opportunity was taken to diversify the range of technical knowledge and skills available from individual Committee members and there is now expertise in law, accountancy, sales and marketing, investment banking, property management and journalism.

Each Committee of Management member will be assessed annually to ensure they remain fit, proper and competent for their roles, and training and development plans will be in place to assist members as needed. The Committee of Management will also appraise itself as whole, annually, and decide if the composition of the Committee needs to change. As part of this process it will also develop succession plans both for itself and the executive team.

During the year the Society conducted an independently facilitated Effectiveness Review of the Committee of Management. This resulted in a number of recommendations all of which the Society is implementing.

The Society acknowledges that currently there is no gender or ethnic diversity at Committee of Management level and will seek to address this going forward.

Below is a brief summary of the experience of each member of the Committee of Management who served in 2019 –

Mark Mcmanaman

Mark has been a Committee of Management member for 6 years and throughout 2019 has been Chairman and Acting Chief Executive Officer. He is a fellow of the Royal Institute of Chartered Surveyors and has a wealth of experience in property management and wider business management experience.

Anthony Verrill

Tony has been a Committee member for 40 years and from 1985 has been a Trustee of the Society. A Chartered Surveyor by profession Tony's input to managing the property affairs of

the Society has been of additional value to his work as a Trustee. Tony retired from the Committee of Management on 31 December 2019.

John Briggs

John has been a Committee member for 50 years and a Trustee for 49 years. From a background of managing electrical engineering projects in many of the Thameside shipping industries he brought sound commercial judgement to the business. John retired from the Society on 31 December 2019.

Keith White

Keith has been a Committee member for 18 years and a Trustee for 14 years. Keith is a retired Chartered Legal Executive, specialising in civil litigation particularly landlord/tenant matters. This experience has enabled him to represent the Society in some legal disputes over the years. Keith is to retire from the Society during 2020.

Terry Plaw

Terry has been the longest serving Committee of Management member, having carried out a number of roles since the early 1960s. A mechanical engineer by profession, Terry brought significant project management and commercial experience to the business in addition to his knowledge of the Society's affairs and its products. Terry retired on 31 December 2019.

Stuart Guyan

Stuart has been a Committee member for 29 years. His background is with organisations such as Unilever and the Wellcome Foundation where he developed his career in the computer systems arena. For the last 20 years, Stuart has managed his own IT consultancy business and has been able to support the Society on all Information Systems matters. Stuart retired on 31 December 2019.

Gez Gibbs

Gez has been a Committee member for over 1 year and he is a qualified and practicing Solicitor, specialising in the fields of dispute resolution and employment law.

Michael Deacon

Michael has been a Committee member for 6 years and is a political journalist with a leading national newspaper.

Kim Harris

Kim has joined the Society in late 2019 and is Chairman (subject to PRA approval). He has had a long career in financial services, including within Building Societies and Friendly Societies. For a period he also owned his own Recruitment firm specialising in the in the financial services sector.

Martin Collins

Martin joined the Society in late 2019 and is Chairman (subject to PRA approval) of the Audit and Risk Committee. He is a qualified Chartered Accountant, was formerly Chief Executive of a large Friendly Society and has carried out financial services consultancy work in a number of organisations.

Paul Wilshire

Paul joined the Society in later 2019. He was formerly a senior executive in organisations such as Societe Generale and Hambros Bank.

Committee of Management Responsibilities

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

The Board Manual lists 18 Board Policy Statements which define the expectations of the governing body on a wide range of subjects.

In addition, several of the Committee of Management members are approved by the Prudential Regulation Authority and the Financial Conduct Authority as Senior Manager Function Holders and have allocated to them, regulatory defined Prescribed Responsibilities.

As part of the Committee of Management restructuring undertaken in 2019, an Audit and Risk Committee has been established to assist the Committee of Management with its management of this increasingly complex area of governance.

Opportunity and Risk

The Committee of Management reviews the opportunities the Society has to support its desire for long term sustainability in a low risk way.

During the year it defined the Society's Risk Appetite Statement and comprehensively overhauled its risk management framework and identification and management of conflicts of interest. This has created an approach which more closely monitors and mitigates the risks the Society is exposed to.

The outcome of the above work has been reflected in a Corporate Plan which sets out how the Committee of Management seeks to ensure the preservation of value for the member's benefit and which is a low risk approach to sustainability going forward.

Given its financial strength the Committee of Management does not believe the members funds should be placed at risk by aggressive or innovative business expansion programmes.

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. It has also been kept in line with what earlier CEO's earned, adjusted appropriately for inflation.

Each year the Committee of Management will review the level of pay to ensure it is commensurate with the scale and complexity of the business operation being managed and does not get out of step with salaries paid elsewhere in the sector.

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

It is also recognised that certain additional employees may be subject to the Senior Manager and Certification Regime introduced by the Society's regulators in December 2018, and this may cause reassessments to be made based upon the enhanced level of personal accountability attached to certain roles.

Stakeholder Relationships and Engagement

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

- ❖ Its Annual General Meeting
- ❖ An additional half - yearly General Meeting
- ❖ A newsletter
- ❖ It's website
- ❖ The availability of the CEO and other Committee Members to receive feed-back

In terms of its relationships with staff, the Society is very small, and all staff can speak to the CEO and any other Committee Member whenever they wish. The annual staff appraisal procedures also allow 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.

Committee of Management Remuneration Report

Name	Salary/Fee	Bonus	Pension	Other *	Total
Executives					
M Mcmanaman	71,554	0	10,733	8,684	90,971
Trustees					
J. Briggs	9,650	0	0	238	9,888
A. Verill	36,625	0	338	310	37,273
K. White	18,250	0	0	1,327	19,577
Non- Executive Committee of Management Members					
M. Deacon	10,304	0	338	86	10,728
G. Gibbs	14,536	0	0	815	15,351
S. Guyan	8,960	0	338	93	9,391
T. Plaw	9,150	0	0	272	9,422
M. Collins	3,500	0	0	0	3,500
K. Harris	7,500	0	0	0	7,500
P. Wiltshire	3,500	0	0	0	3,500
Sub -total	57,450	0	676	1,266	59,392
Total	193,529	0	11,747	11,825	217,101

*Relates to remuneration for professional services supplied to the Society

Please see note 11 for reference

Name	Meetings to attend	Attended	Absent
M. Mcmanaman (Chairman & Acting CEO)	12	12	0
J. Briggs (Trustee) – retired on 31 December 2019	10	10	0
A. Verill (Trustee) – retired on 31 December 2019	10	10	0
K. White (Trustee)	12	12	0
M. Deacon (Secretary)	12	10	2
G. Gibbs	12	12	0
S. Guyan - retired on 31 December 2019	10	10	0
T. Plaw – retired on 31 December 2019	10	10	0
M. Collins (Chairman elect – Audit & Risk Committee(subject to PRA approval))	3	3	0
K. Harris (Chairman elect of the Society (subject to PRA approval))	3	3	0
P. Wiltshire	3	3	0

Committee of Management Report

Committee Members and interests

Details of the current members of the Committee of Management are given on pages 12 to 14. 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 11 to 12.

The Society has continued to maintain Director's and Officer's liability insurance cover for the Committee of Management during the year and as 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 unincorporated Society under the Friendly Society Act 1974 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.

The Committee of Management members confirm that, to the best of their knowledge, all activities carried out by the Group during the year were within its powers and authorisations.

The Committee of Management have a Corporate Plan which describes what developments are underway to ensure the Society has a sustainable and low risk future. An important development is that with effect 1st January 2020 the Society will become an incorporated Society under the Friendly Societies Act 1992.

Risk Management and Internal Control

In accordance with the UK Corporate Governance Code, the Committee of Management has carried out a robust assessment of the principal risks facing the Society. An overview of these risks can be found on page 10. They were supported in this by an external reviewer who has proposed a programme of strengthening during 2020.

The effectiveness of the Society's internal control in managing those risks will be monitored from 2020 onwards by a newly established Audit and Risk Committee.

The Committee of Management has considered the effectiveness of risk management and internal controls in place during 2019 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 age, race, religion, sex, marital status, sexual orientation or disability. 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 2019, in addition to the acting Chief Executive Officer, there were 3 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 no charitable or political donations.

Going concern statement

The Society seeks to meet the standards set by The UK Corporate Governance Code and therefore the Committee of Management wishes to state whether the business is believed to be a going concern over the next 12 months. In considering this, the Committee has taken into account 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 from pages 5 to 6.
- The analysis of material risks faced by the Society and the management of those risks (see details in the Risk Management Report from pages 9 to 10; 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 2019 and throughout the year.

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

Longer-term viability statement

The Committee of Management 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 Committee of Management attended two strategy days during which they considered opportunities and threats for the Society over the next three years.

Based on this assessment, the Committee of Management has reasonable expectations that the Society will be able to continue in operation and meet its liabilities as they fall due over the period from July 2019 to July 2022. 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 rolling 3 year forward looking timeline.

Statement of Responsibilities of the Committee of Management

The Committee Members are responsible for preparing this Report in accordance with the Friendly Societies Act 1974 and the regulations made under it.

The Committee Members are also responsible for preparing the Strategic Report (please see Pages 7 to 10), the Report on Corporate Governance (please see Page 11 to 16) and the Financial Statements (please see pages 26 to 37), in accordance with applicable law and regulations.

Friendly Society law requires the Committee 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 the 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, the Committee Members are required to:

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

The Committee of Management 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 1974 and the regulations made under it. They are responsible for the maintenance and integrity of the corporate and financial information.

The Committee of Management have 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 Committee of Management 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 Committee 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 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.

Auditors

Opinion

We have audited the financial statements of Anglo-Saxons Friendly Society (the 'society') for the year ended 31 December 2019 which comprise the Society income and expenditure account, Society balance sheet and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 December 2019 and of its loss 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.

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 from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2019.**
- **In order to address the risk associated with the recording of investment transactions throughout the year ended 31 December 2019 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 the fundamental importance of the investment portfolio to the Society, it has been used to determine materiality. The basis of materiality is 1% of the gross assets of the Society which amounted to £268,577. This was applied as the materiality for the financial statements as a whole. 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 and FRS 102. 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; or

Responsibilities of the board of management

As explained more fully in the Statement of responsibilities of the board of management set out on page seven, 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. 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.



Neil Shaw BA FCCA (Senior Statutory Auditor)
for and on behalf of F W Berringer & Co
Chartered Accountants
and Statutory Auditors
Lygon House
50 London Road
Bromley
Kent
BR1 3RA

2 April 2020

Anglo-Saxons Friendly Society

Financial Statements as at 31 December 2019

Statement of Comprehensive Income

Technical Account: Long-Term Business	Notes	2019(£)	2018(£)
Earned Premium Income	5	49,922	48,756
Investment Income	6	1,244,151	1,198,306
Realised Gains on Investments	6	69,660	1,851
Unrealised Gains on Investments	6	635,787	-
Total Technical Income		1,999,520	1,248,913
Claims Incurred	7	(537,444)	(467,463)
Investment Property Costs	8	(435,447)	(509,089)
Management Costs	9	(359,991)	(360,213)
Investment Expenses and Charges	12	(9,415)	(8,688)
Unrealised Losses on Investments	15	-	(636,646)
Transfer (to) the Long Term Business Provision	16	(657,223)	733,186
Balance on the Technical Account		0	0

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 2019 (continued)

Statement of Financial Position

	Notes	2019(£)	2018(£)
Investments			
Financial Investments	14	26,392,732	26,092,808
Other Assets			
Cash at Bank		425,906	34,451
Prepayments and Accrued Income		39,074	52,553
Total Assets		26,857,712	26,179,812
Long Term Business Provision			
Reserve Funds	16	26,629,123	25,971,900
Creditors			
Other Creditors	19	228,589	307,912
Total Liabilities		26,857,712	26,179,812

The financial statements were approved by the Board and signed on the 2 April 2020 on its behalf by:



Kim Harris
Chairman of the Board



Mark McManaman
Chief Executive Officer

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019

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.

Significant accounting policies

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

Basis of preparation

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

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 and maternity 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 bank interest.

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019 (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

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 14 below, the Society's investment properties are held at valuation. The basis of valuation is Investment Value (or worth) defined as the value of an asset to the owner or a prospective owner for individual investment or operational objectives. The property was valued as of the 31 December 2019 on the 21 January 2020 using an Open Market basis by Roger Stevens & Chance, a RICS Registered Valuer at that time. Our policy is to value the Society's properties every year.

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 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 2019 (continued)

The assumptions used for discount rates are based on current market risk rates, 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

Section 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.

4. Capital Management

Policies and Objectives

The Society's key capital management objectives are:

- To ensure 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 free asset ratio is monitored at regular intervals throughout the year to ensure sufficient capital is available for its capital management objectives. These assessments take into account 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.

Capital Statement	2019 (£)	2018 (£)
Total Capital Resources Before Deductions	14,032,000	14,160,000
Regulatory Solvency Adjustments	(3,980,000)	(3,773,000)
Capital Available to Meet Regulatory Capital Requirements	10,052,000	10,387,000

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.

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019 (continued)

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

	2019 (£)	2018 (£)
Members Contributions	49,922	48,756
Earned Premium Income	49,922	48,756

6. Investment Income

	2019 (£)	2018 (£)
Rental Income	1,180,105	1,132,329
Deposits with Banks and Fund Managers	64,046	65,977
Investment Income (excluding Realised Gains/(Losses))	1,244,151	1,198,306
Net Gains on the Realisation of Investments	69,660	1,851
Unrealised Gains on Property revaluation	368,266	-
Unrealised Gains on Investments	267,521	-
Total Unrealised Gains	635,787	-
Investment Income	1,949,598	1,200,157

7. Claims Incurred

	2019 (£)	2018 (£)
Claims Payments	537,444	467,463
Total Claims Incurred	537,444	467,463

8. Property Maintenance Costs

	2019 (£)	2018 (£)
Repairs to Properties	435,447	509,089
Total Repairs to Properties	435,447	509,089

9. Management Costs

	2019 (£)	2018 (£)
Administration and Other Costs	359,991	360,213
Management Costs	359,991	360,213

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019 (continued)

10. Independent Auditor Remuneration

	2019 (£)	2018 (£)
Fees Paid to F W Berringer & Co for Audit Services	15,000	12,500

11. Board of Management Emoluments

	2019 (£)	2018 (£)
Board of Management Fees	217,101	248,674
Emoluments of the highest paid Board Member	90,971	67,104

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

	2019	2018
Board and Senior Management	7	9
Administration	3	3
Total	10	12

12. Investment Expenses and Charges

	2019 (£)	2018 (£)
Management Charges	9,415	8,688

13. Non-Executive Board Director's Remuneration

	2019 (£)	2018 (£)
Fees	59,392	56,350

14. Investments

The Society's investments were as follows:	Current Value	
	2019 (£)	2018 (£)
Investment Properties	23,745,000	23,640,000
Listed Investments – Bonds	346,632	381,051
Listed Investments – Equities	2,226,373	2,018,955
Deposits with Credit Institutions	74,727	52,802
	26,392,732	26,092,808

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019 (continued)

15. Unrealised Losses on Investments

	2019 (£)	2018 (£)
Investments at Fair Value through Income:		
Listed Investments	-	(119,377)
Loss on property revaluation	-	(517,269)
Unrealised Losses on Investments	-	(636,646)

16. Long Term Business Provision

	Long Term Business Provision (£)
At 1 January 2019	25,971,900
Transfers from the Technical Account	657,223
At 31 December 2019	26,629,123

17. Capital Resources

	2019 (£)	2018 (£)
Available Capital resources in respect of long term business: Fund for future appropriations	14,032,000	14,160,000
Adjustment to assets onto regulatory basis	(831,000)	(820,000)
Resilience reserve	(3,149,000)	(2,953,000)
Total available capital resources	10,052,000	10,387,000
Required minimum margin	(634,000)	(595,000)
Total	9,418,000	9,792,000

Total available capital resources as a percentage of required minimum margin	1,586%	1,746%
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	2019 (£)	2018 (£)
Opening Capital Resources	10,387,000	11,659,000
Investment return in excess of valuation requirements	1,228,000	(748,000)
Change in valuation assumptions	(1,140,000)	(385,000)
Change in resilience requirements	(196,000)	(107,000)
Other miscellaneous workings of the Fund	(216,000)	(46,000)
Change in statutory property adjustment	(11,000)	14,000
Balance as at 31 December 2019	10,052,000	10,387,000

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019 (continued)

17. Capital Resources - continued

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

Interest 1.15% per annum (2018: 1.60%) – this is set having regard to the yield on UK Government Fixed Interest securities and the yield on the Society’s own investment portfolio.

Expenses of management: £55.00 per annum per bond member and £75.00 per annum per non-bond member (2018: £55.00 and £75.00) with an inflation rate of 3.5% (2018: 3.5%) per annum based on an analysis of the Society’s expenses. Plus 25% of sickness premiums. An additional global expense reserve based on inflation adjusted expenses in addition to the above of £200,000 in 2020 and 2021, £150,000 in 2022, £100,000 in 2023 and declining thereafter with the projected run-off of business in force (2018: £250,000 in 2019 and 2020, £175,000 in 2021, £100,000 in 2022 declining subsequently with the projected run-off of business).

Resilience reserve: 20% (2018: 20%) decrease in property values.
10% (2018: 10%) decrease in rental income.

Mortality: The following percentages of the English Life tables (No 17) (2018 figures shown for comparison).

Assurances	75% (75%)
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 (2018 figures shown for comparison).

	Males	Females
First 6 months of claim	75% (75%)	75% (75%)
Second 6 months of claim	75% (75%)	75% (75%)
Between 1 and 2 years	125%	125%
Thereafter	200% (200%)	200% (200%)

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

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 in the 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.

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019 (continued)

17. Capital Resources – continued

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 £4,605,000.

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 Stock Exchange investments could be liquidated at short notice to meet any unexpected demands. If the Society's expenses increased by 10% the available capital would reduce by £1,220,000.

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, regulatory changes in the dental profession, 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.

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 so as 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.

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2019 (continued)

18. Remuneration of the Appropriate Actuary

Neither the Society's Appropriate Actuary, Mr Nigel Silby of ED Financial Limited, nor any of ED Financial Limited's staff or family, were members of the Society in 2019 and nor do they have any financial or pecuniary interest in the Society except for fees payable of £19,000 (2018: £19,020).

19. Other Creditors

	2019 (£)	2018 (£)
PAYE and National Insurance Contributions	16,668	19,056
Purchase Ledger Control	3,434	2,299
Pension Liability	2,520	3,253
Accruals	205,967	183,304
	228,589	207,912

20. Post balance sheet events

Since the Society's year-end the world has seen the emergence of the Coronavirus Pandemic. One result of this is a fall in global stock markets. As at 18th March 2020 the Society's listed investments have fallen by £464k. The Society is still in a strong financial position and the Board do not consider that this will impact on the Society's viability. The Pandemic and the Government's actions to reduce the impact have also impacted on the Society's operations. A Coronavirus – Initial Response Plan has been drafted and approved by the Board. The plan will be reviewed and updated on a regular basis as the situation develop