

# Anglo-Saxons Friendly Society

## Report and Financial Statements

For the year ending 31<sup>st</sup> December 2021

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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
Investment Advisers:	Quilter Cheviot 1 Kingsway London WC2B 6AN
Internal Auditor	HW Controls and Assurance Ltd 30 Camp Road, Farnborough, Hampshire, GU14 6EW
Compliance Manager	Bhavin Vadher

## Chairman's Introduction

Since I joined as Chairman in 2019 the country seems to have been fighting one crisis after another, having endured the challenges and tragedies of the COVID pandemic, the fallout of the departure from the European Union and the very unfortunate incidents in Ukraine. All these events have manifested themselves into financial pressures on our members with the current rise in fuel prices and the expectation of significant increases in price inflation and higher interest rates over the coming months and years. These inflationary pressures will lead to very challenging times in 2022, however the Board is, of course, committed to supporting our members wherever we can.

The challenge for the Board in 2021 was to progress the development of a sustainable strategy that enables the Society to continue to provide appropriate support and benefits for the existing members and use its resources for the best interests of those members. To survive, the Society needs to grow its membership to a level that makes the business viable, and in doing so it must develop products that provide appropriate benefits but ideally also supplement the income.

The starting point in developing our strategy was to ask the members what they wanted from the Society. This was achieved with a questionnaire sent to all members in August. The 25% response rate was significantly higher than the Board expected, which showed to me the engagement and passion the members have for the Society. The major points from the survey were as follows:

- ❖ The age profile of the Society is elderly, with half of all members aged over 60 and just 17% aged 40 or less. Consistent with this, three-quarters have been a member for over 20 years.
- ❖ There is an equal split of men and women, but very few members are from an ethnic minority background.
- ❖ Respondents generally joined the Society for two main reasons: because their family and friends recommended it and/or because of the health benefits offered.
- ❖ The majority of respondents felt it was important to offer the sickness product to new members.
- ❖ Most members were in favour of the Society offering new health-related discretionary benefits and offering existing health benefits to new members.
- ❖ When asked to suggest possible new discretionary benefits, the most common suggestions were mental health support and physio/chiropractor/osteopath treatments. However, half the members were happy with the current range of benefits.
- ❖ Three-quarters believed it was important for the Society to take a proactive approach regarding climate change and the environment.
- ❖ There was strong consensus that the Society should continue to invest in residential property and invest in an ethical, social and environmentally responsible way. Most members also believed it should continue to invest in property in the Gravesham area.
- ❖ The majority of members felt it important that the Society makes a positive contribution to the Gravesham community and stays focussed on the local area. There was less demand for creating opportunities for members to meet/support each other.
- ❖ Half of the members felt the Anglo-Saxons Hall should be retained and a similar proportion thought it should be used for the wider Gravesham community.
- ❖ Almost all respondents would recommend the society to their family and friends.

The results of the survey are currently being discussed by the Board and will form the core principles of the new strategy that is currently being developed. As part of this work the Board has reviewed and updated the current vision and mission statements as follows:

## 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.”*

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

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

ESG is a system for how to measure the sustainability of a company or investment in three specific categories: environmental, social and governance.

More information on the strategy will be discussed with members at the AGM.

In between the COVID showers I was very pleased that we met in person for our AGM in July. This allowed the new Board to meet and listen to the members who attended in person or over Zoom. The Board learnt a lot from the questions and comments made and have used this information in its discussions and strategy development. The importance of member engagement, communication and challenge is paramount in a member organisation as it enables the Board to sense check that it is doing what the members expect it to do.

Paul Osborn joined the Society towards the end of 2020 as Chief Executive Designate. Following a period of assessment by the Board on Paul’s skills, and by Paul on whether he would like to work with the Society, I am very pleased that Paul was made permanent CEO in July and co-opted onto the Board in December. He has considerable senior management experience in the Friendly Society movement.

With all the governance changes over the past few years, the Board felt it appropriate to appoint a Senior Independent Director (SID) and I am pleased to be able to report that Elizabeth Woolman agreed to take on this role from December. The purpose of the SID is threefold, firstly to assess my performance as Chairman, secondly to be a point of contact for members who may want to escalate issues or concerns they have about the performance of the Chair or CEO, and finally when the board is undergoing a period of stress, the SID’s role becomes vitally important to work with the Chair, other directors and members to resolve major issues.

Finally, I must take this opportunity to thank all of our staff for their hard work, resilience and flexibility as the Society continued to navigate its way through the turbulent challenges of the pandemic. I hope we are through the worst of it.

Kim Harris  
Chairman

7 April 2022

# Chief Executive's Report

## Introduction

As explained in my first report last year, 2020 was an extraordinary year that I didn't ever expect to experience again, however we have experienced very similar operational difficulties and challenges in 2021. The constantly changing guidance on COVID has tested the staff, who have performed exceptionally well to maintain the service standards required of a small mutual. Having endured this uncertainty, I have taken the opportunity to discuss with each member of staff their preferred working options that meet their expectations, in this new world, and meet the Society requirements in running a business. A hybrid system is now in place and working very well.

## Investments

The Board set up a new Investment Committee, which met and agreed its Terms of Reference at the end of 2020 and was fully operational in 2021, to oversee the Society assets. This Committee has driven forward several initiatives that have improved the governance and management of the investment portfolio. These have included:

- ❖ A new Investment Strategy, aligned with member expectations resulting from the questionnaire completed by members in 2021.
- ❖ Improved investment reporting giving insight into investment performance across all asset classes.
- ❖ Quarterly meetings with our Investment Advisors.
- ❖ Better understanding of the property portfolio in respect of EPC ratings, climate change, flood risks and overall quality of stock.

The Society has 90% of its assets invested in residential property in the North Kent region. Whilst this provides diversification challenges, residential property has continued to perform very well on both a valuation and letting basis. As soon as a property has become vacant there has been a queue of new tenants looking to move in. However, 2021 also saw a significant increase in property maintenance costs as monies were invested in the property portfolio to meet regulatory requirements and resolve issues which could not be resolved in 2020 due to the lockdown restrictions.

The total investment portfolio produced excellent investment returns of 8% in 2021 after very strong returns in a volatile market of 9% in 2020.

## Tendering for services

As part of the drive to appoint professional advisors that are aligned to the Society's values and in line with governance best practice, two tender processes were carried out in 2021.

The expectation of the Regulator, and the Terms of Reference of the Audit and Risk Committee, require the Society to be subject to regular internal audit reviews on the higher operational risk areas within the Society. I am very pleased to announce that after a stringent process managed by the Audit and Risk Committee and supported by Mutual Governance, the Board appointed Mr Lee Glover at HW Controls and Assurance Ltd as the new internal auditors. Their internal audit plan for 2022 was presented and approved at the December Audit and Risk Committee and ratified by the Board.

The Appropriate Actuary role also went out to tender in 2021. The position was previously held by Mr Nigel Silby of ED Financial Limited for several years. I would like to place on record my thanks to Nigel for his service to the Society, which has been well articulated and understood by the Board. Again, another rigorous tendering process was carried out by the Audit and Risk Committee with the successful candidate being Mr John Burgum of OAC plc. John's work will commence with the 2021 valuation of our insurance liabilities.

I look forward to working with both Lee and John in 2022.

## Chief Executive's Report (cont)

### Operational Results

The key points on the 2021 financial results of the Society, which are explained more fully on Pages 30 to 41, are as follows:

- ❖ The Society paid out £364k (2020: £342k) in discretionary claims in 2021, an increase of 6%.
- ❖ All valid claims were paid during the year and necessary property maintenance was carried out.
- ❖ The surplus for the year was £0.3m (2020: £8m). This is after providing for an additional £1m in the long term business provision in 2021 resulting from an increase in the expense reserve caused by increases in price inflation expected over the next few years. 2020 was very high due to a change in the methodology of valuing the property portfolio.
- ❖ The Solvency of the Society, explained in more detail in note 18, has reduced surplus assets from £18.5m in 2020 to £18.2m in 2021.
- ❖ Investment income has reduced by 5% from the high levels of 2020 due to lower rental income.
- ❖ Management expenses have increased in 2021, very much in line with plans to invest in improving the infrastructure and building professional foundations for the future, now that the Society is incorporated and is a large Non-Directive Society.

### Climate Change Strategy

In last year's Chief Executive Report, I talked about the Government's intention to substantially reduce the country's carbon emissions by 68% from 1990 levels by the end of 2029. Our Regulator, The Prudential Regulation Authority (part of the Bank of England) has asked all financial services businesses to report to them on the climate change impacts and complete a Climate Change plan by the end of 2021. The biggest impact for the Society is our property portfolio.

After consulting with Members in the questionnaire on climate change, with three-quarters of members believing it was important for the Society to take a proactive approach to climate change and the environment, in December 2021 the Board approved a Climate Change Strategy 2021-2030. This is based upon 7 key objectives.

- ❖ Understanding and reflecting the members' views about climate change and ESG.
- ❖ Reducing carbon emissions from the 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 to 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.

Future reports will include an update on the progress to meet these objectives.

## Operational Improvements

Over the past two years the Society has been embarking on a programme of change to complete the modernisation of the back office into a 21<sup>st</sup> Century friendly society. Much has been achieved in 2021 including:

- ❖ Launching a new fresh modern website.
- ❖ A quarterly members newsletter.
- ❖ A new Business Continuity Plan that was fully tested on the Audit and Risk Committee's view of the most arduous scenario.
- ❖ Review and improvements to the cloud-based IT Infrastructure.
- ❖ Overview of the Risk Management Framework.
- ❖ Setting up a new Risk and Compliance Group to oversee daily risk and compliance issues.
- ❖ Staff training programme on regulatory requirements.
- ❖ Fully embedded in our new offices at The Old Rectory Basepoint, Northfleet.
- ❖ An AGM where members attended in person or electronically by Zoom. This included the postal proxy voting used for the first time in 2020.
- ❖ Recruitment of a part time Membership Manager and part-time Compliance Manager to supplement the internal skills and have less reliance on external professional resource.

## 2022

It is important to maintain the momentum of the past two years into 2022, to build and implement the strategic changes that the Board is discussing to continue to meet the needs of our members and ensure the service is maintained at the current high levels.

The feedback from the members from the questionnaire carried out in 2021, was that the majority of respondents would like to see a new sickness product launched and most members were in favour of the health-related discretionary benefits for both new and existing members. A new sickness product and a review of the discretionary benefits offered to members are scheduled for the first half of 2022. Also, I will be arranging Member meetings to discuss the progress of the strategy to ensure they are in line with Member expectations. As a member mutual, it is paramount that the Board and I listen and communicate with the membership to ensure the Society delivers what the members would like.

I wish you all a happy, healthy and COVID free 2022.

Paul Osborn  
Chief Executive Officer  
7 April 2022



# 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 Values. These have all been updated in 2021 as the Board has embarked on a wholesale review 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 the Society 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                      Staid/Maintaining the status quo/Traditional/Tired
- ❖ Dependability    Simplicity
- ❖ Teamwork    Community
- ❖ Supportive    Empathetic
- ❖ Great Service    Caring
- ❖ Trust    Honesty/Integrity
- ❖ Open to all members, focused on lower income groups, Mutual/Not for Profit.

Moving forward the values we aspire to are as follows:

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

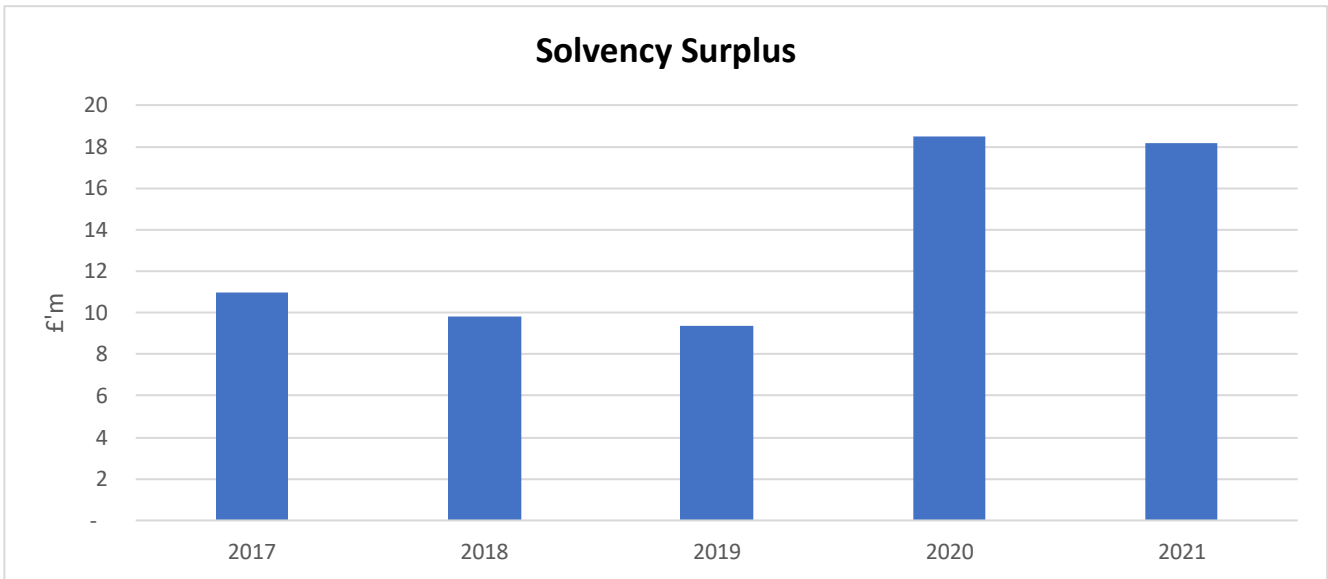
Our strategic pillars summarise what we will do, so that we become a long-term sustainable business.

<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

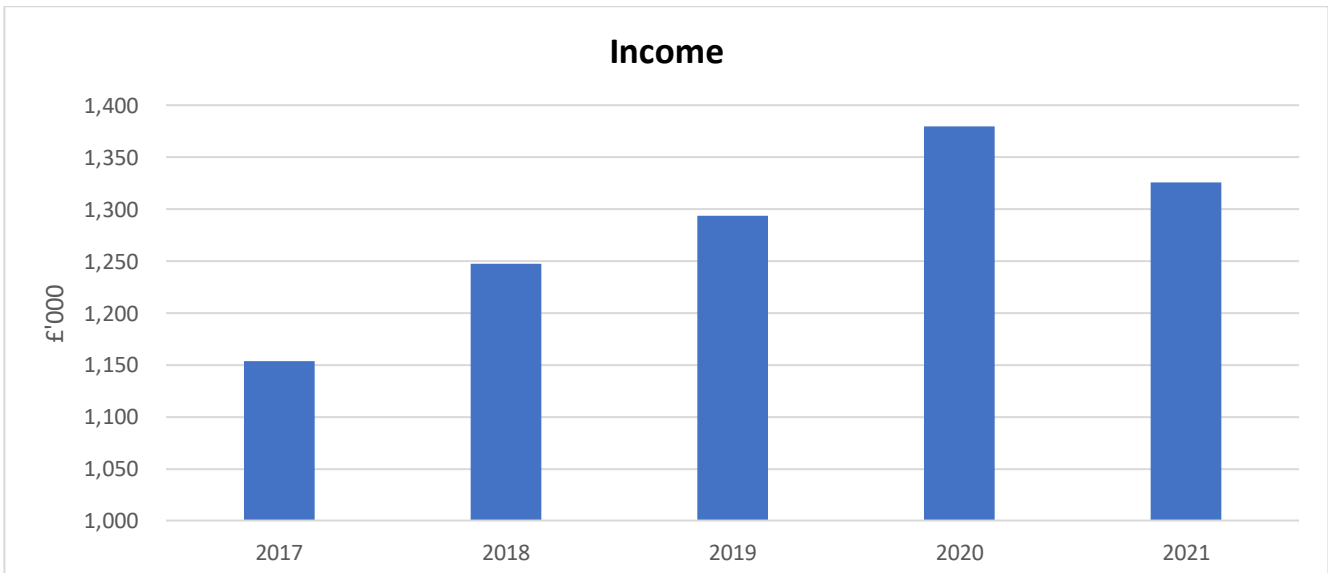
The results for 2021 are set out on pages 30 to 41. The Society has four key measures to assess its performance and ensure it retains its financial strength and strong solvency position.

### Solvency



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. At the end of 2021, the Society had surplus capital of £18.2m (2020: £18.5m) as explained in notes 4 and 18. This represents a free asset ratio of 53.2% (2020: 56.8%). The free asset ratio is calculated as the amount of surplus assets over the amount of admissible assets. It has reduced marginally in 2021 because of the impact of price inflation on the future expenses of running the Society business, as reflected in the expense reserve shown in note 18. An additional £1.3m has been set aside in 2021.

### Income



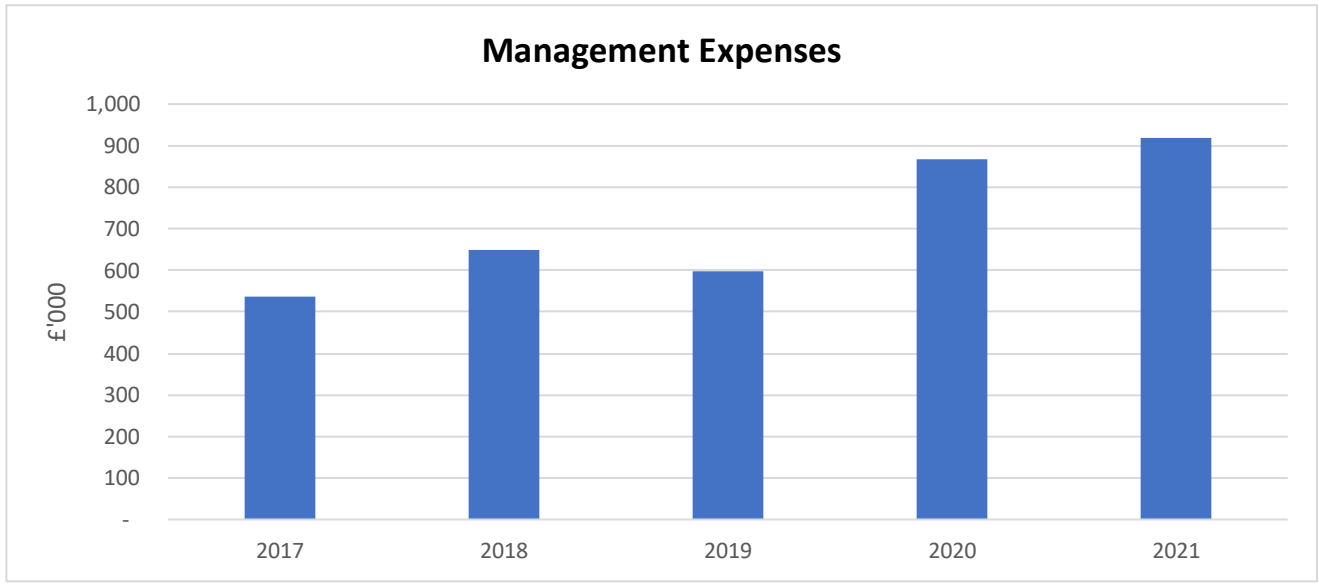
For this measurement Income is defined as premium income and investment income. This is an important measurement as it provides income to:

- ❖ Pay insurance claims and discretionary benefits.
- ❖ Maintain and re-furbish the domestic properties.
- ❖ Meet the operational expenses of the business.

The Society generates income primarily from rents on the domestic properties and dividend and interest on its stocks and shares investments. Domestic properties are owned by the Society in and around the community of Gravesend and stocks and shares are managed on our behalf by a professional investment management firm. 90% of our assets are represented by domestic property and 10% by stocks, bonds and cash. 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 bonds and cash assets. A new Liquidity Policy was implemented in 2021, using a number of adverse scenarios, and has calculated the amount of bonds and cash to meet future liquidity requirements as being £600k.

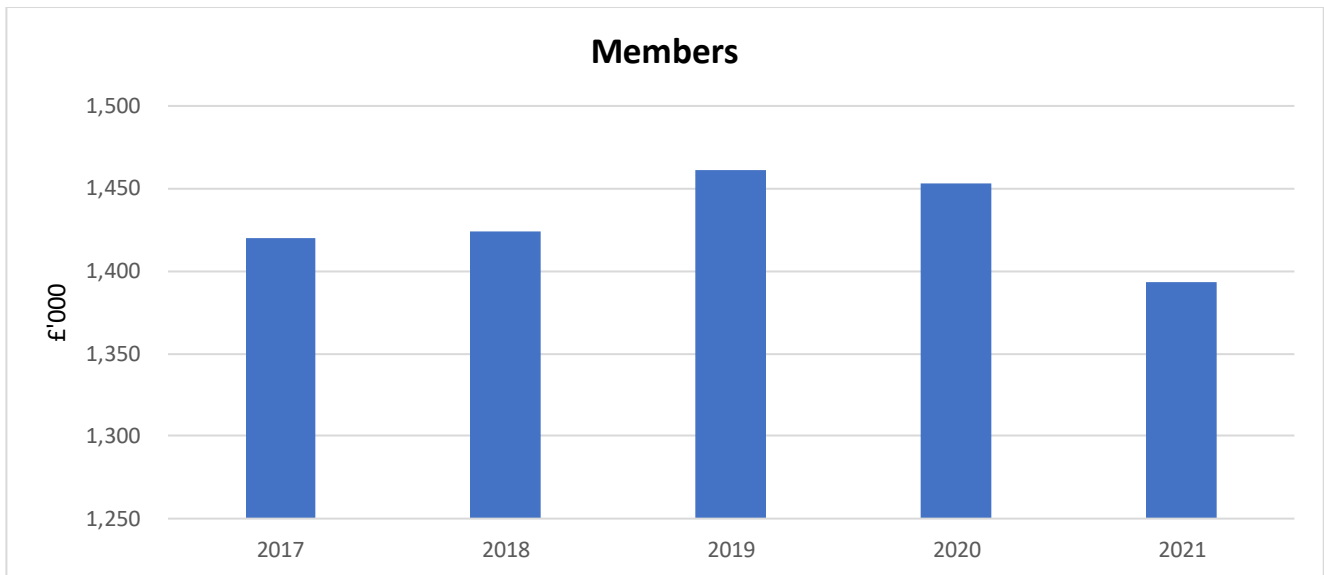
During 2021 income has fallen by 4% (2020: 6.5% increase) due to several domestic properties being put up for sale and subsequently the Society has not received any rental income for parts of the year on these properties. A programme of rent increases has been agreed with the property managers to review rents when leases are due for renewal, to ensure that rents are more in line with local market benchmarks.

Expenses



Management expenses are the costs of running the Society, including all property management costs, but not property maintenance costs. For 2021, this is represented by the £726k (2020: £619k) shown in management costs reported in the Income and Expenditure Account on page 30, plus £192k (2020: £252k) being 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 signed off 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 2021 were £50k higher than 2020 because of the project work being carried out by the Board to develop and implement strategic changes for the Society. In 2021 these strategic costs totalled £51k.

## Membership



At 31<sup>st</sup> December 2021 the Society had 1,393 members (2020: 1,453). This fall in members represents the validated position following a review carried out in 2021 of the database where it was found that a small number of members were deceased or had not been paying premiums and had lapsed their membership. The Society ceased selling its sickness product in 2020 due to the difficulties of administering new business during the initial phase of the Covid restrictions. Since then, the sickness product has remained suspended while the Board reviews the product to ensure it meets member needs and is sustainable for the future of the Society.

### **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 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 an 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 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 2021 the Society has continued to implement improvements to how it reviews its business risks and how it operates its internal controls. A new Audit and Risk Committee was established in 2020 whose Terms of Reference require it to champion the importance of successful Risk Management within the Firm and promote 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. As part of embedding risk in the Society a new operational Risk and Compliance Group was set up in 2021, which meets monthly, to enable current and emerging risks along with topical compliance matters to be reviewed and discussed by representatives of the Audit and Risk Committee and management. This group reports into the Audit and Risk Committee.

The Audit and Risk Committee also conducted a tender process to appoint a new internal auditor in 2021. HW Controls and Assurance Ltd were the successful company and they presented their internal audit plan for 2022 to the Audit and Risk Committee in December.

The Society also appointed a new part time Compliance Manager in the final quarter of 2021, who works 3 days a week. The Compliance Monitoring Plan for 2022 was approved by the Audit and Risk Committee at its meeting in December 2021. This appointment completes the work for establishing a new “three lines of defence” model.

With all the improvements in risk management over the past two years, the Society has documented its risk and controls processes into a living Risk Management Framework document.

Using the new more extensive Risk Management techniques, the Audit and Risk Committee carried out a thorough review of the risk processes and risk register in 2021.

- ❖ *Market Risk* – The Board of Directors set up a new Investment Committee towards the end of 2020, which was fully operational in 2021, to manage the Society’s Investment Strategy and particularly ensure its asset allocation is appropriate. Currently the Society has a high allocation to ownership of domestic property, which remains well suited to its members’ best interests. The Board of Directors regards it as having both low volatility and excellent prospects of rising capital values and rental income growth at least matching inflation.
- ❖ *Liquidity Risk* – Liquidity risk, and the Liquidity Risk Policy now fall under the responsibility of the Investment Committee and are overseen by the Board. During 2021 the Investment Committee 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 a cash reserve of £200k. Over the next few months, the Society will build the Liquidity Buffer to this level and thereafter maintain it. Regular cashflow monitoring is included in the Board management information. The Investment Committee meet quarterly with the Investment Manager, Quilter Cheviot, 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 income protection, and monitoring shows this is not increasing significantly. The expectation of the Board was that insured benefits would increase with the pandemic, but those risks did not materialise. 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 systems, outsourcing its property portfolio, moving to a safer modern office, enhancing staff skills and improving a range of internal systems and controls. These operational improvements led to increased operating costs in 2020 and 2021. The Society also developed and tested its Business Continuity Plan in 2021, which resulted in several improvements. Operational improvements will continue into 2022, to ensure that the Society is fully compliant with what is expected from a large Non-Directive Friendly Society.

## **Corporate Governance Report**

### **Purpose and Leadership**

Since its formation in 1877, the Society has been an unincorporated Society. In 2019, the Board of Directors decided to incorporate the Society into a limited company. Following the approval of the members to incorporate the Society at the 2019 Half Year General Meeting, this became effective on 1<sup>st</sup> January 2020.

During 2021 the Board of Directors commenced work on reviewing the strategy of the Society and whether it was fit for purpose for a long-term insurance business. It concluded very early on in this process that the financial strength of the Society, built up over the last 140 years, could support a growth in the number of members to a level that made the business sustainable in the long term. The current membership is aging and recruiting younger members would be paramount for the future of the Society. The review also considered the repayment of the Society's Bonds.

As part of this strategy review, the Board sent a questionnaire to every member of the Society in the UK, to obtain their views on what the Society currently offered and what they would like from the Society in the future. The response rate of 25% represented a very positive return from a very engaged membership. A summary of the findings from the survey are shown in the Chairman's report on pages 4 and 5, which has provided several clear messages and a strong direction for the Board to consider in updating the strategy.

This process necessitated a review of the purpose of the Society and the new Vision and Mission Statements are expressed on Page 9, along with the current and aspirational values.

In November 2020, Paul Osborn joined the Society on a fixed term contract as Chief Executive Officer designate. Following regulatory approval Paul's position was made permanent in July 2021 and he was co-opted onto the Board in December. In accordance with the Society Rules, he will be formally nominated for approval as a Director at the 2022 AGM.

The Board is committed to ensure that the business has a sustainable future based upon its locality in North West Kent with a focus on continuing to deliver excellent service and payment of benefits for the health-related needs of its members. Changes to support this strategy have included improved governance, recruiting and retaining employees with the right training and skillset, improved technology infrastructure and controls and procedures, within the day-to-day operations, to meet the requirements of a 21<sup>st</sup> century financial services organisation. It is pleasing to be able to report that significant progress has been made in all these areas in 2021.

### **Board Composition**

In 2021, the only change to the Board of Directors was that Paul Osborn was co-opted on to the Board in December.

At the end of 2021, the Board of Directors consists of seven members: six Non-Executive Directors and one Executive Director. Of the Non-Executive Directors, five meet the definition of independent.

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

Each Board of Directors Board 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 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 will also develop succession plans both for itself and the executive team.

To improve the Society governance further, the Board of Directors took the decision to appoint Elizabeth Woolman as Senior Independent Director in December. Liz was considered by the Board to be the outstanding candidate with all the right attributes to be the Society's first Senior Independent Director.

The Senior Independent Director role will:

- ❖ assess the performance of the Chairman,
- ❖ be a point of contact for members who may want to escalate issues or concerns they have about the performance of the Chair or CEO,
- ❖ work closely with the Chair, other Directors and members to resolve major issues when the Board is undergoing a period of stress.

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

Below is a summary of the experience of each member of the Board of Directors who served in 2021:

### **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.

### **Gez Gibbs**

Gez has been a non-executive director at Anglo-Saxons since 2018. He is a qualified solicitor who has been in practise 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 late 2019 and is Chairman of the Audit and Risk Committee. He is a Chartered Accountant with over 25 years' experience in the friendly society movement having started as 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.

### **Paul Wiltshire**

Paul joined the Society in late 2019 and is Chairman of the Investment Committee. He has worked in the Financial Services sector for 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. 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. Her last executive position was as Finance and Risk Director for a small Friendly Society where she was also a member of the Risk and the With-profits Committees.

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**

Liz joined the Society as a Non-Executive Director in November 2020. She 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 Chartered 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 – Co-opted to the Board on 1<sup>st</sup> December 2021.**

Paul joined the Society in November 2020 as Chief Executive Officer designate. 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 a 26 year affiliation with the friendly Society and mutual sector. He recently 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 18 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.

As part of the Board of Director's restructuring, an Audit and Risk Committee was established in 2019 and an Investment Committee established in 2020 to assist the Board of Directors with its management of this increasingly complex area of governance.

### **Opportunity and Risk**

The Board of Directors reviews the opportunities the Society has to support its desire for 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 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 Board of Directors 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 Board of Directors does not believe that members funds should be placed 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
- ❖ An additional half-yearly Special General Meeting, which did not occur in 2021 due to the COVID pandemic. The expectation is that there will be 2 meetings in 2022.
- ❖ A quarterly newsletter
- ❖ An updated modern and user-friendly website.
- ❖ The availability of the CEO and other Board Members to receive feedback.

In terms of its relationships with staff, the Society is very small, and all staff can speak to the CEO and any other Board 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.

## Remuneration Report

### Remuneration

The Society has one Executive (the CEO) and his pay has been determined by a bench marking exercise against other Friendly Societies that have a similar asset size. It has also been kept in line with what earlier CEOs earned, 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 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 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.

### Board of Directors Remuneration 2021

Name	Salary/ Fee £	Bonus £	Pension £	Other £	Total 2021 £	Total 2020 £
<b>Executives</b>						
M Mcmanaman	-	-	-	-	-	117,587
G Spencer	-	-	-	-	-	26,320
P Osborn	116,770	-	17,516	15,000	149,286	21,208
<b>Sub-total</b>	<b>116,770</b>	<b>-</b>	<b>17,516</b>	<b>15,000</b>	<b>149,286</b>	<b>165,115</b>
<b>Non- Executive Board Members</b>						
K Harris	32,500	-	-	-	32,500	33,500
M Collins	24,000	-	-	-	24,000	20,500
G. Gibbs	20,000	-	-	-	20,000	17,054
J Morrissey	20,000	-	-	-	20,000	2,333
P Wiltshire	24,000	-	-	-	24,000	16,500
E Woolman	20,000	-	-	-	20,000	2,333
M Deacon	900	-	-	-	900	3,500
K White	1,500	-	-	-	1,500	4,667
<b>Sub -total</b>	<b>142,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,900</b>	<b>100,387</b>
<b>Total</b>	<b>259,670</b>	<b>-</b>	<b>17,516</b>	<b>15,000</b>	<b>292,186</b>	<b>265,502</b>

## Board of Directors Report

### Attendance

Name	Board	Audit and Risk	Investment
<b>Number of meetings in year</b>	<b>7</b>	<b>8</b>	<b>5</b>
K Harris (Chairman)	7/7		
M Collins (Chairman Audit & Risk Committee)	7/7	8/8	
G Gibbs	6/7		2/5
P Osborn (Chief Executive)	6/7		5/5
J Morrissey	7/7	8/8	5/5
P Wiltshire (Chairman Investment Committee)	7/7	8/8	5/5
E Woolman (Senior Independent Director)	7/7	8/8	5/5

### 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 15.

The Society has continued to maintain Director's and Officer's liability insurance cover for the Board of Directors 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 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 Corporate Plan which describes what developments are underway to ensure the Society has a sustainable and low risk future. An important development was that with effect 1<sup>st</sup> January 2020 the Society became an incorporated Society under the Friendly Societies Act 1992.

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 likely to be affected. 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 to 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.

## **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 12. It was supported in this review by an external reviewer who proposed a programme of strengthening during 2020 that continued in 2021.

The effectiveness of the Society's internal control in managing those risks was monitored in 2021 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 2020 and concluded that, whilst a strengthened approach should be implemented, there were no control failings causing material loss to the Society or its members.

## **Investments and Investment Committee.**

The Society has over £30m of assets, which up until December 2020 was managed by the Board of Directors. To allow the Board of Directors to focus more on strategic matters going forward, the Board of Directors made the decision to delegate a lot of the Investment strategy and monitoring work to a newly formed Investment Committee that commenced its responsibilities in 2021. This will allow deeper discussion on Property, Investments and Liquidity to take place and use the skills of the Board to better effect. More information on the Investment Committee is shown on pages 24 and 25.

## **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 2021 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 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 Board of Directors wishes to state whether the business is believed to be a going concern over the next 12 months. In considering 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 from pages 6 to 8).
- ❖ The analysis of material risks faced by the Society and the management of those risks (see details in the Risk Management Report from pages 12 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 2021 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 two strategy days 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 2023. 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 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 9 to 13), the Report on Corporate Governance (pages 14 to 17) and the Financial Statements (pages 30 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 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, 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 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.

## **Committee Reports**

### **Audit and Risk Committee**

#### **Membership**

The Committee membership during 2021 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 Officer 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. These specific responsibilities 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 2021

At the start of the year the Committee completed activities postponed from 2020 regarding the work schedules and fee structures of the Appropriate Actuary and External Auditor together with reviewing the plan for 2020 year-end financial reporting including consideration of material accounting policies and judgements.

The Committees activities in relation to 2021 included:

- ❖ Governance
  - Review and recommend for approval, the Committee's Terms of Reference
  - Review the Committee's annual timetable
  - Review of the Committee's performance during the year
- ❖ Year-end financial reporting
  - Review and recommend to the Board the Report and Financial Statements for the year ending 31st December 2020
  - Review the year-end plan for annual financial reporting of the 2021 financial year-end
  - Consideration of material accounting policies and judgements for the 2021 financial year-end including:
    - Property Valuations
    - Insurance technical provisions
    - Going concern
    - Internal controls
- ❖ Independent Auditor
  - Assessment of and consideration for a future review of the role of Independent Auditor
  - Review the work schedule and fee structure for the 2021 financial year-end
- ❖ Appropriate Actuary
  - Receive the 2020 annual actuarial report from the Appropriate Actuary
  - Assessment and review of the role of the Appropriate Actuary through a selection process resulting in the appointment of OAC Plc as the Society's Appropriate Actuary
  - Review the work schedule and fee structure for 2022
- ❖ Internal Audit
  - Assessment and review of the role of the Internal Auditor through a selection process resulting in the appointment of HW Controls and Assurance Ltd as the Society's Internal Auditor
  - Review and approve the Internal Audit Plan
- ❖ Risk Management
  - Review and approve the Risk Management Framework and Risk Appetite Statement
  - Review the Risk Register and the Society's emerging risks including those resulting from climate change and Covid-19
- ❖ Compliance and Regulation
  - Review the Society's compliance requirement resulting in the appointment of a Compliance Manager and the drafting of a compliance monitoring programme
  - Receive management reports on complaints and regulatory reporting
  - Receive reports from the Money Laundering Reporting Officer and Whistleblowing Champion and on Threshold Conditions compliance
- ❖ Policies - Review and recommend to the Board the approval of the following policies:
  - Internal Audit & Internal Control
  - Outsourcing
  - Risk Management
  - Whistleblowing
  - Climate Change
  - Conduct Risk

## 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.

## **Investment Committee**

### **Membership**

The Committee membership during 2021 was as follows:

- ❖ Paul Wiltshire (Chair)
- ❖ Gez Gibbs
- ❖ Justine Morrissey
- ❖ Liz Woolman
- ❖ Paul Osborn

The Committee members have a diverse and complimentary range of expertise and experience. This encompasses specialities including Legal, Actuarial, Accounting, Investment Management and Business Management together with knowledge and experience of relevant sectors including Friendly Societies, investments, banking and business development. As a result, the committee is well equipped to tackle some of the many challenges which it faces.

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.

### **Purposes**

The purposes of the Committee is to:

- ❖ Ensure that the Investment Strategy is in line with the Firm'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 company'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 2021**

- ❖ Investment Managers  
Within the Investment Committees responsibilities is a requirement to review and challenge the performance of both the Property Manager (Spicerhaart) and Investment Manager (Quilter Cheviot).

The Committee receives regular reports from both companies and they attend Committee meetings, where they are challenged by the Investment Committee.

Good working relationships are held with both Managers and improvements have been made in both their work and reporting as a result. In this way the Committee ensures that both managers stay focused on the Society's needs and the Society receives a good service at a reasonable cost.



❖ Investments and Investment Strategy

During the past year the Investment Committee has developed a strategy which aims to improve the returns gained from the Society's investments whilst respecting the principals and values of the Society.

Within this strategy we aim to retain most of our investments in residential property, in line with members wishes, whilst at the same time upgrading the property portfolio with expert help from our property manager. This is a long-term project where we review each property to understand how energy efficient it is and what work might be needed to keep it to a level which meets regulatory standards, remains attractive to tenants whilst maximising returns for the Society over the long term.

At the same time, the Committee members have been considering how best to deploy the Society's Financial Investments, currently under the management of Quilter Cheviot. They believe that the Society should not only seek a good return on these assets but also ensure that it is invested in companies that act in an ethical manner and minimise their impact on the environment. For this reason, a review of the current Investment Manager is being undertaken and consideration to what alternatives may be available to assist in achieving the goals of the Society. This process will be completed in the second half of 2022.

❖ Policies - Review and recommend the Board to approve the following policies:

- Liquidity Policy
- Investment Policy

**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 2021, which comprise the Statement of Comprehensive Income, Statement of Financial Position 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 and 103 '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 2021 and of its profit 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 2021.
- ❖ In order to address the risk associated with the recording of investment transactions throughout the year ended 31 December 2021 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 £341,000. 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, 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 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](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

7 April 2022

**Anglo-Saxons Friendly Society**  
**Financial Statements as at 31 December 2021**

**Statement of Comprehensive Income**

<b>Technical Account: Long-Term Business</b>	Notes	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
Earned Premium Income	5	41	52
Investment Income	6	1,285	1,340
Realised Gains on Investments		52	-
Unrealised Gains on Investments		1,625	6,040
<b>Total Technical Income</b>		<b>3,003</b>	<b>7,432</b>
Claims Incurred	7	(435)	(454)
Transfer (to)/from the Long Term Business Provision	8	(1,057)	2,192
<b>Other Expenditure</b>			
Investment Property Costs	9	(459)	(439)
Management Costs	10	(726)	(619)
Investment Expenses and Charges		(14)	(10)
Realised Losses on Investments		-	(2)
<b>Total Technical charges</b>		<b>(2,691)</b>	<b>668</b>
Surplus of technical income over technical charges		312	8,100
Transfer (to)/from the Fund for Future Appropriations		(312)	(8,100)
<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 2021 (continued)**

**Statement of Financial Position**

<b>Technical Account: Long-Term Business</b>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
		<b>£'000</b>	<b>£'000</b>
<b>Investments</b>			
Financial Investments	15	33,389	32,420
<b>Other Assets</b>			
Cash at Bank		352	129
Prepayments and Accrued Income		359	133
<b>Total Assets</b>		<b>34,100</b>	<b>32,682</b>
<b>Fund for Future Appropriations</b>	16	22,444	22,132
<b>Long Term Business Provision</b>	17	11,462	10,405
<b>Creditors</b>			
Other Creditors	20	194	145
<b>Total Liabilities</b>		<b>34,100</b>	<b>32,682</b>

The financial statements were approved by the Board and signed on the 7 April 2022 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 2021**

#### **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 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 2021 (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 15 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 at least annually on an open market basis by qualified external valuers. For 2020 and 2021 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 2021 (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

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.

#### 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 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.

<b>Capital Statement</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Total Capital Resources Before Deductions (FFA)	22,444	22,132
Regulatory Solvency Adjustments	(4,278)	(3,642)
Capital Available to Meet Regulatory Capital Requirements	<b>18,166</b>	<b>18,490</b>

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2021 (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.

The capital position strengthened considerably in 2020 due to a change in methodology of valuing the properties (see note 15) and a reduction in the LTBP (see note 17). This has been retained in 2021 at the same strong levels.

##### 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

	2021 £000	2020 £000
Members Contributions	41	52
<b>Earned Premium Income</b>	<b>41</b>	<b>52</b>

#### 6. Investment Income

	2021 £000	2020 £000
Rental Income	1,212	1,292
Deposits with Banks and Fund Managers	73	48
<b>Investment Income (excluding Realised Gains/(Losses))</b>	<b>1,285</b>	<b>1,340</b>
Net Gains on the Realisation of Property	21	-
Net Gains on the Realisation of Investments	31	-
<b>Total Realised Gains</b>	<b>52</b>	<b>-</b>
Unrealised Gains on Property revaluation	1,355	6,014
Unrealised Gains on Investments	270	26
<b>Total Unrealised Gains</b>	<b>1,625</b>	<b>6,040</b>
<b>Total Investment Income</b>	<b>2,962</b>	<b>7,380</b>

#### 7. Claims Incurred

	2021 £000	2020 £000
Sickness claims	26	28
Bond repayments	45	84
Discretionary claims	364	342
<b>Total Claims Incurred</b>	<b>435</b>	<b>454</b>

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2021 (continued)

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

	2021 £000	2020 £000
Movement in year (see note 17)	1,057	(2,192)
	<b>1,057</b>	<b>(2,192)</b>

#### 9. Investment Property Costs

	2021 £000	2020 £000
Property Repairs	270	186
Management	189	253
<b>Investment Property Costs</b>	<b>459</b>	<b>439</b>

Property repairs were restricted in 2020 to essential repairs because of the COVID 19 lockdown. In 2021 there was a catch up of the delayed non essential property repairs from 2020.

#### 10. Management Costs

	2021 £000	2020 £000
Administration and Other Costs	726	619
<b>Management Costs</b>	<b>726</b>	<b>619</b>

The Society incurred no New Business costs in either 2020 or 2021.

#### 11. Independent Auditor Remuneration

	2021 £000	2020 £000
Fees Paid to F W Berringer & Co for Audit Services	17	17

#### 12. Board of Management Emoluments

	2021 £000	2020 £000
Executive Director remuneration	149	165
Non-Executive Director fees	143	100
<b>Board of Management Fees (See remuneration report)</b>	<b>292</b>	<b>265</b>
Emoluments of the highest paid Board Member	149	118

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2021 (continued)

#### 13. Staff Costs

	2021 £000	2020 £000
Wages and Salaries	275	249
Social security costs	32	24
Other pension costs	37	27
<b>Total staff costs</b>	<b>344</b>	<b>300</b>

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

	No	No
Board and Senior Management	7	7
Administration	4	3
	<b>11</b>	<b>10</b>

#### 14. Investment Expenses and Charges

	2021 £000	2020 £000
Management Charges	12	10
	<b>12</b>	<b>10</b>

#### 15. Investments

	2021 £000	2020 £000
<b>The Society's investments at current value were as follows:</b>		
Investment Properties	30,795	29,759
Listed Investments – Bonds	294	253
Listed Investments – Equities	2,266	2,384
Deposits with Credit Institutions	34	24
	<b>33,389</b>	<b>32,420</b>

#### 16. Fund for Future Appropriations

	2021 £000	2020 £000
At 1 January	22,132	14,032
Transfers from/(to) the Technical Account	312	8,100
<b>At 31 December</b>	<b>22,444</b>	<b>22,132</b>

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2021 (continued)

#### 17. Long Term Business Provision

	2021 £000	2020 £000
At 1 January	10,405	12,597
Transfers from the Technical Account (note 8)	1,057	(2,192)
<b>At 31 December</b>	<b>11,462</b>	<b>10,405</b>

Analysed as:	2021 £000	2020 £000
Sickness, annuity and other benefits	1,312	1,277
Bonds	1,270	1,515
Expenses	8,880	7,613
<b>At 31 December</b>	<b>11,462</b>	<b>10,405</b>

#### 18. Capital Resources

Available Capital resources in respect of long-term business:	2021 £000	2020 £000
Fund for future appropriations (note 16)	22,444	22,132
Adjustment to assets onto regulatory basis	(1,078)	(1,042)
Resilience reserve	(3,200)	(2,600)
<b>Total available capital resources</b>	<b>18,166</b>	<b>18,490</b>
Required minimum margin	(589)	(524)
<b>Total surplus capital resources</b>	<b>17,577</b>	<b>17,966</b>
Total available capital resources as a percentage of required minimum margin	3,084%	3,529%

#### Movement in Capital resources

	2021 £000	2020 £000
Opening Capital Resources	18,490	10,052
Investment return in excess of valuation requirements	1,237	6,736
Change in valuation assumptions	(1,682)	1,760
Change in resilience requirements	(600)	548
Other miscellaneous workings of the Fund	757	(396)
Change in statutory property adjustment	(36)	(210)
<b>Balance as at 31 December</b>	<b>18,166</b>	<b>18,490</b>

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2021 (continued)

#### 18. Capital Resources – continued

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

**Interest** 2.0% per annum (2020: 2.0%) – this is set having regard to the yield on the Society’s own investment portfolio.

**Management Expenses** £86.00 per annum per non-bond member (2020: £75.00) with an inflation rate of 3.5% (2020: 3.0%) 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% (2020: 3.0%) of:

First year following the valuation: £814,000 (2020: £550,000)  
Second year following the valuation £550,000 (2020: £550,000)  
Third year following the valuation: £300,000 (2020: £300,000)  
Fourth year following the valuation £200,000 (2020: £200,000)  
Fifth year following the valuation £100,000 (2020: £100,000)

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 (2020: £25,000).

**Resilience reserve** 20% (2020: 20%) decrease in property values.  
10% (2020: 10%) decrease in rental income.  
10% (2020: nil) decrease in equity values.

**Mortality** The following percentages of the English Life tables (No 17) (2020 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 (2020 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%)	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.

No additional Covid-19 reserve (2020: £10,000) was held against the risk of excess sickness claims.

## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2021 (continued)

#### 18. 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 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.

#### 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 £5,943k.

#### 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 £907k.

#### 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.



## Anglo-Saxons Friendly Society

### Notes to the Financial Statements – 31 December 2021 (continued)

#### 18. Capital Resources – continued

##### Insurance risk - continued

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.

##### 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.

#### 19. Remuneration of the Appropriate Actuary

Neither the Society's current Appropriate Actuary, Mr John Burgum of OAC plc, or his predecessor as Appropriate Actuary, Nigel Silby of ED Financial Limited, nor any of the OAC plc or ED Financial Limited's staff or family, were members of the Society in 2021 or 2020 and nor do they have any financial or pecuniary interest in the Society except for fees payable of £17,000 to OAC plc in 2021 or £30,000 to ED Financial Limited in 2020.

#### 20. Other Creditors

	2021 £000	2020 £000
PAYE and National Insurance Contributions	18	10
Purchase Ledger Control	98	36
Pension Liability	-	3
Accruals	78	96
	<b>194</b>	<b>145</b>