

Anglo-Saxons Friendly Society

Report and Financial Statements

For the year ending 31st December 2022

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Society Information

Bankers:	Barclays Bank 76A New Road Gravesend DA11 OAF
Auditors:	Ricky Hutson Berringers LLP Lygon House 50 London Road Bromley Kent BR1 3RA
Actuary:	John Burgum OAC plc 141 – 142 Fenchurch Street London EC3M 6BL
Legal Advisers:	Tees Law Cathedral Place, Brentwood, Essex, CM14 4ES John Gilbert MMG Advisory Services Limited 3 Northolme Road London, N5 2UZ
Investment 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

I am beginning to wonder whether it is a coincidence that since I joined the society in 2019, the UK has lurched from one crisis to another. Brexit, Covid, and the war in Ukraine starting in early 2022, have all contributed to high energy prices, high inflation and high interest rates experienced in 2022, all of which are tightening the disposable income of households across the UK and certainly amongst our members. It is for this reason that the Board felt it important to offer member households a one off £200 energy grant in December to support members in times of hardship, as outlined in our mission statement. This was very well received by members and many have expressed their appreciation. We should never forget that the Society belongs to its members and the financial strength, built up over many years of good management, should be used to support members in difficult times.

In July 2022, the FCA published final guidance on its Consumer Duty regulations, which sets higher and clearer standards of consumer protection across financial services and requires Societies to put customers' needs first. A new consumer principle is being introduced to ensure that the Society must act to deliver good outcomes for all customers. The FCA expects that the focus on acting to deliver good outcomes will be at the heart of the Society's strategy and business objectives. The Board has appointed Justine Morrissey as its Consumer Duty Champion and she will support the Chairman and CEO in raising Consumer Duty regularly in all relevant discussions, as well as challenging the firm's Board/Management on how it is embedding the Duty and focusing on consumer outcomes. The Consumer Duty comes into effect on 31 July 2023 for new and existing products or services that are open for sale or renewal, or 31 July 2024 for closed products or services, which are no longer marketed or distributed. The Board has approved an implementation plan to ensure it meets the timescale.

In 2021 the Board spent a lot of time defining a sustainable strategy for the Society, after consulting with the membership. This strategy is built on 4 pillars, outlined below, and 2022 was a year of implementing some of the strategic plans supporting the pillars and investigating the viability of others. I am pleased to say that after significant product development work, the Society launched a new sickness product in December 2022, something members have been asking for since I became Chairman.

The Board has also been researching the viability of a new office. Another consideration is whether an office is required as throughout the Covid pandemic, staff worked successfully at home. However, staff are now working in the office which has demonstrated that output, team spirit, accuracy and well-being is enhanced by working together. The Board has agreed that it wants to establish an identity in the Gravesham community to continue the legacy of the Society. Options are being discussed ranging from continuing to rent in Northfleet to a more ecological solution consistent with the Society's values. Discussions will continue at the 2023 Strategy Day. The old offices in Berkeley Road will be sold in 2023 to support the costs of the new office solution if this is the preferred option.

Over the past few years working conditions have been challenging for staff who have worked tirelessly to maintain very high service levels, which is what members expect. The challenges have included Covid uncertainty, working at home, an office move, recruitment of new staff, regulatory training, Compliance and Internal Audit reviews and new systems that have improved processes and controls. The Audit and Risk Committee has identified that one of the highest risks a small Society carries is staff absenteeism or departure. In 2022 the economic conditions outlined above challenged the Board to financially support staff in these difficult times, which it did by authorising a 5% pay rise. This was considered fair, affordable and in recognition of their excellent work. No increases were awarded to Board members.

The Society's mission statement refers to "addressing the challenge of climate change". A Climate Change Strategy has been approved and several new initiatives have commenced:

- ❖ Drive towards a paperless office – With a new Customer Relationship Management (CRM) system now live all new applications, claims and correspondence with members can be carried out electronically. 93% of members have an up-to-date registered e-mail address.

- ❖ Property insulation - All properties have been reviewed to ensure they have roof insulation and double glazing as a minimum. A plan is in place to upgrade properties that do not have these as a minimum and work is progressing.
- ❖ New Offices – Consideration is being given to finding a low carbon energy efficient office solution, based in Gravesham that meets the requirements of staff.

A reminder of our vision and mission statements.

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

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

Our strategic pillars summarise what we will do in order that the Society has a long-term sustainable business. Progress in 2022 is shown below:

Strategic Pillar	Strategic Objective	Progress in 2022
Products and Benefits	Evolve our <u>products & benefits</u> to deliver against our vision & mission and add value to our members, whilst fairly distributing surplus.	<ul style="list-style-type: none"> • New sickness product launched in December 2022. • Revision of discretionary benefits limits aligned to financial model. • Launch of new discretionary benefits for education, climate impact and first-time buyers. • ASFS Extra launched in December 2022. • Decision made & planning commenced to pay out the Bonds by June 2023.
Membership	Expand our <u>membership</u> to better reflect the profile of the community we serve.	<ul style="list-style-type: none"> • Member survey carried out. • Preliminary social media work commenced for launch in 2023, including relaunched website and promotional materials. • Exploratory work commenced for a savings product to attract younger members.
Investments	Ensure our strategic, property portfolio & financial <u>investments</u> reflect our vision & mission & a proactive approach to ESG.	<ul style="list-style-type: none"> • Investment Advisor appointed to recommend ESG funds in line with the Society’s mission and values. • Investment in property portfolio to improve energy efficiency and improve EPC rating. • Market review of tenant’s rents to align with market benchmark and improve the return on our assets.
Community	Enrich the local Gravesham <u>community</u> and the environment, making a positive contribution & being a responsible landlord.	<ul style="list-style-type: none"> • Joined the Kent Invicta Chamber of Commerce. • Energy grants provided to member households. • Progress to a paperless office and reduction in carbon footprint in line with climate change strategy. • Use of local suppliers in the community.

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

In my report last year, I outlined that with all the governance changes over the past few years, the Board felt it appropriate to appoint a Senior Independent Director (SID) and Elizabeth Woolman agreed to take on this role. Elizabeth has been approved by the Prudential Regulatory Authority as fit and proper to carry out this role. As a reminder, one of the purposes of the SID is 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. Elizabeth also holds the Deputy Chairman position, which was newly created in 2022.

Kim Harris
Chairman 6 April 2023

Chief Executive's Operational Report

Introduction

After a couple of COVID dominated years it has been nice to get back to some semblance of operational normality. Staff have shown fantastic resilience and flexibility in maintaining the very high service standards that members expect from a small mutual. A hybrid system of working in the office, or at home, was introduced in 2022, which has provided a good work/life balance for the staff during a year of change, more of this below.

Property Investments

The Chairman's report outlined the difficult economic conditions experienced by members in 2022. All this bad news created a lot of uncertainty in the financial markets, which resulted in sharp falls in almost all asset classes, except property which has continued to perform well. High inflation, resulting in higher interest rates, has had a twofold effect on the property portfolio. Firstly, the number of new buyers coming into the market has reduced as mortgage costs have made it too expensive and secondly, there has been a reduction in the number of landlords as their profit margins decreased. All of this has been good news for the Society's property portfolio as the rental market has remained very strong. Any properties that become available are being occupied as soon as they appear on the market. What this has meant for the Society, is that there have been very few empty properties in the year and rental income has remained at similar levels to 2021.

In 2022 the property managers, Spicerhaart, carried out a review of the current rents collected and compared them with what the market suggests is achievable. The conclusion from this work is that many tenants were being charged significantly below the market rate. The Board then requested Spicerhaart to carry out an exercise to increase rents, where possible, to market rates over a two-year period. This commenced in the final quarter of 2022 with the expectation that rental income will increase by over 10%. If this is achieved, it will improve the return on our property assets and support Discretionary Benefits and new members joining the Society in future years.

The property portfolio increased in value by £1.6m in 2022, which has resulted in an increase to the surplus assets. However, it was noticeable that there were signs in the second half of the year that these values were starting to fall as the property market cools. The Actuary, in his valuation, provides a stress for a 20% drop in the property market, which provides good information to the Board on how this impacts solvency. The Board regard the investment portfolio as a long-term investment, and particularly property, which is a fundamental part of the financial model. Subsequently there are no plans to move away from residential property in North Kent in the medium term, even if there is a fall in property values.

Operational Results

The key points on the 2022 financial results of the Society, which are explained more fully on pages 29 to 40, are as follows:

- ❖ The surplus for the year was £0.7m (2021: £0.3m). This was very much the result of strong growth in the property market in the first half of 2022, which was partially offset by the poor performance of the investment markets.
- ❖ The Solvency of the Society after all required margins, explained in more detail in note 18, has increased by £1.7m and increased surplus capital resources from £17.6m in 2021 to £19.3m in 2022. This is essentially the result of the £0.7m surplus in the year and the release of £1m from the resilience reserve due to a change in methodology.
- ❖ Investment income, comprising mainly of rental income, has been maintained at similar levels to 2021 despite having four less properties.
- ❖ The Society paid out £388k (2021: £364k) in discretionary claims in 2022, an increase of 7% in the year after an increase of 6% in 2021. This excludes the one-off energy grant.

Chief Executive's Operational Report (cont)

Operational Results (cont)

- ❖ In this period of high energy prices, a one-off energy grant of £200 per household was offered to all member households amounting to £196k to provide support in times of financial hardship.
- ❖ All valid insurance and discretionary benefit claims were paid during the year along with all essential property maintenance.
- ❖ Management expenses have increased in 2022 as a result of implementing the strategy, investing in improving the infrastructure and continuing to build professional foundations for the future, now that the Society is incorporated and is a large Non-Directive Society.

Operational Improvements

The Society has embarked on a programme of change to complete the modernisation of the back office and implement the four strategic pillars. Much has been achieved in 2022, building on the excellent work of 2021.

- ❖ An updated Sickness product was launched in December 2022 as the Society re-opened to new business. This product was developed to ensure it was compliant with the requirements of Consumer Duty.
- ❖ A new, fresh and modern website was launched in 2021 and updates were carried out in 2022 to support the new sickness product and application process. The hosting of the website was moved to the cloud alongside all other Society IT systems.
- ❖ Limits to Discretionary Benefits were reviewed to ensure more members can participate as the updated sickness product is launched.
- ❖ New Discretionary Benefits were launched, including ASFS Extra with Parliament Hill, first time buyers grant, education grant and home energy efficiency grant.
- ❖ A new Customer Relationship Management (CRM) system was developed and launched. This has been developed to improve the service we can deliver to members and for ASFS to ensure new applications and all claims are recorded in one place in a paperless environment. One single source of the truth.
- ❖ The quarterly members newsletter is now well established and well received enhancing member communication and engagement.
- ❖ The Society embarked on an exercise to update its member database (CRM) by collecting the current e-mail addresses and bank details of all members. The member database now holds e-mail addresses for 93% of members, which will allow most communication in the future to be electronic.
- ❖ The Business Continuity Plan was fully tested for a second time in 2022. All staff and directors have now participated in two tests over the past two years.
- ❖ An AGM where members attended in person or electronically by Zoom. This included postal proxy voting.

Finally, I would like to offer my sincere and heartfelt thanks to the Staff and my colleagues, the Non-Executive Directors, for their continued hard work, support and enthusiasm during the year.

Paul Osborn
Chief Executive Officer
6 April 2023

Strategic Report

Business Purpose, Model and Strategic Pillars

The Society's business purposes, model and strategic pillars are represented in its Vision and Mission Statements and the Society's Values. These were all updated in 2021 and reviewed in 2022 as the Board has embarked on a wholesale review and implementation of the strategy.

Our **Vision** is:

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

Our **Mission** is:

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

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

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

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

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

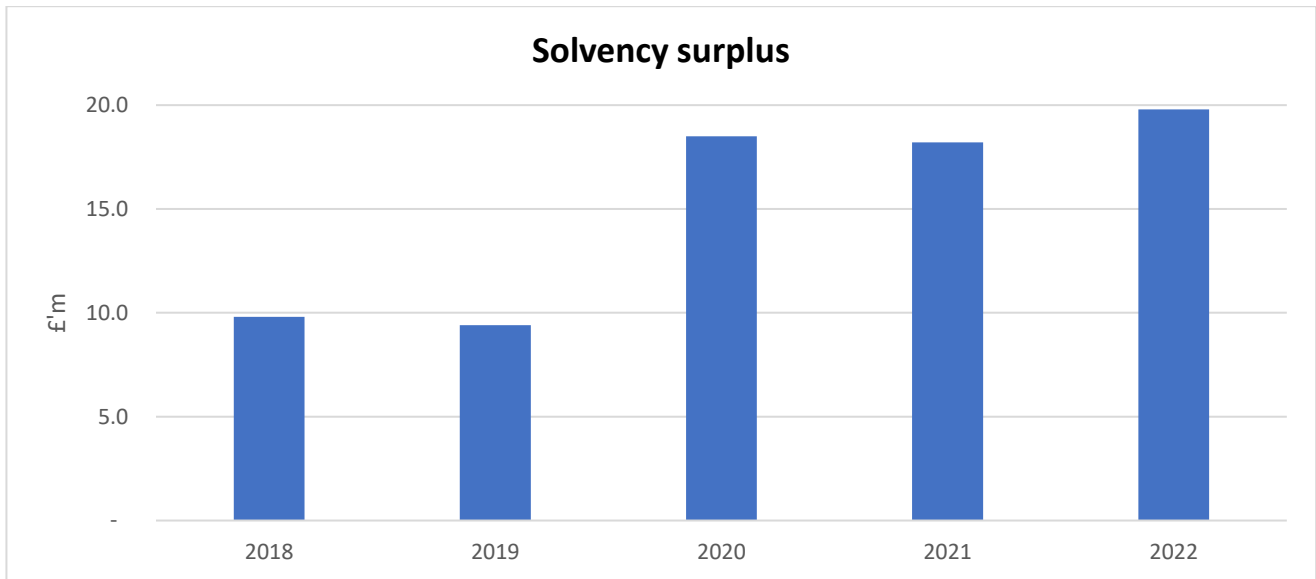
Our strategic pillars summarise what we will do, so that we become a long-term sustainable business.

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

The results for 2022 are set out on pages 29 to 40. The Society has four key measures to assess its strategic performance and ensure it retains its financial strength and strong solvency position.

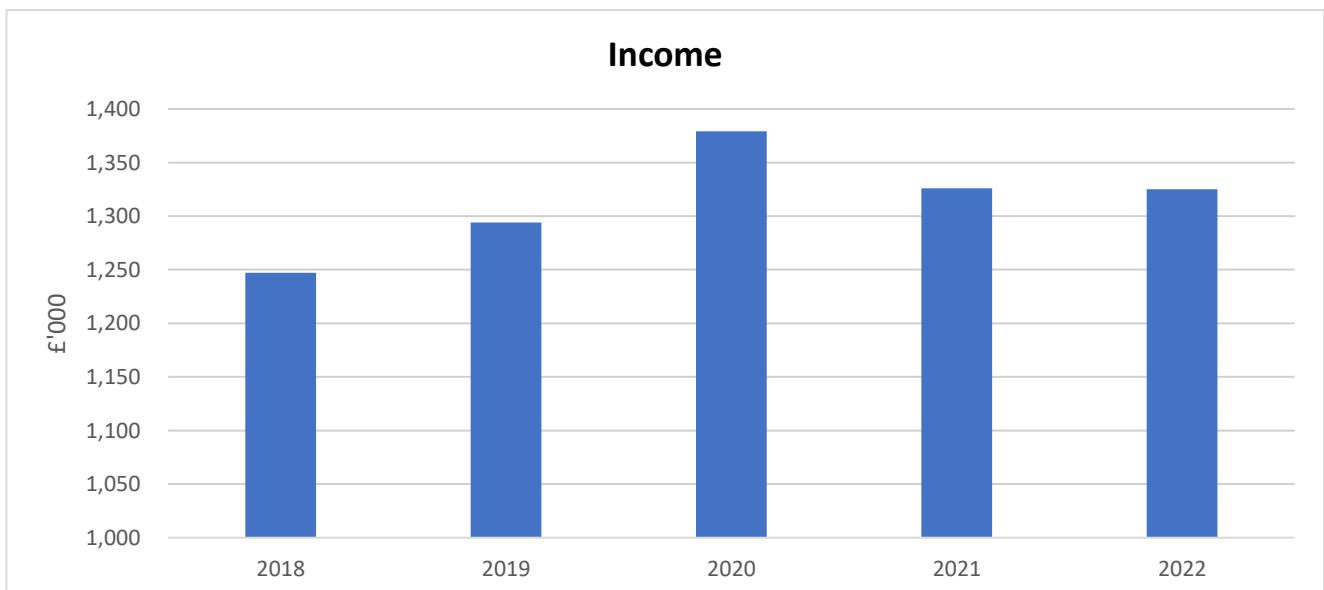
1 Solvency



The Society maintains a very strong regulatory solvency position at all times, and it has one of the strongest financial positions within the Friendly Society sector. At the end of 2022, the Society had surplus capital of £19.8m (2021: £18.2m) as explained in notes 4 (page 33) and 18 (page 37). This represents a free asset ratio of 57.2% (2021: 53.2%). The free asset ratio is calculated as the amount of surplus assets over the amount of admissible assets. It has increased by £1.6m mainly from the release of £1m from the resilience reserve and the operational surplus the Society made in 2022 (£0.7m).

The release from the resilience reserve is mainly attributable to a revised approach. For 2022 the stressed value of liabilities is calculated using a higher valuation rate reflecting a 10% reduction in rental income on an investment portfolio reduced in value by 20%. For 2021 the stressed value of liabilities was determined assuming a reduced valuation rate reflecting only a reduction in rental income. This has had the £1m impact shown above.

2 Income



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

- ❖ Pay insurance claims and discretionary benefits.
- ❖ Maintain and re-furbish domestic properties.
- ❖ Meet the operational and project 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 Gravesham community and stocks and shares are managed on the Society's behalf by a professional investment management firm. 90% of the 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 approved in 2022, using a number of adverse scenarios, and has calculated the amount of bonds and cash to meet future liquidity requirements as being £600k.

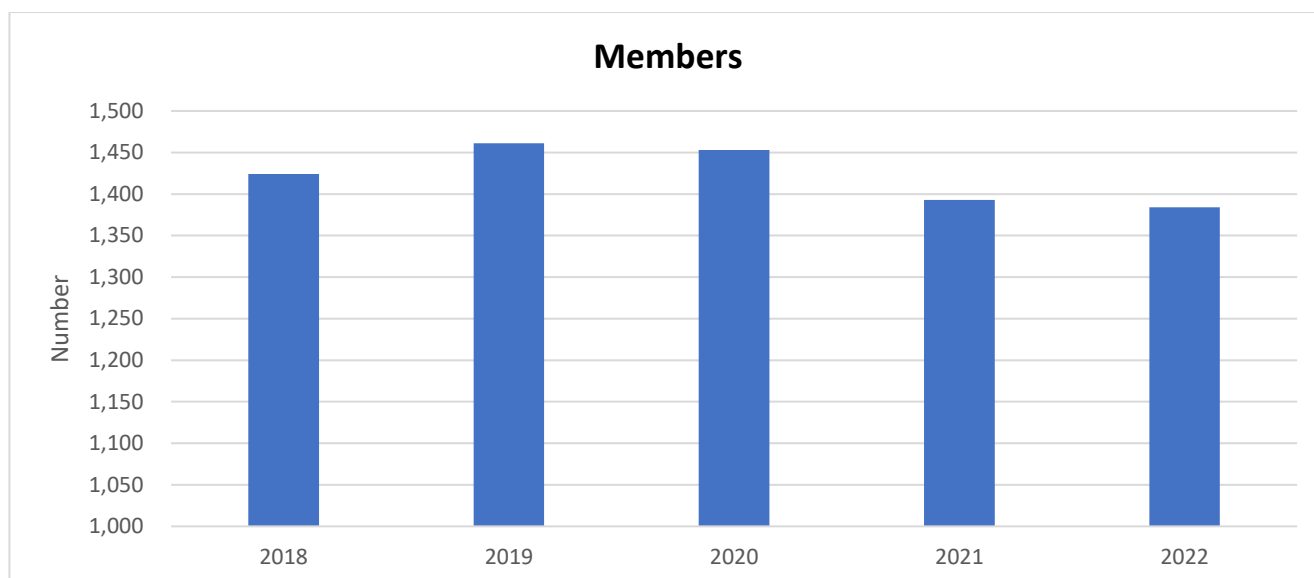
During 2022 income has been maintained at a similar level to 2021 after falling in the previous two years. This is despite four properties being sold in 2022 to raise cash to support the repayment of the investment bonds in 2023. Property rents were reviewed in 2022 and a programme of rent increases has been agreed to ensure these are aligned with local market benchmarks over the next two years. The expectation is that annual rents will increase by £200k by 2025.

3 Expenses



Management expenses are the costs of running the Society business, including all property management costs, but excludes property maintenance and one-off project costs. For 2022, this is represented by £672k (2021: £595k) shown in note 10 (page 35) as administration and other costs, plus £211k (2021: £192k) 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 authorised by the Board. Monthly reports are produced to understand any variances from the budget. This is an important measurement and control as the Society implements change. Management Expenses in 2022 were £100k higher than 2021, largely because of the recruitment of a Compliance Manager and the salary increases referred to in the Chairman's report. Project costs were £204k in 2022 (2021: £131k) and mainly represent the strategic work that has taken place, including project work to repay the Bonds in 2023.

4 Membership



At 31st December 2022, the Society had 1,384 members (2021: 1,393). The Society launched a new sickness product in December 2022, which will halt the decline of members that has been seen since 2019. This decline resulted from a Board decision in 2020 to suspend the old sickness product due to the difficulties of administering new business during the initial phase of Covid restrictions. Since then, the Board has updated the product to ensure it meets 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:

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

The principal business risks faced by the Society are:

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

Climate Change Strategy

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

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

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

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

Progress on these objectives is summarised below:

Key Objectives	Progress in 2022
Members Views	<ul style="list-style-type: none"> • Feedback received from questionnaire to all members. • Member views obtained from Newsletters, General Meetings and themed questionnaires.
Carbon Emissions	<ul style="list-style-type: none"> • Progress on ensuring all properties have an EPC C rating. • New systems in place to deliver paperless office in 2023. • New business and claims received digitally. • Climate Change Champion appointed.
Property Portfolio	<ul style="list-style-type: none"> • Environmental report carried out in 2022 defining properties in flood risk and other contaminated areas. • All Properties will have roof insulation and double glazing.
ESG Investments	<ul style="list-style-type: none"> • New clear Investment Policy Statement agreed. • Advisor appointed to recommend ESG funds aligned with Society culture and values on ESG investing. This will be implemented in 2023.
New Products	<ul style="list-style-type: none"> • Sickness product developed so new business is driven online and all communication is paperless. • New discretionary benefits launched to support members insulating their properties to improve energy efficiency.
Partners	<ul style="list-style-type: none"> • Living Wage Foundation accreditation application completed. • Local partners/suppliers considered at first instance. • Good Business Charter member. • Member of Kent Invicta Chamber of Commerce
Measurement and Reporting	<ul style="list-style-type: none"> • Carbon footprint measurement planned for 2023 to develop a range of metrics and targets.

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

Review of Business Risks and Internal Controls

During 2022 the Society has continued to implement improvements to its risk framework, how it reviews its business risks and how it operates its internal controls. The Audit and Risk Committee's Terms of Reference require it to champion the importance of successful Risk Management within the Society and promote a culture that encourages good stewardship of risk, and demonstrates the benefits to all stakeholders of a risk-based approach to internal control and management of the business. As part of embedding risk in the Society a new Operational Risk and Compliance Group was set up, which meets monthly, to enable current and emerging risks along with topical regulatory and compliance matters to be reviewed and discussed by representatives of the Audit and Risk Committee (ARC) and management. This group reports into the ARC.

The Board appointed HW Controls and Assurance Ltd, as Internal Auditors, at the end of 2021 and they commenced their audit work in 2022, based on an internal audit plan approved by the ARC. A review of the Society's risk framework was carried out in 2022 and concluded that the risk framework is effective and proportionate and provided adequate assurance that the Society can be relied on to manage risks material to the achievement of its objectives and that the framework is suitably designed and applied.

The Society also appointed a new part time Compliance Manager in the final quarter of 2021, who works 3 days a week. His Compliance Monitoring Plan for 2022 was approved by the ARC who receive regular progress reports regarding any compliance or regulatory issues impacting the business. This appointment completed the work for implementing the new "three lines of defence" model for the Society.

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 ARC carried out a thorough review of the risk processes and risk register in 2022.

- ❖ *Market Risk* – The Board of Directors has delegated to the Investment Committee, responsibility to manage the Society's Investment Strategy and particularly ensure its asset allocation is appropriate and aligned to the strategy and risk appetite. Currently, the Society has a high allocation to ownership of domestic property, which remains well suited to its members' best interests. The Board of Directors regard it as having both low volatility and excellent prospects of rising capital values and rental income growth at least matching inflation. Diversification is planned in the medium term to reduce market risk.
- ❖ *Liquidity Risk* – Liquidity risk, and the Liquidity Risk Policy, falls under the responsibility of the Investment Committee and are overseen by the Board. The Investment Committee has calculated the level of liquidity buffer and cash reserve required by the Society to meet its obligations, using several adverse scenarios. As a result, the required liquidity buffer was calculated at £600k and a cash reserve of £200k. The Society is currently raising cash to 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 sickness 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 security and systems, outsourcing its property portfolio, moving to a safer modern office, recruiting and enhancing staff skills, implementing a three lines of defence model and improving a range of internal systems and controls. These operational improvements have led to a planned increase in operating costs within the financial model. The Society also developed and tested its Business Continuity Plan in 2022, which resulted in several improvements. Operational improvements will continue into 2023, 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, Anglo-Saxons had 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 1st 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 145 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 the strategic review, the Board sent a questionnaire to every member of the Society residing in the UK, to obtain their view on what the Society currently offered and what they would like from the Society in the future. The response rate was very positive and provided several clear messages that have been built into the strategy. This process included a review of the purpose of the Society and new Vision and Mission Statements along with the current and aspirational values. This is outlined in more detail on page 8.

The Board is committed to ensure that the business has a sustainable future based upon its locality in Northwest Kent with a focus on continuing to deliver excellent service and payment of benefits for the health-related needs of its members. This was evidenced by the launch of an updated sickness product in December 2022. Changes to support this strategy have included improved governance, recruiting and retaining employees with the right training and skillset, improved technology infrastructure, completion of a three lines of defence model, and enhancement of the controls and procedures within the day-to-day operations, to meet the requirements of a 21st century member owned financial services organisation. It is pleasing to be able to report that significant progress has been made in all these areas in 2022.

2022 saw the start of the implementation of this strategy overseen by the Board and Committees.

Board Composition

In 2022 there have been no changes to the Board of Directors, which has allowed focus to be on managing the business and implementing the strategy.

At the end of 2022, the Board of Directors consisted of seven members: six Non-Executive Directors and one Executive Director. Of the Non-Executive Directors, five meet the definition of independent and one is a member of the Society.

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

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

To improve the Society governance further, the Board of Directors took the decision to appoint Elizabeth Woolman as Senior Independent Director. Formal approval by the PRA has now been received. Elizabeth was considered by the Board to be the outstanding candidate with the right attributes and skills to be the Society's first Senior Independent Director. Following on from this appointment, the Board also made the decision to appoint Elizabeth Woolman as Deputy Chairman in 2022.

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 2022:

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 (NED) 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 an Accountant with Holloway Friendly Society before progressing to Finance Director and then Chief Executive. In recent years Martin has worked as a consultant to several other friendly societies and is a member of the With-Profits Committee at Healthy Investment. Martin is also a trustee of several charities and is the current Chairman of Gloucester Charities Trust.

Paul Wiltshire

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

Justine Morrissey

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

Elizabeth Woolman - Senior Independent Director

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 – Chief Executive Officer

Paul joined the Society in November 2020 as Chief Executive Officer. He is a member of the Investment Committee. Paul is a qualified Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Directors. He currently has a 26 year affiliation with the friendly Society and mutual sector. He spent 13 years at Foresters Friendly Society: 6 years as Finance Director and 7 years as Chief Executive Officer. Prior to that he was Head of Finance and Investment at Teachers Provident Society. Paul also sat on the Association of Financial Mutuals Board for 3 years, the trade body for the mutual sector.

Board of Director's Responsibilities

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

The Board Manual lists 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.

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

Opportunity and Risk

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

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

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

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

Stakeholder Relationships and Engagement

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

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

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 Board has an appointed staff representative that attends quarterly staff briefings. The annual staff appraisal procedures also allows staff and managers to raise and discuss any matters of importance to them. The Society also has in place a comprehensive Staff Manual to ensure communication channels are clearly explained and understood.

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

Remuneration Report

Remuneration

The Society has one Executive (the CEO) and his pay has been determined by a benchmarking exercise against other Friendly Societies that have a similar asset size. 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 2022

Name	Salary/ Fee £	Bonus £	Pension £	Other £	Total 2022 £	Total 2021 £
Executives						
P Osborn	118,750	-	17,812	15,000	151,562	149,286
Sub-total	118,750		17,812	15,000	151,562	149,286
Non- Executive Board Members						
K Harris	33,000	-	-	-	33,000	32,500
M Collins	26,000	-	-	-	26,000	24,000
G. Gibbs	22,000	-	-	-	22,000	20,000
J Morrissey	22,000	-	-	-	22,000	20,000
P Wiltshire	26,000	-	-	-	26,000	24,000
E Woolman	22,000	-	-	-	22,000	20,000
M Deacon	-	-	-	-	-	900
K White	-	-	-	-	-	1,500
Sub -total	151,000	-	-	-	151,000	142,900
Total	168,750	-	17,812	15,000	301,562	292,186

Board of Directors Report

Attendance 2022

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

Board Members and Interests

Details of the current members of the Board of Directors are given on pages 15 to 16. Information on how they have governed and managed the affairs of the Society in the year is given in the Corporate Governance Report on pages 14 to 17.

The Society has continued to maintain Director's and Officer's liability insurance cover for the Board of Directors during the year and 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 three-year business plan, based upon implementing the strategic four pillars outlined on page 8. The plan describes what developments are underway to ensure the Society has a sustainable and low risk future.

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

The FCA published its final rules and guidance on Consumer Duty in July 2022. The objective of the Consumer Duty is to set higher and clearer standards of consumer protection across financial services and will require the Society to act to deliver good outcomes for customers. A new consumer principle is being introduced to ensure that the Society must act to deliver good outcomes for all customers. The FCA expects that the focus on acting to deliver good outcomes will be at the heart of the Society's strategy and business objectives.

The Board has appointed Justine Morrissey as its Consumer Duty champion and she will be responsible for supporting the Chairman and CEO in raising Consumer Duty regularly in all relevant discussions, as well as challenging the firm's Board/Management on how it is embedding the Duty and focusing on consumer outcomes. The Consumer Duty comes into effect on 31 July 2023 for new and existing products or services that are open for sale or renewal, or 31 July 2024 for closed products or services, which are no longer marketed or distributed. The Board has approved an implementation plan to ensure it meets the timescale.

Risk Management and Internal Control

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

The effectiveness of the Society's internal control in managing those risks was monitored in 2022 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 2022 and concluded that, whilst a strengthened approach should be implemented, there were no control failings causing material loss to the Society or its members.

Employees

The Society is committed to a policy which ensures that, in all aspects of recruitment, training and career development, equal opportunities are afforded to job applicants and employees irrespective of their age, race, religion, sex, marital status, sexual orientation or disability. If employees become permanently disabled during employment, the Society will endeavour to retrain, or redeploy, individuals to enable their employment to continue. The Society is very small in terms of the number of employees. During 2022 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 contemplating this, the Board has considered the following:

- ❖ The Society's business activities, together with the factors that are likely to affect its future development and position (see details in the Chief Executive's Report pages 6 to 7).
- ❖ The analysis of material risks faced by the Society and the management of those risks (see details in the Risk Management Report pages 11 to 13); and
- ❖ The confirmation from the Society's actuary that the Society had a solvency level significantly higher than that required by the PRA regulations as at 31 December 2022 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 2024. 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 within its three-year business plan.

Statement of Responsibilities of the Board of Directors

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

The Board Members are also responsible for preparing the Strategic Report (pages 8 to 13), the Report on Corporate Governance (pages 14 to 17) and the Financial Statements (pages 29 to 40), in accordance with applicable law and regulations.

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

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

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

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

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

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

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

Disclosure of Information to the Auditors

The Board members who held office at the date of approval of this Report confirm that, so far as they are aware, there is no relevant information of which the Society's auditors are unaware, and each 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 (ARC)

Membership

The Committee membership during 2022 was as follows:

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

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

Purposes

The purposes of the Committee are:

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

Specific Responsibilities

The Committee's Specific Responsibilities are set out within the Committee's Terms of Reference a copy of which can be found on the Society's website. 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 2022

Activity scheduled and completed during 2022 was as follows:

- ❖ Review and recommend for approval, the Committee's Terms of Reference.
- ❖ 2021 Financial Year-End process
 - Receive the 2021 annual actuarial report from the Appropriate Actuary.
 - Review and recommend to the Board the Report and Financial Statements for the year ending 31st December 2021.
- ❖ Assessment of and consideration for a future review of the role of Independent Auditor.
- ❖ Internal Audit
 - Review and approve the Internal Audit Plan.
 - Receive internal audit reports.
- ❖ Compliance
 - Review and approve the compliance monitoring plan for 2023.
 - Receive regular reports from the Compliance Officer on the 2022 plan.
 - Receive management reports on complaints and regulatory reporting.
 - Receive reports from the Money Laundering Reporting Officer and Whistleblowing Champion and on Threshold Conditions compliance.
- ❖ Risk Management
 - Review and approve the Risk Management Framework and Risk Appetite Statement.
 - Receive regular reports from the Risk and Compliance Group (RACG).
 - Review the Risk Register and the Society's emerging risks including those resulting from climate change and Covid-19.
 - Risk review of the Business Plan.
- ❖ Policies - Review and recommend to the Board the approval of the Society's policies.
- ❖ 2022 Financial Year-End process
 - External Auditor – Work schedule, audit risk and fee structure
 - Appropriate Actuary - Work schedule, valuation assumptions and fee structure
 - Receive and consider the Year End Plan for annual financial reporting
 - Consideration of material accounting policies and judgements
 - Property and other investments valuations
 - Insurance technical provisions
 - Going concern
 - Internal controls
- ❖ Review of the Committee's performance during the year

Reporting

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

Investment Committee (ICom)

Membership

The Committee membership during 2022 was as follows:

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

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

The members of the Investment Committee, which was formed in 2020, remains unchanged from the previous year. The committee is formed of 5 Directors of the Society who have backgrounds in the following disciplines: Legal, Actuarial, Investment Management, Banking and Business Management/Development. These areas of expertise and experience remain relevant to the committee's remit and the challenges that it faces.

Purposes

The purposes of the Committee are to:

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

Specific Responsibilities

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

Committee Activity in 2022

The committee reviewed all relevant matters relating to the society's investments at each of its meetings and received regular written reports from our two principal service providers, the Property Manager (Spicerhaart) and Investment Manager (Quilter Cheviot). The Committee met with both on a quarterly basis so that it could fully investigate the actions which they take on our behalf and scrutinise their performance. This is in addition to the regular contact that takes place between the CEO and both firms monthly. The Committee continues to enjoy good working relationships with both managers who have a clear vision of what the Committee require for the Society and our goals.

On the property side, over the past year we have been going through a process of reviewing and updating rents in a sympathetic manner to ensure that we maintain an attractive return on the property portfolio. The Committee also completed the first stages of an environmental survey. Each property is therefore individually reviewed to understand how energy efficient it is, what work might be needed to keep it to a level which meets regulatory standards and remains attractive to tenants whilst maintaining an acceptable return for the Society. Through this process the Committee is gaining a very clear view of which properties should be kept and which could be replaced with more appropriate, modern houses.

The Committee is also considering how best to employ the Society's Financial Investments, currently still under the management of Quilter Cheviot. We recently employed the services of an Investment Advisor (Yoke & Co.) to help us chose the best route to find an Investment or Fund manager who can meet our needs for both good returns on our assets and ensure that we invest in companies that act in an ethical manner and minimise their impact on the environment. This process should be completed by mid-2023.

During the year the Committee reviewed and recommended to the Board approval of the Liquidity and 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 2022, which comprise the Statement of Comprehensive Income, Statement of Financial Position and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements:

- ❖ give a true and fair view of the state of the society's affairs as at 31 December 2022 and of its surplus for the year then ended;
- ❖ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ❖ have been prepared in accordance with the Friendly Societies Act 1992.

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

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

- ❖ In order to address the risk around the operation of the society's Membership system during the year we have tested the operation of the controls over membership records, premium income and claims paid to members. The controls were tested on a sample basis and the extent of testing varied depending on the frequency with which the control is operated.
- ❖ In order to address the risk around ownership of the society's investments held at the year end, we confirmed the entirety of the holdings to independent third party confirmations provided by the society's Custodian. These statements were compared to known movements in the investments holdings in the year through comparison to contract notes and testing of the management's monthly investment reconciliations.
- ❖ In order to address the risk around the valuation of the society's investments we obtained independent third party confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2022.
- ❖ In order to address the risk associated with the recording of investment transactions throughout the year ended 31 December 2022 we have tested a sample of transactions to independent documentation.
- ❖ In order to address the risk over the society's compliance with its regulatory environment we updated our understanding of the regulatory requirements and reviewed the society's correspondence with its regulators, statutory filings and managements' records of compliance with appropriate regulations.
- ❖ As part of our testing of the Membership system we performed testing relating to controls over the recognition of premium income and the process for ensuring the accuracy of changes to members' records, including new members. We also performed substantive testing on a sample of premium income and analytical procedures to validate whether revenue recognition procedures complied with UK Generally Accepted Accounting Practice.
- ❖ In order to address the risk relating to management override of controls we have reviewed all significant or unusual entries to ensure they are appropriate and reasonable. We have also reviewed key estimates and judgements for bias.

Our application of materiality

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

Due to gross assets being a key measure of the performance of the society by stakeholders and the fact it is used to assess the overall financial strength of the society, the basis of materiality is 1% of the gross assets of the society, which amounted to £348,000. This was applied as the materiality for the financial statements as a whole. Performance materiality, which was based on our risk assessment, was 75% of materiality. We agreed with the Audit Committee that we would report to the Committee and management all audit differences in excess of £1,000, as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

An overview of the scope of the audit

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the board of management made subjective judgements,

for example in respect of the valuation of legal and regulatory expenditure which are subject to management judgement and estimation.

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

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

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

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

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

Other information

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

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

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

Opinion on other matters prescribed by the Friendly Societies Act 1992

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the board of management

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. 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

6 April 2023

Anglo-Saxons Friendly Society
Financial Statements as at 31 December 2022

Statement of Comprehensive Income

Technical Account: Long-Term Business	Notes	2022	2021
		£'000	£'000
Earned Premium Income	5	46	41
Investment Income	6	1,279	1,285
Realised Gains on Investments		(22)	52
Unrealised Gains on Investments		1,343	1,625
Total Technical Income		2,646	3,003
Claims Incurred	7	(648)	(435)
Transfer (to)/from the Long Term Business Provision	8	(18)	(1,057)
Other Expenditure			
Investment Property Costs	9	(415)	(459)
Management Costs	10	(877)	(726)
Investment Expenses and Charges	14	(13)	(14)
Realised Losses on Investments		-	-
Total Technical charges		(1,971)	(2,691)
Surplus of technical income over technical charges		675	312
Transfer (to)/from the Fund for Future Appropriations		(675)	(312)
Balance on the Technical Account		-	-

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 2022 (continued)

Statement of Financial Position

Technical Account: Long-Term Business	Notes	2022	2021
		£'000	£'000
Investments			
Financial Investments	15	33,568	33,389
Other Assets			
Cash at Bank		1,089	352
Prepayments and Accrued Income		147	359
Total Assets		34,804	34,100
Fund for Future Appropriations	16	23,119	22,444
Long Term Business Provision	17	11,480	11,462
Creditors			
Other Creditors	20	205	194
Total Liabilities		34,804	34,100

The financial statements were approved by the Board and signed on the 6 April 2023 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 2022

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 relate to. Premiums relating to the unexpired term of policies in force at the balance sheet date are treated as unearned.

Claims and Benefits

Claims for sickness, death, dental, optical, hospitalisation, bonds, maternity and energy grant 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 2022 (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 2022 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 2022 (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.

Capital Statement (Note 18)	2022	2021
	£000	£000
Total Capital Resources Before Deductions (FFA)	23,119	22,444
Regulatory Solvency Adjustments	(3,294)	(4,278)
Capital Available to Meet Regulatory Capital Requirements	19,825	18,166

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2022 (continued)

4 Capital Management (cont)

Measurement and Monitoring of Capital

The capital position of the Society is monitored internally on a regular basis and reviewed periodically by the Board. These objectives are reviewed, and actions taken if necessary, to ensure the adequacy of the Society's capital position.

In the event sufficient capital is not available, actions would be taken to either free additional capital by altering the asset mix of the Society's investment portfolio, or through action as explained under "Available Capital" below.

Available Capital

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

5. Earned Premium Income

	2022 £000	2021 £000
Members Contributions	46	41
Earned Premium Income	46	41

6. Investment Income

	2022 £000	2021 £000
Rental Income	1,228	1,212
Deposits with Banks and Fund Managers	51	73
Investment Income (excluding Realised Gains/(Losses))	1,279	1,285
Net Gains on the Realisation of Property	(34)	21
Net Gains on the Realisation of Investments	12	31
Total Realised Gains	(22)	52
Unrealised Gains on Property revaluation	1,620	1,355
Unrealised Gains on Investments	(277)	270
Total Unrealised Gains	1,343	1,625
Total Investment Income	2,600	2,962

7. Claims Incurred

	2022 £000	2021 £000
Sickness claims	29	26
Bond repayments	35	45
Discretionary claims	388	364
Discretionary -energy grant	196	-
Total Claims Incurred	648	435

The Society paid out a one-off energy grant to support members during this period of high energy prices. £200 was paid to each household that totalled £196k.

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2022 (continued)

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

	2022 £000	2021 £000
Movement in year (see note 17)	18	1,057
	18	1,057

9. Investment Property Costs

	2022 £000	2021 £000
Property Repairs	204	270
Management	211	189
Investment Property Costs	415	459

Coming out of COVID in 2021 there was an increase in property repairs.

10. Management Costs

	2022 £000	2021 £000
New Business Costs	1	0
Administration and Other Costs	672	595
Strategic project costs	204	131
Management Costs	877	726

The development and implementation of the Society's strategy in 2022 and 2021 resulted in one-off project costs that are not directly correlated to administering the policies or discretionary benefits.

11. Independent Auditor Remuneration

	2022 £000	2021 £000
Fees Paid to Berringers LLP for Audit Services	21	21

12. Board of Management Emoluments

	2022 £000	2021 £000
Executive Director remuneration	152	149
Non-Executive Director fees	151	143
Board of Management Fees (See remuneration report)	303	292
Emoluments of the highest paid Board Member	152	149

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2022 (continued)

13. Staff Costs

	2022 £000	2021 £000
Wages and Salaries	343	270
Social security costs	37	29
Other pension costs	55	38
Total staff costs	435	337

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

	No	No
Board and Senior Management	7	7
Administration	5	4
	12	11

14. Investment Expenses and Charges

	2022 £000	2021 £000
Management Charges	13	14
	13	14

15. Investments

The Society's investments at current value were as follows:	2022 £000	2021 £000
Investment Properties	31,248	30,795
Listed Investments – Bonds	339	294
Listed Investments – Equities	1,956	2,266
Deposits with Credit Institutions	25	34
	33,568	33,389

16. Fund for Future Appropriations

	2022 £000	2021 £000
At 1 January	22,444	22,132
Transfers from/(to) the Technical Account	675	312
At 31 December	23,119	22,444

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2022 (continued)

17. Long Term Business Provision

	2022 £000	2021 £000
At 1 January	11,462	10,405
Transfers from the Technical Account (note 8)	18	1,057
At 31 December	11,480	11,462

Analysed as:	2022 £000	2021 £000
Sickness, annuity and other benefits	1,240	1,312
Bonds	1,233	1,270
Expenses	9,007	8,880
At 31 December	11,480	11,462

18. Capital Resources

Available Capital resources in respect of long-term business:	2022 £000	2021 £000
Fund for future appropriations (note 16)	23,119	22,444
Adjustment to assets onto regulatory basis	(1,094)	(1,078)
Resilience reserve	(2,200)	(3,200)
Total available capital resources	19,825	18,166
Required minimum margin	(550)	(589)
Total surplus capital resources	19,275	17,577
Total available capital resources as a percentage of required min margin	3,605%	3,084%

Movement in Capital resources

	2022 £000	2021 £000
Opening Capital Resources	18,166	18,490
Investment return in excess of valuation requirements	492	1,237
Change in valuation assumptions	(808)	(1,682)
Change in resilience requirements	1,000	(600)
Other miscellaneous workings of the Fund	991	757
Change in statutory property adjustment	(16)	(36)
Balance as at 31 December	19,825	18,166

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2022 (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 (2021: 2.0%) – this is set having regard to the yield on the Society’s own investment portfolio.

Management Expenses £86.67 per annum per non-bond member (2021: £78.00) with an inflation rate of 3.75% (2021: 3.5%) per annum based on an analysis of the Society’s expenses. Plus 25% of sickness premiums.

An additional global expense reserve based on expenses in addition to the above of the following amounts, which were subsequently adjusted for inflation of 3.75% (2021: 3.5%) of:

First year following the valuation:	£627,000 (2021: £814,000)
Second year following the valuation:	£520,000 (2021: £550,000)
Third year following the valuation:	£350,000 (2021: £300,000)
Fourth year following the valuation	£200,000 (2021: £200,000)
Fifth year following the valuation	£100,000 (2021: £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 (2021: £25,000).

Resilience reserve 20% (2021: 20%) decrease in property values.
10% (2021: 10%) decrease in rental income.
10% (2021: 10%) decrease in equity values.

Mortality The following percentages of the English Life tables (No 17) (2021 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 (2021: £Nil) was held against the risk of excess sickness claims.

Anglo-Saxons Friendly Society

Notes to the Financial Statements – 31 December 2022 (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 £6,031k.

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 £919k.

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 2022 (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

The Society's current Actuary, Mr John Burgum of OAC plc, nor any of OAC's staff or family, were members of the Society in 2022 or 2021 and nor do they have any financial or pecuniary interest in the Society except for fees payable of £22,800 to OAC plc in 2021 and 2022.

20. Other Creditors

	2022 £000	2021 £000
PAYE and National Insurance Contributions	23	18
Purchase Ledger Control	83	98
Pension Liability	-	-
Accruals	99	78
	205	194