The Red Rose Friendly Society Limited

160th Annual Report and Accounts for the Year Ended 31 December 2023

Contents

Society Information

Board	Anthony Totham FCA, CTA-retired December 2023 Timothy Williams – retired December 2023 Andrew Horsley FCG Sazeda Patel MBE.LLB Patrick Byrne FRSA – co-opted January 2023
Officers	Chairman: Andrew Horsley FCG Chief Executive: Mark Sedgley ACII
Registered Office	Parkgates 52a Preston New Road Blackburn Lancashire BB2 6AH
Independent Advisers and Consultants	
Appropriate Actuary	Stephen Dixon Steve Dixon Associates LLP Oaks House 12-22 West Street Epsom Surrey KT18 7RG
Auditor	Royce Peeling Green Ltd The Copper Room Deva City Office Park Trinity Way Manchester M3 7BG
Internal Auditor	Hayes & Co St Andrews House 11 Dalton Court Commercial Road Darwen BB3 0DG
Bankers	The Co-operative Bank Central Commercial Bank PO Box 250 Skelmersdale WN8 6WT
With Profit Fund Managers	Quilter Cheviot 73 King Street Manchester M2 4NG

The Society is:
Registered under the Friendly Societies Act 1992, number 43 coll.

Authorised by the Prudential Regulation Authority and Regulated by the Financial Conduct Authority and Prudential Regulation Authority number 110097.

Strategic report

The Board welcomes you to the Annual Report and Accounts for the year ended 31 December 2023. Our aim is to provide a breakdown of both the financial and non financial information that helps the reader understand the progress the Society has made regarding the major risks and challenges it faces, the way the Society is governed and the outlook for the future.

Business review

As we reported in last year's Annual Report and Accounts, the Society was adversely impacted by the ill-fated September 2022 mini budget, which affected all investments badly, including those held by the Society and this had a knock-on-effect on the Society's solvency level.

We are required to hold fixed interest investments, both Government bonds and Corporate bonds, in order to match our assets against our liabilities to the with profit members. In order to stabilise the solvency position, the Board agreed to move out of equities and invest mainly in more secure fixed interest investments, matching the investment durations to the Society's liabilities. After a tumultuous 2022, in 2023 UK fixed income provided positive returns as the Bank of England paused its hiking cycle and interest rate markets began pricing in reductions from the middle of 2024. Corporate bonds did best, thanks to the economy holding up better than expected.

Looking ahead, there is plenty of political uncertainty on the horizon with Britons set to go to the polls in 2024 and the US election scheduled for early November. Signs of economic weakness are becoming more prevalent, and we remain mindful that the full effect of higher interest rates may not yet be fully felt. Bond yields remain relatively attractive compared to much of the last 15 years.

The Appropriate Actuary's statutory valuation report as at 31 December 2022 showed that the Society was solvent, however the Society is required to hold a minimum level of capital set by the Regulator, referred to as the Minimum Guarantee Fund (''MGF''). The MGF is set by reference to the highest historical premium income of any year of operation. As a legacy of receiving CTF voucher income in the years 2010-12 from HMRC that was several times the Society's normal premium income, the highest level of MGF is now applied to the Society, and currently the Society does not meet that level. For comparison, if the Society's MGF was based on the highest premium income in any of the last 10 years, it would comfortably meet the (lower) MGF requirement.

To address the Society's MGF position, and without negatively impacting our service to Members, the Board initiated a long term efficiency drive, coupled with a full actuarial projection of the Society's future revenue and expense levels. Despite inflationary pressures, this proved successful but was to some extent offset in its first year by the one off cost of third-party advisory work in 2023, commissioned to explain the financial position of the Society to our Regulators. As a result, the statutory valuation report as at 31 December 2023 revealed a not dissimilar capital position to that of the previous year end. In addition the Board is engaged in exploring a range of strategic initiatives, all of which are aimed at securing the interests of all Members and addressing any regulatory requirements over solvency.

The Red Rose Shariah ISA has again proved popular with good levels of new business during 2023, continuing into 2024. Whilst past performance is no guide to the future, both the Red Rose Shariah ISA (+25.6%) and the Ethical, Social and Governance (ESG) ISA (+16.5%) have shown excellent returns over the past twelve months. In 2023 we added a unit linked Tracker ISA to our ISA options, enabling members with maturing Child Trust Funds to continue in the same Fund (L and G All Share Tracker) if they so wished.

We are very grateful for the referrals that we receive from our existing members, we believe this demonstrates that many of our members are happy with the products and the level of customer service that we offer and shows that we have an important part to play in our members' financial planning.

The Board wishes to extend its thanks to our Chief Executive, Mark Sedgley and all his team for their hard work and dedication during the year, maintaining high standards of customer service. We would also thank all our professional advisers for their support to the Society.

Future Developments

The work to return the Society to meeting its MGF has unfortunately resulted in a delay in the launch of a second Shariah compliant ISA product, a Sukuk fund, but the Board remains committed to its introduction. The Sukuk fund would invest in lower risk investments which are Shariah compliant. It would be an additional unit linked product and the Board see this as an important option for our existing and potential future members.

Our systems allow Members to invest in more than one of our ISA funds during the same financial year, thus allowing Members greater flexibility across the Society's unit linked ISA range.

We have continued our program of engaging with teenagers and young adults by visiting local colleges to explain the CTF maturity options and to help them have a better understanding of personal financial planning, including budgeting and the importance of saving regularly. In 2023 we worked with a group of local college students to develop our website to be more appealing to the younger generation. We hope to launch the new improved website during 2024. We feel that workings with local colleges and their students is an important part of our work and is in line with the ethos of the Friendly Society movement and part of our own commitment to the social aspects of the principles of ESG within the local community.

At the end of 2023, both Anthony Totham and Timothy Williams retired as board members and I thank them for all their hard work and support for the Society over many years. Sazeda Patel, Patrick Byrne and I were formally elected to the Board at the Annual General Meeting ("AGM") in June 2023. At the AGM, Anthony Totham stepped down as Chairman and the Board elected me as Chairman . In addition to Tony and Tim, I would also like to extend my thanks to Sazeda and Patrick for their contributions to the Board, in what has proved a challenging year.

Results and Performance

The results in 2023 have been impacted by the movements in our investments and these show net unrealised gains for the year of £1,444,118 (2022: unrealised losses of £822,348) and net realised gains of £10,376 (2022: realised losses of £161,895).

Net earned premium income fell from £1,192,743 to £1,061,801, as the with profits products are replaced by the unit linked products.

Policy maturities and claims paid to members fell to £1,169,248 (2022: £1,309,843).

In overall terms, our Fund for Future Appropriations increased from 9.00% of the with profits fund to 9.8% but as noted previously we remain solvent.

The Board, after considering recommendations from the Appropriate Actuary, has ensured that policyholders receive their 'fair share' of the profits made by the Society over the term of their investment via the Asset Share calculation process. The Board, on the advice of the Appropriate Actuary, approved the bonus rates for the Society's with-profits policies at its meeting on the 16th May 2024.

Principal risks and uncertainties facing the Society

Note 4 to the accounts details the principal risks that face the Society and the policies and procedures that are in place to minimise these risks.

Climate change

The Board understands the importance of combatting climate change for the future of the planet and its inhabitants. We fully support the PRA initiative to ensure the industry has sufficient focus on this area of risk to business models, from a morbidity, mortality and investment risk perspective.

The Chief Executive has specific responsibility for monitoring these risks to the Society and his Governance Responsibilities reflect this. He, and other Board members have developed an understanding of the issues by attending AFM seminars and reading relevant publications and articles.

As reported above, we have a specific ISA to enable members to invest in an ESG fund, one of the main principles of which is to invest in companies that are improving their impact on the climate. The other aspect to climate change is what the Society can do itself to reduce our carbon footprint. Like many other businesses, we make use of technology to hold meetings remotely. We will continue this as often as possible to reduce the impact of travel. We have also adopted on-line customer service practices so that more of the Society's communications are via email, with applications and valuations can be completed through the website. This reduces our paper usage and reliance on postal services thereby reducing our carbon footprint.

Approval of the strategic report

The Strategic Report was approved by the Board on 14 June 2024 and signed on its behalf by Andrew Horsley, Chairman.

Andrew Horsley

Andrew Horsley
Chairman
14 June 2024

Corporate Governance Report

The AFM UK Corporate Governance code

The Society acknowledges the importance of strong corporate governance and as a member of the Association of Financial Mutuals, the Board aims to implement the UK Corporate Governance Code (the Code) as best practice where practical, with consideration of a proportionate approach in view of the size of the Society.

The Code comprises six principles:

Purpose and Leadership; Board Composition; Director Responsibilities; Opportunity and Risk; Remuneration, and Stakeholder Relationships and Engagement. This Report explains how the Society has adopted these principles.

Principle One: Purpose and Leadership

'An effective board promotes the purpose of an organisation and ensures that its values, strategy and culture align with that purpose'.

The principal activity of the Society is the transaction of long- term assurance within the United Kingdom through the provision of ISA, JISA, CTF and With-profits policies.

The Society aims to
- provide low cost life and investment policies to the less well-off at premiums which are affordable to the Society's identifiable market place,
- remain below the Solvency II threshold (currently 25m Euro of technical provisions),
- provide and maintain a high level of service to members,
- manage investments to the satisfaction of its members, and
- ensure that the Society follows all regulations and conforms to the Corporate Governance Code.

Whilst at the same time
- generating new policy sales at a level which will aim to ensure that the Society's premium income increases year on year,
- controlling expenditure within strict guidelines,
- utilising the Society's resources for the best benefit of members,
- maintaining a high quality and honest image of the Society,
- seeking to reflect the views of members in the products provided by the Society, and
- providing good terms of employment for the Society's employees.

Culture and Values

The Society has a tradition of helping its members in times of need and all staff members are acutely aware of the need to support our members. This often manifests itself in the provision of excellent customer service and empathy when dealing with members, whether it is someone struggling to pay premiums, requiring a lump sum to assist them or dealing with a death claim for a family member.

The Board meets mostly on a monthly basis to ensure that it remains close to the business, staff and members. This means that the management by the Board can be faster paced and more dynamic.

Principle Two: Board Composition

'Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.'

The Board comprises a range of suitable skills and experience that are relevant to lead the Society. Details can be found in the brief biographies later in this section of the report. The Board was comprised of 6 members, including the Chief Executive, which the Board believes to be appropriate given the size and complexity of the business.

Diversity: The Board has carefully considered the recommendations about diversity and has agreed that, in view of the size of the Board, it is very difficult to set targets for any one group. The Board is committed to ensuring that the Society is served by Board members who have both relevant experience and appropriate skills regardless of sex or ethnic background.

Independence: Best practice in the industry for Board membership is to serve no longer than 9 years. We reported last year that Anthony Totham would be stepping down from the Board after many years or service to the Society and its Members. As part of our review of expenses and in view of the fact that Tim Williams had served 8 years on the Board, he also retired at the end of 2023. I thank them for their professionalism throughout my time as Chairman and wish them every happiness in their respective retirements. The Board constantly and regularly evaluates the performance and ability of each Director, and also the necessary balance of expertise and experience shown by the Board as a whole. The Board is confident that the present balance of knowledge and wide experience of each individual Director, serves the Society well.

All vacancies for appointment to the Board are advertised so that nationwide coverage is achieved. We do not use the services of external recruitment agencies due to the high costs involved but do ensure that the vacancy is open to all people with the necessary skills regardless of sex, religion, age or ethnic background.

The Chief Executive also holds the role of Company Secretary as the Board do not consider it appropriate from a cost point of view to employ another person in this role.

The Board Directors are:

Chairman - Andrew Horsley: Andrew joined the Board in September 2022. Andrew is a Fellow of the Chartered Governance Institute with over 30 years' experience in the financial services sector. Andrew retired from Cirencester Friendly where he was Company Secretary and Head of Compliance, having previously held senior roles at Engage Mutual. Andrew was previously a Non-Executive Director at The Chorley & District Building Society where he had been Vice-Chair of the Society and Chair of the Nomination & Remuneration Committee. Andrew is an independent non-executive director of Original Holloway Friendly Society. Andrew is the Board's Consumer Duty Champion.

Chief Executive - Mark Sedgley: Mark has over 35 years' experience in financial services and has worked for several successful mutual societies as well as two of the largest financial services firms in the UK. He has held many senior roles including Chief Executive and he brings a wealth of experience to the Board. Mark was voted onto the Board for an initial 3 year term at the 2015 Annual General Meeting and is offering himself for re-election at the 2024 Annual General Meeting.

Non-executive Directors:

Patrick Byrne: Patrick joined the Board in January 2023. Patrick has over 30 years' of senior management experience in the financial services industry, particularly in insurance and reinsurance markets and Islamic finance, both in the UK and international markets. He has served on a number of Boards and Board subcommittees as an executive and non-executive Director.

Sazeda Patel: Sazeda joined the Board in September 2022. Prior to joining the Civil Service, Sazeda worked in the legal field and brings with her experience of legal, project and Governance work. Sazeda has lived and worked across England and has resided in Blackburn for nearly 20 years where she helped to form one of the largest ethnic minority Scouts Groups. She has worked with Charities and Youth organisations across the North West, and has been involved in inclusion and diversity work both in youth and employment sectors across the UK. Sazeda was awarded with an MBE in 2017 for her work with young people.

Principle Three: Director Responsibilities

'The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.'

Responsibilities of the Board

The Board is responsible for safeguarding the assets of the Society and ensuring that the Society is able to discharge the duties imposed on it under the regulations governing Friendly Societies. It ensures that all accounting and other records are kept in a form which enables the Board to have timely and accurate information to enable it to meet any obligations to its members or FCA and PRA regulations and The Friendly Societies Act 1992. It also ensures that information can be extracted promptly so that the Board can monitor and control the performance of the business and the risks to which it is exposed at any moment in time.

The Board is also required to prepare financial statements for each financial year which give a true and fair view of the state of the Society's affairs and of its profit or loss for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Society will continue in business.

The Board is also responsible for long term and short term strategic planning which includes, amongst other responsibilities:

i) Views on the markets in which the Society operates.
ii) Identification of the Society's strengths and weaknesses.
iii) Strategic aims and actions needed to achieve those aims.
iv) Major resource implications of the strategic aims.
v) Financial implications for the Society based on several different assumptions.
vi) Corporate planning including the strategic aims and how these will be achieved.
vii) Monitoring of the achievement of the Corporate Plan and Targets.
viii) Annual budget and cash flow forecasting against actual performance.
ix) Business Continuity Planning.
x) Information Technology and access to information and data.
xi) Human Resource planning, staffing and appointment of new directors.
xii) Risk identification, controls responsibility, delegation of certain responsibilities to the Chief Executive.
xiii) Documentation of procedures and controls.
xiv) To receive reports and recommendations of the sub committees.
xv) To monitor, control and appraise the performance of the Chief Executive and ensure the Society remains fully compliant with FCA and PRA regulations.
xvi) Complying with the Code of Corporate Governance where possible.
xvii) Decisions on major expenditure, new products/ventures.

Responsibilities of the Chairman

To lead the Board effectively and to liaise with the Chief Executive in his day-to-day duties.

The Chairman is required to ensure, in setting the agenda for meetings of the Board:

- that all directors receive accurate, timely and clear information,
- that constructive relations between executive and non-executive directors exist,
- the effective contribution of non-executive directors, and
- the Board's effectiveness on all aspects of its role.

It is also the Chairman's responsibility

- to ensure that all members of the Board continually update their skills and knowledge of the business, to enable them to fulfil their role on the Board,
- to ensure that a formal and rigorous evaluation of the Board as a whole and its individual members is undertaken and to use the results of this evaluation to recognise the strengths and weaknesses of the Board, and
- where appropriate to make recommendations to the Board that new members be appointed or that existing members are asked to resign.

Responsibilities of the Chief Executive

The Chief Executive is directly responsible to the Board and holds delegated powers for the day-to-day management of the Society. These include:

- Staff attendance, performance and training,
- Cost control of the budget agreed by the Board,
- Oversight of the sales target agreed by the Board,
- Risk control, monitoring and identification, including climate change.

Decisions on major capital expenditure, investments, new products, risk assessments, new ventures, recruitment of senior managers, non-executive directors and engagement of professional advisers are the responsibility of the Board.

Training for Board members

Throughout the year all Board members undertake training at meetings with our actuaries and investment manager as well as being kept fully up to date throughout the year with the constant changes in legislation and regulations. Every effort is made by members of the Board to attend appropriate seminars and conferences, both virtual and in person and each member attending such functions reports on all items of interest at the next Board meeting.

Meetings

The Board meets regularly (usually monthly) and at such other times when necessary. Two meetings are held with the Society's actuaries to discuss the valuation results, the Financial Condition Report and the Asset Share Report. Meetings are held with the investment managers to discuss and revise the investment strategy in light of market conditions and one meeting is held annually with the Society's auditors before each Annual General Meeting to discuss the year end results. All these professionals maintain constant contact with the Society throughout the year by phone, letter and e-mail to ensure any changes in regulations or market conditions which could affect the Society are dealt with immediately.

Appraisals

The Chairman is appraised annually by the Senior and Non-Executive Directors without the Chairman being present and the result of this appraisal is communicated to the full Board at their next meeting.

The Chairman undertakes the appraisal of the Chief Executive with the assistance of all the Non-Executive Directors without the Chief Executive being present. He also conducts individual interviews with all Non–Executive Directors of the Board. At that interview the performance of each Board member is discussed, as well as their ability to commit sufficient time to discharge their duties to the Society correctly and their training and support needs where required. The results of these appraisals are communicated to the full Board at the next meeting following appraisal.

Principle Four: Opportunity and Risk

'A board should promote the long term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.'

Opportunities

A standing item at every Board meeting ensures that the Society is constantly looking at opportunities to promote the Society and its existing products. In addition, new products are considered where member feedback suggests they could be popular and of benefit to the members (both as individuals and on a cost -benefit analysis to the With-profits fund). This strategy has been very successful in recent years with the launch of the Shariah ISA in 2019 and Sustainable ISA in 2021, the Sustainable ISA is a modern ethical fund, based on ESG principles (Environmental, Social and Governance).

Input from members also means that the Society is hoping to further improve the customer experience and increase the number of funds available within the ISA wrapper.

Risk Management

The Board recognises the importance of the identification and management of risk within the business. This therefore forms an integral part of day-to-day operations, procedures and Board discussions. Investment risk is managed directly by the Board and Appointed Actuary. This is achieved by setting parameters for various asset classes within which the Investment Managers operate.

Whilst the overall responsibility lies with the Board, the Audit and Risk sub-Committee ensures the effectiveness of the risk framework and procedures.

A quarterly program of internal audits, plus one 'surprise' audit is carried out annually. The Society employs a local firm of Chartered Accountants to undertake the internal audit role. The firm reports directly to the Audit sub-Committee which ensures that the Chief Executive acts on the findings and investigate any significant issues. Areas for improvement in procedures are identified and implementation is monitored closely.
In addition, a separate firm of Chartered Accountants undertake the annual external audit, which includes reviewing the effectiveness of procedures, including Risk Management.

The Audit sub-Committee reports directly to the full Board identifying any matters in respect of which it considers action or improvements are needed and making recommendations as to the steps to be taken.

Principle five: Remuneration

'A board should promote executive remuneration structures aligned to the long term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.'

The Board believes that the remuneration structure for the Chief Executive and other staff members is appropriate for the size of the Society in comparison to its peers. No long term incentive plan is in place but all staff are eligible for annual bonuses based upon their own development and contribution to the business, with a view to the overall performance of the Society.

Non-Executive Board members, including the Chairman are remunerated by way of an annually fee, paid monthly. No bonuses are paid to the Non-Executive Board members

Principle Six: Stakeholder Relationships and Engagement

'Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.'

The management of the Society is a very flat structure and the Board receives feedback from members, claimants and enquirers for new business via staff members directly and through the Chief Executive. This enables both staff and Board members to be aware of areas of the business that are causing concern for customers, and those that are meeting or exceeding their needs.

A culture of constant review and improvement, together with the Society having a small number of staff, means that the Society is agile and can make adjustments to processes and IT swiftly when necessary.

Members of staff play a key part in all areas of the Society's development, including website alterations and improvements, and new product design and development. This enables the Board to have input from colleagues who will deal with the administration and customers' phone calls, and the members themselves via comments made to staff members.

The Corporate Governance Report was approved by the Board on 14 June 2024 and signed on its behalf by Andrew Horsley, Chairman.

Andrew Horsley

Andrew Horsley
Chairman

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Board Report for the year ended 31 December 2023

Board

Chairman	Anthony Totham FCA, CTA to June Andrew Horsley FCG from July
Non-executive Directors	Patrick Byrne FRSA Andrew Horsley FCG to June Sazeda Patel MBE. LLB Law Hons, Assoc. CIPD Anthony Totham from July Timothy Williams
Chief Executive	Mark Sedgley ACII
Secretary	Mark Sedgley ACII

Remuneration report

Remuneration and fees paid to Board Members were as follows:

Chief Executive	£106,207	(2022: £97,500)
P Byrne	£10,008	(2022: £0)
A Horsley	£10,008	(2022: £2,502)
S Patel	£10,008	(2022: £2,502)
A Totham	£12,507	(2022: £14,867)
T Williams	£10,008	(2022: £9,916)

A Totham is a partner in Hayes & Co, the Society's internal auditor, which received fees of £4,800 (2022: £4,800) for internal audit services during the year. The internal audit is managed by another partner in Hayes & Co and the reports are dealt with by the Audit Committee on which the Chairman does not sit.

Attendance at Board meetings during 2023

	Possible	Actual	
Anthony Totham	11	11	Chairman to June, then Non-executive Director
Andrew Horsley	12	12	Non-executive Director to June, then Chairman
Mark Sedgley	12	12	Chief Executive
Timothy Williams	12	12	Senior Independent Director
Patrick Byrne	12	12	Non-executive Director
Sazeda Patel	11	11	Non-executive Director

Red Rose Friendly Society objectives as set by the Board

To ensure the financial viability and long term future of the Society, the following objectives have been set:

- To increase new business sales of existing products whilst remaining below the Solvency II technical provisions threshold of 25m Euro.
- To maintain a strong position with existing members in areas where the Society is most active.
- To explore opportunities for increased sales in areas where the Society is most active.
- To examine the areas where the Society has a low level of activity and explore areas for expansion.

Whilst carrying out these activities, the Society will constantly review its range of products to ensure that they meet the requirements of its identified priorities and will

- Continue to monitor budgets of all of the Society's fixed and variable costs.
- Continue the risk management processes.
- Ensure that it is accountable for its activities by following the regulations and requirements of relevant Government regulators and agencies, the Corporate Governance Code and the written Rules of the Society.

The challenges facing the Society can be summarised as follows:

- To have a long term aim of maintaining the free assets at a level of 15% of non CTF Funds.
- Continued careful control of its budget.
- Ensuring sufficient volumes of new business are written to offset maturities and surrenders.
- The ability to increase bonus levels.
- Ensuring that policyholders' expectations are met.

How will these challenges be met?

- Maintaining free assets will be assisted by matching the maturity of our investments with our liabilities.
- Tight control of the budget will continue, and there is a constant search for opportunities to reduce fixed and variable expenses wherever possible.
- The Board will continue to ensure that policyholders' expectations are met by keeping bonus levels at the highest level possible, ensuring that all policyholders are treated fairly in the distribution of bonuses through the asset share distribution method, and efficient customer service. This will be achieved also by ensuring claims are processed and paid out when due without any delay and by ensuring that members are treated with respect and consideration at all times by the staff and management.
- The Society will seek to build on its relationships with the local Asian heritage members as this now forms a significant proportion of all new business. Staff members have built up excellent relationships with these members and a significant amount of the Society's new business is achieved through recommendations.

Sub Committee

Meetings are also held of the Audit Committee.

Members: Tim Williams (Chairman)
Sazeda Patel
Patrick Byrne

The role of the Audit sub-Committee is:

- to monitor the integrity of the annual financial statements,
- to review significant financial reporting judgements contained in them,
- to review the Society's internal financial controls and risk management and monitor the formal announcements relating to the Society's performance,
- to review and monitor the effectiveness of the internal and external auditors' independence, objectivity and the effectiveness of the audit process.

Consumer Duty

The Society fully supports the FCA'S Consumer Duty initiative and the Board has reviewed the society's current products and services in order the meet the deadline, ensuring that any identified improvements are factored into the business plan.

Association of Financial Mutuals

The Society is an active member of the Association of Financial Mutuals and has adopted its Charter as a condition of membership. This Charter lays down strict practices and principles for its members and a copy is available to any of our members upon request.

Donations

No donations were made during the year.

Sponsorship

No sponsorships were entered into in 2023.

Appointment and provision of information to auditors

Each of the persons who are Board members at the time when the Board report is approved has confirmed that:

So far as the Board member is aware, there is no relevant audit information of which the Society's auditors are unaware, and each Board member has taken all steps that ought to have been taken as a Board member in order to be aware of any information needed by the Society's auditors in connection with preparing their report and to establish that the Society's auditors are aware of that information.

The Board Report was approved by the Board on 14 June 2024 and signed on its behalf by Andrew Horsley, Chairman.

Andrew Horsley

Andrew Horsley
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RED ROSE FRIENDLY SOCIETY LIMITED

We have audited the financial statements of The Red Rose Friendly Society Limited for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, including FRS 102 and 103; and
- have been properly prepared in accordance with the Friendly Societies Act 1992.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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.

Material uncertainty related to going concern

We draw attention to Note 1.2 in the accounting policies, concerning the Society's ability to continue as a going concern. The matters explained in Note 1.2 indicate that the Society was solvent at the year end but had not reached a minimum capital requirement based on the methodology stipulated by the PRA Rulebook which includes contribution income with a significant value of Child trust fund vouchers received many years ago. The Society has reached the minimum capital requirement based on the premiums to the with profits fund and hence the Board believes it is appropriate to prepare the financial statements on a going concern basis. The Board is actively engaged in measures to address the MGF legacy issue with its Regulators and advisers, and strategic options that protect the Members and meet the Regulators' requirements are being considered.

These events or conditions along with the matters set forth in Note 1.2 indicate the existence of a material uncertainty which may cast doubt over the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Society and its environment, including internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 we identified (whether or not due to fraud), 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RED ROSE FRIENDLY SOCIETY LIMITED (continued)

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.

Key audit matter	How the scope of our audit responded to the risk
Revenue is not recognised accurately and completely.	We documented systems and performed testing to confirm the systems appear to be operating as documented. We also validated a sample of transactions. We checked investment income received to third party data to test completeness.
The accounts are misstated due to the effects of management override.	We reviewed bank transactions throughout the year and since the year end for material and round sum amounts and evidenced these back to appropriate documentation and authorisation. We reviewed journals and other transactions greater than performance materiality to identify transactions of a higher risk nature and substantiated these to appropriate evidence. We reviewed the completeness of accounting estimates. We checked the consistency and appropriateness of accounting policies and disclosures in the financial statements.
Technical provisions are materially misstated.	We assessed the competence of the actuary engaged by the Society and reviewed his work. We substantively tested the integrity of the Society's policy administration data to ensure the data being used by the actuary was accurate. The testing included sample checks on premium income streams, claims paid and data integrity checks on key fields. We reviewed the reasonableness of the assumptions used in the calculation and considered the information provided by the actuary as to whether those assumptions were reasonable and the impact they had on the calculation.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results. The application of materiality involves both quantitative and qualitative considerations.

We determined materiality to be £27,000 (2022: £27,000) which is approximately 2% of income. We consider income to be the most appropriate benchmark as it is a stable key performance indicator used by the Society in assessing performance. On the basis of our risk assessment, together with our assessment of the Society's overall control environment, our judgement is that the overall performance materiality level should be 75% of planning materiality, namely £20,000 (2022: £20,000). We have reported to the Board all audit differences in excess of £1,000 (2022: £1,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

At the conclusion of the audit, we re-assess the materiality levels based on the audited financial statements and then compare this with the planning materiality. The result of this assessment showed there was no significant change to final materiality and we are satisfied with the levels set at the planning stage.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RED ROSE FRIENDLY SOCIETY LIMITED (continued)

Other Information
The Board is responsible for the other information which comprises the information included in the Annual Report, other than the financial statements and our auditor's report 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 respect of these matters.

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 strategic report and the Board report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Board report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Board report.

Matters on which we are required to report by exception
Under the Friendly Society Act 1992 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents that we required for our audit.

We have nothing to report in respect of these matters.

Responsibilities of the Board
As explained more fully in the Board's Responsibilities Statement set out on page 7, 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 is 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.

Auditor's 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 an auditor's report 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed as follows:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RED ROSE FRIENDLY SOCIETY LIMITED (continued)

- At the planning stage of the audit, to help us make appropriate risk assessments we gain an understanding of the laws and regulations which apply to the Society and how management seek to comply with them.
- During the audit we focus on relevant risk areas and review compliance with laws and regulations through making relevant enquiries and corroboration by, for example, reviewing Board Minutes and Sub-committee Minutes and other relevant reports and correspondence.
- We assess the risk of material misstatement in the financial statements through

  I. Review of controls set in place by management

  II. Enquiry of management as to whether they consider fraud or other irregularities may have occurred or where such opportunity might exist

  III. Challenge of management assumptions with regard to accounting estimates

  IV. Identification and testing of journal entries, particularly those which may appear to be unusual by size or nature.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements, or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we are less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions that we have formed.

Martin Chatten

Martin Chatten (Senior Statutory Auditor)
For and on behalf of

Royce Peeling Green Limited
Chartered Accountants & Statutory Auditor
The Copper Room
Deva City Office Park
Trinity Way
Manchester M3 7BG

14 June 2024

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

Technical account: Long-Term Business	Notes	2023	2022
		£	£
Net Earned Premium Income	5	1,061,801	1,192,743
Investment Income	6	123,514	157,146
Unrealised gains on Investments	7	1,444,118	0
Realised gains on Investments	7	10,376	0
Other income		184	184
Total technical income		**2,639,993**	**1,350,073**
Gross benefits and claims	8	1,169,248	1,309,843
Claims ceded to reinsurers	8	0	0
Net benefits and claims		**1,169,248**	**1,309,843**
Change in Long Term Business liabilities	17	982,256	(903,203)
Bonuses and rebates	9	0	0
Net operating expenses	10	486,197	409,286
Investment expenses and charges	11	12,715	17,553
Unrealised (gains)/losses on investments	7	0	822,348
Realised losses on investments	7	0	161,895
Tax attributable to the long-term business		0	0
Transfer to/(from) the Fund for Future Appropriations	16	(10,423)	(467,649)
		1,470,745	**40,230**
Balance on the Technical account: Long-Term Business		**0**	**0**

STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	Notes	2023	2022
		£	£
Assets			
Investments			
- Investment in subsidiary undertakings	13	**3,000**	3,000
- Other financial investments	13	**3,883,483**	4,335,052
		3,886,483	4,338,052
Assets held to cover linked liabilities	13	**14,422,756**	12,986,244
Debtors			
- Other debtors	14	**12,143**	11,758
Other assets			
- Tangible assets	15	**210,245**	215,165
- Other financial assets		**0**	0
- Cash at bank and in hand		**60,042**	94,755
Prepayments and accrued income			
- Other prepayments & accrued income		**29,956**	3,045
Total assets		**18,621,625**	17,649,019
Liabilities			
Fund for future appropriations	16	**346,854**	357,277
Technical provisions			
- Long term business	17	**3,509,908**	3,964,164
- Claims outstanding		**253,848**	259,823
Technical provision for linked liabilities	18	**14,422,756**	12,986,244
- Claims outstanding		**0**	0
Creditors			
- Other creditors		**88,259**	81,511
Total liabilities		**18,621,625**	17,649,019

The financial statements on pages 18 to 41 were approved by the Board of Directors on 14 June 2024 and signed on its behalf by:

Andrew Horsley	*Mark Sedgley*	*Sazeda Patel*
Andrew Horsley	Mark Sedgley	Sazeda Patel
Chairman	Chief Executive	Non executive Director
14 June 2024		

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

1. 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.

1.1 Basis of preparation

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

In accordance with FRS 103 on Insurance Contracts, the Society has applied existing accounting practices for insurance contracts, modified as appropriate to comply with applicable standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies that have been applied consistently by the Society and its subsidiaries to all periods presented in these financial statements are set out below.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the Board 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 2. 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.

Consolidated accounts have not been prepared on the grounds that the results and balances of the subsidiaries, which are dormant, are not material.

1.2 Going Concern

After making enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future.
As set out in note 3 the Society has capital in excess of the capital requirement for a non-directive society as at 31 December 2023, however there is the legacy issue of a minimum capital requirement stipulated by the PRA rulebook- the Minimum Guarantee Fund (''MGF'') The MGF for a non-directive society is set by reference to the highest historical premium income of any year of operation. The Society received CTF voucher income in the years 2010-12 from HMRC that was several times the Society's normal premium income. As a result, the Society has the highest level of MGF applied, and currently the Society does not meet that level. For comparison, if the Society's MGF was based on the highest premium income in any of the last 10 years, it would comfortably meet the (lower) MGF requirement. The Board is actively engaged in measures to address the MGF legacy issue with its Regulators and advisers. A number of strategic options that protect the Members and meet Regulators' requirements are being considered. As such, the Society therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Accounting for net earned premiums

Regular premiums on long-term insurance and participating investment contracts are recognised as income when received. For single premium business, recognition occurs on the date from which the policy is effective. Reinsurance premiums payable are accounted for when due for payment.

1.4 Accounting for investment income

Investment income includes dividends and interest from investments. Dividend income is recognised when the right to receive payment is established. Other investment income is included on an accruals basis.

1.5 Accounting for net gains/(losses) on investments

Realised gains and losses on investments are calculated as the difference between net sales proceeds and their valuation at the last Statement of Financial Position date or, where purchased during the year, the purchase price.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

1. Significant accounting policies (continued)

Unrealised gains and losses on investments represent the difference between the valuation of fair value assets at the Statement of Financial Position date and their valuation at the previous Statement of Financial Position date or, where purchased during the year, the purchase price.

1.6 Accounting for other income

Other income primarily relates to ground rents and is recognised when received by the Society.

1.7 Accounting for claims and benefits

Maturity claims are accounted for when due for payment. Surrenders are accounted for on the earlier of the date when paid or when the policy ceases to be included within the long-term insurance contract liability.

Death claims are accounted for when the Society is notified. The value of claims on participating contracts includes bonuses paid or payable. Reinsurance recoveries are accounted for in the same period as the related claim.

1.8 Accounting for long term insurance liabilities

The long-term business provision is determined by the Board on the advice of the Appropriate Actuary as part of the annual actuarial valuation of the Society's long-term business. The provision is initially determined in accordance with the requirements of the Prudential Sourcebook for Insurers. In accordance with normal insurance practice, certain reserves required for the statutory valuation returns are not required to be included in these accounts that are designed to present a true and fair view. This adjusted basis is referred to as the modified statutory solvency basis. This makes sufficient provision for future expenses of fulfilling the long-term contracts and includes a provision for existing reversionary bonuses and current reversionary bonuses declared as a result of the valuation. Future reversionary bonuses are implicitly provided for by use of valuation rates of interest below those expected. No provision is made for terminal bonuses, which can be varied at any time depending on investment conditions. These liabilities are calculated using historic Society experience.

1.9 Accounting for mutual bonuses

Bonuses to policyholders are recognised in the Technical Account Long-Term Business when declared and terminal bonuses when paid.

1.10 Accounting for Financial Investment

Financial Assets are designated upon initial recognition at fair value through profit and loss on the Statement of Financial Position.

The fair value is based upon quoted prices on the statement of financial position date.

Net gains or loss arising from changes in the fair value are presented in the Statement of Comprehensive Income within 'unrealised gain on investments' or 'unrealised losses on investments' in the period in which they arise.

1.11 Accounting for property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period if there are indicators of change. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

1. Significant accounting policies (continued)

Depreciation is charged on assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Long Leasehold Property	2%
Fixtures, Fittings and Furniture	12.5%
Computer Equipment	33.3%

1.12 Accounting for impairments of non financial assets

At each reporting date, the Society reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Society estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation

1.13 Accounting for cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at market value.

1.14 Accounting for leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.15 Accounting for retirement benefits

The Society has an Auto Enrolment Pension Scheme.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Society’s obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

1. Significant accounting policies (continued)

1.16 Accounting for deferred acquisition costs
In respect of insurance contracts, acquisition costs comprise all direct and indirect costs incurred in writing new contracts. Acquisition costs are written off in the year in which they are incurred so no deferred acquisition costs will be carried forward.

1.17 Accounting for foreign currencies
Investment assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange ruling at the year end date. Purchases and sales of investments denominated in foreign currencies are translated at the rates prevailing at the dates of the transactions. Exchange gains and losses are dealt with in that part of the Statement of Comprehensive Income in which the underlying transaction is reported.

Currently all assets are denominated in sterling.

1.18 Accounting for the Fund for Future Appropriations
The Fund for Future Appropriations represents the excess of assets over and above the long-term insurance contract liabilities and other liabilities. It represents amounts that have yet to be formally declared as bonuses for the participating contract policyholders together with the free assets of the Society. Any profit or loss for the year arising through the Statement of Comprehensive Income is transferred to or from the Fund for Future Appropriations.

1.19 Statement of Cash Flows
As a Mutual Life Assurance Society, under FRS102 the Society is exempt from the requirements to prepare a cash flow statement.

1.20 Accounting for Taxation
The Society recognises a current tax liability on the taxable profits of its taxable business. It also takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is material and that it is probable that a liability will crystalize.

2. Critical accounting judgements and estimates
In preparing the financial statements, the Board 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.

Fair value of financial assets
Market observable inputs are used wherever possible. In the absence of an active market, estimation of fair value is achieved by using valuation techniques such as recent arm’s length transactions, discounted cash flow analysis and option pricing models. For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. This valuation will also take into account the marketability of the assets being valued.

2. Critical accounting (continued)

Long term business provision

The valuation of participating contract liabilities is based on assumptions reflecting the best estimate at the time. The valuation of non-participating insurance contracts is based on prudent assumptions; a separate calculation is also performed to assess the non-participating value of in-force business which is based on best estimate assumptions allowing for a margin of risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects the Board's best current estimate of future cash flows.

The assumptions used for mortality are based on standard industry tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for investment returns, expenses and mortality are based on current market yields, product characteristics, and relevant claims experience.

The assumptions used for discount rates are based on current market risk rates, adjusted for the Society's own risk exposure. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty.

Going concern

Refer to Note 1.2 for judgments in respect of the going concern basis of preparation of the financial statements.

3. Capital Management

Policies and objectives

The Society's objectives in managing capital are:

(i) The Society will always have sufficient funds available to meet its contractual obligations to policyholders

(ii) The Society's exposure to risk is managed to ensure that the capital resources available always meet the minimum capital requirements set out by the PRA

(iii) To give confidence to policyholders and other stakeholders who have relationships with the Society and

(iv) The Society will have sufficient capital resources available to fund its growth expectations

These objectives are reviewed at least annually, and benchmarks are set by which to judge the adequacy of the Society's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Society.

The assessment depends on various actuarial and other assumptions about potential changes in market prices, future operating experience and the actions management would take in the event of particular adverse changes in market conditions.

The capital requirement is the statutory minimum capital requirement as required in the PRA Rulebook.

Management intends to maintain surplus capital in excess of the PRA's total requirements and to maintain an appropriate additional margin over this to absorb changes in both capital and capital requirements.

The Society was below the Minimum Guarantee Fund required by the PRA of £560,000 throughout the period. It was above the calculated minimum capital requirement of £270,918. The £560,000 is a minima for the requirement and this is based on the highest of any prior year's premium income. Using this year's premium income would give a guarantee fund of £185,000 however the Minimum Guarantee Fund corresponds to the firm's highest annual premium income. Therefore, the Society has been below the £560,000 requirement set by the PRA.

3. Capital management (continued)

Capital Statement
The following table sets out the capital available:

	2023 £	2023 £	2022 £	2022 £
Fund for future appropriations	346,855		357,277	
Less: Inadmissible assets	(9,150)		(9,300)	
Adjustments for valuation differences	0		0	
		337,705		347,977
Capital available to meet regulatory capital requirements		337,705		347,977
Regulatory capital requirements		560,000		560,000
Capital in excess of regulatory capital requirements		**(222,295)**		**(212,023)**

The movement in capital resources is as follows

	Amount £000s
Capital available as at 1 January 2023	348
Change in valuation basis	28
Change in expense overrun reserve	0
Cost of reversionary bonus	0
Investment surplus	210
Expense loading	0
Change in resilience reserve	0
Economic factors	(57)
Valuation surplus	(142)
Model changes	(49)
Available capital resource as at 31 December 2023	**338**

3. Capital management (continued)

Measurement and monitoring of capital
The capital position of the Society is monitored on a regular basis and reviewed quarterly by the Board of Management.

The investment strategy has changed for the non-linked insurance contracts and the assets are now a series of gilt edged stock and corporate bonds that match the net cash flow outgo of the insurance policies. This reduces investment risk on interest rate risk.

Available capital – Long term insurance contracts
The liabilities in respect of the Society's participating (with-profits) business are determined in accordance with the regulations of the PRA. The Society does not write sufficient business nor have sufficient reserves to be included in the EU Directive on Solvency (Directive 2009/138/EC) requirements. The Society is a non-directive friendly society i.e. a non-solvency II firm under the PRA rulebook

The assets are taken at market value. The whole of the available capital resources is available to meet the regulatory and other solvency requirements of the fund.

Sensitivity of long-term insurance contract liabilities
The value of the long term insurance contract liabilities is sensitive to changes in market conditions and to the demographic assumptions used in the calculations, such as mortality.

Market conditions
Assumptions are made about future investment returns and interest rates when valuing the liabilities, based on current market conditions. These also have an effect on the value placed on the assets held to support the liabilities. An adverse change in market conditions may therefore reduce the level of the available capital resources.

Demographic assumptions
Changes in mortality, lapse or expense experience by the Society may result in the need to change the assumptions used to value the liabilities. This may increase or reduce the value placed on liabilities. The sensitivity of the liabilities to changes in the assumptions varies according to the type of business. For example, a change in mortality rates has a greater impact on whole life liabilities than ISAs.

4. Risk management and control

The table below sets out the exposure to life insurance risk using the regulatory value of liabilities after allowing for the cost of the declared reversionary bonus:

	2023 **£**	**2022** **£**
Ordinary Business	3,215,212	3,648,589
Industrial Business	294,696	315,575
CTF and ISA's	14,422,756	12,986,244
Total policyholder liabilities	**17,932,664**	**16,950,408**

FRS 103 requires a Society which issues insurance contracts to make certain disclosures regarding their insurance risk. The required information is summarised below.

4. Risk management and control (continued)

a) Objectives, policies and processes for managing risks arising from insurance contracts and the methods used to manage those risks:

The Society is principally exposed to risks in relation to lapses, expenses, market, credit and liquidity.

The objective of the Society is to minimise those risks (such as expenses) which are seen as primarily negative in their impact on the Society or policyholders and to carefully monitor and balance those risks (such as market risk) where a positive outcome is of benefit to the members and policyholders.

The principal methods involve:

i. Holding reserves to meet the obligations of the Society,
ii. Monitoring and managing internal and externally generated reports that provide information about the performance or level of key indicators,
iii. Closely matching investments to policy liabilities where those liabilities are tightly defined,
iv. Actively managing the investment portfolio after taking advice from the Appropriate Actuary about the nature and term of the liabilities and the parameters appropriate to limit downside risks

b) Nature and extent of risks arising from insurance contracts

Insurance risk

Insurance risk is risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behaviour and expenses.

The Society sells insurance and financial investment products. The types of products include life, participating and non-participating insurance. A variety of assumptions are made when a product is designed and priced. The assumptions are based on Society and industry past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

These assumptions are used to develop the initial measurement of insurance contract liabilities and form the insurance risk. The setting of these assumptions requires a significant amount of professional judgment and therefore, actual experience may be materially different from assumed experience which results in the nature of the insurance risk exposure.

To the extent that emerging experience is more favourable than assumed in the measurement of insurance contract liabilities, surplus will emerge. If emerging experience is less favourable, losses will result. The Society's objective is to ensure that sufficient insurance contract reserves have been set up to cover these obligations.

The following risk factors are components of insurance risk:

Mortality risk

This is the risk that death claims are different than those assumed in pricing or the most recent valuation of actuarial liabilities, adversely impacting income. This risk includes both mis-estimation in pricing, and adverse experience resulting from any combination of weak underwriting, anti-selection by policyholders, or improper claims assessment.

Lapse risk

This is the risk that withdrawals and lapse rates are different than those assumed. This risk can occur on both insurance and investment contracts.

4. Risk management and control (continued)

Lapses that are higher than assumed are usually detrimental, especially if they occur prior to recovering costs to issue a policy, or at a time when the guarantees underlying the with-profits contracts are onerous.

Expense risk

This is the risk that maintenance expense levels will be higher than those assumed. This can arise from an increase in the unit costs or an increase in expense inflation relating to economic conditions. This risk can occur on insurance and investment contracts.

The Society manages insurance risk by establishing Board approved policies and guidelines for product development and product pricing which require that all material risks be provided for at the time of product design and pricing of new products and expenses are closely monitored.

The table below sets out the impact on the long term contract liabilities for movement in key assumptions:

	Increase in policyholder liabilities £000s
Increase in mortality rates by 15%	57
Increase in expenses by 10%	5
Decrease in valuation interest by 0.5%	70

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to fulfil its payment obligations. Worsening or continued poor economic conditions could result in borrower or counterparty defaults or downgrades and could lead to increased provisions or impairments related to the Society's invested assets and an increase in provisions for future credit impairments to be included in insurance contract liabilities. The Board approved Investment Policy sets out the policies and procedures to manage these risks.

Asset portfolios are monitored and reviewed regularly by the Board.

i) Maximum exposure to credit risk

The Society's maximum exposure to credit risk related to financial instruments and other assets is the carrying value of those assets, net of any allowances for losses. The Society's maximum credit exposure is as follows:

Assets	**2023** £	**2022** £
Bonds	3,619,047	2,664,151
Equities	279,956	1,691,774
Deposits & Debts	60,042	94,754
Other investments – non linked benefits	255,344	232,963
Other investments – for linked benefits	14,407,236	12,965,377
Total	**18,621,625**	**17,649,019**

4. Risk management and control (continued)

ii) Concentration of credit risk

Concentration of credit risk arises from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics.

The Society has investment targets and limits to ensure that portfolios are widely diversified across asset classes and individual investment risks.

Total exposure includes the sum of the Society's investment in bonds, equities, money market Instruments and financial instruments.

Bonds and other fixed-term securities

Other than constraints imposed by liquidity requirements, there is no upper limit to the amount of the Society's total assets that can be invested in bonds.

The following table provides details of the carrying value of bonds by type.

	2023
	£
Government Bonds	2,339,532
Bond Collectives	1,279,515
	3,619,047

Equities

Equities are held from the over investment in the unit linked funds above the policy liabilities. There are strictly limited to avoid risk to the Society.

The equities held by sector are shown below:

	2023
	£
Energy	0
Materials	0
Industrials	0
Consumer Discretionary	0
Consumer Staples	0
Health Care	0
Financials	0
Information Technology	0
Utilities	0
Real Estate	0
UK Collectives	279,956
Overseas Collectives	0
Emerging Markets Collectives	0

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

4. Risk management and control (continued)

Investment land and buildings

No land and building investments were held by the Society at 31 December 2023 apart from the Society's office property.

Liquidity risk

Liquidity risk is the risk that the Society cannot meet its obligations associated with financial liabilities as they fall due. The Society has adopted an appropriate liquidity risk management framework for the management of the Society's liquidity requirements. The Society manages liquidity risk by maintaining a proportion of its assets in cash and investing in marketable securities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. Liquidity management ensures that the Society has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities.

There were no changes in the Society's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Society in managing its market risk is to ensure risk is managed in line with the Society's risk appetite.

The Society has established policies and procedures in order to manage market risk and methods to measure it.

There were no significant changes in the Society's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

Below are the key factors that underlie market risk:

i) Currency risk

The Society denominates all of its insurance and investment contracts in Sterling.

As part of its investment diversification policy, the Society can hold certain investments denominated in foreign currencies. As a result, foreign exchange risk may arise from assets denominated in these currencies.

Currently all assets are denominated in Sterling.

ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Society is exposed to interest rate risk as the Society invests in long term debt at both fixed and floating interest rates. The risk is managed by ensuring the bond investments generate cash flow that matches the cash flow of the insurance policies as expected.

4. Risk management and control (continued)

iii) Equity market risk

The Society invests in equities it is exposed to price risk arising from fluctuations in the value of equities as a result of changes in the market prices.

The risk is now minimised to a small amount of overfunding in the unit linked funds above the level required to match unit linked policies.

Summary of current market risk sensitivities

	Change in surplus assets (£000s)
Fixed interest yields rise by 1%	(61)
Fixed interest yields fall by 1%	61
Equity values fall by 10%	(33)
Equity values rise by 10%	33

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

5. Earned Premium Income

	2023	2022
	£	£
Gross premiums written	1,061,801	1,192,743
Outward reinsurance premiums	0	0
Net Earned Premium Income	**1,061,801**	1,192,743

All contracts are written in the UK.

6. Investment Income

	2023	2022
	£	£
Income from investments at fair value through income:		
- Interest income	107,130	130,037
- Dividend income	16,384	27,109
Investment Income	**123,514**	157,146

7. Net unrealised gain/(loss) on investments

	2023	2022
	£	£
Investments at fair value through income:		
- Non linked Investments	177,503	(735,088)
- Linked Investments	1,266,615	(87,340)
Investments in Society undertakings	0	0
Net gain/(loss) on investments	**1,444,118**	**(822,348)**

Net realised gain/(loss) on investments

	2023	2022
	£	£
Investments at fair value through income:		
- Non linked Investments	(6,943)	(161,786)
- Linked Investments	17,319	(109)
Net gain/(loss) on investments	**10,376**	**(161,895)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

8. Claims Incurred

	2023	2022
	£	£
Long-term insurance		
Benefits and claims paid	1,169,248	1,309,843
	1,169,248	1,309,843
Claims ceded to reinsurers	0	0
Total Claims Incurred	**1,309,843**	**1,309,843**

9. Bonuses and rebates

The Board declared a mutual bonus of £nil (2022: nil) in respect of the year ended 31 December 2023, for those participating policies.

10. Net operating expenses

	2023	2022
	£	£
Long-term insurance		
Acquisition costs	114,739	124,996
Administrative expenses	371,458	284,290
Net operating expenses	**486,197**	**409,286**

Net operating expenses include the following:

	2023	2022
	£	£
Long-term insurance		
Fees payable to the Society's auditor for the audit of the annual accounts	26,480	24,926
Depreciation on tangible fixed assets	6,958	6,808
Operating lease rental charges	2,592	2,848

11. Investment expenses and charges

	2023	2022
	£	£
Investment management expenses	12,715	17,553
Investment expenses and charges	**12,715**	**17,553**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

12. Employee benefits expense

	2023	2022
	£	£
Wages and salaries	236,355	226,867
Social security costs	14,651	14,509
Pension costs	12,242	10,418
Employee benefits expense	**263,248**	**251,794**

The number of employees during the year, including directors, calculated on a monthly average basis was as follows:

	2023	2022
Board and senior management	6	5
Administration	4	4
	10	**9**

The aggregate remuneration of key management personnel, being the Executive Directors and members of the management team, was as follows:

	2023	2022
	£	£
Wages and salaries (including social security)	143,244	126,415
Pension costs	9561	9,489
Key management remuneration	**152,805**	**135,904**

Full details of directors' emoluments are contained in the Remuneration report on page 12.

13. Investments

a) Investments in Subsidiary undertakings

	2023	2022
	£	£
Cost less provisions at 1 January 2022	3,000	3,000
Additions	0	0
Reduction in carrying value including write offs	0	0
Cost at 31 December 2023	**3,000**	**3,000**

The Society has examined the carrying value of its subsidiaries and concluded that a provision for impairment was not necessary in regard to these investments in 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

b) Other financial investments

	2023 £	2022 £
Financial assets – Fair value through income		
Shares, other variable yield securities and units in unit trusts		
- UK listed	0	960,845
- UK unlisted	264,436	710,057
- Overseas listed	0	0
- Overseas unlisted	0	0
Bond and other fixed income securities		
- UK listed	3,619,047	2,664,150
UK unlisted	0	0
	3,883,483	**4,335,052**
Financial assets – at market value		
Deposits with credit institutions	0	0
	3,883,483	**4,335,052**

c) Assets held to cover linked liabilities

	2023 £	2022 £
Financial assets – Fair value through income		
Shares, other variable yield securities and units in unit trusts		
- UK listed	0	0
- UK unlisted	14,422,756	12,986,244
- Overseas listed	0	0
- Overseas unlisted	0	0
Bonds and other fixed income securities		
- UK listed	0	0
	14,422,756	**12,986,244**

14. Debtors

	2023 £	2022 £
Due from members	0	0
Loans to subsidiaries	0	0
Prepayments	12,143	11,758
	12,143	**11,758**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

15. Tangible assets

	Long Leasehold Properties	Computers and Office Equipment	Total
	£	£	£
Cost			
At 1 January 2023	250,000	67,532	317,532
Additions	0	2,038	2,038
Disposals	0	0	0
At 31 December 2023	**250,000**	**69,570**	**319,570**
Accumulated Depreciation			
At 1 January 2023	40,000	62,367	102,367
Provided in the year	5,000	1,958	6,958
Disposals	0	0	0
At 31 December 2023	**45,000**	**64,325**	**109,325**
Net Book Value			
At 31 December 2023	**205,000**	**5,245**	**210,245**
At 31 December 2022	210,000	5,165	215,165

The leasehold land and buildings included above were recognised using a previous valuation by the Board after taking appropriate advice, based upon an open market existing use value, as a deemed cost on transition to FRS 102. These assets are being depreciated from their valuation date of 31 December 2014. The historic cost of these assets is £203,455 (2022 - £203,455).

16. Fund for Future Appropriations

	2023	2022
	£	£
Long-term business		
At 1 January 2023	357,277	824,926
Transfer included within comprehensive income for the year	(10,423)	(467,649)
At 31 December 2023	**346,854**	**357,277**

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

17. Long-term business provision

a) Analysis of insurance contract liabilities

	2023 £	2022 £
Participating insurance contract liabilities	3,170,840	3,559,254
Non-participating insurance contract liabilities	339,068	404,910
Total insurance contract liabilities	**3,509,908**	**3,964,164**

b) Movement in long-term insurance contract liabilities

	2023 £	2022 £
At 1 January 2023	**3,964,164**	**5,086,118**
Mortality assumption change	(59,237)	0
Valuation interest rate change	31,365	(599,187)
Policy movements	(442,946)	(522,767)
Other basis changes	(32,520)	0
Model Change	49,082	0
At 31 December 2023	**3,509,908**	**3,964,164**

18. Technical provision for linked liabilities

Linked fund	2023 £	2022 £
At 1 January 2023	**12,986,244**	**12,767,493**
Premiums received	671,978	746,270
Deaths, maturities, surrenders and transfers	(325,081)	(292,096)
Investment income and growth	1,089,615	(235,423)
At 31 December 2023	**14,422,756**	**12,986,244**

19. Lease commitments

Non cancellable operating leases	2023 £	2022 £
Within one year	2,778	2,778
Between one and five years	11,750	11,750
In more than 5 years	19,316	22,094

The Operating leases relate to photocopiers, franking machine and a 125 year lease on the Society's premises. This commenced in March 1996 with a ground rent of £300 p.a. payable.

20. Long term insurance liabilities valuation assumptions

Interest rates

The gross interest rate without any adjustments for tax or bonus is calculated by allocating appropriate assets to the policy groups shown below. The weighted average yield for that group is then calculated. For fixed interest stocks, the yield is reduced by an appropriate factor based on the perceived risk of each individual bond or collectives and is also reduced for any annual management charges on collectives. A reduction is made to the overall yield on equities of 0.5%. The weighted is further reduced by 2.5% to allow for risk as specified by the regulations.

The weighted average yields based on the appropriate asset mix has not been restricted to the maximum reinvestment rate stated in the regulations. This implies there will be no reinvestment in the future on the valuation basis i.e. claims and expenses will be greater than premium and investment income. The maximum reinvestment rate allowed by the regulations was 3.68% after allowing for the 2.5% risk adjustment.

An allowance for investment expenses equal to 0.36% is made and a deduction of 20% for taxable policies. There has been no allowance for future bonus in the interest rate.

The resultant interest rates were:

	Interest rate
Industrial Branch with profits tax exempt	5.34%
Ordinary Branch Series I, II with profits tax-exempt	5.34%
Ordinary Branch Series III with profits tax-exempt	3.49%
Non-profit tax-exempt	3.83%
Industrial Branch with profits taxable	3.06%
Ordinary Branch Series I, II & III with profits taxable	3.67%
Non-profit taxable	3.06%
CTF, Shariah & ESG ISA expense reserves	3.83%
Expense Reserve	5.34%

Mortality assumptions

A mortality investigation was completed as part of the year end actuarial valuation. The mortality investigation used data from the preceding three financial years. The mortality assumptions used in the statutory valuation were:

Business	**Assumption**
Ordinary Branch (Ages 0-16)	145% ELT 16
Ordinary Branch (Ages 17+)	145% AMC00 ultimate
Family Group Funeral Plans	145% AMC00 ultimate
Industrial Branch	145% ELT 16
CTF	25% ELT 16
Shariah & ESG ISA	145% AMC00 ultimate (Ages 17+) and 145% ELT16 (Ages 0-16)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

AMC00 is the assured lives tables generated by the actuarial profession based on experience between 1999-2002 for males, collected from UK insurance companies and published in CMI Working papers 21 and 22, 2006 and CMI report 23, 2009.

English Life Table No. 16 is a decennial life table for males and females based on the mortality experience of the population of England and Wales during the three years from 2000 to 2002.

Expenses

The net premium method is used to value the liabilities.

For with-profit policies, the net premium is restricted to a proportion of the office premium to give a margin for future expenses and for future bonuses. Non-profit policies are valued on the same assumptions but do not allow for future bonuses in the level of restriction applied.

There is an acquisition cost adjustment to the pure net premium. The adjustment increases the net premium assumed to be received by a sufficient amount to cover 3.5% of sum assured (a limit stated in the regulations).

The restriction is 70% of the premium collected for Industrial Branch products, 80% of premiums collected for Ordinary Branch policies with pre 1999 entry dates and 90% for Ordinary Branch policies with post 1999 entry dates.

For the Family Group Funeral Plan, the expense allowance is 10% of the office premiums.

For the Child Trust Fund (CTF) and Shariah ISA a sterling or non-unit reserve is calculated by projecting the annual management charge after the resilience drop versus the expenses and other costs in the basis. The expenses allowed for in this calculation are:

Product	Charge by investment manager	Remaining expenses
CTF	0.1%	£0.35pa administration and £5.40 maturity expense plus future RPI (taken to be 3.75%).
Shariah ISA	0.35%	£6.89pa administration plus future RPI (taken to be 3.75%).
ESG ISA	0.2%	£6.89pa administration plus future RPI (taken to be 3.75%)

The total expenses incurred by the Society were analysed between those that would occur if the Society closed to new business twelve months after the valuation date and those that would not. The expenses of the Society have been projected over a six year period after which a transfer of engagements is assumed to take place at a cost of £100,000. No additional reserve was required as the expenses are covered by margins within the valuation.

Persistency – lapses and surrenders

No allowance for lapses and surrenders has been included.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2023

21. Appropriate actuary

The Society has made a request to the Appropriate Actuary to furnish it with the particulars specified in Rule 9.36 of the Accounts and Statements Rules. The Appropriate Actuary has confirmed that he does not have any pecuniary interest in the Society nor any of its investments. Fees payable to the firm in which the Appropriate Actuary is a director amounted to £101,133 including value added tax (2022: £34,371). The Appropriate Actuary received no other pecuniary benefit from the Society.