



THE ORIGINAL HOLLOWAY FRIENDLY SOCIETY LIMITED

Annual Report 2022

for the year ended 31 December 2022

Keeping life colourful

Welcome from the Chair

Dear Members,

Welcome to the 2022 Annual Report and Accounts for the Original Holloway Friendly Society, which includes our Strategic Report and Financial Statements. There are six parts to this report.

First, an Overview from me, as your Society's Chair.

Second, there is the Strategic Report from Stuart Tragheim, our Chief Executive. Stuart begins with his Overview followed by a Business Review and finally a description of the Risks to the Strategy and how we approach Risk Management.

Third, the Bonus Report, which shows how we are able to share the value emerging with Members.

Fourth, is the Report of the Board of Management. This covers the activities of the Board and its Committees, including the Corporate Governance Report, followed by the Directors' Remuneration Report.

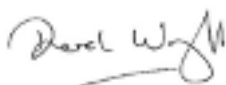
The fifth item is the report of the Independent Auditor.

The final item is the Financial Statements, including notes to explain their presentation.

The Society applied, in full, the Corporate Governance Code developed by the Association of Financial Mutuals for firms like ours.

I hope you find the content interesting and informative. We are always pleased to hear from you and we welcome any feedback or suggestions on our report, the progress of your Society or your experiences dealing with us. All Directors make a point of being available to talk to Members at the Annual General Meeting ('AGM') and this is an excellent way for you to raise any matter with us. Other ways you can contact us are listed on the back cover of this report.

Yours sincerely,



Derek Wright
Chair
17 April 2023

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Officers, Professional Advisers and Registered Office

The Board of Management ('Board')

Chair and Non-Executive Director	Derek Wright
Senior Independent Non-Executive Director	Anna East ¹ John Holland ²
Independent Non-Executive Directors	Dave Cheeseman Anna East Lynzi Harrison ³ Andrew Horsley ³ Adrian Humphreys
Chief Executive and Executive Director	Stuart Tragheim
Chief Financial Officer and Executive Director	Mark Allen ⁴ Paul Harwood ⁵
Chief Actuary With Profits Actuary	Alison Carr Alison Carr ⁶ Sally Butters ⁷
Company Secretary	Alison Poyner

1. from 7 June 2022 and approved on 13 September 2022

2. until 07 June 2022

3. from 15 February 2022

4. designate from 1 July 2022

5. until 30 June 2022

6. designate from 1 June 2022, regulatory approval received on 4 September 2022

7. until 31 May 2022

Officers, Professional Advisers and Registered Office

Professional Advisers at 31 December 2022

Chief Actuary and With Profits Actuary

Alison Carr, BSc, FIA
Steve Dixon Associates llp
Global House
Ashley Avenue
Epsom, Surrey
KT18 5AD

Internal Auditor

Ernst and Young LLP
The Paragon, Counterslip
Bristol
BS1 6BX

Independent Auditor

BDO LLP
55 Baker St
Marylebone, London
W1U 7EU

Fund Managers

LGT Wealth Management UK LLP
14 Cornhill
London
EC3V 3NR

Bankers

Lloyds Bank
19 Eastgate Street
Gloucester
GL1 1NU

Registered Office

The Original Holloway Friendly Society Limited

Holloway House,
71 Eastgate Street
Gloucester
GL1 1PW

The Original Holloway Friendly Society Limited is a friendly society registered and incorporated under the Friendly Societies Act 1992. The Board is the Committee of Management defined in the Act. 'Board', 'Board of Management' and 'Directors' are used interchangeably in this report.

The Society is governed by its Memorandum and Rules (the 'Rules'), which are available on its website, or free on request.

The Society uses the trading style 'Holloway Friendly' and is referred to throughout this report as 'the Society'.

The Society has one subsidiary, HF Life Limited, which does not currently trade, and has no liabilities and no significant assets.

email: hello@holloway.co.uk
web: holloway.co.uk
telephone: 01452 526 238

The Society is registered in the UK under number 145F.

The Society is authorised and regulated by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Its Firm Reference Number, needed for regulatory enquiries, is FRN 109986.

The Society is a member of the Association of Financial Mutuals ('AFM'). It follows the Corporate Governance Code ('the Code') developed by the AFM for mutual firms. The Society is a member of the Association of British Insurers ('ABI'). The Society is a member of the Investment and Life Assurance Group ("ILAG")

Annual Report 2022

Chair's Overview

Chair's Overview

This time last year, we were just coming to the end of Covid-19 restrictions and many were nervous as to what the immediate future might bring. I am pleased to report that the Society's ability and willingness to adapt, for example through agile working has meant that we have been able to continue to meet the needs of you, our Members with a very high standard of service.

While we continue to be cautious, we recognise that some things have changed, possibly forever. Our purpose at the Society, to be there when you need us most, remains intact. How we achieve that purpose changes as we face new challenges, be they related to the pandemic, the cost-of-living crisis or to other changes such as the mix of home and office-based work.

Delivering Benefits to Members

This is my third report to you, our Members, as Chair of the Society. As Stuart discusses later, our sales were not as high as we had hoped, yet Membership numbers have dropped only slightly. In practical terms, we have paid out more in benefits to our Members than ever before, replacing the incomes of those who cannot work through illness and injury. Part of our purpose is to help our Members back to work. We have continued to do that as well as promoting other ways in which we can support our Members.

We never forget that the Society exists to serve you, our Members, especially in your time of greatest need. We have striven throughout 2022 to ensure that we continue to pay valid claims and pay them promptly.

During 2022 we began to see the benefit of our new administration platform, PRISM and towards the end of the year we started using UnderwriteMe our automatic underwriting engine. Both of these demonstrate our determination to improve the experience of our Members.

This commitment to serving Members is at the heart of our attractiveness in the market. Advisers can be confident in recommending us because we treat potential and existing Members as we would like to be treated ourselves.

Bonus

The rates of new regular bonuses for all Members with eligible plans were maintained reflecting underlying performance. Full details are in the report on **pages 19-20**.

Regulation and Corporate Governance

We have continued to respond to the requirements of our two regulators, the Prudential Regulation Authority and the Financial

Conduct Authority. While we are smaller than many financial services providers, we are proud to respond fully to changes in regulation, believing that adopting regulation in the right spirit is what our Members expect.

Each year the Board reviews its succession plan and is satisfied that it remains appropriate.

At last year's AGM John Holland retired as a NED and the Senior Independent Director after 10 years of exemplary service to the Society. On behalf of the Board, thank you John.

We also said farewell to Paul Harwood after 5 years as the CFO and CRO. During his time with the Society Paul made a significant impact on the Society's governance and risk culture. Thank you, Paul.

In February 2022 we recruited two new Non-Executive Directors, Lynzi Harrison and Andrew Horsley and in May 2022 Mark Allen joined us as Chief Financial Officer and Chief Risk Officer.

The Society continues to support the work of the James Hopkins Trust, a local children's hospice. It has matched the amounts raised internally, leading to a donation of £2,500.

Chair's Overview

Our Strategy

Our strategy is to grow by offering quality products to more people. Central to this strategy was the implementation of a new administration system, PRISM which is now fully operational.

Looking Ahead

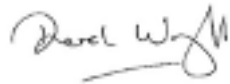
This last three years have been extremely difficult ones for us all. I am proud of the way that everyone in the Society adapted to the challenges brought about by coronavirus and the consistent focus on serving Members throughout. During 2022 we started to see the benefits of PRISM in enabling us to launch new products and to provide more options for current and future Members.

Thanks

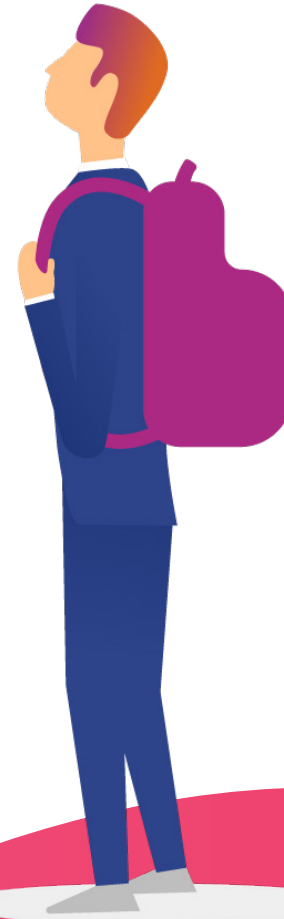
All of this is only achieved through the hard work and dedication of the Society's people. On behalf of our Members and my fellow Directors, a big thank you to everyone at the Society for their part in ensuring our success and building the foundations for the Society's future.

I hope to see many of you at the AGM.

With best wishes,



Derek Wright
Chair
17 April 2023



Annual Report 2022

Strategic Report

Strategic Report

Chief Executive's Overview

As we entered 2022 and as I wrote last year, I looked forward to a year during which the economic and social effects of the Covid-19 pandemic would be normalised and the Society would return to rebuilding momentum in delivering our mission “to support our Members at their time of need, through innovative, market leading solutions, built on the legacy of the creator of income protection and our founder, George Holloway”.

As I now look back on our progress over 2022, I continue to be impressed with the way in which colleagues have risen to the challenges thrown at us all. Suffice to say my hoped-for period of calm has not yet arrived as we experienced:

- War in Europe
- An energy and subsequent cost of living crisis
- Political instability in the UK
- Monetary challenges brought about by the ill-fated Truss government that have given rise to fiscal challenges

Perhaps unsurprisingly, these influences have acted to ensure that our core income protection market has remained challenging. Business levels have not recovered to pre-pandemic levels and there are now new economic headwinds as an economic downturn is predicted. Competition has increased with higher levels of pricing activity. Interest rates have risen significantly over the year which puts pressure on

prices and which has impacted our balance sheet by reducing the value of Technical Provisions.

Against this backdrop I believe we have made some truly significant achievements, which I have described below. I would like to thank everyone who has contributed to this impressive list – all of our colleagues both present and past – and to our Board for their continued support.

Our core market proposition has been totally revamped. MySickPay was launched in late Q1 and our existing suite of protection products largely closed to new business. As 2022 drew to a close we added another new proposition, HomeProtector, which extends our core offering into new market segments (such as home buyers and renters).

Alongside our new product set we have listened to market feedback and invested in simplifying our point-of-sale journey for our Members and their supporting advisers. We have introduced automated underwriting by deploying UnderwriteMe into our processes which has significantly reduced the time spent assessing and underwriting new business applications. We have continued to invest in our PRISM administration platform to bring about a culture of continuous improvement and service levels around claims have significantly improved.

As a Member-centric Society, we have remained focused on providing products and services to meet their needs. We have increased our member-support activity by providing extended payment

breaks and introduced a hardship fund for our Members to access. We believe it is important to support our Members where we can in order that they do not lose important cover for themselves and their families by lapsing their policies through affordability concerns.

Our achievements have been recognised within the industry and we have been successful in winning two awards, which is most gratifying. The first was the Moneyfacts award for Best Claims Service and the second was the Protection Review Award for the Best New Protection Product (MySickPay). It is always pleasing to see our achievements being recognised.

Finally, as I look forward to 2023, I am heartened by a number of indicators that suggest we can make further progress. Our new business run rate increased towards the end of 2022 and this gives us continued momentum. Our operating costs have been managed downwards as our change ambitions move through delivery and we will continue this focus as we owe that to our Members.

May I close by wishing all our Members, colleagues and supporters a prosperous 2023.



Stuart Tragheim
Chief Executive
17 April 2023

Strategic Report

Key Performance Indicators for 2022

The important indicators of the Society's success as it pursues its strategy have been agreed with the Board as follows:

Total Membership

the reason for our existence

New Sales

the lead indicator of our ability to attract new Members

Embedded Value

the long-term financial value of the Society to Members

Solvency Ratio

the financial strength to manage risks that materialise

Lapses

retention of Members is central to the Society's success

Engagement

a strong Society emerges from dedicated people

Community

to support local community

Environment

to mitigate the Society's environmental impact



Strategic Report

2022 Business Review

Purpose

Our purpose remains to be “here when you need us”. In practical terms, this means protecting your income when you can’t work because of sickness or accident. This is why we exist. Regularly reminding ourselves of our purpose helps ensure that all of us who work at the Society do so in the best interests of our Members and the wider public.

Strategy and Business Model, Performance of Key Performance Indicators

Strategy

In September 2022, we reviewed our strategy and concluded that, for 2023, we would continue to pursue our “managed growth” strategy. This is best characterised as

- Aiming to grow our business in a controlled way, in line with our available capital
- Managing headcount and financial resources carefully
- Remaining as an Income Protection specialist and developing a small number of new products over time to enable us to diversify our portfolio
- Retaining focus on the intermediary market for our core protection products
- Investing modestly to further improve our service to Members and advisers and to drive further operational efficiencies

Business Model

Our business model is designed to balance providing innovation and service to our member base with operating as cost-effectively as possible. We build the products ourselves and administer them from start to finish. We seek to provide excellent service to Members and Advisers as a core part of our value proposition. We consider outsourcing where we think we can benefit either from access to expert resources that we could not afford at our size, or because the activity is not a core process, the performance of which we do not regard as a service differentiator for the Society.

We have continued along the journey of modernising our systems estate and removing dependency on some legacy outsource relationships. Our development capacity has been managed down during the year as the significant development of PRISM has moved into business-as-usual. Our product range has now been largely updated and we are confident that our offering is consistent with the aims and objectives of the Financial Conduct Authority’s Consumer Duty work. We continue to invest in people through professional training and studies and have seen pleasing results across the year.

Key Performance Indicators - Financial

Earned Premiums net of reinsurance increased over the year to £11.010m (2021: £10.692m).

Sickness Claims paid, net of reinsurance, are

broadly unchanged at £3.471m (2021: £3.481m).

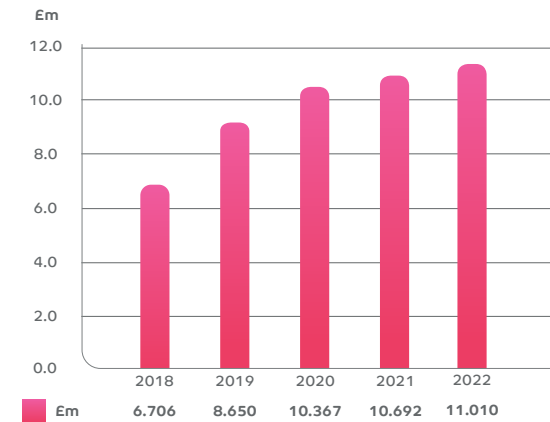
Operating Expenses, Commission was higher, due to new business, at £1.667m (2021: £1.296). Expenses were lower at £7.422m (2021: £7.786m). One off costs were higher at £0.833m (2021: £0.053m). One off costs were costs incurred on a number of one off system enhancements by the project team.

The Fund for Future Appropriations, which describes how much is available either to distribute to Members or to use as capital to write more new business, has decreased in the year to £58.842m, from £82.114m. The change during 2022 is mainly driven by external markets and in particular future yields, which have risen for all durations. This means the value in today’s terms of our future cashflow earnings is lower, although the size of those future earnings is largely unchanged.

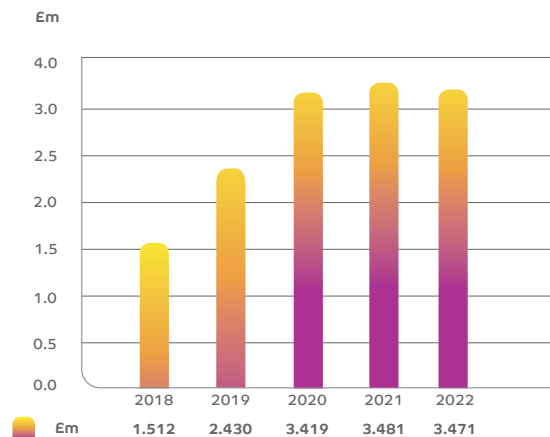
The value of the Society’s investments fell to £17.804m from £22.902m. The change reflects increases in interest rates and the planned drawdown of investments to meet the capital plan

Strategic Report

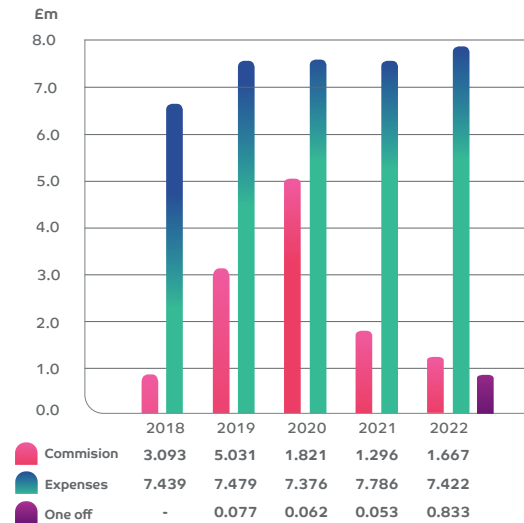
Net Earned Premium Income



Net IP Claims



Operating Expenses



Key Performance Indicators – Member Value

Total Membership is a simple measure of our continued raison d’être. Over the year, the number of Members has dipped just below 26,000. The 2021 Membership was just over 26,000.

New Sales are measured by their annualised premium at the point of sale. We call this measure the Annual Premium Income or API. 2022 sales were higher than in 2021, at £1.111m API (2021: £0.984m). Importantly, the momentum in sales

built strongly towards the end of the year as our key developments were delivered. We believe the Society is well positioned to make further progress in 2023.

Embedded Value is an economic measure of the Society’s long-term value to Members. It is calculated by projecting forward the Society’s business allowing for a number of assumptions about lapses, sickness claims, expenses etc. and discounting the future surpluses or deficits, then adding the assets, to give the Embedded Value of the Society. The Embedded Value depends in part on future plans, especially those relating to new products and new sales.

Key Performance Indicators - Risk

Solvency Ratio is a measure of the Society’s capacity to absorb adverse variations in the risks it takes within its business. From the Members viewpoint it is a metric that indicates the security of their benefits. The Solvency Ratio has remained broadly stable and was 175% at 31st December 2022. The Board monitors the Solvency Ratio monthly and has defined steps to take in the event the ratio moves outside of tolerance. The Solvency Ratio target range is set relatively high, as is typical for our sector, to reflect that as a mutual Society, we do not have readily available additional capital should risks crystallise.

Strategic Report

Key Performance Indicators – Stakeholder Operations

Lapses continue to be monitored both to ensure that sales are of the desired quality but also to ensure that we can give Members options rather than losing important cover in the event that they are experiencing financial hardship. To this end we increased our focus on identifying early-stage indicators of possible lapse and intervening to offer Members alternative options. Low lapses are generally regarded as good for the Society and the implementation of its strategy. Lapses in 2022 were broadly in line with assumptions.

Engagement covers how committed our Colleagues are to the Society and its goals. We generally measure this through responses to regular colleague surveys that document how they are feeling at points throughout the year. We work hard to ensure that everyone working at the Society knows what is going on and how their contribution makes a difference to the service we provide. Our work in this area includes several different forms of regular communication. It is two-way, including surveys and less structured ways in which Colleagues can raise questions or discuss issues of concern. The Society has adopted an agile working practice as it returned from the pandemic and this is expected to continue. Communication mechanisms will continue to evolve both within teams and across the Society to reflect this new reality.

Community and Environment In 2022, we continued our support for the James Hopkins Trust, a local children’s charity providing support for severely disabled under 5s and their families. Following established practice, the Society was pleased to match and top up the amount raised in 2022, with the result that approximately £2,500 in total was donated during the year.

We are delighted to contribute to this very worthwhile local charity.

We have continued to take action to maintain and mitigate the Society’s environmental impact. Printing has reduced and we have reduced the number of printers maintained on-site by 50%. We are extending our purchase of carbon offsets in 2022 to include emissions from business mileage in the overall calculation. Our investment managers have positioned the Society’s investments to deliberately be at the low end of the carbon spectrum.



Strategic Report

Risks to the Strategy and Risk Management

We face a number of risks, some of which are common to all insurers and some of which are specific to us. We consider the key risks to be as follows:

Strategic risks The mutual sector relies on attracting continued new Members to provide capital. The Society has proven capable at providing products that provide reasonable returns on capital. Its plans for future strategic growth are at risk if the future supply of member capital is reduced. Work has been done in 2022 to identify potential alternative sources and this will continue into 2023.

Expense risks The demands placed on the Society continue to increase. The Society has to meet on-going expenses out of premium income which is mainly fixed as prices of our products do not typically change once they have been sold. As costs increase so we try to increase new business to maintain positive net income. Close expense management is a core management competence and this will continue.

Market risks Most of the Society's assets are invested in the non-profit business, cash, cash funds, high-quality government and corporate bonds. There is therefore significant exposure to interest rates (the non-profit business is long term and so sensitive to movements in interest rates) which have both been highly volatile and generally risen throughout 2022 thereby reducing asset values. There are no immediate plans to alter this investment approach in 2023.

Operational risks cover a wide variety of topics. The key hot-spots being managed are our operational resilience to business disruption and cyber risks as the number of instances of cyber-crime continues to increase.

Future Claims The Society writes typically long dated guaranteed products. The value of these is particularly sensitive to future claim outcomes, both in terms of the number of claims and how long people claim for. Our 2022 experience suggests people are not recovering quite as quickly as predicted. We have reflected this learning in our future assessment. We continue to focus on our claims handling processes to ensure that we pay valid claims quickly and that we play our part in helping our Members back to work.

Solvency risks over the medium to long term arise where adverse trends in key financial flows (new business premiums, claims and expenses) crystallise and the Society cannot access new capital. Typically, this risk is a consequence of other risks but is a key metric for the Board and management.

Liquidity risks may arise as a consequence in uncertainties in projecting cashflows, both income and outgo. The Society has few sources of and demands for liquidity. Financial projections provide information on the likely future high level cashflows for the Society over the projection period (typically annually for 3 to 5 years). Short term cash requirements are monitored by the Finance

function and a range of measures exist to manage both the available supply of cash and the forecast demands.

Risk Management

The Society has a Risk Management and Internal Control System which it keeps under review. The framework contains all of the data and associated processes to ensure that the identified risks are assessed, monitored and reported against. The frameworks are organised around a "three lines of defence" model whereby business management undertakes the management of the risks, first line, within tolerances and frameworks that are designed and overseen by the second line. Internal audit provides independent assurance to the Board over the combined effectiveness of lines one and two.

The Board oversees and challenges the risk management functions activities by receiving quarterly reports into the Audit and Risk Committee. The risk strategy is reviewed by the Board annually.

The Society's second line functions are led by the Chief Risk Officer. A management committee, the Risk & Controls Committee, has been established to review all aspects of the Risk Management System and advises on policies and procedures, activity and incidents. It advises which issues should be escalated to the Executive, the Chief Executive, the Audit & Risk Committee and the Board, as well as to the SLT or individual managers.

Strategic Report

The Risk & Controls Committee meets approximately monthly.

The key risk management processes operating within the Society are:

- A quarterly Risk and Control Self-Assessment whereby the nominated member of senior management assesses emerging trends and comes to a forward-looking assessment of the risk.
- A quarterly 2nd line review of the risk register to consider whether risks are being broadly reasonably assessed, actions are being completed and risk consideration by management factors in latest emerging trends and information.
- An annual Own Risk and Solvency Assessment process which considers – for those risks that are mitigated by holding capital – the impact on the financial position of the Society of risks crystallising either in isolation or as part of a scenario.
- Limit and tolerance setting processes (also commonly referred to as Risk Appetite) which identify where possible metrics that can be used to assess whether or not a risk is being managed within acceptable limits.

- Assurance reviews, which are second-line thematic exercises performed to examine how effectively the Risk Management System is being used end to end for a few selected topics annually.
- A policy framework, which sets how level standards and rules that the Society expects all its people to abide by in order for risk to remain within acceptable limits.

Risk modelling will continue to be used to assess the impact on the Society of different scenarios and will use this information to support our decision making. In 2022, our Risk team prepared scenarios considering the potential for inflation both in the short and long term and the threats that might pose to the Society. Our modelling capability will continue to be enhanced in 2023 to ensure that risks are quantified wherever possible and the Society's management and Board understand the implications of taking various strategic options.

Broader Matters Considered by Directors in Performing their Duties

Directors are generally obliged to consider a range of matters in discharging their duties. This Annual Report describes a number of specific matters. Directors are also expected to report on how they have considered broader matters. Specifically:

Likely consequences of any decision in the long term

The Directors always consider the long-term impact of the decisions that they discuss. Generally, the long-term impact means that strategy has to be considered, while short-term decisions are tactical. The Directors always consider whether tactical decisions might affect strategy, including possible unexpected consequences.

The interests of our Colleagues

Caring for those who work for the Society is central to our decision making. As a knowledge business, the Directors recognise that continuing high levels of service and developing the strategy require engaged, committed, well-trained and motivated Colleagues.

The need to foster the Society's business relationships with suppliers, Members and others

The Directors intend the Society to be a good corporate citizen. Treating Members well is central to our mission and strategy, and is required by regulation, so is considered as part of all decisions. The Directors expect the Society to work properly and reasonably with Advisers, ensuring that regulations, especially regarding conduct, are followed in spirit and in deed. Decisions regarding sales are taken with particular focus on the short and the longer term and the expected outcomes for Members. The Directors expect the Society to work

Strategic Report

closely with its suppliers to ensure that there is a long-term, viable, mutually supportive relationship with all stakeholders and consider this in decisions that are made. More details are provided in the 'Operating Practices' section earlier.

The impact of the Society's operations on the community and the environment

The Directors seek to ensure that the Society is a responsible employer and supports its local community. It is active in supporting a local charity (see 'Responsibility to the Community' section earlier). The Directors always consider the community and environmental impact of decisions.

The desirability of the Society to maintain a reputation for high standards of business conduct

The Directors expect the highest standard of business conduct from all those working for the Society, congruent with regulatory obligations. Every decision is considered from this perspective by the Directors. More details are provided throughout this report.

The need to act fairly between stakeholders

The Directors expect that all stakeholders are treated fairly and appropriately and expect to see that an appropriate balance has been struck between stakeholders for all decisions.

The Environment, Climate Change & Sustainability

The Society has continued to develop its activities regarding climate change and sustainability.

As indicated in last year's report, we have continued in 2022 to mitigate the impact of our carbon footprint through purchasing high quality offsets. We have extended our scope to include business mileage in our emissions measurements this year and plan to extend further in 2023.

As part of our activities for 2023 we are seeking to change our energy supplier to one that uses 100% renewable sources when we renegotiate our supply.

Our sustainability focus has continued to develop a number of local initiatives where we can make a contribution. Colleagues have contributed ideas which have given rise to initiatives around recycling, increasing the use of electronic communication to Members and plans to extend this to annual mailings in respect of the Annual General Meeting.

We continue to consider our activities under the core elements of recommended climate-related financial disclosures that are used within TCFD.

Specifically:

People We continue to promote good health and wellbeing practices to our colleagues, by providing tools and support to live healthy balanced lifestyles with a sense of purpose and satisfaction. Where appropriate we extend this approach to all Members, especially those who are claiming. One important initiative we undertook in 2022 was to ensure that all our colleagues are paid at least in line with the National Living Wage. This meant some increases to pay for some lower-paid colleagues beyond what we would normally expect but we believe this is the right thing to do in order that our colleagues can sustain working at Holloway.

Prosperity is at the heart of the products we offer. Our products ensure that those who are too ill or injured to work still receive an income. In 2022 we established a colleague with specific responsibility for contacting Members indicating a desire to lapse their cover in order to offer alternatives to those experiencing financial hardship. We extended the ability of our Members to take a break from paying premiums without lapsing their plans and losing valuable cover. We also allocated specific funds to assist with unexpected one-off costs that our Members incurred, such as essential appliances breaking down.

Strategic Report

Planet Print volumes have been reduced by approximately 85% relative to pre-pandemic levels and we have “retired” 3 printers out of 6 to reduce energy consumption. As an asset owner we recognise that it is important for our purpose to flow out and be shared by our partners. Our investment manager, LGT Wealth Management UK LLP, has agreed with us how to choose which firms to invest in. Full details of this code are available on www.holloway.co.uk/shareholder-rights-directive-policy

Governance of our various climate initiatives is provided by senior management with the CEO personally sponsoring the initiatives undertaken.

Directors’ Assessment

During 2022 the Directors have assessed the Society’s prospects over the five-year period. This assessment took account of the benefits expected from the initiatives delivered in 2022 allowing for current macro economic and market factors. The resulting outcomes were discussed and helped to shape the development of our business plan.

As a result of these assessments, the Directors have a reasonable expectation that the Society

can continue to progress over this time horizon, meeting all of its liabilities as they fall due.

The Board has considered the effectiveness of the internal control and risk management systems. Both of these systems have continued to be monitored during 2022 and risk and control. A range of incident and performance metrics have been provided within regular reporting from which the Board can determine whether or not risk management and control activity has been broadly effective.

Additional independent assurance has been provided to the Board through a series of internal audit reviews which were undertaken by a fully independent party (Ernst and Young). Taking all of these factors into account, the Board is satisfied that the internal control and risk management systems are effective.

Conclusion

The foundations of the Society’s strategy are its member-centric culture. The new products that PRISM allows us to offer are built on this service culture and mean that the Society is attractive to new Members and to Advisers everywhere.

All of us at Holloway remain firmly committed to the ethos and ideals of the Society as captured within its Mission, Purpose and Values and to working tirelessly to achieve it for the wider Membership. I look forward to the opportunity to continue this work into 2023 and beyond.



**On behalf of the Board of Management
Stuart Tragheim, Chief Executive
17 April 2023**

Annual Report 2022

Bonus Report

Bonus Report

Apportionment of surplus, compound and final bonus

Traditional Holloway plans were designed to build up a capital sum to be provided at the maturity of the plan. The capital sum grows by the application of bonuses, which reflect a share in the Society's profits.

Apportionment of surplus

This is calculated as an annual amount per unit held which is added to the capital account of the Member. Based on the advice of our With Profits Actuary, the Board has declared the same bonus rate for 2022, as follows:

Bonus Declarations		
Apportionment of Surplus	2022	2021
Holloway Old Tables	£1.30	£1.30
Holloway New Tables and Classic	£1.50	£1.50
Holloway New Classic Plan	£1.25	£1.25
Holloway Premier Plan	£0.20	£0.20
Holloway Classic Plus	£0.90	£0.90
Holloway Classic Plus – Guaranteed	£0.75	£0.75
Holloway Classic Plus – New Table	£0.30	£0.30
Provident Standard, Provident D13 and D26	£1.30	£1.30
Provident Commuted	£2.40	£2.40
Holloway Commuted	£1.86	£1.86

Compound bonus

Based on the advice of our With Profits Actuary, the Board has increased compound bonuses from their 2021 levels, The amounts to be credited to Members' Accounts for 2022, are as follows:

Credit to Members' Accounts	2022	2021
Compound Bonus	1.75%	1.5%



Final bonus

Final bonus is added to the capital sum immediately prior to the maturity of the plan, or in other specific circumstances.

The levels of current final bonus are available on request.

Final bonuses are kept under continual review and are declared by the Board based on the advice of our With Profits Actuary. If the value of the Society's surplus or investments changes suddenly or the numbers of Members claiming increases beyond expected levels, the final bonus may be changed before the next scheduled review.

On behalf of the Board of Management
Stuart Tragheim, Chief Executive
17 April 2023

Annual Report 2022

Report of the Board of Management

Report of the Board of Management

Introduction

The Board has pleasure in presenting the Annual Report of the Original Holloway Friendly Society Limited to its Membership for the year ended 31 December 2022.

Principal Activities and Objectives

Our principal activity is the provision of income protection insurance, including insurance based on Holloway principles, to people based in the UK and Isle of Man. The Society has a very small number of Members who live outside these areas. No activities have been carried out which are outside the Society's powers.

Our business is to sell protection products through Advisers to people who need the support that the Society's products provide.

Outcomes for Members

Bonuses to Members

The bonuses payable to Holloway plan Members are set out in the Bonus Report on pages 19-20.

Service to our Membership, Feedback and Complaints

We continue to make every effort to provide a first-class service. We welcome feedback from Members and Advisers and act on the responses received.

From time to time, complaints are received. We have

established systems to ensure that complaints are handled with care and sensitivity. All complaints are thoroughly and impartially investigated. Members always have the right to raise their complaint with the Financial Ombudsman Service, which we encourage if Members remain dissatisfied.

Financial Position

The Society has maintained levels of solvency above its Solvency Capital Requirement (the regulatory requirement). Throughout this year, the Board has developed its understanding of the impact on solvency of a range of different outcomes. The Board receives monthly solvency estimates, supported by periodic valuations. As a result, the Board understands the risks of different possible business plans and can provide effective challenge.

IT Development

A Board sub-committee was set up to oversee the Society's major IT projects. This sub-committee was disbanded in January 2023 with oversight reverting to the Board via Executive reports.

Corporate Governance

The Corporate Governance Report provides information about the Board, including details of the Directors, the Board's responsibilities and activities and the operation of its permanent Committees, including attendance by Committee Members.

Opportunity and Risk

The Board has considered and assessed how the Society can best create and preserve value over the long term. In doing this, the Board considered tangible and intangible sources of value and the roles of stakeholders, together with processes for identifying innovation and entrepreneurship. The opportunities considered depend on the Board's attitude to risk and the Society's long-term strategy and prospects.

The Board is responsible for the Society's overall approach to strategic decision making and risk management. It has oversight of the risks faced by the Society and the plans for their management, including who is accountable to stakeholders for each risk. Most of this work is delegated to the Audit and Risk Committee, the Chief Risk Officer and the risk function, with appropriate reporting to the Board.

The Board has established its approach to managing the risks posed by conflicts of interest. Most of this work is delegated to the Nomination Committee, which reports on it to the Board.

The Board has an established internal control framework with clearly defined roles and responsibilities. Most of this work is delegated to the Audit and Risk Committee, which reports on it to the Board.

Report of the Board of Management

Remuneration

The Board has established a Remuneration Policy which recognises that appropriate and fair levels of reward are necessary to enable the Society to secure and retain high-quality people, be they Executives, senior managers, members of the sales team, operations or support and governance teams. In particular, the Board is satisfied that there is a strong alignment between the remuneration of Executives and the Society's performance, and that this alignment demonstrates shared purpose and common objectives. The alignment follows throughout the Society, based on the nature and seniority of each role.

The Remuneration Policy has been developed around principles which align with the Society's culture, values and long-term success, and include consideration of matters such as gender pay gap reporting.

The Remuneration Policy is transparent, as disclosed in this report. As a result, the Society is accountable to Members over remuneration matters. In determining the Policy, the Board has considered the Society's broader operating context including the pay and conditions of the wider workforce as well as the pay and benefits of Directors and senior management.

Most of this work is delegated to the Remuneration Committee, which reports on it to the Board.

Board's Responsibilities

The Board has a duty to report to Members on the Society's performance and its financial position. It is responsible for preparing the financial statements on pages 53-70.

The Society's Rules and UK law require the Board to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Society and of its results for that period. In preparing those financial statements, and in carrying out the business of the Society, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, disclosing and explaining any material departures, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the

Society and to ensure that the accounts comply with the Friendly Societies Act 1992 and are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and FRS 103 'Insurance Contracts', and applicable law).

As at the date of this report, each Director confirms that, so far as each individual is aware:

- there is no information relevant to the audit of the Society's financial statements for the year ending 31 December 2022 of which the auditor is unaware, and
- all steps have been taken that an individual ought to have taken to discharge the duty of a Director to become aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

The Board is responsible for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Board of Management

Culture and Values

The Board is responsible for the Society's culture. The Society's values were developed by a group of Colleagues in 2016. The values were reconsidered by Colleagues during 2022 and the refined values were presented to the Board in January 2023.

The purpose and the values together inform the expected behaviours of all those who work for the Society. The values are integrated into the Society's different functions and operations, including internal audit, compliance and risk management functions.

The Directors recognise that a healthy corporate culture is critical to the Society's competitive advantage and is vital to the creation and protection of long-term value.

Activities to ensure that the agreed culture and values are embedded throughout the Society are largely delegated to the Chief Executive, who shares the work with his Executive and senior management.

Culture and values are not easy to manage or direct. Our approach is that by doing things right, the right culture should emerge. The Chief Executive leads by example, stressing the need for high quality Member service, mutual support, fairness, teamwork, honesty, wholeheartedness, innovation

and continual improvement. These values and associated behaviours, consistently identified, used as the underpin for action, and implemented, should drive the right culture.

The policies and practices guiding behaviour and treatment at the Society are aligned with our purpose and values. They include clear procedures for raising concerns, such as via several possible whistleblowing routes, which are reviewed regularly.

The Society measures culture primarily via a six-monthly survey. Results are shared with the Board.

Responsibility for the financial impact of climate change

The Directors take responsibility for assessing and managing the Society's interaction with its environment and the consequences for climate change seriously. They have regard for regulatory advice and guidance, but more importantly, are keen to treat the environment with respect.

Regulatory Guidance on Climate Change

The Society's assets are exposed to the market risks arising from climate change. They are primarily invested in a diversified portfolio of UK bonds of fairly short duration. Stress tests are performed every year to ensure that the Society can continue to meet its obligations in unfavourable markets. We will continue to monitor and assess

the appropriateness of our assets.

The Society is exposed to the physical risks of climate change. Sickness is the Society's most material risk and some studies have demonstrated a connection between increased temperature and increased sickness. The Society reviews its sickness assumptions every year and performs stress tests to ensure that it could meet its obligations if sickness was worse than assumed.

Report of the Board of Management

Environmental Impact

As a relatively small firm providing a product (insurance) that is virtual rather than physical, the Society's direct impact on the environment is minimal. This notwithstanding, we are mindful of our responsibility to protect and tend our environment. As a Society, we want to play our part in sustaining a healthy planet for all to enjoy. We do not invest in thermal coal because of its high carbon emissions. We will continue to work with our investment managers to develop our investment strategy in line with these goals.

Following on from the environmental audit undertaken in 2021, the Society, has again taken steps to offset its carbon contribution. As a result, the Society was carbon neutral in 2022. We intend to maintain this position in the future.

Uncertainty involved in Estimates

Part of the Society's strategy is to extend its product range into new markets. Sales of any new product start low and build over time. We track the sickness and recovery of our Members to ensure that we have set our premium rates at the correct level. In doing this analysis, it is very difficult to distinguish between the underlying sickness level represented

by the claims we receive and natural fluctuations that can distort the numbers. These natural fluctuations tend to dominate when there are only a few plans and even fewer claims.

Currently, we do not have enough claims to rely solely on the mathematics in deciding our best estimate of future claims and recoveries. Instead, we rely on the judgement of our actuaries and the challenge of our Board. This judgement is particularly important with rapid growth of a small business and when considering the small number of very long claims. The Board considers the advice of the Chief Actuary and challenges the assumptions that are proposed, including how they have been derived.

Having robustly considered the position, the Board is satisfied that its technical provisions are an appropriate long-term best estimate, with due allowance for current understanding of the impact of the pandemic. We have continued to develop our sickness forecasting. Overall, we are content that the assessment is the right one.

That said, we recognise that the situation is volatile.

Directors' Conclusions

The Directors are satisfied that it is appropriate to adopt a going concern basis of accounting in preparing the financial statements. We have concluded that there is no material uncertainty that would impair the Society's ability to present its accounts on this basis for the twelve months following the signing of the accounts.

After due consideration, the Directors have concluded that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Members to assess the Society's performance, business model and strategy.

Appointment of Independent Auditor

A resolution to reappoint BDO LLP as the Society's Independent Auditor will be proposed at the forthcoming AGM.

Report of the Board of Management

Character of the Board

Diversity

The Board strongly believes that diversity of thought, attitude and background throughout the Society is a driver of business success. Diversity brings a broader, more rounded perspective to decision making and risk management, making the Board and senior management more effective. The Board believes that diversity includes, but is not limited to, criteria such as gender, social and ethnic backgrounds, cognitive and personal strengths, and experience of different businesses. It strives, in its recruitment, to continually improve its diversity.

Appointments to the Board demonstrate efforts to establish an appropriate balance of expertise, diversity and objectivity. Appointments to the Board and succession planning take into account the Board's diversity policy.

Board Effectiveness

The Board is responsible for assessing its own performance and effectiveness. From time to time, it commissions external parties to assess its effectiveness and to support its development. This was performed in 2021 and reviewed the Board's character and the quality of the materials provided for Board and Committee meetings. This year, in line with its understanding of best practice a Board skills audit and internal Board evaluation were conducted.

In 2022, the Chair held formal evaluation meetings with each Director.

Overall, the Board demonstrates a high level of competence relevant to the Society's business needs and stakeholders. In particular, the Board is satisfied that it is of the size and is appropriately structured to meet the Society's strategic needs and challenges, and to enable effective decision making.

Board Disclosures

The Society maintained indemnity insurance against Directors' and Officers' Liability.

The Society made no political donations during the financial year.

Serving the Membership

The Board is committed to serving its Members, who are the Society's owner and customer. Communication with Members is encouraged via letters, email, the website, telephone, survey responses and an invitation to the AGM.

Members are encouraged to use their vote. The Society continues to offer different ways of casting votes to make it easier including allowing Members to cast their vote electronically or complete and return the proxy voting form.

At the AGM, the Chief Executive presents the previous year's performance and describes our future plans. All Board Members expect to be available to answer Members' questions. The 2022 AGM allowed online participation by video conference in addition to attendance in person. It is envisaged that this will continue for the 2023 AGM.

Stakeholder Relationships and Engagement

Mutual organisations create a social, economic and environmental impact, but they do not operate in a vacuum and they are not immune to changes in their markets or in the wider world. Sustainable business benefits the wider community. The Society has a responsibility to create and sustain long-term value for a variety of stakeholders including its impact on the environment.

The Society has identified the stakeholder relationships that are integral to its ability to generate and preserve value, including with Members and with those who work for the Society.

The Society has a comprehensive programme of engagement with stakeholders, primarily consisting of regular face-to-face meetings, but including more informal opportunities for a meaningful dialogue. We maintain regular dialogue with important suppliers and Advisers. We demonstrate how we value these relationships by paying our bills

Report of the Board of Management

promptly, working in a professional and productive manner and monitoring how contracts are fulfilled.

We value our local community as a material stakeholder, as evidenced in our selection of the James Hopkins Trust, a local children's hospice, as our supported charity.

Reporting to Members

This Annual Report is the primary way in which we seek to present to Members a fair, balanced and understandable assessment of the Society's position and prospects on an annual basis.

Applying the AFM Corporate Governance Code: Purpose and Leadership

The Directors recognise the need for them to act with integrity and to lead by example, particularly in the behaviours of the Executive Directors, which are more visible to all at the Society on a day-to-day basis.

The Directors recognise the need to build positive relationships with all stakeholders (regulators, Advisers, investment managers, consultancy

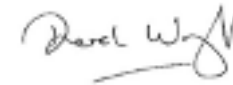
firms, all those working for the Society, and Members). This year, Directors have been responsible for building relationships with each category of stakeholder. The Board ensures that the Society operates with a clear sense of purpose and a collective vision. Activities that promote the sense of purpose and the vision for all are largely delegated to the Chief Executive, who shares the work with his Executive and senior managers. With this in mind, the Chief Executive meets monthly with all at the Society to discuss progress within the context of our purpose and vision. He meets separately with the Executive and senior management to discuss higher level and strategic objectives, again in the context of the Society's purpose and vision.

The purpose and vision are discussed with all stakeholders as appropriate.

As a result, the purpose and vision set the context for the decision-making process to achieve long-term sustainable success.

Thanks and appreciation

The Directors add their thanks to those of the Chair and Chief Executive, and formally note their appreciation of all those at the Society who continue to demonstrate dedication and hard work on behalf of Members and Advisers.



On behalf of the Board of Management
Derek Wright, Chair
17 April 2023

Report of the Board of Management

Corporate Governance Report

Accountability

The Board has established and maintained corporate governance practices that provide clear lines of accountability and responsibility to support effective decision making. These practices include an effective Committee structure, scheduled meetings, schedules for Board and Committee business, high-quality papers and input where appropriate from the risk management function. Business for the Board and its Committees includes consideration of the performance of business functions, led by the accountable Executive.

The Society's Rules, read in conjunction with the Friendly Societies Act 1992, the FCA Handbook and PRA Rulebook, set out the authority, accountability, role and conduct of Directors and the principal rights and responsibilities of Members.

About the Board, Its Role and Character and Organisation

Role and Responsibilities

The Board is collectively responsible for the long-term success of the Society. Its role is to provide entrepreneurial leadership of the Society within a framework of prudent and effective controls that enables risk to be assessed and managed. The Board sets the Society's strategic aims, ensures

that the necessary financial and human resources are in place for the Society to meet its objectives, and reviews management performance. It agrees the Society's values and standards and ensures that its obligations to Members, including reporting to Members on the Board's stewardship, and others are understood and met.

In meeting its responsibilities, the Board is expected to ensure good corporate governance. In short, this means that the Board has to ensure that the Society is well run. The process of ensuring good governance starts at the top, hence there is a focus on the governance of the Board and its Committees. It is these matters that are addressed in this report.

The Society produces an annual Solvency and Financial Condition Report which provides more details about the Board's assessment of the Society's financial strength and its governance. This report is available on our website www.holloway.co.uk.

Ensuring High Standards of Corporate Governance

In assessing the quality of corporate governance, the Board draws upon the views of Directors, emerging industry and wider corporate concerns and expectations, and published materials on corporate governance.

The Society complies in full with the AFM Corporate Governance Code.

The Value of Independent Challenge

The Society values the independence of thought and challenge that independent Non-Executive Directors can deliver in the context of overall Board composition and organisational structure. The Board continually seeks opportunities to promote independent thought in its decision-making processes. More than half of its Directors are considered to be independent. At the end of 2022, the Board comprised two Executive Directors and six Non-Executive Directors.

Independent challenge in Board and Committee decision making mitigates the risk of individuals having unfettered powers. Independent challenge allows for broader industry experience to be taken into account and improves the objectivity of decision making. It encourages constructive problem solving and tends to benefit firms in the long term.

Report of the Board of Management

Board Mechanics

The Board expects to meet formally at least five times every year together with one or two strategy and development days. Additional meetings, seminars and workshops are held as required to support the formulation of strategy, to address any emerging issues and for training or professional development purposes.

The letters of appointment for Non-Executive Directors are available to Members on request. The Company Secretary is the secretary to the Board and is responsible for advising the Board on all governance matters and for helping ensure that the Board acts in an orderly and effective fashion.

The Board as a whole considers the appointment and removal of the Company Secretary.

Integrity of Information

The Board has confidence in the quality and integrity of the information used for decision making and reporting within the Society. There are formal and robust internal processes to ensure that systems and controls are operating effectively. Information sources used and shared are broad as well as deep.

Board papers are of high quality and to generate appropriate discussion and challenge leading ultimately, where necessary, to well-documented and effective decision making.

From time to time, the Board Chair, the Chairs of the Committees and the Company Secretary meet to review the governance processes and to confirm that they remain fit for purpose. They consider initiatives which could strengthen the Society's governance and more detailed matters such as the quality of Board papers and the structure of meetings.

The Chair, Chief Executive and Senior Independent Director

There are role profiles for the Chair, Derek Wright, the Chief Executive, Stuart Tragheim, and the Senior Independent Director, Anna East, which describe the duties of each role.

The Chair's priority is leadership of the Board and ensuring its effectiveness. He ensures that all Directors have appropriate information and he facilitates constructive discussion. The Chair was considered independent on appointment.

The Chief Executive's priorities are the formulation of strategy, its execution and the management of the Society overall.

The Board has delegated authority for the operational management of the businesses to the Chief Executive, who makes decisions on matters that are necessary for the effective day-to-day running and management of the business within certain limits. Above these limits, matters must be escalated to the Board for consideration and approval.

The Senior Independent Director's priority is to act as an alternative person to whom stakeholders can raise concerns, to serve as an intermediary for the other Directors or Members and, with other Directors, to evaluate the Chair's performance. She holds annual meetings with the Board, the Chair being absent, to discuss the Chair's performance. She then meets privately with the Chair to discuss the findings.

Report of the Board of Management

Non-Executive Directors, Executive Directors, Independence and the Balance of the Board

The Non-Executive Directors are independent of management, bringing effective and constructive challenge to the deliberations of the Board and helping to develop proposals on strategy. The Executive Team is led by the Chief Executive and prepares and presents business to be conducted by the Board and its Committees. The majority of the Directors on the Board are non-executive.

Using commonly applied tests, the Society's Non-Executive Directors are deemed independent except that they, along with the Executive Directors, have policies with the Society, making payments on an arms-length basis. The Board, having considered the matter, considers that all of its Non-Executive Directors are independent in character and judgement.

All Directors are subject to regular re-election.

The Board is comprised of an appropriate balance of diverse and complementary skills necessary to competently oversee an insurer. Its collective experience and skills cover the areas of strategy,

management, sales, distribution and marketing, execution, accounting, actuarial and audit matters, information technology, investment management, risk management, prudential regulatory and conduct oversight, and the appropriate and effective operation of a board. As a result, the Board is well placed to meet the requirements of its immediate stakeholders (Members, current and future, our Colleagues, regulators and Advisers) and the wider industry. The combination of skills, backgrounds, experience and knowledge of the Board members promotes accountability and incorporates objective thought, which in turn provides constructive challenge to achieve effective decision making. The Board is appropriately balanced, and by being so, promotes effective decision making and supports the delivery of the Society's strategy.

Conflicts of interest can arise and could compromise decision making. The Board has agreed that any relationship or circumstance that is likely to affect, or could appear to affect, a Director's judgement should be disclosed and recorded in the register of conflicts of interests. Directors are obliged to inform the Society of any new conflicts that arise. The register is updated at every meeting or earlier on request.



Report of the Board of Management

Profile of Directors

The following Directors are expected to be serving on the Board after the AGM in 2023. We have shown the details of those that are offering themselves for election at the 2023 AGM first, followed by all other Directors.

Offering themselves for election at the 2023 AGM:

Anna East, Independent Non-Executive Director

Anna joined the Board in November 2015.

Anna is a solicitor having practiced at Eversheds and a financial services plc. Anna was the chair of the Dudley Building Society and Vice Chair at Midland Heart Housing Association as well as chair of its audit committee. She was a non-executive director at Entrust which is a national regulator. Anna has held a number of NHS Board roles.

Anna chairs the Society's Nomination and Remuneration Committees and is a member of the Society's Audit and Risk Committee. Anna is the Society's Senior Independent Director.

Anna is retiring by rotation and is offering herself for re-election for a one-year term. Anna's contribution is important to the Society's long-term success because she brings a legal perspective and experience in conduct and risk management, as well as broad insurance management experience, to the Board and its Committees.

Adrian Humphreys, Independent Non-Executive Director.

Adrian joined the Board in November 2015.

Adrian's previous roles include chair of the protection business within JLT Benefits Consulting practice. He is a specialist in corporate healthcare and risk provision. Adrian was an independent non-executive director of Benenden Healthcare. Adrian previously spent 15 years of his career working for Western Provident Association ('WPA'), a not-for-profit health insurer. For 10 years, he was the Managing Director of WPA's Corporate Division. Prior to this he worked for the management consultant Arthur D. Little Inc.

Adrian has an MBA from Cranfield and a PhD in the field of Physics and Mathematics.

Adrian chaired the Society's Investment Committee prior to its closure at the end of 2022. He is a member of Audit & Risk Committee and the IT sub-committee.

Adrian is retiring by rotation and is offering himself for re-election for a one-year term. Adrian's contribution is important to the Society's long-term success because he brings commercial experience and investment-focused challenge to Board and Committee discussions.

Derek Wright, Chair of the Board, Independent Non-Executive Director.

Derek joined the Board in February 2017.

Derek is an actuary and has worked in the life insurance industry as a practitioner and as a consultant. Derek was the chief actuary of Laurentian Life in Gloucester until its sale in 1995 after which he joined Deloitte LLP where he set up its UK actuarial practice. He was appointed a partner of Deloitte in 1999. From 2011, until his retirement in 2015, Derek led the Canadian actuarial practice of Deloitte. Much of Derek's time at Deloitte was spent on audit and risk consulting activities to the insurance industry.

Derek is a non-executive director and chair of the audit committee of AVIVA International Insurance and a non-executive director of Schroders Pension Management Ltd. He chairs the Insurance Accounting Committee of the International Actuarial Association.

Derek is the Chair of the Board of Management. He is a member of the Nomination and Remuneration Committees. He is a Director of HF Life Limited.

Derek is retiring by rotation and is offering himself for re-election for a one-year term. Derek's contribution is important to the Society's long-term success because of the broad knowledge and experience in technical and commercial insurance matters and the financial and actuarial expertise that he brings to Board and Committee discussions.

Report of the Board of Management

Dave Cheeseman, Independent Non-Executive Director. Dave joined the Board in February 2020.

Dave has over 30 years' experience in the life insurance industry. He brings a strong mix of financial, actuarial and operational skills to the Board. During the last 12 years he has been a board member of a number of different life companies. From 2010 to 2016 he served as chief finance officer of AXA UK Life and between 2017 and 2020 he performed the same role for Phoenix Life.

Dave is an actuary with a degree in Mathematics from Nottingham University.

Dave is a non-executive director and chair of the Risk Committee at Leek Building Society and a non-executive director of Amber River Group Limited

Dave is the Chair of the Audit and Risk Committee.

Dave is retiring by rotation and is offering himself for re-election for a three-year term. Dave's contribution is important to the Society's long-term success because of the financial expertise he brings to the Society, including detailed knowledge of the regulatory framework.

Stuart Tragheim, Chief Executive and Executive Director. Stuart joined the Society in June 2016 as Chief Executive Designate and became Chief Executive in October 2016, at which point he joined the Board.

Stuart has worked in the financial services market for 40 years in a range of strategy, leadership and business development roles including with various market leading firms such as Lloyds Banking Group, Equiniti and LV=. He has run his own consultancy business providing strategic and business development advice and support to financial services businesses (insurers, reinsurers, banks, building societies, distributors, charities and retailers) focused mainly on strategy development and implementation.

Stuart has considerable board, executive and industry experience and contributes regularly to industry-wide developments. He sits on the Board and is Chair of the AFM and is a member of ABI's Protection and Health Board and the FCA's Smaller Business Practitioner Panel. Formerly, Stuart was a member of the PRA Practitioner Panel Insurance sub-committee and the Board of the Investment and Life Assurance Group.

Stuart is a Member of the Society's Nomination Committee. He is a Director of HF Life Limited and serves as Chair of that company.

Stuart is retiring by rotation and offers himself for re-election for a three-year term.

His contribution is important to the Society's long-term success because, as Chief Executive, he is the architect of the current strategy and the Executive

most accountable for its successful implementation. These roles stem from his knowledge and experience of the mutual sector and the insurance industry gained in a number of roles in executive, general, distribution and marketing management.

Mark Allen, Chief Finance Officer Designate, Chief Risk Officer Designate and Executive Director.

Joined the Society in May 2022, he joined the Board in June 2022, subject to regulatory approval.

Mark has over 30 years' experience in the insurance, pensions and asset management sectors. A qualified actuary Mark has held a number of executive and senior manager roles with firms such as B & CE Group, Sun Life of Canada, Blackrock Life, Phoenix and Skandia.

Mark is offering himself for election for a three-year term at the first AGM following his appointment.

His contribution is important to the Society's long-term success because, as Chief Finance Officer Designate and Chief Risk Officer Designate, his technical knowledge of finance, actuarial and risk and his managerial experience of the insurance and finance sectors is important in developing the Society's plans, budgets, pricing and forecasting and presenting results to the Board and its Committees.

Report of the Board of Management

Directors serving within their elected term

Lynzi Harrison, Independent Non-Executive Director. Lynzi joined the Board in February 2022.

Lynzi is a qualified management accountant and was COO of Novia Financial having previously held senior roles at LV=, Quilter plc and its predecessor firms, Old Mutual Wealth and Skandia. She brings a wealth of experience including risk, governance, finance and change all acquired in the financial services industry. Lynzi is an independent non-executive director at Omnilife Plc which is part of the RGA Group.

Lynzi is a member of the Audit & Risk Committee and IT sub-committee, which she chairs.

Andrew Horsley, Independent Non-Executive Director. Andrew joined the Board in February 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 a non-executive director of Red Rose Friendly Society.

Andrew is a member of the Nomination and Remuneration Committees and is the Board's Consumer Duty Champion.



Report of the Board of Management

Attendance

The table below shows the attendance of the Directors at Board and Committee meetings.

Board and Committee Meetings 2022									
Name	Board		Audit and Risk Committee		Nomination and Remuneration Committees		Investment Committee		
	Attended	Out of	Attended	Out of	Attended	Out of	Attended	Out of	
Dave Cheeseman	9	11	4	4			3	3	
Anna East	10	11	4	4	7	7			
Paul Harwood *	7	7							
John Holland*	5	6			4	5	2	2	
Adrian Humphreys	10	11	4	4			3	3	
Stuart Tragheim ¹	11	11			6	6			
Derek Wright	11	11			7	7			
Lynzi Harrison*	9	10	3	4					
Andrew Horsley*	10	10			6	6			
Mark Allen*	4	4							

*A Director or Committee member for part of 2022

¹Nomination Committee only

Report of the Board of Management

Matters Considered by the Board and its Committees

The Board has a number of important responsibilities that it discharges throughout the year. These responsibilities include making decisions in the following areas:

- developing and agreeing the strategy for the Society
- approving the annual business plan and budget
- overseeing operations
- assessing Executive performance, and
- considering new ventures and reviewing existing operations.

Major matters addressed by the Board during 2022 have been described in the Strategic Report. In particular in 2022, the Board considered the tactical and strategic responses to the slow recovery of the insurance industry from the pandemic and the increasing level of inflation and cost of living impact flowing from the Russian invasion of Ukraine. This included ensuring that the controls were being maintained throughout in the agile working environment, overseeing how services were being maintained and confirming that vulnerable customers were not exposed to harm.

The Board is helped in its work by a number of Committees. These Committees typically consider matters on behalf of the Board and conclude their discussions with recommendations for the Board. They may provide assurance to the Board on matters within their remit. Broadly, decisions needed to achieve the agreed plan, strategy, conduct, culture and risk management are delegated to the Chief Executive, while decisions to set the plan, strategy, required conduct, culture and risk management are made by the Board.

A schedule of the Matters Reserved for the Board is available on request.

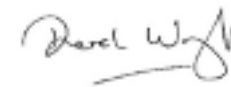
Board Committees

The Board has established four Committees to assist it in discharging its responsibilities. They cover Audit and Risk, Nomination, Remuneration and Investment, matters. These Committees are important constituents of the Society's governance arrangements. A temporary sub-committee, the IT sub-committee, considering system development matters was established during the year to replace the PRISM sub-committee, which was wound up in the year. The investment committee was disbanded at the end of 2022 with the executive committee taking responsibility for the investment policy subject board oversight.

Each Committee has written terms of reference, which are available on the Society's website under the Governance section or can be mailed on request. These documents include the role and responsibilities of each Committee. They are regularly reviewed, to ensure that each Committee is effective, meets appropriate best practice and is positioned to deliver effective assurance to the Board without unnecessary duplication. The Chair of each Committee reports to the Board on matters of significance at each of its scheduled meetings.

The Board retains ultimate responsibility for all decisions made.

The Company Secretary or her delegates serve as the secretary to each Committee. Each Committee may seek external professional advice at the Society's expense. The effectiveness of each Committee is considered as part of the annual Board performance review.



On behalf of the Board of Management
Derek Wright, Chair
17 April 2023

Report of the Board of Management

Report from the Audit and Risk Committee

Membership

At the end of 2022, the Committee comprised four independent Non-Executive Directors.

Matters Considered by the Committee

Independent Audit

BDO LLP served as Independent Auditor throughout the year and was judged to be effective.

Significant Issues in relation to Financial Statements

The Committee considers all risks that affect the business. Where the risks can be modelled, they are included in the assessment of the future financial position. The Committee considers carefully the assumptions used to project these risks. Judgement is important in these assessments, particularly for insurance risks, such as sickness (both inception and duration), and lapse rates.

Independent Auditor Performance and Independence

The Committee assessed the performance, independence and objectivity of BDO LLP and the effectiveness of the audit process leading up to the issue of financial statements in 2022. A key component of this assessment was consideration that the Independent Auditor is sufficiently robust

in its challenge. The Committee reviewed the Independent Audit strategy and received reports from the Independent Auditor on its policies and procedures regarding independence and quality control, including an annual confirmation of its independence in line with industry standards.

Every year, the Committee considers whether its auditor is independent and objective, in line with industry standards. The Committee was satisfied that BDO LLP was independent and objective on appointment and will review this assessment during 2023.

Re-appointment of the Independent Auditor

The Committee proposes that BDO LLP be re-appointed at the next AGM.

Oversight of Fees payable to the Independent Auditor

The fees, exclusive of VAT, payable to BDO LLP for the year ended 31 December 2022 amounted to £107,500 (2021: £105,000) for the statutory audit. No non-audit services were carried out by BDO LLP for the Society during 2022 (2021: £nil).

Oversight of the Actuarial Function

The Committee considered the valuation methodology and assumptions as proposed by the actuarial function and, after discussion, recommended them to the Board. It considered

the proposals for interim and final bonus from the With Profits Actuary and recommended them to the Board.

It assessed the performance of the Actuarial Function and the Chief Actuary during the year and was satisfied.

During the year, following the resignation of the incumbent, the Committee oversaw the appointment of Alison Carr of Steve Dixon Associates llp as With Profits Actuary alongside her role as Chief Actuary.

There is a direct reporting line from the Chief Actuary to the Committee Chair.

Report of the Board of Management

Oversight of the Compliance Function

The Committee considered the proposed compliance plan and, after discussion, recommended it to the Board. The Committee oversaw compliance activity, including changes to the plan in the light of changes in resource.

There is a direct reporting line from the Compliance Officer to the Committee Chair.

Oversight of the Risk Function

The Committee oversaw the continuing evolution of the Risk Management System and the Internal Control System.

There is a direct reporting line from the Chief Risk Officer to the Committee Chair.

Oversight of Anti-Money-Laundering Reporting Officer's Activity

The Committee received the annual Money Laundering Reporting Officer's report and the up-to-date risk assessment.

There is a direct reporting line from the Money Laundering Reporting Officer to the Committee Chair.

Oversight of Internal Audit

The Internal Audit function has been provided by EY LLP since 1 January 2018. A competitive tender was held in 2022. After due discussion, it was agreed to appoint RSM UK Assurance LLP as the Society's Internal Auditors with effect from 1 January 2023.

The Committee considered the suggested internal audit universe proposed, received the reports from the Internal Auditor and monitored the progress of agreed management actions.

There is a direct reporting line from the Internal Auditor to the Committee Chair.

Dave Cheeseman
Chair of the Audit and Risk Committee
17 April 2023



Report of the Board of Management

Report from the Nomination and Remuneration Committees

Membership

At the end of 2022, the Remuneration Committee comprises two independent Non-Executive Directors and the Chair, while the Nomination Committee comprises two independent Non-Executive Directors, the Chair and the Chief Executive.

Matters Considered by the Committees

Remuneration Committee

The Committee considered the remuneration of the Society as a whole in general, and specifically the remuneration of the Chief Executive and Chief Financial Officer and other senior personnel.

The Committee considered the awards to be made under a modest bonus plan as a result of the pandemic. It considered a Short-Term Incentive Plan for introduction in 2022.

The Committee considered the awards to be made under the 2018-2020 Long Term Incentive Plan. This considered performance in 2020 and earlier. The Committee determined appropriate bonus payments to be made under these plans. The Committee considered a replacement for the Long-Term Incentive Plans to be introduced in 2022.

The Directors' Remuneration Report on pages 40-43 has more details about the Society's remuneration arrangements.

Diversity and Skills

The Society seeks to attract and retain individuals who contribute through their diversity of thought, attitude and experience. This approach is applied throughout the Society. It is particularly important at Board and senior management level. The primary concern is always the skills brought by new recruits and how these skills complement those of others, at Board or other level. The Board endeavours to encourage diversity of thought and to avoid group think by encouraging debate.

Nomination Committee

Board Performance Evaluation

The Committee supported the Chair in the performance evaluations of the Board and its Committees. As external Board appraisal work had been conducted in 2021 the Board and its Committees performed a self-evaluation, the results of which were considered by the Committee.

Succession Planning and New Director Appointments

The Board is actively engaged in succession planning for both Executive and Non-Executive roles to ensure that the Board can retain its effectiveness in future. Succession plans extend to cover the loss of members of senior management.

The Committee completed the process of recruiting two new Non-Executive Directors and in February 2022 Lynzi Harrison and Andrew Horsley were appointed to the Board.

The Committee agreed the process for the recruitment of the new Chief Finance Officer and Chief Risk Officer and effected it, appointing Mark Allen.

The Committee agreed a process and appointed Anna East as the Society's Senior Independent Director following the retirement of John Holland at the Annual General Meeting.

Director and Executive Director Evaluation, Development and New Director Induction

The Chair led individual evaluations with all Directors. These evaluations include a review of objectives and of development needs and a confirmation that each Director has sufficient time to devote to the affairs of the Society. They demonstrate whether each Director continues to contribute effectively and whether she or he has access to adequate support.

Separately, the Senior Independent Director led the Directors in an evaluation of the performance of the Chair.

Report of the Board of Management

The Committee oversaw the new induction programme for the new Non-Executive Directors.

The Society is committed to the ongoing professional development of the Board. There is a policy on the continuing professional development of all Directors and a range of development opportunities are provided or supported. During the year, Directors attended a number of development events, mostly run online. As a result, Non-Executive Directors have sufficient current and relevant knowledge and experience to understand the main activities and risks in the Society's business model.

Anna East
Chair of the Nomination and Remuneration Committee
17 April 2023

Report from the Investment Committee

Membership

At the end of 2022, the Committee comprises two independent Non-Executive Directors. The Committee was disbanded on 31 December 2022. Work is now undertaken by Management and overseen directly by the Board.

Matters Considered by the Committee

Investment Policy

The Committee considered the investment policy and determined that it remained appropriate. It reviewed the LGT Vestra stewardship code and was satisfied that this was appropriate. Overall, the Committee was satisfied with the approach taken to environment, social and governance matters.

Investment Performance

The Committee continued to consider reporting from the asset managers concerning investment performance for its asset portfolio and unit-linked portfolio.

Climate Change

The Committee reviewed the Society's responses to the continuing regulatory statements on the financial effects of climate change and confirmed that the Society's approach was now embedded.

Investment Risk

The Committee considered regulatory statements on the Prudent Person Principle and liquidity management and took steps to ensure that the requirements were met.

Adrian Humphreys
Chair of the Investment Committee
17 April 2023

Report of the Board of Management

Directors' Remuneration Report

Remuneration Policy

The Society's strategy describes how long-term success and value will be created for Members. Its values describe the behaviours and culture expected to flourish in parallel. The Executive Directors, led by the Chief Executive, are responsible for developing and implementing the strategy, including leading the Society's management team.

A number of factors contribute to the Society's successful future growth. Proper reward is one of them. The Remuneration Policy describes how the Board encourages success, teamwork, value generation for Members and implementation of its strategy in a collegiate, measured and effective way. It is designed to encourage behaviour in line with the Society's values and risk appetite, and to ensure conduct that is appropriate for a modern financial services organisation.

Principles of the Remuneration Policy

The Society's Remuneration Policy is built on the following principles:

- to enhance Member benefits and interests
- to attract and retain people with the skills and experience for their jobs

- to compete effectively for talent given the employment market
- to support the development of individuals, in line with the Society's ambitions
- to provide rewards that reflect individual performance as well as overall results, including the demonstration of the Society's values
- to avoid rewarding executive, management or individual failure
- to provide termination arrangements that are fair to all
- to meet all relevant regulatory requirements regarding remuneration
- to be consistent with the Society's policies and practices on gender, equality and diversity
- to develop remuneration that is simple to explain, understand and calculate
- to be consistent with the Society's risk appetite, and
- to avoid conflicts between individual interests and those of the Society's Members.

The Remuneration Policy is applied consistently to all employees. It enables all to enjoy broadly similar benefits and performance incentives at a level of participation that reflects individual roles and responsibilities. It is designed to ensure that Member interests and the future viability of the Society are aligned primarily with the interests of those who contribute to the Society's success.

To achieve this, a competitive salary and benefit package is balanced with appropriate performance-related bonuses. The relative size of the bonus depends on the size of an individual's responsibilities. For example, for Executive Directors, remuneration is designed so that the performance-related components are a significant proportion of the total potential.

Executive Director remuneration

The Society wants to attract and retain Executive Directors with the vision, passion and drive necessary to achieve its strategy for the long-term benefit of its Members. While attitude is the most important characteristic in all of its recruitment, the Society recognises that industry and sector knowledge and experience is important, as is the willingness to act in line with its values. The Society recognises that it is part of the financial services industry and the mutual movement, and that its remuneration must be considered in this light.

Report of the Board of Management

The Society balances what it can offer prospective Executive Directors on appointment with plans that reward success. It balances payment now with payment later, bearing in mind that the impact of achievements may not be fully realised for some time. Part of this balance is ensuring that failure is not rewarded.

Key features of the remuneration of Executive Directors include:

- **Basic pay:** the level of basic pay takes account of individual skills and experience, pay across the Society and published information from comparable firms in the financial services sector
- **Pension:** up to 10% of basic pay
- **Other insurances:** health, dental and life insurances
- **Short Term Incentive Plan or annual bonus plan:** up to 45% of basic salary (50% CEO) depending on performance against a number of measures and targets, adjusted for individual performance as decided by the Remuneration Committee, and

- **Enhanced Bonus Plan:** this plan pays a bonus depending on performance against a number of measures, subject to meeting a number of gateway thresholds, including solvency and liquidity. Solvency refers to the capital that the Society has available to ensure the reliable payment of Member benefits. This bonus scheme is therefore designed to encourage the growth of the business while maintaining the security of Member benefits. The maximum bonus payable is 50% of the Short-Term Incentive Plan award. Payments are staged: 50% payable following the end of the year, 25% one year later and 25% one further year later. Subject to agreement, a new plan begins each year.

The effectiveness of all Executive bonus plans is continually reviewed. All Executive bonus schemes, including the rules, awards and payments, are at the discretion of the Remuneration Committee and are subject to clawback if performance is later found to have been misstated, if misconduct or significant management failure is discovered, or for any other reason that leads to damage to the Society's reputation.

Non Executive Director remuneration

Non-Executive Directors are paid an annual fee depending on their role. Fees are reviewed every three years. They are set with reference to similar organisations in the same sector. No other benefits are provided.

The review of fees for Non-Executive Directors (other than the Chair) is delegated to the Executive Directors, who may take advice from external remuneration consultants if deemed appropriate. The proposals are presented to the Remuneration Committee.

The Remuneration Committee Chair proposes the fees for the Chair, which are considered by the Remuneration Committee with the Board Chair standing down when this item is discussed.

Other employees

All other employees are entitled to the pension, health, dental and life insurance benefits mentioned above and also participate in the Annual Bonus Scheme or a Sales Incentive Scheme depending on their role.

Governance of the Remuneration Policy

This Policy is agreed and administered by the Remuneration Committee. A copy of the policy can be obtained from the Company Secretary.

Report of the Board of Management

Application of this Policy in 2022

A Short-Term Incentive Plan was in place and Enhanced Bonus Plan was introduced in 2022. A final payment was made to the Chief Executive in respect of the 2018-2020 Long Term Incentive Plan.

The Remuneration Policy has been changed to reflect changes to Executive bonus schemes.

Consultation with Members

The Society is committed to open dialogue with its Members on its Remuneration Policy.

Recruitment of Executive Directors and Service Contracts

Once an Executive Director has been appointed, she or he must stand for election at the next AGM.

Executive Director service contracts include the principle that individuals must mitigate their own damages in the event of the early termination of a service agreement. Notice periods are twelve months for the Chief Executive and six or fewer months for other Executives.

Recruitment of Non Executive Directors

Non-Executive Directors are appointed following a rigorous recruitment and selection process.

Having been appointed by the Board, each Director must stand for election at the subsequent AGM.

The initial term of office is three years from the first AGM, then a further three and then up to three successive one-year terms.

Non-Executive Directors may not normally serve more than nine years. Re-election after six years is permitted subject to rigorous review and an assessment of the need for refreshing of the Board.

The Non-Executive Director letter of appointment sets out the time commitment expected of each Non-Executive Director in the performance of their duties. The notice period for Non-Executive Directors is one month and there is no provision for loss-of-office or exit payments.



Report of the Board of Management

Directors' Emoluments

The table below sets out the emoluments to all Directors during 2022.

Directors' Emoluments, £						
Director	Salary or Fees	Bonuses	Benefits	Pension	Total 2022	Total 2021
Dave Cheeseman	32,000	-	-	-	32,000	26,000
Mark Allen ¹	79,517	-	4,183	3,438	87,138	-
Anna East	32,277	-	-	-	32,277	24,000
Paul Harwood ⁴	79,197	-	4,928	13,080	97,205	233,229
John Holland	14,000	-	-	-	14,000	24,000
Adrian Humphreys	30,000	-	-	-	30,000	24,000
Graham Newitt ²	-	-	-	-	-	19,000
Stuart Tragheim ³	202,029	17,900	9,791	-	229,720	318,655
Derek Wright	36,000	-	-	-	36,000	32,500
Lynzi Harrison ⁵	20,923	-	-	-	20,923	-
Andrew Horsley ⁵	19,179	-	-	-	19,179	-
Total	545,122	17,900	18,902	16,518	598,442	701,384

¹ from 23/05/2022

² to 16 Dec 2021

³ receives an enhancement of 8.8% of salary in lieu of pension contributions

⁴ to 30/06/2022

⁵ from 15/02/2022

The bonus payments to Executive Directors include bonuses from the 2018-2020 Plan.

On behalf of the Board of Management

Anna East

Chair of the Nomination and Remuneration Committee

17 April 2023



Annual Report 2022

Independent auditors' report to the Members of The Original Holloway Friendly Society Limited

Opinion on the financial statements

In our opinion, the Society's financial statements:

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

We have audited the financial statements of Original Holloway Friendly Society Limited (the "Society") for the year ended 31 December 2022 which comprise the income and expenditure account, the balance sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and FRS103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs

(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

Following the recommendation of the audit committee and the board, we were appointed by the Society on 12 August 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 31 December 2020 to 31 December 2022.

We remain 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Society.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the

financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of the Society's current plans and budgets, challenging growth assertions and ensuring that movements were in line with justifiable assumptions and movements. The Society's Business plan was obtained and inspected for threats to the going concern assumption and the prior year budget compared with current year performance to identify and justify any adverse movements; and
- Reviewing the basis of solvency projections for the next 12 months and ensuring that an appropriate mechanism for calculating solvency had been applied.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Opinion on the financial statements

Overview

Coverage ¹	Key audit matters		Materiality
The society is audited by the engagement team and no entities other entities are within the scope.	KAM 1	2022 Valuation of technical provisions	2021 Valuation of technical provisions
			Society's financial statements as a whole £630,000 (2021: £640,000) based on 1.5% (2021: 1%) of the fund for future appropriations excluding member bonus balances.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Society and its environment, including the Society's system of 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 Directors that may have represented a risk of material misstatement.

All audit work was performed directly by the audit engagement team with the assistance of appointed experts.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was 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 this matter.

Opinion on the financial statements

Description of Key Audit Matter

Valuation of long term business provisions

The Society's financial statements include a net technical provision asset of £38,568,834 (2021: £55,757,276), which represents the estimated costs of settling benefits and claims associated with income protection products, measured on a Solvency II basis. This is set out in further detail in note 7.

We have assessed this area as being of significant risk to the audit due to the significance of these amounts in deriving the Society's results and because of the degree of assumptions and estimation underpinning the calculation, which can be highly subjective.

Procedures performed to address this risk

In assessing the valuation of the long term business provisions, we performed the following procedures:

- We have utilised an independent external actuary to report to us on the methodology and assumptions that underpin the calculation of the provision and the accuracy of the calculation itself.
- We have obtained and reviewed the actuarial reports prepared by the Society's actuary and our reviewing actuary and ensured that all relevant judgements and estimates have been considered in forming our opinion.
- We have reviewed and assessed changes to the assumptions used in the technical provisions to ensure these are reasonable and in line with acceptable parameters.
- We have reviewed and reconciled the data used by the actuary in their projections to that audited by us and extracted from the underlying member systems, to ensure completeness and accuracy.
- We have performed procedures to ensure that the data used within the models is consistent with member forms provided on joining the Society and reviewed whether historic standing data has been unduly modified.
- We have challenged the conclusions arrived at by our independent actuary and ensured that processes are in accordance with both Technical Actuarial Standards (TAS) and industry practices. More information around Technical Actuarial Standards can be found on the FRC website ([https://www.frc.org.uk/actuaries/actuarial-policy/technical-actuarial-standards/technical-actuarial-standards-2017-\(1\)\)](https://www.frc.org.uk/actuaries/actuarial-policy/technical-actuarial-standards/technical-actuarial-standards-2017-(1))).

Key observations:

As a result of the procedures performed, we did not identify any matters to suggest that the technical provisions are materially misstated.

Opinion on the financial statements

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Society financial statements		
	2022 £ 000's	2021 £000's
Materiality	630	640
Basis for determining materiality	1.5% of fund for future appropriations excluding balances due to members (note 10)	1% of fund for future appropriations excluding balances due to members (note 10)
Rationale for the benchmark applied	We consider this to be the most relevant benchmark, as it reflects a key measure of the performance of a mutual friendly society and is used to assess the level of free reserves and in determining solvency.	We consider this to be the most relevant benchmark, as it reflects a key measure of the performance of a mutual friendly society and is used to assess the level of free reserves and in determining solvency.
Performance materiality	409.5	416
	65% of Materiality	65% of Materiality
Basis for determining performance materiality	65% was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement we consider this level appropriate.	65% was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement we consider this level appropriate.

Opinion on the financial statements

The principal determinant in this assessment was the Society's Fund for future appropriations, which we consider to be the most relevant benchmark, as it reflects a key measure of the performance of a mutual friendly society and is used to assess the level of free reserves and in determining solvency. We have excluded member bonus accounts from our calculation of materiality to determine materiality based on the Societies free and unallocated reserves.

Performance Materiality

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Basic performance materiality was set at £409,500 which represents 65% of the above materiality levels. We selected 65% as this was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement we consider this level appropriate.

Reporting threshold

We agreed with the Audit Committee that we would report to them any misstatements in excess of £12,600 (2021: £12,800) that we identified through the course of our audit, together with any qualitative matters that warrant reporting.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Friendly Societies Act 1992 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Friendlies Societies Act 1992 and ISAs (UK) to report on certain opinions and matters as described on the next page.

Opinion on the financial statements

Strategic report and Directors' report	Matters on which we are required to report by exception
<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>	<p>We have nothing to report in respect of the following matters in relation to which the Friendlies Societies Act 1992 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept by the Society, or returns adequate for our audit have not been received from branches not visited by us; or• the financial statements are not in agreement with the accounting records and returns; or• certain disclosures of Directors' remuneration specified by law are not made; or• we have not received all the information and explanations we require for our audit.

Opinion on the financial statements

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 23 to 25 the directors are 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 directors determine 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 directors are 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 directors either intend to liquidate the Society or to cease operations, or have 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 the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatements due to fraud, we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and management as to whether they have knowledge of any actual, suspected or alleged fraud.
- Inspecting Board and Audit Committee minutes.
- Identifying any unusual journal entries based on characteristics of journal posting date and description.
- Using analytical procedures to identify an unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications for fraud throughout the audit. Our responses to significant audit risks (technical provisions and management override of controls) are intended to sufficiently address the risk of fraudulent

manipulation. In particular, we engaged an independent external actuary as auditor's expert to review the assumptions and methodology applied by the Society in the valuation of technical provisions to check the methods utilised are appropriate.

Opinion on the financial statements

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Legal and regulatory frameworks determined most significant are:

- Friendly Societies Act 1992;
- Friendly Societies (Accounts and Related Provisions) Regulations 1994;
- Financial Reporting Standards 102 and 103 applicable in the UK and Republic of Ireland;
- The General Data Protection Regulations (GDPR);
- AFM Corporate Governance Code; and
- Laws and regulations relating to health and safety, employee matters, bribery and corruption practices.

Non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We performed procedures including:

- obtaining an understanding of the legal and regulatory framework applicable to the Society's operations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- inspecting correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA); and
- enquiring of the Directors and other management of instances of non-compliance.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Thomas Reed, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory
Auditor London, UK
17 April 2023**

BDO LLP is a limited liability partnership registered in England and Wales (with the registered number OC305127)

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Statement of Comprehensive Income for the year ended 31 December 2022	Note	2022	2021
		£	£
TECHNICAL ACCOUNT: LONG-TERM BUSINESS			
Gross premium written		11,060,276	10,746,661
Outward reinsurance premiums		(50,277)	(54,728)
Net earned premium income		11,009,999	10,691,933
Investment income and realised gain	5	329,005	496,664
Unrealised (loss)/gain on investments		(1,853,470)	(378,273)
Total technical income		9,485,534	10,810,324
Gross claims incurred		5,675,790	5,357,173
Reinsurance recoveries		(11,015)	(7,723)
Claims incurred net of reinsurance	6	5,664,775	5,349,450
Change in technical provisions	7	17,110,747	(21,706,425)
Net operating expenses	8	9,922,591	9,135,028
Investment expenses and charges		58,821	79,304
Tax attributable to long-term business	9	-	-
		32,756,934	(7,142,643)
Net surplus/(deficit) for the year		(23,271,400)	17,952,967
Transfer (to)/from the fund for future appropriations	10	23,271,400	(17,952,967)
Balance on Technical Account: Long-Term Business		-	-

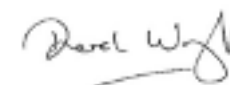
The above results relate wholly to continuing activities. The Society had no other comprehensive income or expenditure and has elected not to prepare separate analysis using a non-technical account.

The Society has not presented a Statement of Changes in Equity. There are no equity holders in the Society, which is a mutual organisation.

Financial Statements

Statement of Financial Position for the year ended 31 December 2022		Note	2022	2021
			£	£
ASSETS				
Intangible assets	11	3,999,565	4,514,322	
Investments				
Land and buildings	12	775,000	775,000	
Other financial investments	13	17,029,930	22,127,465	
		17,804,930	22,902,465	
Assets held to cover linked liabilities	14	640,065	717,760	
Debtors				
Other debtors		157,529	166,707	
Other Assets				
Tangible assets	15	64,146	86,985	
Stock		-	4,913	
Cash at bank and in hand		209,921	331,352	
		274,067	423,250	
Prepayments and accrued income				
Accrued interest and rent		154,874	146,196	
Other prepayments and accrued income		221,223	123,469	
		376,097	269,665	
Technical provisions	7	38,568,834	55,757,276	
		61,821,087	84,751,445	
LIABILITIES				
Fund for future appropriations	10	58,842,401	82,113,801	
Technical provision for linked liabilities	7	640,065	717,760	
Creditors				
Arising out of reinsurance operations		4,806	6,839	
Claims outstanding		119,951	217,357	
Other creditors (inc tax and social security)	16	2,213,864	1,695,688	
		2,338,621	1,919,884	
		61,821,087	84,751,445	

The financial statements on pages 53-70 were approved by the Board of Management on 17 April 2023 and were signed on its behalf by:



Derek Wright
Chair and Director



Stuart Tragheim
Chief Executive and Director



Alison Poyner
Company Secretary

Notes to the Financial Statements

Note 1. Significant accounting policies

The principal accounting policies applied in preparing these financial statements are set out below. They have been applied consistently to all the information presented, unless otherwise stated.

Basis of preparation

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

FRS 102 requires the use of certain critical accounting estimates. It requires management to exercise judgement in applying the chosen accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in Note 2. Forming estimates inherently requires the use of available information and application of judgement. Actual outcomes could differ from estimates.

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 a historic cost basis, except for the revaluation of certain properties and financial instruments.

The Society operates, and prepares these statements, using Great British Pounds (£).

Going concern

The Society meets its day-to-day working capital requirements through its own resources.

The Society's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

Accounting for property

Land and buildings are included at open market value, as determined every three years by an independent surveyor. The valuation was last undertaken in November 2020. No depreciation has been applied during the year.

Accounting for net earned premiums

Premiums are accounted for when due for payment. Premiums for new business are accounted for when the insurance contract liability is set up and the premium is due for payment. Reinsurance premiums are accounted for when due for payment. All premiums are UK based, there is no exposure to overseas premiums.

Accounting for investment income

Investment income is accounted for at fair value and includes dividends and interest from investments. Dividend income is accounted for when received. Other investment income is included on an accruals basis.

Accounting for net gains or losses on investments

Realised gains or losses on investments are accounted for as the difference between net proceeds and their original purchase price. Where the investment was purchased in the previous accounting period, any unrealised gains or losses brought forward are reversed.

Unrealised gains or losses on investments are accounted for as the difference between a fair value at 31 December 2022 and a similar valuation as at 31 December 2021 or, where purchased during 2022, the purchase price.

Accounting for operating expenses

Operating expenses, charged in the long-term business technical account, comprising acquisition and administrative expenses, are charged when incurred.

Notes to the Financial Statements

Accounting for pension

Contributions to the Society's defined contribution pension schemes are charged to the net operating expenses in the period in which the liability is accrued.

Accounting for the tax attributable to long-term business

The Society is only liable to taxation on part of its life and endowment assurance fund. Taxation is provided for on an accruals basis, provision being made for the current year's liability.

Accounting for investments

Assets held to cover linked liabilities

The linked liabilities match the corresponding assets and are valued on a basis consistent with them.

Other financial investments

These investments are included at market value, with changes in value during the year being accounted for in the long-term business technical account.

In compliance with FRS102, the Society discloses in Note 13, for each class of financial asset held at fair value in the statement of financial position, an analysis of the level in the fair value hierarchy into which the measurements are categorised.

Valuation methodology	Level
Using active quoted prices	1
Using other observable inputs	2
Using other valuation techniques	3

Intangible assets

These assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using a straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Amortisation		
Computer software	25% on a straight-line basis	Useful life 4 years
Administration System	10% on a straight-line basis	Useful life 10 years

The administration system was put into use during the year and has been amortised since the launch date. The system has a finite life, however internal developers are improving the system and adding to the software.

Tangible assets

These assets are accounted for at their purchase cost plus any incidental costs of acquisition. Depreciation is calculated to write off the cost of tangible assets over their estimated useful lives, at the following rates:

Asset Depreciation	
Office equipment	10 - 25% on a straight-line basis
Computer equipment	25% on a straight-line basis
Property improvements	10% on a straight-line basis

Accounting for claims and benefits

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

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

Where claims costs are estimated, the estimate includes reinsurance recoveries. The actual claim cost is likely to be different from the estimate.

Unit-linked benefits are accounted for when realised. They are equal to the assets held to meet them.

Notes to the Financial Statements

Accounting for the fund for future appropriations

The fund for future appropriations represents the excess of assets over and above the long-term value of insurance contracts and other liabilities. It represents the amounts that have yet to be declared as bonuses for participating insurance contracts and the Society's free assets. Any profit or loss reported on the Statement of Comprehensive Income is transferred to or from this fund.

Accounting for plan allocations and bonuses

The long-term business technical account assumes that all bonuses are maintained at current rates.

Accounting for technical provisions

The long-term business provision is determined by the Board on the advice of the Chief Actuary, as part of the annual actuarial valuation of the Society's long-term business, as permitted by FRS 103. The provision is determined in accordance with Solvency II rules as required in the UK by the PRA.

Accounting for reinsurance

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The reinsurers' share of claims incurred in the Statement of Comprehensive Income reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are accounted for in the

Statement of Comprehensive Income as 'Outward reinsurance premiums' when due.

Accounting for financial assets

Financial assets, other than investments and derivatives, including other debtors, are initially measured at transaction price including transaction costs and subsequently held at amortised cost less any impairment.

Accounting for financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations rather than its legal form. They are initially measured at transaction price after deducting transaction costs and subsequently held at amortised cost.



Notes to the Financial Statements

Note 2. Critical accounting judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from estimates. The more critical areas where accounting estimates and judgements are made are set out below.

Fair value of buildings

The valuation of the property is subjective and is subject to a degree of uncertainty. The valuation is based on assumptions which may not prove to be accurate.

Long-term business provision

A Best Estimate of Liabilities is determined on best estimate assumptions together with a Risk Margin which reflects the costs that a third party would require to administer the Society's liabilities. Both Best Estimate of Liabilities and the Risk Margin are calculated in line with Solvency II requirements as implemented by the PRA in the UK at the valuation date. Due to the long-term nature of the Society's liabilities, these estimates are subject to significant uncertainty.

The assumptions used for mortality and sickness are based on standard industry tables adjusted where appropriate to reflect the Society's experience. The assumptions used for expenses and lapse rates are based on Society plans and experience. The main assumption underlying these techniques is that past claims development experience compared with a standard table provides a reliable basis for projecting future claims experience. For a fast-growing firm, there is more uncertainty around variability of future, relative to past, experience.

The assumptions used are described in [Note 4](#).

Notes to the Financial Statements

Note 3. Capital management

The Society maintains an appropriate level of capital to ensure the payment of existing Member benefits in accordance with the Solvency II Solvency Capital Requirements.

The capital management objectives are:

- to ensure that the strategy can be implemented and sustained
- to maintain the financial strength at an appropriate level for the risks of the business
- to give confidence to Members and other stakeholders, and
- to comply with the capital requirements of the regulator.

Details of the Society's objectives and its strategy to achieve them are provided in the Chief Executive's Statement on pages 10.

The Board reviews the strategy annually by considering financial projections under a range of plausible scenarios looking forward for a period of typically three to five years.

A range of metrics are considered within each scenario with the most important being the solvency ratio and cashflow position and the

risks presented under each scenario considered. The projected capital position for the Society is assessed relative to the approved "solvency ladder" which provides a view as to likely future capital management actions that may be necessary.

The scenario with the most acceptable overall outcome, balancing the various metrics, defines the Society's annual business plan and is used as a reference point for setting expense budgets and sales targets.

The Solvency Capital Requirement is calculated in accordance with the Solvency II standard formula. The Society complied with the prudential requirements regarding capital and technical provisions throughout 2022. It is not, and has not been in 2022, subject to any externally imposed capital requirements.

Capital statement

The following summarises the capital resources of the Society as determined for UK regulatory purposes. The Society does not write With Profits business at the scale required to necessitate a realistic balance sheet. So, the capital statement covers all of the Society's life insurance business. There are no specific constraints on the capital of the Society. As the Society has no shareholders, all of its capital belongs to its Members.

Life business UK non-participating	2022 £000s	2021 £000s
Total capital resources before deductions*	58,843	82,114
Adjustments to assets**	(4,000)	(4,514)
Total available capital resources	54,843	77,600

* the Fund for Future Appropriations

** includes intangible assets

Drivers of the change are described under Analysis of Change in [Note 4](#).

Notes to the Financial Statements

Note 4. Risk management

As the Society's capital belongs to its Members, the Society is able to amend the level of profit allocation and bonuses payable to them, should this be necessary to maintain solvency.

The Board has set target capital levels and, should solvency levels fall, has trigger levels which would require management actions to address the position.

Long-term insurance liability valuation assumptions

A gross premium valuation is used to calculate the liabilities. The assumptions used in the valuation of the long-term insurance liabilities are set out below. Due to the long-term nature of the Society's liabilities, the assumptions, and hence the valuation results which are based on them, are subject to significant uncertainty.

Discount rate of interest

Assumptions are set having regard to risk-free rates of return, without volatility or matching adjustment, as specified by the Prudential Regulatory Authority as at 31 December 2022. Selected rates are shown below and the full set are on the Bank of England website.

Selected Discount Rates, %, as dictated by the Prudential Regulatory Authority	
Duration (year)	31 Dec 2022
1	4.460
2	4.470
3	4.326
4	4.177
5	4.062
10	3.710
15	3.618
20	3.535
25	3.449
30	3.351
50	2.929

Expenses

Maintenance expenses are set allowing for new business in accordance with the Society's business plans for the period 2023-2027. Thereafter expense are assumed to increase with an expense inflation assumption derived from an index-linked gilt curve.

Sickness

For income protection products, a sickness inception and recovery approach is used, based on a multiple of the industry standard CMIR12 rates table. Inception assumptions vary by product and are set considering recent experience. Allowance is made within the calculation of the liabilities to account for plans with different deferred periods. The recovery rates vary by claim duration and are set based on recent experience. Other aggregate adjustments are made so that projected claims more closely match claims paid in practice. The assumptions are reviewed annually to allow for emerging experience.

Lapses

The lapse assumptions are set based on recent experience adjusted for any trends that are observed. The assumptions vary by product and by how long plans have been in-force. For some products, and some durations, experience is very sparse or does not exist. In these cases, assumptions from alternative products or pricing assumptions are used. The assumptions are reviewed annually to allow for emerging experience. In line with Solvency II regulations, all unit-linked contracts are assumed to lapse at the valuation date as they have passed their maturity date.

Mortality

Assumptions are set by reference to standard actuarial tables: for healthy lives, 50% of AMC00 and for sick lives 100% of CMIR12.

Notes to the Financial Statements

Options and guarantees

None of the Society's insurance contracts had any financially significant options or any guaranteed surrender values in place during the year up to the valuation date.

Analysis of change

The table below presents the movement in the Society's available capital over 2022.

Analysis of Change, 2022, £000		
2022	Capital	Change
Available capital at start of year	77,600	
In-force business movements	77,069	-531
New business	76,955	-114
Interest rates	65,392	-11,563
Inflation and other market movements	62,098	-3,294
Model and basis changes	54,983	-7,115
Other	54,843	-140
Available capital at end of year	54,843	

Underlying approach to risk management

The following principles outline the Society's approach to risk management and internal control:

- the Board has responsibility for ensuring that there are effective risk management and internal control systems
- primary oversight of these systems is delegated to the Audit and Risk Committee by the Board
- the Risk Management System ensures that risks that might move outcomes well outside those envisaged by the business plan are identified, measured, monitored, managed and reported appropriately
- the Internal Controls System ensures that controls are effective. This includes understanding the nature of the controls, monitoring their effectiveness, allowing them to evolve and developing a culture of openness and continual challenge. Root cause analysis and consideration of near misses are important components of the approach
- the Risk and Controls Committee (a management committee) receives reports on risks from throughout the Society. It reviews the reports and commissions further investigation as necessary, and
- managers are accountable for the internal control environment in their areas.

Sensitivity of the results to changes in principal risks

The following describes the sensitivity of the Society's results to changes in principal risks, as measured by changes in assumptions. The changes used reflect reasonably possible ranges:

Sensitivity of Results to Assumption Changes, £000s		
Available capital at 31 Dec 2022		54,843
Principal Risk	Change	Impact
More people fall sick	+10%	(2,974)
More people fall sick	-5%	(3,068)
More people lapse	+10%	(4,730)
Fewer people lapse	-10%	5,249
Plans cost more to administer	+10%	(1,689)
Risk-free yields rise	+100bps	(3,473)
Risk-free yields fall	-100bps	3,917
Corporate bond asset values fall	-10%	(1,069)
Inflation falls	-50bps	(1,761)

The principal risks are described in more detail on the next page.

Notes to the Financial Statements

Insurance health risks

The Society is exposed to a range of insurance risks through its insurance plan liabilities. Principally, these are sickness, lapse and expense risks. In all three cases, if the risk materialises, profitability will be reduced. These risks are inherently part of the Society's business.

The Society regularly reviews its sickness experience to ensure that any changes required can be fed into pricing and underwriting. Its underwriting and claims-handling processes are monitored to ensure they remain effective.

Lapse risk is difficult to manage. The Society has enhanced its service by implementing a programme to support Members who are considering lapsing their plans, ensuring that the full range of options is communicated and supporting whatever choice the Member makes.

Expense risk is closely monitored.

New business risks

Lower-than-expected new business is a risk. The Society needs a healthy and increasing stream of quality new business to achieve its strategy.

Higher-than-expected new business also involves risk. It is important that there are sufficient people to handle increased volume and that underwriting standards are maintained. It is important that there is sufficient regulatory capital to allow the business to be written. Like most businesses, existing personnel can be temporarily moved to support a sudden increase in new business, but this is not a permanent solution. It carries the risk that important strategic work cannot then progress.

The Society is actively and continually managing these risks.

Financial (market, credit and liquidity) risks

The Society is exposed to a range of financial risks.

Market risk

Market risk is the risk of changes in the value of investments, including from interest rates and inflation. The Society has a small exposure to equity price risk and currency risk. Appropriate sensitivities are shown on page 62.

Interest rate risk

Interest rate risk arises from the value of the Society's insurance liabilities and in the fair value of risk-free asset values.

Inflation risk

Inflation risk arises from the inflation of expenses including claims, offset by inflating premiums and benefit levels on index-linked plans.

Equity price risk

The Society is exposed to equity price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. The Society has an investment policy which sets limits on its exposure to equities in aggregate terms and by currency and counterparty. All assets held in equities are GBP-denominated, higher quality equities.

Managing market risk

The Society has an Investment Committee which oversees market risk. The Committee recommends the investment policy to the Board, receives reporting, oversees investment activity and ensures that the agreed policy is followed.

The Society manages its assets for the benefit of its Members. The asset allocation policy, counterparty limits and other controls balance the risks against the rewards.

Notes to the Financial Statements

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Society is exposed to credit risk are:

- amounts due from corporate bond issuers
- amounts due from Advisers
- amounts due from Members, and
- reinsurers' share of insurance and investment contract liabilities.

The Society has very little credit risk. Its counterparties are selected to be of high creditworthiness.

The Society manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. Such risks are subject to regular review.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

Market Value	€000	
	2022	2021
Investment grade	15,151	18,812
Non-investment grade	-	-
Non-rated	-	-
	15,151	18,812

Investment grade assets are those with S&P ratings of BBB- or higher.

The assets reported above exclude assets backing unit-linked insurance contracts. The holders of these contracts bear the credit risk arising from them.

The assets reported above include those held in the With Profits funds where the Society is able to transfer part of the credit risk arising from them to holders of With Profits investment and insurance contracts to the extent that the future level of discretionary bonuses can be reduced to absorb any associated credit losses, as well as losses arising from most other financial risks.

Liquidity risk

Liquidity risk is the risk that cash may not be available at a reasonable cost to pay obligations when due. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unknown levels of demand.

Amounts under unit-linked insurance plans are generally repayable on demand and the Society is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable unit-linked liabilities to be met as they fall due.

With Profits insurance plans can be surrendered before maturity for a cash surrender value. Liquidity risk can be managed by the Society exercising its discretion to adjust the level of bonus payable on early surrender.

Operational risks

Operational risks cover the impact of failed, missing or inadequate processes, people or infrastructure, and include the impact of failures of strategy and a damaged reputation. For a business that is changing so quickly, the Society is vulnerable to operational risks of many different types. Loss of data and cyber-threats are common concerns for financial services organisations.

The Society takes operational risk seriously. Its risk officer works with managers and supervisors across the business to minimise the incidence and impact of operational risk, to analyse actual and near-miss incidents and to ensure that any errors that arise are properly dealt with. The management of operational risk is connected to the management of conduct risk and culture.

Notes to the Financial Statements

Note 5. Investment income and realised gain/(loss)

Investment income and realised gain/(loss)	2022 £	2021 £
Income from Investments:		
Interest income (cash deposits)	18,948	2,687
Interest income (UK government securities)	109,427	126,791
Interest income (other fixed interest securities)	312,343	299,156
Dividend income	74,562	96,571
	<u>515,280</u>	<u>525,205</u>
(Loss) on realisation of investments	(186,275)	(28,541)
Investment income and realised gain	329,005	496,664

Note 6. Claims incurred net of reinsurance

Claims incurred net of reinsurance	2022 £	2021 £
Sickness benefit	3,481,736	3,488,925
Reinsurers' share	(11,015)	(7,723)
	<u>3,470,721</u>	<u>3,481,202</u>
Unit-linked encashments	39,861	42,160
Withdrawals and maturities	2,154,193	1,826,088
	<u>2,194,054</u>	<u>1,868,248</u>
Claims incurred net of reinsurance	5,664,775	5,349,450

Note 7. Technical provisions

Technical provisions	Unit Linked Liabilities £	Other Liabilities £	Total 2022 £	Total 2021 £
Balance at 1 January	717,760	(55,757,276)	(55,039,516)	(33,333,091)
Movement	(77,695)	17,188,442	17,110,747	(21,706,425)
Balance at 31 December	640,065	(38,568,834)	(37,928,769)	(55,039,516)

Note 3. on Capital management and Note 4. on Risk management and control provide information about the valuation assumptions and risk approach associated with the technical provisions. The change in technical provisions over the period is part of the analysis of change in available capital set out in Note 4. The technical provisions decreased principally as a result of increases in interest rates used to discount future cash flows.

Notes to the Financial Statements

Note 8. Net operating expenses

Net operating expenses	2022 £	2021 £
Acquisition expenses	6,806,720	6,059,290
Administrative expenses	3,115,871	3,075,738
Net operating expenses	9,922,591	9,135,028
Net operating expenses include the following:		
Fees* payable to the Society's auditor:		
Audit (BDO LLP)	107,500	105,000
Other charges:		
Depreciation on tangible fixed assets	30,737	54,080
Amortisation on intangible assets	516,005	493,763
Operating lease rental charges	-	167
* All fees are exclusive of VAT.		
Employee benefits expense:		
Salaries and wages	4,407,546	4,438,523
Social security costs	484,314	456,499
Pension costs	455,094	533,764
	5,346,954	5,428,786
Number of employees:		
Board and senior management	10	10
Acquisition and Member contact	25	32
Administration	53	54
	88	96

Numbers include Executive Directors and are a monthly average.

Note 9. Taxation

No tax is due in 2022 or 2021.

Note 10. Fund for future appropriations

Fund for future appropriations	General Reserve £	Life and Endowment £	Total 2022 £	Total 2021 £
Balance at 1 January	81,827,481	286,320	82,113,801	64,160,834
Transfer to/(from)	(23,271,400)	-	(23,271,400)	17,952,967
Balance at 31 December	58,556,081	286,320	58,842,401	82,113,801

Member balances	2022 £	2021 £
Balance as at 1 January	16,819,735	17,455,174
Apportionment of surplus	747,746	805,193
Compound bonus	265,672	242,572
Final bonus	143,856	140,551
Balance plus bonuses	17,977,009	18,643,490
Withdrawals	(2,074,537)	(1,823,755)
Balance as at 31 December	15,902,472	16,819,735

Notes to the Financial Statements

Note 11. Intangible assets

Intangible assets	Administration System £	Computer Software £	Total 2022 £	Total 2021 £
Cost				
At 1 January	4,909,170	171,384	5,080,554	4,321,858
Additions	-	1,248	1,248	758,696
Disposals	-	-	-	-
At 31 December	4,909,170	172,632	5,081,802	5,080,554
Amortisation				
At 1 January	429,048	137,184	566,232	72,469
Charge for year	490,917	25,088	516,005	493,763
Eliminated on disposals	-	-	-	-
At 31 December	919,965	162,272	1,082,237	566,232
Net Book Value at 31 December	3,989,205	10,360	3,999,565	4,514,322

Note 12. Land and buildings

Land and buildings	2022 £	2020 £
Cost/Valuation		
At 1 January	775,000	775,000
(Decrease) in valuation	-	-
Disposals	-	-
At 31 December	775,000	775,000

The 'Land and buildings' item refers to the Society's Head Office property, which is freehold and is included at market value as at 31 Dec 2020. A valuation was carried out by Richard Clark MRICS, Dip Law, FNARA of Alder King property consultants in November 2020. The Head Office is fully occupied by the Society and was valued on an existing-use basis. Valuations are carried out every three years. The Directors consider this valuation to remain appropriate.

Note 13. Financial assets

Financial assets – fair value through income	Market Value 2022 £	Cost 2022 £	Market Value 2021 £	Cost 2021 £
Shares, other variable yield securities and unit trusts				
UK Listed	1,524,804	1,602,952	2,468,984	2,224,660
Debt securities and other fixed income securities:				
GBP denominated	14,259,459	16,011,553	17,461,719	18,084,315
	15,784,263	17,614,505	19,930,703	20,308,975
Deposits with credit institutions, including cash funds:				
GBP denominated	1,245,667	1,245,667	2,196,762	2,196,762
	17,029,930	18,860,172	22,127,465	22,505,737

All financial assets are level 1. Level 1 assets are those which are reported at a quoted price in an active market, where price, without adjustment, has been used to measure fair value. No level 2 or 3 assets were held.

Notes to the Financial Statements

Note 14. Assets to cover linked liabilities

Assets to cover linked liabilities	Market Value 2022 £	Cost 2022 £	Market Value 2021 £	Cost 2021 £
Financial assets – fair value through income:				
Shares, other variable yield securities and unit trusts				
UK Listed	153,459	157,375	199,713	186,984
Debt and fixed income securities	443,923	477,955	488,053	505,199
	597,382	635,330	687,766	692,183
Financial assets – at amortised cost:				
Deposits with credit institutions	42,683	42,683	29,994	29,994
	640,065	678,013	717,760	722,177

Note 15. Tangible assets

Tangible assets	Office Equipment £	Computer Equipment £	Property Improvements £	Total 2022 £	Total 2021 £
Cost					
At 1 January	137,131	156,081	14,358	307,570	288,263
Additions	1,209	9,494	-	10,703	21,891
Disposals	-	(22,440)	-	(22,440)	(2,584)
At 31 December	138,340	143,135	14,358	295,833	307,570
Depreciation					
At 1 January	100,575	119,771	239	220,585	168,375
Charge for year	10,654	18,647	1,436	30,737	54,080
Eliminated on disposals	-	(19,635)	-	(19,635)	(1,870)
At 31 December	111,229	118,783	1,675	231,687	220,585
Net Book Value as at 31 December	27,111	24,352	12,683	64,146	86,985

Note 16. Other creditors

Other creditors	2022 £	2021 £
Other creditors including taxation and social security:		
Taxation and social security	153,148	58,088
Amounts due to retired Members	976,238	873,269
Amounts due to extra contributions	83,845	85,547
Other creditors	1,000,633	678,784
	2,213,864	1,695,688

Notes to the Financial Statements

Note 17. Capital commitments

At 31 December 2022, the Society had no capital commitments (2021: nil)

Note 18. Financial commitments

Financial commitments	2022			2021		
	<1 year £	2 - 5 years £	> 5 years £	<1 year £	2 - 5 years £	> 5 years £
Operating lease commitments	0	0	0	254	0	0

Note 19. Particulars of business

All the Society's business relates to direct insurance business, being income protection, specialist critical illness and friendly society ten-year plans, written for residents of the UK or the Isle of Man.

Note 20. Related parties

All Board members, some members of senior management, and some family members have plans with the Society and pay premiums on an arm's length basis. The total face value of these plans does not exceed £3,900. There are no other related party transactions.

Note 21. With Profits Actuary

The With Profits Actuary was Sally Butters, FIA, of OAC plc until 31st May 2022. Alison Carr, FIA, of Steve Dixon Associates llp was appointed on 1st June and received regulatory approval on 4th September 2022. The Society requested them to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mrs Butters and Mrs Carr both confirmed that neither her nor her family were Members of the Society, nor have they any financial or pecuniary interests in the Society with the exception of fees paid to OAC plc and Steve Dixon Associates llp for professional services. The fees paid to OAC plc amounted to £97,417 in 2022 (2021: £151,171). The majority of these fees paid were for the provision of With Profit Actuary services, pricing and other actuarial services. The fees paid to Steve Dixon Associates llp amounted to £141,535 in 2022. The majority of these fees were paid for Chief Actuary and With Profit Actuary services.

Note 22. Actuarial valuation

In accordance with the Prudential Regulation Authority Handbook (Supervision 4.3.13 R) the Society is obliged to have an actuarial valuation of its long-term business. The valuation report has been prepared by Alison Carr of Steve Dixon Associates llp in accordance with the relevant Technical Actuarial Standards published by the Financial Reporting Council.



We welcome and invite feedback from you, our Members and owners. You can contact us in a number of different ways, as follows:

In person, by attending the Annual General Meeting. Invitations are usually issued three to four weeks beforehand.

By email, using hello@holloway.co.uk

By telephone, on 0800 0931 535

By letter, by writing to Holloway Friendly, Holloway House, 71 Eastgate Street, Gloucester, Gloucestershire, GL1 1PW