HealthyInvestment
ethical investments since 1835

Annual Report and Accounts
31 December 2022

The Rechabite Friendly Society Limited

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Strategic Report
Chairman's Statement

It is a privilege to present my first report as the Society's Chair and to introduce our 2022 Annual Report and Accounts.

As I write this report I reflect on another year of uncertainty with the continuing conflict in Ukraine and the cost of living crisis. I would like to reassure our members that the Society's resilience remains the focus for all of us at Healthy Investment.

Formed in 1835 we have a long history and tradition of being an ethical organisation. Those first founders believed, as we still do, that you can only do this by investing in things that don't cause harm to others. That's why, for many years, we have avoided investing in companies that are directly involved in the alcohol, tobacco, adult entertainment, gambling or arms trades.

We've been promoting ethical investment way before it became more mainstream, however as the sector continues to change, we will need to be mindful of our original values and how to navigate these alongside the challenging world we live in. This includes consideration of climate change and the risks this brings.

2022 has been a challenging year for the Society. The impact of poor investment performance on the Society's solvency has led to the board needing to take action to recover and protect our members. Unfortunately, in 2022 we had to reduce final bonuses and introduce market value reductions on our policy surrender values.

This in conjunction with the cost of living crisis has impacted the Society through levels of new business. This has led the Society to review its strategy focusing on recovery. This targets expense savings and lower new business for the next 12 to 24 months by focusing on efficiency. The strength of our balance sheet is important in letting us meet the uncertainties of the current economic position. As always, we will continue to support our current members, intermediaries and introducers with the high quality service that our members expect of us.

I would like to take this opportunity to thank all the Healthy Investment team for their dedication and hard work during the year, my colleagues on the board and the Society's external advisers for their contributions.

Finally, on behalf of the Society, I would like to thank our loyal members. The Society continues to be here for our members and to support them in these difficult times.

Tim Birse
Chairman
30 March 2023

Chief Executive's Report

Delivering with purpose and investing with purpose has always been central to Healthy Investment. We were founded with this strong ethical purpose and we are guided by this same ethical purpose today.

As a mutual, we measure our performance based on what matters most to you our members, providing excellent service, delivering long-term value and maintaining financial strength.

Following the pandemic market lows, markets enjoyed strong results in 2021. However, in 2022, global economic factors together with those here in the UK, including generationally high inflation and fuel price increases caused by challenging geopolitical events, resulted in significant market volatility and declines across both global and UK markets. Navigating these types of market conditions has meant some difficult but responsible decisions to protect members.

This year has taught us, as a mutual member focused organisation, that doing the right thing and putting our ethics and principles at the heart of all of our business decisions is what differentiates us as a financial services provider. We continue to see new members joining us because of this.

As always, central to our success have been our colleagues and I would like to offer them my sincere thanks for their continued support and commitment. They've worked incredibly hard to ensure that our members and our intermediary partners receive the standard of service that we've built our reputation on.

This year we've been accredited as a Real Living Wage employer. As one of the founding signatories of the Mutual Diversity Alliance, an Association of Financial Mutuals initiative to promote diversity and inclusion in financial services, we've continued to challenge ourselves to uphold the highest standards. The Alliance is really important to us, as being an ethical provider encompasses everything we do.

As one of the UK's leading Child Trust Fund providers we have worked hard to ensure that holders reaching the age of 18 are able to access their funds simply and safely. We encourage holders to identify their goals and manage their money responsibly, which may be to continue to build their investment and use it for their future life needs, like a house deposit.

We're working with other mutuals to lobby government for a change in legislation to ensure that young people with disabilities are able to access their Child Trust Funds without long and complex court procedures. We believe this is fair.

As a mutual, our focus can be solely on our members' and customers' interests, we are strongly committed to our mutual business model and to our ethical purpose, both of which remain at the very centre of our culture and operations to this day.

So, despite this year's challenges we're still adding bonuses of £1.4 million to members' With-profits policies, a return that we believe is both fair and competitive and demonstrates the real value of With-profits investments.

Peter Green
Chief Executive
30 March 2023

Our future strategy and objectives

The Society's vision is to maximise member value by growing the Society over the long term. We are committed to delivering this in a way that is consistent with our values and ethics.

Our **values** are to:

- Act with **integrity** in line with our ethical values.
- Treat people **fairly**.
- Be **open and transparent**.
- Be **commercially focused** on the interests of our members.
- Hold ourselves **personally responsible** for our work and act with due care.
- Set **demanding expectations** of ourselves and others and value **excellence**.
- Expect **teamwork** and **co-operation**.

In the shorter term the Society is focused on strengthening its financial position so that in the longer term it can continue to grow the level of in-force business, ensure fairness and give our existing and new members a competitive return. In line with this the Society is concentrating on working with our current members, introducers and advisers.

The board believes that With-profits investments, with smoothed returns, continue to have a place in a balanced portfolio. We seek to maximise the potential for investment returns within an agreed level of risk by using professional investment managers, whilst controlling costs.

The Society's key objectives at the heart of its business plan are to grow solvency, control costs and improve efficiency. This will allow the Society to ensure fairness to members through returns and maintain solvency in line with its risk appetite.

Our **ethical values** are:

- Managing our members funds in line with the ethical commitment that we've had since 1835.
- Maintaining the highest standards of corporate governance.
- Being fair to employees and promoting equality and diversity.
- Attempting to reduce our environmental impact through effective use of resources and recycling.
- Ensuring we treat our suppliers, business partners and outsourced providers fairly.
- Using fairly traded products whenever possible.

An overview of financial performance

Ethical approach and investment return

The Society is proud to have been an ethical investor for over 185 years. We have declined to invest directly in firms involved in the alcohol, arms and tobacco industries.

The Society changed investment managers in 2021 to abrdn, previously Aberdeen Standard Investments, who were chosen for their ability to offer funds that would work with our ethical restrictions. The ethical funds chosen that met these limitations also prohibited investment in pharmaceuticals and extractive industries. These have been some of the best performing sectors in 2022 and our investment performance has suffered by excluding them.

Assets under management

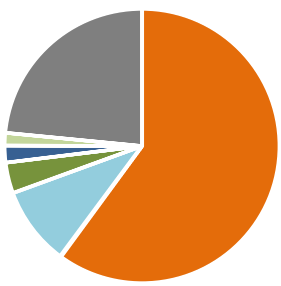
As at 31 December 2022, the Society managed £164.8 million of members money, which includes £95.3 million of our Ethical With-profits Fund (HI), £2.2 million of our Coventry Assurance (CAS) Ring Fenced Fund and £67.3 million of our Unit-linked Funds for Child Trust Funds and Continuation ISAs (CTF).

We take advice from our Investment Managers and our Actuary on the mix of assets within these funds, which are designed to maximise returns within the board's agreed appetite for risk.

During volatile market conditions the amount in higher risk assets like equities and commercial property is likely to be lower than in times of economic growth as the Society manages the investment and solvency risks within its With-profits Funds.

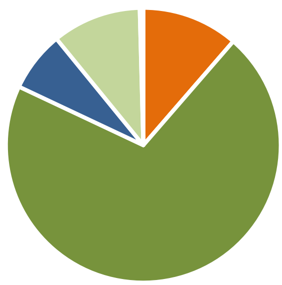
The charts below show the asset allocation of the three funds managed by abrdn as at 31 December 2022 (Rounded).

Ethical With-profits Fund



Coventry Assurance Fund

Ethical Unit-linked Fund



	HI	CAS	CTF
Fixed Interest - Government Bonds	60%	51%	11%
Fixed Interest - Non UK Government Bonds	0%	0%	0%
Fixed Interest - Corporate Bonds	9%	8%	0%
Equities UK	4%	8%	71%
Equities Property	2%	5%	7%
Equities Overseas	1%	0%	11%
Deposits	24%	28%	0%

Members and policies

As a mutual we are owned by a run for the sole benefit of our members. There are no shareholders and every adult member is invited to help shape the way the Society is run by participating in our Annual General Meeting.

As at 31 December 2022 the Society had 109,373 members.

The table below shows the policies in force as at 31 December 2022 by fund:

HI	17,837
CAS	3,137
CTF	93,269

Despite the economic challenges the country and many of our members face, new business remained within our appetite for risk with 743 new investments being taken out by new and existing members.

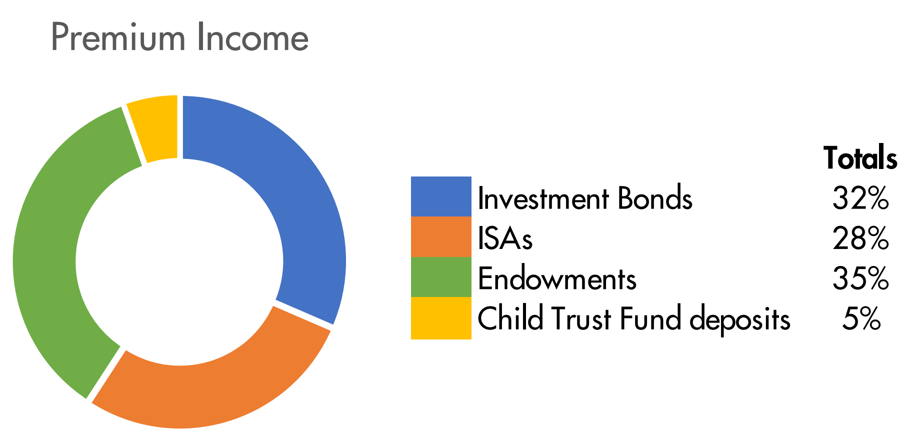
The table below shows the new investments taken out in 2022 by product type:

Investment Bonds	116
ISAs	116
Junior ISAs	79
Tax Exempt Savings Plans	248
Standard Savings Plans	184
Total	**743**

Premium Income

A total of £11.9 million was invested with the Society in 2022.

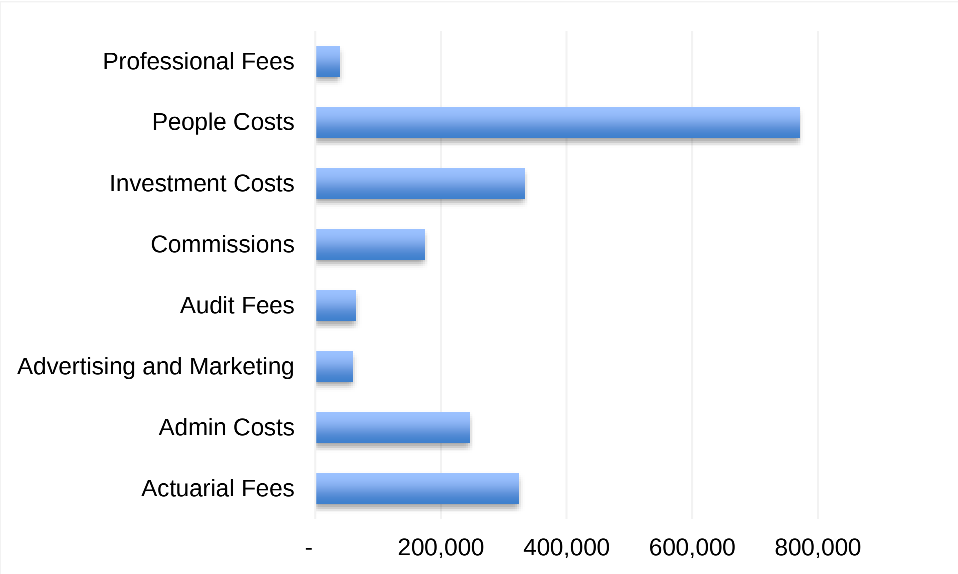
This includes £7.1 million in our With-profits Investment Bonds and ISAs, £4.2 million in our With-profits endowment savings plans and £0.6 million in our Child Trust Funds, which is accounted for as deposits.



Expenses

The board monitors and controls expenses carefully to ensure members receive value for money investments without compromise to the level of service we are able to offer to members and stakeholders.

In 2022 operating and administration expenses, including commission paid to introducers and investment management costs was £2.1 million.

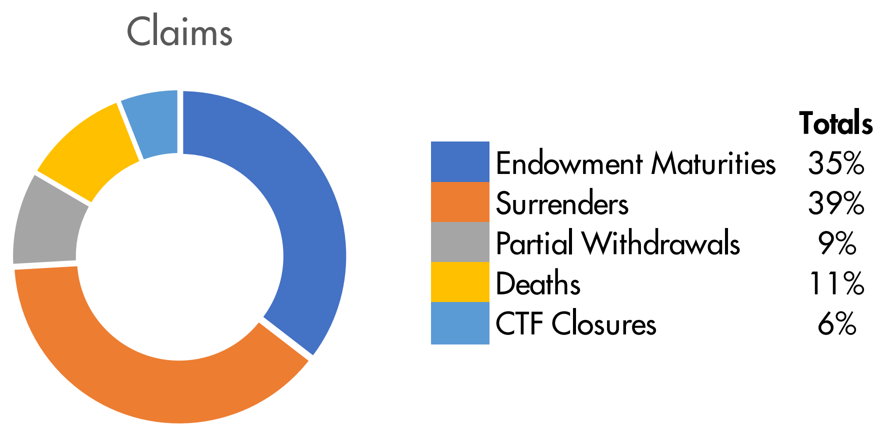


The chart above shows the breakdown of expenses incurred in 2022.

Claims

£7.7 million was paid out to members during the year.

From the graph below you can see the different types of claims we've paid out to our members.



CTF closures includes all CTF and Continuation ISA exits, whether it has been paid out at age 18, been withdrawn, moved to another provider or transferred to one of our With-profits products.

Risk management

Risk Framework

Our Risk Management Framework comprises our systems of governance, risk management processes and risk appetite framework. It applies across the Society and ensures a consistent approach.

Governance

Governance includes our internal control system of policies and procedures and risk oversight committees for both the board and management.

The Society's system of internal control is an important part of its risk management system and includes financial, operational, compliance and risk management controls. The Society manages its risks with documented policy statements and operational procedures that are subject to periodic review.

The Society has implemented accounting policies, financial reporting processes and internal control procedures designed to safeguard members' investments and the Society's assets. Measures taken include physical controls, segregation of duties and reviews by management, the board and external advisers.

Operational management in the business is accountable for risk management and, together with the risk function and internal audit form "three lines of defence".

- Operational management

As a small organisation management are directly involved in day to day operations, which acts as a sound basis for monitoring the controls' effectiveness.

The Society is committed to ensuring the fair treatment of its members. Issues where customers may not have been treated fairly are closely considered and monitored by management. There were no significant issues raised during the year.

The Society prides itself on the service levels it provides to its members and intermediaries and throughout the year has received many complements from members after exceeding their expectations. The Society takes all complaints seriously, using them as a valuable tool for improving procedures and the service we provided.

- Risk Management and Compliance

The Risk Committee which comprises of Executive and Non-executive Directors has responsibility for oversight of the Society's risk management. The Risk Committee met four times in 2022.

The Society has a Risk Management Team, made up of the Executive Directors and senior managers, which is responsible for embedding risk management throughout the Society and for identifying emerging risks. They meet on a regular basis to consider and review the Society's Risk Register and Risk Appetite Framework and are involved in the day to day management of risk. The Compliance Officer is responsible for ensuring compliance with Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) rules.

- Internal Audit

The Society uses an independent internal audit function which undertakes an annual needs assessment, approved by the Audit Committee. The work is conducted through a risk-based walk-through approach and provides assurance to the Society's board and senior management of the adequacy and effectiveness of the Society's risk management and control processes.

Internal audit review and evaluate the Society's processes, procedures, and controls, make recommendations and document agreed management actions. This function was outsourced to MHA Moore & Smalley during 2022. In line with its outsourcing policy the Society will be running a competitive tender for the appointment of new internal auditors in 2023.

The roles and responsibilities of the board's committees in relation to risk management and internal control are set out in the Director's Report (and Notes to the Financial Statements Note 5), however the board has ultimate responsibility for risk management.

Based on the data within the risk framework the board and Risk Committee receive regular information on the significant risks affecting the Society. This allows the committee and board to maintain effective oversight of the risks in the context of the Society's risk appetite. This helps the Society to carry out assessment of risks as required as part of the Own Risk and Solvency Assessment (ORSA).

Risk processes

The processes we use to identify, measure, monitor and report risks, including the use of risk software and stress and scenario testing, allow for effective regular risk management and risk based decision making. When risks are identified we consider the risk appetite and whether to accept, reduce, mitigate or avoid the risk.

The Society uses risk management to help achieve its strategic aims and to deliver positive outcomes for our members.

Set out in the table below are the Society's current key strategic risks.

Risk	**Description**	**Monitoring and mitigation**
Expenses	Failing to achieve cost savings and reduce investment expenses.	Expenses monitored on monthly basis to ensure they are in line with the annual budget and financial projections.
Solvency	This is the risk that the Society cannot meet its long-term commitments.	The board monitors solvency against its appetite for risk which targets solvency between 150% and 300% of its Solvency

		Capital Requirement with a risk limit of 125%.
Investment portfolio performance	Investment performance impacts financial strength and returns for members. A reduction in value of investments will erode the free assets of Society.	Investment values, interest rates and credit spreads are monitored daily through a solvency tracker model. A range of management actions to protect solvency and maintain it within the Society's appetite for risk are available and include selling risk assets, reducing bonus rates and applying market value reductions.
Lapses	More lapses than expected especially, on Market Value Reduction free anniversaries where the original investment and bonuses are guaranteed.	The volume and value of exits are monitored on a monthly basis to ensure the number of policies in force is in line with financial projections.

In addition to strategic risks the Society is also subject to operational risk in the ordinary course of business. These are managed in a consistent way to strategic risks. There is a system of internal control to reduce the risks of unplanned costs or any interruption to the service provided to members.

Conduct Risk

The Society is exposed to conduct risk. It has in place robust compliance procedures and training schemes to ensure that all marketing material and sales activities are compliant with FCA rules and prevent potential detriment to members.

This means that the Society is already compliant with many of the Consumer Duty rules being introduced by the FCA that will offer consumers across financial services an enhanced level of protection.

Climate change

The Society considers the implications of climate change on our members and our business.

The Society's management has undertaken a detailed assessment of the financial risks of climate change. The principal exposure is market risk as the UK transitions to a low carbon economy. There is some potential for distribution to be disrupted if the physical impacts of climate change alter the way financial advisers and introducers are able to conduct business. Our exposure to liability (claims) risk is low.

The Society is working closely with abrdn, its investment managers, to ensure that the financial risks that emerge from the UK reducing carbon emissions are actively managed within their funds. abrdn are committed in their investment approach to helping tackle climate change and helping the world on its path to net zero carbon emissions.

The board is satisfied that the risk management framework and necessary monitoring and controls are in place to ensure that climate risks are actively managed within agreed tolerance limits. The Society will look to continue to improve its governance and risk management to allow for the impacts of climate change.

The Risk Management Team (RMT) have operational responsibility for leading the Society's assessment and management of the financial risks of climate change against the agreed tolerances. The RMT then report to the board's Risk Committee, who in turn report back to the board.

The board has ultimate responsibility for the Society's climate-related strategy. The board set out investment guidelines that include the Society's ethical criteria and climate change responsibilities.

As part of its governance and risk management the Society has considered various scenarios arising from the impact of climate change to understand the potential risks and how best to manage them.

Part of being an ethical provider is to play our part in reducing the wider impact of climate change and a number of initiatives to reduce our carbon footprint, including reducing travel and banning single use plastic cups have been implemented.

Longer Term Viability Statement

The directors have assessed the long-term viability of the Society and its continuing operations taking into account known risks and current uncertainties.

The board has determined that a three-year period, to 31 December 2025, is still an appropriate period for the forward-looking assessment over which to provide a reasonable statement of viability, given the greater level of uncertainty with longer term economic forecasts.

The Executive Directors have presented a business plan to the board which has been approved. The plan covers the whole period over which viability has been assessed.

The Forward-Looking Assessment of Solvency (FLAS) was prepared by the Society's Chief Actuary and approved by the board in December 2022.

By projecting forward the Solvency II Balance Sheet of the Society, allowing for the business plan assumptions of new business, reasonable assumptions of future investment return and best estimate assumptions of expenses, mortality and lapse experience, there has been a robust assessment of the business plan, its cashflows and solvency, and emerging and principal risks inherent to the Society.

The Own Risk and Solvency Assessment (ORSA) process validates the assumptions used and conducts a formal examination of risks to assess the Society's ongoing viability to continue operating and meet its liabilities as they fall due. The culmination of this process is the Society's strategic and operational business plan and results in an annual report available to our regulators. The Society's seventh ORSA Report was submitted to our regulators in January 2023.

The risks of the Society becoming unable to operate profitably are drawn out in the ORSA process and there are appropriate management actions in force to respond to these risks should they occur.

The business plan takes account of the strategy of the Society over the next 12-24 months to focus on strengthening its financial position. The key risks to the Society in delivering its business plan are lower investment returns, failing to reduce expenses and higher lapses. These risks have been considered in modelling the Forward-Looking Assessment of Solvency.

The management actions the Society can take to allow for these risks have been considered. The impact on solvency of one or more of these key risks materialising is gradual, and the board has time to consider and take actions as required. The results of various projections if these risks do materialise leave the directors confident that whilst uncertainties remain for the Society, the Society remains sufficiently capitalised to meet its regulatory capital requirements.

Having considered all the factors disclosed above the directors confirm that they have a reasonable expectation that the Society is able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2025.

In making this statement the directors have considered the resilience of the Society, taking into account its current financial position, the principal risks facing the business in various severe but reasonable scenarios and the effectiveness of mitigating actions.

Approval of the Strategic Report

The board approved the Strategic Report at their meeting on 30 March 2023.

Tim Birse
Chairman
30 March 2023

Peter Green
Chief Executive
30 March 2023

Governance Report
Our Board

Tim Birse
Society Chair
Tim was appointed to the board in June 2016 and appointed Society Chair in June 2022. He is an experienced Non-executive Director having served on the board of Met Friendly and is a qualified actuary with experience of managing large With-profits Funds. He has an interest in actuarial education and has served as an examiner for the Institute and Faculty of Actuaries.

Philip Okell
Deputy Chair and Senior Independent Director
Investment Committee Chair
Philip is an experienced investment specialist and Principal of Mosaic Money Management. He brings experience of developing and implementing investment strategies and during his career has advised some of the UK's largest mutuals. Philip was appointed to the board in September 2015.

David Fawell
Non-executive Director
Audit Committee Chair
David was appointed to the board in December 2018. David has enjoyed a long career in banking, most recently with the Co-operative Bank where he played a leading role in the research and development of their ethical policies, and is an expert in payment services. David is also a Director and Chairman of the Co-operative Credit Union.

Sue Baldwin
Non-executive Director
Risk Committee Chair
Sue was appointed to the board in October 2020 and Risk Committee Chair after the AGM in 2022. She is a Chartered Insurer and has extensive executive experience in the insurance industry with Direct Line and Esure and more recently as a Non-executive Director. Her in-depth knowledge of risk management, corporate governance and culture development brings additional expertise to the Society's Board of Directors. Sue is a Non-executive Director of The Methodist Insurance Company Limited (appointed on 19 January 2023) and is a Director of Baldwin Consultancy ltd.

Elizabeth Boardall
Non-executive Director
Elizabeth joined our board in October 2020 and has a close affinity with mutuality having spent several years with Royal London as Pensions Manager and Head of Customer Engagement and more recently as a member of their independent governance committee. Elizabeth brings significant strategy development, digital and marketing experience to the Society.

Peter Green
Chief Executive

Peter was appointed as Chief Executive of the Society in October 2006. Following an early banking career, he served as Chief Executive of a mutual health care cash plan insurer. He has an MBA, focused on small business management. In his spare time Peter is a Trustee and Chair of a local mental health charity, the Simeon Centre. Peter is a Non-executive Director of a small bank, Methodist Chapel Aid (appointed 17 April 2022) and a Director of the Society's dormant subsidiary company, Rechabite Financial Services.

Justine Morrissey
Director Finance and Risk (appointed 30 November 2022)

Justine joined the Society in October 2022 and was appointed as Director of Finance and Risk in November 2022. She is a qualified actuary and experienced Finance Director within the mutual financial services sector. Justine is a Non-executive Director of Anglo-Saxons Friendly Society and the Salvation Army General Insurance Corporation.

Governance Report
The Association of Financial Mutuals Corporate Governance Code (AFM Code)

As a member of the Association of Financial Mutuals the Society confirms that it has applied the AFM Code throughout 2022. The AFM Code replaced the Annotated Corporate Governance Code from 1 January 2019 and describes the principles of effective corporate governance for directors of mutual insurers.

The AFM Code is based on six overarching principles which are set out below, together with a supporting statement for each of them confirming how they have been applied.

Principle One - Purpose and Leadership; an effective board promotes the purpose of an organisation, and ensures that its values, strategy, and culture align with that purpose.

The Board of Directors has defined the Society's purpose and values in a clear vision statement that drives the strategy and culture of the Society. The principal activity of the Society is the provision of insurance based investment products that meet the needs of existing and prospective members. To maximise member value the Society strives to be a successful and growing ethical provider of ethical savings and investment products.

The Society's vision statement drives its expected behaviours and practices and aligns these to the Society's values which are embedded at all levels in the organisation and support all internal processes and operating practices.

The core and ethical values of the Society are reflected in practices that ensure that the whole of the Society acts with integrity, treats people fairly, is open and transparent, is commercially focused and acts with due care at all times, whilst demanding high expectations of everyone through effective teamwork and cooperation.

The board reviews the overall strategy annually and meets regularly during the year to assess performance and maintain the framework of controls.

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

The Society's board comprises an independent Chair, Chief Executive, Director of Finance and Risk and a further four Non-executive Directors, one of whom is the Senior Independent Director. There is a clear division of responsibilities between the Chair and the Chief Executive, with the Chair responsible for leading the board and the Chief Executive responsible for running the Society's business in accordance with the authority delegated to him.

The Non-executives are considered independent as they have no material interests with the Society that might influence their independence. They bring a wealth of experience and knowledge to the Society.

All the directors are required to offer themselves for re-election by the members at the Society's Annual General Meeting every year.

Profiles of all the Society's directors are shown on pages 16 to 17.

The size and composition of the board is considered adequate to meet all the Society's challenges and strategic objectives. The Society recognises the benefits of having a diverse board and are committed to creating more diversity when the opportunity arises. The Society's Nomination Committee is responsible for recommending new appointments to the board following a rigorous and documented process.

Every year the Nomination Committee formally assesses the performance of the board and its committees and the performance of individual directors. The Nomination Committee is chaired by the Society's Chair who ensures the transparency of the process and that any training and development needs are identified and actioned. In addition to this annual assessment of performance the Society undertakes periodic externally facilitated effectiveness reviews. The last external review took place in 2018.

Principle Three - Director Responsibilities; the board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.

All board members receive a formal letter of appointment outlining individual and collective responsibilities as a Director of the Society. In addition, job descriptions and authority limits of the Chair, Chief Executive, Director of Finance and Risk and Non-executive Directors ensure a division of responsibilities and decision making authority.

Board members have access to all policy statements, governance documents and detailed monthly management information, including financial and business reports, and regulatory and statutory returns. These are reviewed and discussed along with reports from the Society's Chief Actuary to inform the board in the fulfilment of its duties.

Those board members that fulfil a Senior Management Function as defined under the Senior Managers & Certification Regime have a specific statement of responsibilities which is reviewed and acknowledged by the respective board member annually.

The Society applies a system of governance where some of its functions are delegated to committees. Committee membership includes Non-executive Directors, and each committee has a Non-executive Chair. The committees' delegated authorities are defined in terms of reference available on the Society's website.

The report of each committee are on pages 22 to 25.

Principle Four - Opportunity and Risk; a board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risk.

The board identifies, considers, and assesses how the Society can create and preserve value for its members within an agreed risk appetite. Its focus is to promote and deliver long term value and the board retains the responsibility for strategic decision making and the approach to business opportunities that arise.

The board takes responsibility for the Society's approach to risk management and the annual ORSA process identifies the principal risks and plans to mitigate them. The Risk Committee has oversight of the risk management process and through the Risk Appetite Framework and Risk Register monitors the principal risks and identifies any emerging risks.

The management or mitigation of risk involves the monitoring of agreed operational tolerance limits and management actions. During 2022 in response to poor investment performance an additional level of explicit monitoring was added for solvency. Where any areas of improvement were identified, the board is confident that processes were in place to implement them.

Further details about how the Society manages and mitigates risk are contained in the Strategic Report on pages 3 to 15.

Principle Five - Remuneration; a board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.

The board has due regard to the culture, values and long term success of the Society when agreeing remuneration for executives.

The Remuneration Committee, consisting of a majority of Non-executive Directors, provides independent oversight of remuneration policy and is responsible for recommending remuneration structures that, for the Chief Executive, consist of fixed and performance related elements of pay within an overall remuneration package. This is achieved by comparing remuneration packages among similar sized friendly societies and other financial organisations. A proportion of the Chief Executive's performance related element of pay is deferred.

A separate Remuneration Report which provides details of the Society's remuneration policy is contained in the Directors' Report on Remuneration on pages 30 to 32. Members receive and vote on the Remuneration Report at each Annual General Meeting of the Society.

Principle Six - Stakeholder Relationships and Engagement; Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regards to their view when taking decisions.

The Society's primary stakeholders are its existing and prospective members, its employees, suppliers, business partners and the community in which it operates. A culture of treating everyone fairly underpins the whole of the Society's approach to stakeholders.

Members' savings and investments are managed ethically and those in our With-profits Funds and our Ethical Unit-linked Life Fund exclude investments in industries that our members consider are harmful, whilst pro-actively seeking out investments in companies that can demonstrate responsible business practices and environmental benefit.

The board listens carefully to the views of members. Member feedback collected through the AGM voting cards and from service reviews is reported directly to the board. The board receives a summary of all complaints from members and details of how these have been resolved. The website also includes a dedicated members' area where members are encouraged to share their experiences of the Society.

Our employees have day to day contact with the Executive Directors and have regular individual and collective discussions to share views about the strategic direction of the Society, its impact on them personally and the team as a whole. They are particularly involved in the Society's desire to reduce its environmental impact by effective use of resources and recycling and in its charitable and community activities.

The Society continues to be active in the local community and provides support to local organisations through both its charitable donations and encouraging all employees to participate actively in events that make a positive contribution to the good of society.

The Society has policies and procedures in place to ensure that suppliers, business partners and outsourced service providers are treated fairly and in line with our ethical values of openness, transparency and cooperation.

Committees of the Board

The oversight of the Society's activities is conducted by a number of board appointed committees, each of which comprises a majority of Non-executive Directors. A Non-executive Director is always appointed to the role of Committee Chair. The committees' terms of reference and authority are defined by the board and each committee is required to review its performance annually against its terms of reference. The terms of reference of all committees are available from the Society's website.

Whilst the Society Chair is not a member of all committees, he has the right to attend the meetings and be co-opted to a committee if necessary.

Audit Committee

David Fawell (Chair)
Sue Baldwin
Elizabeth Boardall
Tim Birse (until 15 June 2022)

The Audit Committee has responsibility for reviewing and providing assurance to the board on the integrity of the annual accounts and the effectiveness of the internal control systems. In 2022 the committee discharged this responsibility by:

- Overseeing the Society's systems of control
- Ensuring that all financial reporting was in line with accounting standards and regulatory requirements
- Reviewing the performance of the external and internal auditors
- Oversight of the external and internal audit functions and reviewing their reports
- Reviewing the Annual Report and Accounts, Solvency and Financial Condition Report and Regulatory Supervisory Report update and recommending board approval
- Reviewing the internal and external audit strategy and recommending board approval
- Ensuring that management information was appropriate and consistent with the business plan and risk profile
- Reviewing the Solvency II technical provisions assumptions and recommending board approval

Royce Peeling Green Limited (RPG) were appointed at the last AGM as the Society's external auditors. This will be the first year of them conducting the audit. The external auditors have not provided any non-audit services to the Society during the year.

Risk Committee

Sue Baldwin (Chair from 15 June 2022)
Tim Birse (Chair until 15 June 2022)
David Fawell
Peter Green
Justine Morrissey (appointed 30 November 2022)
Steven Spilsbury (resigned 15 June 2022)
Keith Ashcroft (resigned 30 November 2022)

The Risk Committee is responsible for delivering independent oversight of the risk management systems and processes used by the Society to identify and manage risk. In 2022 the committee discharged this responsibility by:

- Reviewing the Society's ORSA strategy and report and recommending approval by the board
- Reviewing the Society's appetite for risk and Risk Appetite Framework and recommending board approval
- Identification of key risks and recommending operational tolerance limits
- Approving the reverse stress and FLAS testing scenarios and reviewing the results
- Reviewing the risk management systems and reporting on their effectiveness to the board
- Overseeing the compliance strategy and monitoring plan
- Reviewing the use of the Standard Formula Model and recommending board approval
- Reviewing the processes used by the Society to identify, assess and manage climate related risks

Nomination Committee

Tim Birse (Appointed to committee and as Chair 15 June 2022)
Philip Okell (Senior Independent Director)
Elizabeth Boardall
Peter Green
Steven Spilsbury (resigned as NED and Committee Chair 15 June 2022)

The Nomination Committee is responsible for the oversight of the selection, development and succession plans for board members and senior managers and the associated governance responsibilities. In 2022 it:

- Reviewed the mix of skills, knowledge, experience, and diversity on the board to ensure that it has the right balance to meet regulatory expectations and effectively pursue its strategy
- Reviewed the Society's diversity and gender policies
- Reviewed and recommended appointment of board committee members
- Monitored directors' and employees' compliance with the regulators' fitness and propriety requirements
- Reviewed the independence of Non-executive Directors
- Managed the annual appraisal process for the board, committees, and individual directors
- Advised the board on the selection process and appointment of the Chair following the retirement of Steven Spilsbury
- Led the recruitment process and recommended to the board the appointment of Justine Morrissey as Director Finance and Risk, following the resignation of Keith Ashcroft

The board has a formal gender and diversity policy which it reviews annually. The Society recognises the benefits of a diverse board and seeks and considers all appointments on a balance of knowledge, skills, and experience. The Society is a founding member of the Mutual Diversity Alliance an Association of Financial Mutuals initiative to promote diversity and inclusion in mutuals.

Remuneration Committee

Philip Okell (Chair)
Sue Baldwin
Tim Birse (with effect from 15 June 2022)
Peter Green
Steven Spilsbury (resigned 15 June 2022)

The Remuneration Committee has responsibility for reviewing the Society's remuneration strategy and policy to ensure that it is consistent with the Society's appetite for risk, regulatory requirements and supports its business objectives. It also designs and recommends the remuneration package of the Executive Directors. In 2022 it:

- Reviewed the design of the remuneration package of the Chief Executive and Director of Finance and Risk considering the respective fixed and variable elements of reward
- Reviewed the performance related aspects of the sales team's remuneration package and recommended board approval
- Examined market competitive levels of remuneration, wage and price inflation and recommended board approval of overall increase in employment costs
- Reviewed the basis of remuneration for Non-executive Directors and recommended to the board no change in NED remuneration
- Prepared the Directors' Report on Remuneration for inclusion in the Annual Report and Accounts and submission to members at the Annual General Meeting

Investment Committee

Philip Okell (Chair)
Elizabeth Boardall
Tim Birse
Peter Green
Justine Morrissey (appointed 30 November 2022)
Keith Ashcroft (resigned 30 November 2022)

The Investment Committee has responsibility for the oversight of the management of the Society's investment portfolios, monitoring adherence to the Society's ethical investment stance and recommending an investment strategy that aligns with the Society's risk appetite. In 2022 it:

- Reviewed and recommended board approval of the investment strategy and guidelines taking into account the views of the Society's actuary and investment managers
- Monitored the strategic asset allocation in-line with the investment guidelines and counterparty exposure
- Monitored adherence to the Society's ethical investment strategy
- Reviewed the arrangements between the Society and the Royal Bank of Canada as custodian of the Society's With-profits assets
- Reviewed the performance of the Society's Unit-linked and With-profits Funds

With-profits Committee

Elaine Fairless (Independent Chair)
Martin Collins (Independent member)
Tim Birse

The With-profits Committee provides independent oversight, on behalf of policyholders, of the Society's management of the With-profits Funds. The With-profits Committee is supported by the Executive team in its oversight of good member outcomes as part of conduct risk.

It comprises two independent members and one Non-executive Director, all with experience of managing With-profits business. The With-profits Committee normally meets twice a year and receives the papers of all board and committee meetings throughout the year to enable it to comment on any issues of fairness.

The With-profits Committee met twice in 2022 and it:

- Reviewed the Society's compliance with its Principles and Practices of Financial Management (PPFM) of its With-profits Funds
- Monitored the Society's fair treatment of all members
- Considered the fairness of the annual bonus declaration
- Reviewed member communications

Terms of Reference

Copies of the terms of reference of the board and committees are available from the Society's website or by contacting the Society's office.

Board and Committee meeting attendance in 2022

	Board	Audit Committee	Risk Committee	Investment Committee	Remuneration Committee	Nomination Committee
T Birse	7 (7)	1 (1)	4 (4)	6 (6)	1 (1)	1 (1)
S Baldwin	7 (7)	2 (2)	4 (4)		2 (2)	
E Boardall	6 (7)	2 (2)		6 (6)		1 (1)
D Fawell	7 (7)	2 (2)	4 (4)			
P Okell	7 (7)			6 (6)	2 (2)	1 (1)
P Green	7 (7)	2 (2)	4 (4)	6 (6)	2 (2)	1 (1)
J Morrissey*	1 (1)	1 (1)	1 (1)			
K Ashcroft*	6 (6)	2 (2)	4 (4)	6 (6)		
S Spilsbury*	3 (4)	1 (1)	1 (1)	1 (1)	1 (1)	

*Individuals were board or committee members for part of 2022 and therefore attendance was not required for some of the meetings in the year.

Figures in brackets represent the number of meetings that could have been attended.

As an independent committee the With-profits Committee is not included in the table above.

Directors' Report

Directors

The directors listed on pages 16 to 17 within the board's Governance Report acted as directors throughout the year, with the exception of Justine Morrissey who was appointed an Executive Director on 30 November 2022.

Keith Ashcroft resigned as Director Finance and Risk on 30 November 2022.

All of the existing directors will stand for re-election at the Annual General Meeting.

Healthy Investment in the community

The Temperance Fund, created to support charitable initiatives, made donations of £2,089 to Bolton Community Grocery, to support local residents through the cost of living crisis. The employee team supported the charity by collecting Christmas selection boxes and Easter eggs.

The Douglas Carr Memorial Scholarship Scheme, in memory of a former Chief Executive of the Society, made 10 bursaries to members studying in higher education totalling £2,250 during 2022 (2021: £1,650).

The Society does not make any political donations or sponsor any political activities.

Management of the With-profits Funds

The board produces a report to all With-profits policyholders explaining how it has managed the With-profits business, complied with the Principles and Practices of Financial Management (PPFM) and how it has exercised discretion in its decisions.

The PPFM sets out how we manage our Ethical With-profits Fund and calculate bonuses in a way that is fair to members and compliant with FCA rules.

The board reports annually to members on their compliance with the PPFM and you can get a copy of the board's reports for the Ethical With-profits Fund and the Coventry Assurance Ring Fenced Fund and the current PPFMs from our website or from our office.

The management of the With-profits Funds is the board's primary concern, and to help provide independent oversight of the board's management, the With-profits Committee has reviewed all decisions taken by the board.

There were no changes to the PPFM for either With-profits Fund during 2022.

Whilst the board, working in partnership with our actuarial team, is still responsible for setting the investment strategy, appetite to risk and ethics of our investment portfolios, abrdn are able to make pro-active decisions on managing the investments on our behalf.

Subsidiary company

The Rechabite Financial Services Limited, which is a wholly owned subsidiary of the Society, has not traded during the year. The Director of the subsidiary as at 31 December 2022 was Peter Green.

Shareholders' Funds of the subsidiary as at 31 December 2022 were £2,377 (2021: £2,377).

External audit

The external audit has been undertaken by Royce Peeling Green Limited (RPG). 2022 was the first audit year for RPG, having been appointed in 2021.

The board undertook an evaluation and was satisfied with their performance based on the depth of their audit investigations, analysis of their technical knowledge and quality of their report to the Audit Committee.

RPG did not provide any other services to the Society during the year.

Directors' responsibilities statement

As an incorporated Friendly Society, in accordance with the 1992 Friendly Society Act, the Board of Directors has assumed the responsibilities and duties of the Committee of Management.

The Committee of Management is responsible for preparing the Annual Report, the Report of the Committee of Management, and the Financial Statements in accordance with applicable law and regulations.

Friendly Society law requires the Committee of Management to prepare Group and Society Financial Statements for each financial year. Under that law they have elected to prepare the Group and Society Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard (FRS)102 which is applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts.

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

In preparing these financial statements, the Committee of Management is required to:

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

The Committee of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Society and enables them to ensure that its financial statements comply with the Friendly Societies Act 1992 and the regulations made under it.

The Committee of Management is also responsible for preparing a Directors' Report in accordance with the Friendly Societies Act 1992 and the regulations made under it and for preparing the Strategic Report.

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

The Committee of Management is responsible for the maintenance and integrity of the corporate and financial information included on the Society's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

Each person who is a Director at the date of this report confirms that, so far as each of them is aware, there is no information relevant to the audit of the Group and Society's Financial Statements for the year ended 31 December 2022 of which the auditors are unaware; and they have taken all steps that they ought to have taken in their duty as a Director to make themselves aware of any relevant audit information and to establish that the Group and Society's auditors are aware of that information.

Going concern

The Strategic Report on pages 3-15 of this report includes information on financial performance and outlook. Details of the principal risks and uncertainties affecting the Society, how we manage and mitigate them are set out in Risk Management on pages 10-12 of the Annual Report.

The directors have taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of the approval of the financial statements when assessing the Society's ability to continue as a going concern.

The assessment has drawn on the Society's business plan and ORSA, which includes financial projections both on a central case and stressed scenarios and whether that position has materially changed subsequent to the year end.

Having made enquiries on the Society's operations, financial position and prospects, the directors confirm that they are satisfied that the Society has adequate resources to continue in business for a period of at least 12 months from the date of approval of the financial statements

Accordingly, having assessed the principal risks affecting the Society and matters discussed in the Society's Viability Statement the directors consider it appropriate to continue to adopt the going concern basis of accounting when preparing the Society's and Group Financial Statements.

Approval of the Directors' Report

It is the opinion of the directors that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for members to assess the Society's position and performance, business model and strategy.

This Directors' Report was approved by the Board of Directors and signed on behalf of the board on 30 March 2023.

Justine Morrissey
Society Secretary
30 March 2023

Directors' Report on Remuneration

Remuneration Committee

The Remuneration Committee is chaired by Philip Okell, Senior Independent Director and includes two other Non-executive Directors and the Chief Executive. The committee makes recommendations to the board on the remuneration of all Directors; however individual Directors are not allowed to participate in decisions relating to their own remuneration.

The remuneration strategy and policy for all employees is reviewed annually by the committee.

Remuneration policy

The Society's remuneration policy is designed to support the recruitment, motivation, and retention of employees. Remuneration is considered within the context of the financial services and friendly society sectors. The objective is to pay at the relevant market level with a package that is fair, competitive, rewards performance, provides attractive benefits, motivates everyone to achieve the Society's objectives and inspires individuals to reach their full potential.

The committee believes that the current remuneration structure provides appropriate levels of remuneration to achieve the objectives of the policy.

Remuneration policy for Executive Directors

The remuneration of the Society's Executive Directors comprises salary together with pensions and other benefits in common with many financial services organisations. No fees are paid to Executive Directors. Remuneration reflects individuals' experience and responsibility. It is based on relevant individual market comparators related to job size, function and sector, as well as individual and company performance and is benchmarked against other friendly societies and mutual insurers.

The remuneration paid to individual Directors is shown in note 33 on page 68 of the Financial Statements.

Service contracts

Executive Directors

The Chief Executive is employed on a contract with the Society which requires six months' notice by either party and includes a discretionary performance related bonus element of up to 25% of basic salary for 2022.

The Chief Executive's contract precludes him for engaging in any other paid employment or business activities for profit, without express permission of the board.

The Director Finance and Risk is employed on a contract with the Society with a three months' notice period. Remuneration for the role does not include any variable or performance related bonus.

Non-executive Directors
Remuneration of Non-executive Directors is reviewed annually and every three years a fundamental review, which includes benchmarking against similar organisations, takes place.

At the last triennial review in 2021 the committee recommended, and the board approved, a change to the way in which Non-executive Directors are remunerated.

The change moved from daily allowance to annual fees in line with current accepted practice. The annual fees, which are paid monthly, throughout 2022 were:

Chair	£17,500
SMCR Function Holders	£15,000
Other Non-executive Directors	£12,500

There is no other remuneration except where the Society meets the authorised expenses of Non-executive Directors incurred on Society business.

The remuneration of Non-executive Directors is subject to the auto-enrolment legislation and, where obligated to, Non-executive Directors have been auto-enrolled at the minimum contribution rate into the Society's Stakeholder Pension Scheme with Royal London.

The Executive Directors' service contracts and the letters of appointment of Non-executive Directors are available for inspection during normal working hours at the registered office of the Society.

Salaries

Salaries are reviewed annually, or at other times if there is a significant change in an individual's responsibilities. The Society aims to pay salaries at the relevant level for the role based on the individual's performance.

Variable remuneration

The Chief Executive participates in a discretionary bonus scheme. The bonus scheme was reviewed by the remuneration committee in 2022 and provides a maximum payment, for 2022, of up to 25% of salary, up from 20% in 2021. Any payment under the scheme is not pensionable.

Payment is based on the achievement of Society wide key performance indicators and personal objectives set by the board.

All bonus payments are made at the discretion of the board and no element of the scheme is contractually binding.

No payment of any part of the year's bonus will be made if:

- No reversionary bonus is declared to members
- The Society's monthly calculation of capital cover ratio is below the board's appetite for risk
- The Society is subject to regulatory enforcement action or censure

- The employee is dismissed

60% of the total bonus payable will be paid immediately following approval by the board.
20% of the total bonus payable will be deferred for 12 months.
20% of the total bonus payable will be deferred for 2 years.

Deferred bonuses will continue to be paid whether or not the annual bonus is payable, unless the reason for non-payment of the annual bonus is as a result of actions taken in previous years where their impact in the following years should reasonably have been foreseen at the time.

If the employee leaves the employment of the Society due to retirement or redundancy the deferred payment will be made at the same time as it would have been had the individual still been in the employment of the Society. If they leave for other reasons payments are forfeited. Whatever the reason for leaving these payments are at the discretion of the board. No variable remuneration for the current or previous years was paid to Keith Ashcroft following his resignation in November.

Following the mini budget in September 2022, the Society briefly breached its solvency risk appetite and therefore no element of variable remuneration is payable for 2022.

The Society's sales department participates in a bonus scheme based upon new business performance which is determined by the board and paid monthly in arrears.

There are no elements of variable remuneration for any Non-executive Directors.

Pension arrangements

The Society operates a defined contribution personal pension scheme which is open to all employees. New employees are eligible after they have completed their probationary period, with the option of contribution levels of 3% or 5% of basic salary, with respective employer contributions of 6% and 10%.

The Society's auto enrolment scheme starts from the date of employment and eligible employees and Directors are auto enrolled into the scheme, although there is the ability to opt out. Contribution levels for the auto-enrolment scheme in the current tax year are 5% for employees and 3% for the Society.

Approval

The Directors' Report on Remuneration was approved by the Directors on 30 March 2023.

Philip Okell
Chair of the Remuneration Committee
30 March 2023

Independent Auditor's Report to the Members of The Rechabite Friendly Society Limited for the year ended 31 December 2022

Opinion on the financial statements
We have audited the financial statements of The Rechabite Friendly Society Limited ('the Society') and its subsidiary (together 'the Group') for the year ended 31 December 2022, which comprise:

- The Consolidated and Society Statements of Comprehensive Income;
- The Consolidated and Society Statements of Financial Position; and
- The related notes 1 to 35, excluding the Capital management and Risk management disclosures in notes 4 and 5 that are calculated in accordance with the Solvency II regime which are marked as "unaudited".

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

In our opinion the financial statements:

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

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Reviewing budget financial information for the financial year ending 31 December 2023, and up to date post year end management accounts;
- Reviewing the Society's business plan 2023 including medium term forecast to 2025;
- Reviewing the Society's Own Risk and Solvency Assessment and Forward-Looking Assessment of Own Risk reports;
- Reviewing Board and Subcommittee minutes;

- Discussions with our Reviewing Actuary on the appropriateness of assumptions and potential sensitivities in the Insurance contract liabilities and Solvency Capital Requirement calculations; and
- Discussions with management and the Board on such matters and post balance sheet events which may impact the going concern status.

From the work undertaken, we noted that the Society's solvency position was in excess of 191% as at 31 December 2022 and well above the risk thresholds management has set to initiate a responsive action. The Society is also projected to remain solvent in the medium term forecast period to 2025 taking into account several potential downside scenarios. However, like many other societies, the Society's solvency position is sensitive to movements in the risk-free rates and changes in the investment market which are largely outside their control.

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 Group's or 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 Board with respect to going concern are described in the relevant sections of this report.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Group and the Society and their environment, including the 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 Board that may have represented a risk of material misstatement. All audit work was performed directly by the audit engagement team with the assistance of external actuarial experts ('the Reviewing Actuary').

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

We also determine a level of performance materiality which we use to determine the extent of testing needed 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.

Based on our professional judgement, we determined materiality for the financial statement as follows:

	Group and Society Financial statements
Financial Statement materiality ("FSM")	£834,000 (2021: £210,000)
Basis for determining materiality	2022: Materiality based on 0.5% of Gross Assets. 2021: Materiality based on 1.9% of the Fund for Future Appropriations ("FFA").
Rationale for benchmark applied	Gross assets as a benchmark is deemed to be an appropriate basis given the majority of this balance is comprised of the Investments, Insurance contract liabilities and Investment contract liabilities, which are

	Group and Society Financial statements
	key areas of focus for the users of the financial statements. This level of materiality has been used in the audit of Investments, Insurance contract liabilities and Investment contract liabilities only, all other items within the financial statements have been audited using the specific materiality noted below.
Performance materiality	2022: £626,000 being 75% of FSM 2021: £158,000 being 75% of FSM
Basis and rationale for determining performance materiality	In determining the level of performance materiality, the strength of the control environment, the nature and volume of transactions and the complexity of the business was considered.
Specific materiality	£250,000 (2021: N/a)
Basis for determining materiality	2022: Specific materiality based on 1.5% of Income. 2021: N/a
Specific performance materiality	2022: £188,000 being 75% of Specific materiality 2021: N/a
Basis and rationale for determining performance materiality	Applying a level of materiality based on Income to all other balances and transactions outside of Investments and Technical Provisions ensures sufficient audit work has been undertaken across the financial statements, given a misstatement of less than FSM for the financial statements as a whole, could influence the economic decisions of users. Income is deemed to be an appropriate indicator of financial performance upon which to base the specific materiality level.

We agreed with the Board that we shall report to them misstatements in excess of £9,000 that we identify through the course of the audit, together with any qualitative matters that warrant reporting.

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

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of Insurance contract liabilities
As at 31 December 2022, the Society recognised insurance contract liabilities of £92.6m (2021: £105.4). Due to the size and nature of the liability, we consider this to be material to the financial statements.

The liabilities are calculated using policy data held on the Society's administration system and assumptions set using internal and external data as inputs to the actuarial valuation model.

Through the selection of appropriate assumptions, the Board is required to make significant judgements in conjunction with the advice of the Chief Actuary. These judgements involve considering whether the assumptions appropriately reflect the Society's experience, circumstances and future expectations.</td><td>In assessing the valuation of the Insurance contract liabilities, we performed the following procedures:
We engaged the services of a suitably qualified, independent and experienced actuary to review and report on the methodology and assumptions applied by the Board in the calculation of the Insurance contract liabilities, and on the accuracy of the calculation itself.
We tested the integrity of the Society's policy administration data to ensure the data being used by the Chief Actuary was accurate. The testing included sample checks on premium income streams, claims paid, data integrity checks on key fields and reconciliation of policy numbers.
We reviewed the reasonableness of the assumptions used in the calculation and considered the advice of the Reviewing Actuary as to whether those assumptions were reasonable and the impact they had on the calculation.
We challenged the Board's assumptions in terms of future budgeted expenses and levels of projected new business and compared previous budgets to actual results to assess the reliability of the Society's budgeting process. We also reviewed post year end management information.</td></tr>
<tr><td colspan="2">Our conclusion
Overall, based on the assumptions and methodology used at 31 December 2022, we consider the valuation of the Insurance contract liabilities recognised within the financial statements to be appropriate and reasonable and properly disclosed.</td></tr>
<tr><td>Management override of controls
Auditing Standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively</td><td>In assessing the risk that accounting records and the financial statements are materially misstated through management overriding controls, we have performed the following procedures:
We tested journals and other transactions and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.
We reviewed bank transactions throughout the year and since the year end for material and round sum amounts and evidenced these back to appropriate documentation and authorisation
We reviewed the completeness and reasonableness of accounting estimates (in conjunction with work performed on the Insurance contract liabilities noted earlier)</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
	• We checked the consistency and appropriateness of accounting policies and disclosures in the financial statements
Our conclusion Overall, we are satisfied that the accounting records and financial statements are free from material misstatement in this respect.	

Other Information

The Board is responsible for the other information. The other information comprises the information included in the 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.

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

Opinion on other matters prescribed by the Friendly Societies Act 1992

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

- the information given in the 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 the Friendly Societies Act 1992 and the regulations made under it.

In light of the knowledge and understanding of the Group and the Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board 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 Board is responsible for assessing the Group's and the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 is considered capable of detecting irregularities including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

At the planning stage of the audit we gain an understanding of the laws and regulations which apply to the Group and the Society and how management seek to comply with them. This helps us to make appropriate risk assessments. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including but not limited to, the Friendly Societies Act 1992, regulations issued by the Prudential Regulation Authority and Financial Conduct Authority, the Solvency II directive and UK tax legislation.

Our audit focused on relevant risk areas and we reviewed compliance with laws and regulations through making relevant enquiries and corroboration by, for example, review of Board and Subcommittee meeting minutes, review of correspondence with and reports to the regulators, enquiries of management, review of reports by internal auditors and compliance consultants.

We assess the risk of material misstatement in the financial statements including as a result of fraud and undertake procedures including:

- Review of controls set in place by management;
- Enquiry of management as to whether they consider fraud or other irregularities may have occurred or where such opportunity might exist;
- Challenge of management assumptions with regard to accounting estimates; and
- Identification and testing of journal entries, particularly those which may appear to be unusual by size or nature.

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

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

Other matters which we are required to address

- **Auditor tenure** - We were appointed by the Board during June 2022 to audit the financial statements for the year ended December 2022 and subsequent financial periods.
- **Independence** - We are independent of the Group and 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.
- **Non – audit services** – We have not provided any non- audit services prohibited by the FRC's Ethical Standard to the Group or the Society.
- **Consistency of the audit report with the additional report to the audit committee** – Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' 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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Royce Peeling Green Limited

Martin Chatten (Senior Statutory Auditor)
For and on behalf of Royce Peeling Green Limited Date: 31 March 2023

Chartered Accountants
Statutory Auditor

The Copper Room
Deva City Office Park
Trinity Way
Manchester
M3 7BG

Financial Statements
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000
Earned premiums	6	**11,279**	13,541
Investment income	8	**4,452**	4,009
Net (losses)/gains on investments	9	**(25,770)**	7,301
Other income	10	**927**	896
Total income		**(9,112)**	25,747
Net benefits and claims paid		**7,705**	8,397
Change in the provision for net benefits and claims		**10**	641
Total net benefits and claims expensed	11	**7,715**	9,038
Change in contract liabilities		**(12,484)**	10,207
Change in provisions		**(31)**	9
Change in contract liabilities	17	**(12,515)**	10,216
Other operating and administrative expenses	12	**2,057**	2,087
Total claims and expenses		**(2,743)**	21,341
(Loss)/profit before tax		**(6,369)**	4,406
Tax charge/(credit)	26	**156**	(109)
Transfer (from)/to the Fund for Future Appropriations		**(6,525)**	4,515
Total comprehensive income for the year		**-**	-

As a friendly society, all net earnings are for the benefit of members and are carried forward within the Fund for Future Appropriations. Accordingly, there is no profit for the year shown in the Statement of Comprehensive Income.

As a mutual, the Group and the Society have not presented a Statement of Changes in Equity as there are no equity holders

The notes on pages 44 to 69 inclusive form an integral part of these Financial Statements.

Financial Services Register no.109994.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000
Assets			
Intangible assets	19	**144**	172
Property, plant, and equipment	20	**315**	320
Prepayments and accrued income	23	**255**	320
Investments	14	**164,796**	184,497
Insurance receivables	22	**39**	39
Corporation tax asset		**20**	150
Deferred tax asset	27	**-**	169
Cash and other cash equivalents		**1,195**	829
Total assets		**166,764**	186,496
Liabilities			
Fund for Future Appropriations	31	**4,689**	11,214
Investment contract liabilities	15	**67,185**	67,684
Insurance contract liabilities	16	**92,591**	105,350
Other reserves	29	**155**	198
Provisions	30	**61**	73
Corporation tax liability		**-**	-
Deferred tax liability	27	**-**	-
Insurance payables	24	**1,675**	1,662
Trade and other payables	25	**408**	315
Total liabilities		**166,764**	186,496

The notes on pages 44 to 69 inclusive form an integral part of these financial statements and were approved by the board on 30 March 2023 and signed on its behalf by:

Tim Birse
Chairman

Justine Morrissey
Director Finance and Risk

Peter Green
Chief Executive

Financial Services Register no.109994.

Society Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	Society 2022 £'000	Society 2021 £'000
Earned premiums	6	**11,279**	13,541
Investment income	8	**4,452**	4,009
Net (losses)/gains on investments	9	**(25,770)**	7,301
Other income	10	**927**	896
Total income		**(9,112)**	25,747
Net benefits and claims paid		**7,705**	8,397
Change in the provision for net benefits and claims		**10**	641
Total net benefits and claims expensed	11	**7,715**	9,038
Change in contract liabilities		**(12,484)**	10,207
Change in provision		**(31)**	9
Change in contract liabilities	17	**(12,515)**	10,216
Other operating and administrative expenses	12	**2,057**	2,087
Total claims and expenses		**(2,743)**	21,341
(Loss)/profit before tax		**(6,369)**	4,406
Tax charge/(credit)	26	**156**	(109)
Transfer (from)/to the Fund for Future Appropriations		**(6,525)**	4,515
Total comprehensive income for the year		**-**	-

As a friendly society, all net earnings are for the benefit of members and are carried forward within the Fund for Future Appropriations. Accordingly, there is no profit for the year shown in the Statement of Comprehensive Income.

As a mutual, the Group and the Society have not presented a Statement of Changes in Equity as there are no equity holders.

The notes on pages 44 to 69 inclusive form an integral part of these Financial Statements.

Financial Services Register no.109994.

Society Statement of Financial Position

As at 31 December 2022

	Notes	Society 2022 £'000	Society 2021 £'000
Assets			
Intangible assets	19	**144**	172
Property, plant, and equipment	20	**315**	320
Investment in Group undertakings	21	**1**	1
Prepayments and accrued income	23	**255**	320
Investments	14	**164,796**	184,497
Insurance receivables		**37**	37
Corporation tax asset		**20**	150
Deferred tax asset	27	**0**	169
Cash and cash equivalents		**1,195**	829
Total assets		**166,763**	186,495
Liabilities			
Fund for Future Appropriations	31	**4,688**	11,213
Investment contract liabilities	15	**67,185**	67,684
Insurance contract liabilities	16	**92,591**	105,350
Other reserves	29	**155**	198
Provisions	30	**61**	73
Corporation tax liability		**-**	-
Deferred tax liability	27	**-**	-
Insurance payables	24	**1,675**	1,662
Trade and other payables	25	**408**	315
Total liabilities		**166,763**	186,495

The notes on pages 44 to 69 inclusive form an integral part of these financial statements and were approved by the board on 30 March 2023 and signed on its behalf by:

Tim Birse
Chairman

Justine Morrissey
Director Finance and Risk

Peter Green
Chief Executive

Financial Services Register no.109994.

Notes to the Financial Statements
for the year ended 31 December 2022

1. Significant accounting policies

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards and under historical cost accounting rules. The Group and Society financial statements have been prepared in accordance with the Friendly Societies Act 1992 and the Friendly Societies (Accounts and Related Provisions) Regulations 1994.

These financial statements were prepared in accordance with Financial Reporting Standards (FRS) 102 & 103 applicable in the UK and Republic of Ireland as issued by the Financial Reporting Council.

The financial statements are presented in sterling and are prepared on the historical cost basis except for financial instruments and investment and insurance contract liabilities which are stated at fair value through income.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported values of its assets and liabilities. The estimates and assumptions are based on historical experience and are considered to be reasonable. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements made by management in the process of applying the group's accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in note 2. The accounting policies set out below have been applied consistently to all years presented in the financial statements.

All the following notes relate to the Group Consolidated Statement of Comprehensive Income, and the Consolidated Statement of Financial Position except for note 21 which relates to the Society only.

Going concern

The financial statements have been prepared on a going concern basis. After making enquiries, the Directors believe that they have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future.

Further details of the key considerations made by the Directors in making this assessment have been included in the Going Concern Statement in the Directors' Report on page 28.

Product classification

The Society issues both insurance and investment contracts. Insurance contracts are contracts which transfer significant insurance risk and remain as insurance contracts until all obligations are settled or expire and may also transfer financial risk. All our With-profits policies are insurance contracts. Investment contracts are contracts which carry financial risk. Such contracts are usually unit-linked. All of our Child Trust Funds and their continuation ISAs are investment contracts.

Premium income in respect of insurance contracts is included in the Statement of Comprehensive Income on the basis of premiums due from members during the year. Investment contract premiums are treated on a deposit accounting basis.

Claims
Claims are included in the comprehensive income on the following basis:
- Maturities when they become due
- Deaths when notified to the Society
- Surrenders when paid

Cash and cash equivalents
Cash and cash equivalents comprise cash balances at 31 December 2022. Cash is all in accounts with instant access.

Investment income
Investment income includes dividends and interest on investments, which is accounted for on an accruals basis.

Other income
Healthy Investment charges the Child Trust Funds an annual management charge of 1.5% less any charges paid in respect of collective investments held. The charge is deducted from the unit price based on 1/365th of the annual amount per day.

Investments
Financial assets are classified at fair value with any subsequent movement in valuation recognised through the Statement of Comprehensive Income. Quoted investments are shown at the bid market value at the accounting date.

Realised gains and losses on investments carried at fair value are calculated as the difference between the proceeds of sale less cost. Unrealised gains and losses on investments represent the difference between the fair value of an instrument owned at the last Statement of Financial Position date and its most recently recorded fair value, being either its carrying value at the last reporting date or its purchase price if purchased in the current financial period.

Subsequent to initial recognition, any gains or losses arising from changes in the fair value are recognised in the Statement of Comprehensive Income in the period that they arise.

Tangible fixed assets
Property is held at fair value.

Other tangible fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

The Society assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each component of tangible fixed assets.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

The estimated useful life is as follows:
- Furniture and equipment - 4 years

Intangible assets

Goodwill paid on acquisition
In December 2016, the Society acquired a number of Child Trust Fund (CTF) policies from Red Rose Assurance Friendly Society. The payment in excess of the liabilities is classified as goodwill. The CTF policies acquired by transfer are stated at cost less accumulated impairment losses.

The estimated useful life is as follows:
- CTF policies transferred from Red Rose Assurance Friendly Society - to policy maturity at age 18.

Capitalised software
Software constituting an asset in its own right and not that primarily purchased to enable an item of IT hardware to be used for its intended purpose. Such computer software purchased or acquired by the Society is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life is as follows:
- computer software - 4 years

The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date and are tested for impairment when there is an indication that they may be impaired.

Foreign currencies

Transactions in foreign currencies are translated to sterling. The exchange rate is the ruling official rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to sterling at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Impairment

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through the Statement of Comprehensive Income is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For financial instruments measured at cost less impairment, impairment is calculated as the difference between the carrying amount and the best estimate of the amount that the Society would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the Statement of Comprehensive Income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

Non-financial assets
The carrying amounts of the Society's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" (CGU)).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Other reserves
Other reserves comprise of ring-fenced charitable funds and an ongoing commitment to a legacy product.

Provisions
A provision is recognised in the Statement of Financial Position when the Society has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Taxation assets and liabilities
The Society recognises a current tax liability on the taxable profit of its taxable business.

The Society measures a tax liability (asset) at the amount it expects to pay (recover) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is recognised in respect of timing differences at the reporting date.

Timing differences arise where there are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Timing differences also arise and deferred tax recognised when the tax allowances for the cost of a fixed asset are received before or after the depreciation of the fixed asset is recognised in the Statement of Comprehensive Income. If and when all conditions for retaining the tax allowances have been met, the deferred tax shall be reversed.

Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Fund for Future Appropriations (FFA)

The unallocated divisible surplus incorporates amounts which have yet to be allocated to participating policyholders. Any surplus or deficit arising in the Statement of Comprehensive Income is transferred to or from the Fund for Future Appropriations on an annual basis. Surpluses are appropriated by the Directors to participating policyholders by way of bonuses. Any unappropriated surplus is carried forward in the Fund for Future Appropriations.

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Society and its subsidiary, The Rechabite Financial Services Limited, as at 31 December 2022.

Presentation of cash-flows

The Society being a mutual life assurance company is exempt from the requirement under FRS102 7.1A to produce a cash-flow statement.

Presentation of insurance and investment contract liabilities

The Statement of Financial Position shows the split of insurance and investment contract liabilities between participating and non-participating contract liabilities.

Employee benefits

We operate a defined contribution pension plan which is a post-employment pension plan under which the Society pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees. We do not operate a defined benefit scheme.

The Society has an auto-enrolment pension scheme, which employees and Directors are enrolled into automatically. The Society is obligated to pay the minimum statutory contributions.

2. Significant accounting estimates and judgements

In the preparation of the financial statements the Society may make estimates and assumptions that affect the reported amounts of assets and liabilities and may also make accounting judgements in applying the group's accounting policies. Such estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Key sources of estimation uncertainty

- Long term insurance contract liabilities

The valuation of long term insurance contract liabilities is material to the Society's financial position and require actuarial estimates and assumptions. Liabilities are based on assumptions reflecting the

BEL and are the present value of expected future cashflows, discounted back to the valuation date using a “risk-free” yield curve.

The Society’s traditional products of bonds, ISAs and endowments fall in this category. All With-profits insurance contracts are participating contracts as these contracts entitle the holder to receive, as a supplement to guaranteed benefits, additional bonuses.

The Best Estimate of Liabilities is determined by the Society’s Chief Actuary and With-Profits Actuary following the annual investigation of the Society’s long-term business and linked liabilities related assets and is calculated as the sum of the policy reserves and the cost of guarantees.

At each reporting date, an assessment is made of whether the recognised long-term contract liabilities are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities is insufficient in light of the estimated cash flows, the deficiency is recognised in the Statement of Comprehensive Income.

Estimations are applied when assessing historical data in arriving at assumptions that best reflect the characteristics of the underlying insurance portfolio. An investigation is undertaken by the Chief Actuary for determining recommended mortality, lapse, and partial withdrawal rates. Further detail on the assumptions applied to the long term insurance liability valuation can be found in note 18 of the Annual Report.

Key areas of judgement

- Valuation of financial instruments

In order to increase consistency and comparability in fair value measurements and related disclosures, fair value of financial instruments is categorised through a 'fair value hierarchy'.

The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three levels of hierarchy are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs) and estimates may be required on assessing a fair value.

All of the Society’s assets are considered level 1 or level 2 so no estimates have been applied at this time.

- Expense assumptions

An approximate calculation or judgement of the value of acquisition and renewal expenses is applied when setting the expense assumptions used in the valuation. These are detailed in note 18.
Future expense levels are a key variable that influence the value of contract provisions. Expense inflation is built into provisioning. The sensitivity in respect of a 1% permanent increase in maintenance expenses plus a 10% increase in inflation is quantified in note 5.

3. Segmental information

The activities of the operational segments are:

With-profits
The principal activity is providing With-profits business. The core products are Endowment Savings Plans, Investment Bonds, ISAs and Junior ISAs.

Unit-linked
The principal activity is providing Unit-linked Child Trust Fund business and protected ISAs. The core products are Stakeholder and Ethical policies.

In the following tables revenue and expenses, and assets and liabilities are illustrated separately for the With-profits Funds and Unit-linked Funds.

Revenue and expenses	2022		2021	
	With-profits £'000	Unit-linked £'000	With-profits £'000	Unit-linked £'000
Gross premiums	11,279	-	13,541	-
Net premiums	11,279	-	13,541	-
Investment income and other income	(20,671)	280	2,081	10,125
Total income	(9,392)	280	15,622	10,125
Benefits and claims	7,715	-	9,038	-
Net change in contract liabilities	(12,015)	(499)	99	10,117
Other expenses	2,057	-	2,087	-
Total segment expenses	(2,243)	(499)	11,224	10,117
Profit/(Loss) before tax	(7,149)	779	4,398	8

Assets and liabilities	2022		2021	
	With-profits £'000	Unit-linked £'000	With-profits £'000	Unit-linked £'000
Intangibles	144	-	172	
Property, plant, and equipment	315	-	320	-
Financial assets	97,526	67,270	117,007	67,767
Other assets	294	-	401	-
Cash and cash equivalents	1,195	-	829	-
Total assets	99,474	67,270	118,729	67,767
Insurance and investment contract liabilities	92,591	67,185	105,350	67,684
Other liabilities	2,300	-	2,248	-
Total liabilities	94,891	67,185	107,598	67,684
Net assets	4,583	85	11,131	83

4. Capital management

Along with all other PRA registered life insurers, the Society is required to maintain sufficient capital that is consistent with the Group's risk profile and is subject to a number of regulatory capital tests. The failure of any life insurer to meet these PRA capital tests can result in the insurer being closed to new business and being placed into 'run off'.

The key capital management objectives are:
- To comply with the capital requirements of the PRA
- To ensure that the Society's financial strength is maintained
- To ensure that the Society's strategy is sustainable and can be implemented
- To give current and future members and other stakeholders confidence in the long term stability of the Society

These objectives are reviewed at least annually. The board is responsible for meeting the capital requirement at all times. The Society complied with the PRA's capital requirement throughout the year. The board aims to maintain an appropriate buffer in excess of the capital requirement.

The Society prepares a strategic business plan over 5 years and maintains the agreed capital objectives through its system of risk management, investment policy, control of expenses and the implementation of its operational business and distribution plans.

Measurement and monitoring of capital

The capital position of the Society is monitored on a regular basis. Benchmarks are set to assess the adequacy of the Society's financial strength. In circumstances where there is a significant fall in the capital base, management actions are taken to reduce risk exposure.

The board confirms that the Society has exceeded the PRA's required margin of solvency throughout the year.

Capital statement: Summary Solvency II Balance Sheet (unaudited)

The following table sets out the capital available and capital requirement as calculated by the Society's With-profits Actuary. Values have been rounded individually.

	2022	2021
	£'000	£'000
Value of assets	**166,681**	186,388
Technical provisions and other liabilities	**(160,085)**	(173,167)
Own Funds	**6,597**	13,221
Capital requirement	**(3,445)**	(8,548)
Excess Own Funds	**3,152**	4,673
Solvency Cover	**192%**	155%

The Solvency II Balance Sheet does not form part of the audit of the Financial Statements. It is part of the unaudited Solvency and Financial Condition Report (SFCR).

5. Risk management

The board is responsible for the effectiveness of the risk management system. It approves the risk management strategy and policies, sets the risk appetite, the risk appetite framework, tolerance limits and management actions employed to mitigate risk.

The Risk Committee is delegated with the task of overseeing the risk management system.

The overarching risk strategy is to ensure that the Society is run in the best interests of members and that it is able to maintain its regulatory capital requirements and honor the guarantees made to policyholders, whilst achieving a fair and realistic investment return.

The Society's system of risk management includes the categorisation, recording and assessment of risks, undertaking sensitivity analysis of risk exposures and setting operational tolerance limits for management.

The Society is exposed to the following principal risks. The details below summarise the risks and the Society's management of the risks.

Underwriting Risk

Underwriting or insurance risk is the risk of loss arising from actual experience being different than that assumed when a product was designed and priced. For Healthy Investment insurance risk includes mortality and longevity risk, expense risk and persistency risk.

Mortality Risk

Life business is exposed to changes in life expectancy experience. A product's technical provisions are calculated based on the assumed mortality of policyholders. The risk is that more or fewer policyholders die than expected and the benefit paid is more or less than the policy's technical provision.

As at 31 December 2022 Healthy Investment was exposed to £52.3 million (2021: £39.0 million) of mortality risk in the form of total benefits that would be payable on death (assuming everyone died immediately) in excess of its technical provisions.

A 15% permanent increase in future mortality rates assumed would increase technical provisions by £171k (2021: £20k) before loss absorbency and £5k (2021: £3k) after, on policies where an increase in mortality causes losses. A 20% permanent reduction in mortality would increase technical provisions by £78k (2021: £138k) before loss absorbency and £77k (2021: £128k) after, on policies where a reduction in mortality would cause losses. These risks are relatively minor in impact.

The mortality exposure is not concentrated in a few lives but is widely spread through all the insurance policies written by the Society. The risk is mitigated through a regular review of actual experience against estimated mortality so that adequate provisions are established. Underwriting standards for new policies are reviewed following the experience review.

Longevity Risk

There is no natural longevity risk in the business. The Society does however allocate an expense per policy on the legacy Accident, Sickness and Death policies in-force. The longer the policies remain on the books, the higher expense assumption, and higher technical provisions reserve.

Expense Risk

In pricing the insurance policies and in setting technical provisions, assumptions are made as to the acquisition and maintenance expenses over the life of the policies. The Society is exposed to the risk that the charges it deducts from policyholders' benefits are not sufficient to cover these expenses and that the technical provisions make inadequate allowance for future expenses.

A significant part of the cost of running the Society is fixed and not dependent upon the number or value of policies in force. Therefore, the volume of new and in force business has a major impact on whether policy charges can meet the expenses incurred.
The fixed expenses are largely concentrated in employee remuneration and other benefits, actuarial and audit fees.

A permanent 10% increase in operating administrative expenses and a 1% per annum permanent increase in future inflation would increase the technical provisions by £1.0 million before loss absorbency and £0.5 million after (2021: £1.3 million/£0.7 million).

The risk that charges on policies are not sufficient to cover the expense base of the Society is mitigated through careful management of discretionary spend, the setting of an annual budget and the close monitoring of any expense variances.

Persistency Risk

In pricing the life insurance business and in setting technical provisions, assumptions have been made as to the rate at which the policyholder will surrender or lapse policies. The risk is that policies do not remain in force as long as expected or stay in force longer than expected. In turn, this also affects the number of policies over which fixed costs can be spread and the recovery of acquisition costs.

Healthy Investment is exposed to persistency risk from surrender values being less or more than technical provisions and the loss of margins to pay future expenses. Surrender values of all non CTF policies amount to £93.2 million (2021: £100.0 million). The technical provisions amount to £92.5 million (2021: £105.3 million).

Allowing for the more severe of a 40% mass lapse scenario and a permanent 50% increase or decrease in the rates of assumed lapses on an individual policy level reduces future margins and would increase technical provisions by £3.4 million (unaudited) (2021: £2.5 million (unaudited)) before allowing for loss absorbency and £1.8 million (unaudited) after (2021: £2.0 million (unaudited)).

The risk is mitigated through regular reporting of claims experience and persistency and where appropriate pursuing an active member retention strategy. An analysis of exposure by adviser firm has been undertaken to ensure no material exposure to any one source of business.

Investment Risk

The Society is exposed to various investment or financial risks through its investment holdings and insurance liabilities. There are various forms of investment risk: market risk, credit spread risk, and liquidity risk being the major components.

Market Risk

Market risk is the risk of a loss arising either directly or indirectly from fluctuations in the level and volatility of the market prices of assets and liabilities. Market risk can arise from both economic and political uncertainty and events. The key market risks relate to the performance of the assets invested in the With-profits Funds. The main types of market risk are equity risk, property risk, credit risk, currency risk and interest rate risk.

The Society's Investment Committee oversees the investment policy and strategy set by the board which the Society implements through the use of investment guidelines. The investment manager manages the funds in accordance with the Strategic Asset Allocation (SAA). The Society monitors both performance and asset allocation.

The Society's With-profits Funds are sufficiently diversified across major asset classes. A table of our asset allocation as at 31 December 2022 and as at 31 December 2021 can be seen below.

	2022	2021
Asset Class	%	%
Fixed interests - government bonds	**59.8**	50.0
Fixed interests - corporate bonds	**9.3**	18.6
UK equities	**3.7**	12.7
Overseas equities	**1.5**	5.3
Commercial property	**2.1**	7.7
Cash deposits	**23.6**	5.7
Total	**100.0**	100.0

Equity Price Risk

Equity price risk is the exposure to fluctuations in the market value of the equity portfolios.

As at 31 December 2022 the equity exposure was £5.0 million (2021: £21.0 million) reflecting both direct holdings and collective investments.

The equity risk capital required under Solvency II before loss absorbency was £2.8 million (unaudited) (2021: £11.6 million (unaudited)) including loss of margins on the CTF portfolio of £1.0 million (unaudited) (2021: £1.2 million (unaudited)) and after loss absorbency £0.6 million (unaudited) (2021: £6.5 million (unaudited)).

Equity price risk is controlled through limits on equity exposure, which is determined based on the Society's risk appetite. There is a process, when appropriate, for management action to reduce equity exposure.

Property Price Risk

Property price risk arises from changes in the value of investment properties held directly or through collective investment schemes.

As at 31 December 2022 the property exposure was £3.1 million (2021: £12.5million) reflecting the collective investments (REITS) shown within the financial investments in the Statement of Financial Position. This includes shares in investment trusts that "gear up" their property exposure by borrowing money to invest in property above their total net assets.

The property risk capital required under Solvency II (reflecting a 25% fall in property values) before loss absorbency was £0.8 million (unaudited) (2021: £3.1 million (unaudited)) and after loss absorbency £36k (unaudited) (2021: £0.3 million (unaudited)).

Property price risk is managed through setting a maximum exposure and monitoring the value of holdings. There is a process, when appropriate, for management action to reduce property exposure.

Interest rate risk

Interest rate risk is the risk that the value of fixed interest financial instruments will vary as market rates of interest vary and that technical provisions will vary due to changes in the level of risk free rates of return used to discount the underlying cash-flows.

As at 31 December 2022 the interest rate exposure was £67.2 million (2021: £79.5 million) which was the total amount of bonds held both directly and through collective investments. The interest rate risk capital required under Solvency II before loss absorbency was £2.1 million (unaudited) (2021: £1.6 million (unaudited)) and after loss absorbency £4k, (unaudited) (2021: £0k (unaudited)).

The control of interest rate risk is achieved by aiming to ensure that fixed interest securities match the duration of the liability cash-flows underlying the technical provisions. In practice, cash-flow matching is very difficult to achieve, and the interest rate risk is mitigated by setting a target mean duration of the fixed interest portfolio. The interest rate risk is managed through regular review and re-assessment of the mean duration and monitoring market interest rates.

Currency Risk

Currency risk is the exposure to fluctuations in currencies in the value of non-sterling denominated assets.

As at 31 December 2022 the currency exposure was £1.8 million (2021: £7.0 million) in the form of direct assets (bonds and equities) and assets held within collective investments. The currency risk capital required under Solvency II before loss absorbency was £0.4 million (unaudited) (2021: £1.7million (unaudited)) and £3k (unaudited) after loss absorbency (2021: £0 (unaudited)).

The currency risk is controlled through limits on holdings of non-sterling currency denominated securities and the overseas equity exposure, which is determined based on the Society's risk appetite. There is a process, when appropriate, for management action to reduce equity exposure.

Credit Spread Risk

Credit spread risk is the sensitivity of the values of corporate bonds to changes in the level or in the volatility of credit spreads. As credit spreads will typically be narrower for well rated securities than for poorly rated securities (and for short duration rather than long duration securities), the Society specifies credit quality limits to the assets in its investment policy.

As at 31 December 2022 the credit spread exposure was £8.4 million (2021: £19.9 million) which was the total of corporate bonds held both directly and through collective investments. The credit spread risk capital required under Solvency II before loss absorbency was £1.1 million (unaudited) (2021: £2.9 million (unaudited)) and after loss absorbency £18k (unaudited) (2021: £0.2 million (unaudited)).

The credit quality steps are an assessment of the credit quality of the corporate bond assets (categorised by complementary identifier code) held within the Society's investments reflecting rating information provided within look-through tripartite investment data.

The credit ratings have been mapped to the credit quality steps defined within the Solvency II rules, with 0 being the highest credit quality and 6 being the lowest. Credit step 3 is normally equivalent to the lowest investment grade step.

Credit quality step	**HI WPF £'000**	**% holding**	**CAS RFF £'000**	**% holding**	**Total £'000**	**% holding**
1	252	3%	30	17%	282	3%
2	2,187	27%	42	23%	2,229	27%
3	3,869	47%	71	40%	3,940	47%
4	560	7%	10	6%	570	7%
5	171	2%	3	2%	174	2%
6	-	0%	-	0%	-	0%
Unrated	220	3%	4	2%	224	3%
Rating not received	944	12%	18	10%	962	11%
Total	**8,203**	**100%**	**178**	**100%**	**8,381**	**100%**

Values have been rounded individually.

The credit spread risk exposure is managed by setting limits on the exposure to counterparties of various risk classifications. The Society also considers its credit risk and reviews the carrying amount of its financial assets at each Statement of Financial Position date. If the carrying value of a financial asset is impaired, the carrying amount is reduced. This primarily relates to receivables where there is no realistic prospect of recovery. There are no impairment provisions being carried.

An age analysis of the receivables is:

2022	**Not overdue £'000**	**<30 days £'000**	**>30 days £'000**	**Total £'000**
Loan and other receivables	**2**	**-**	**7**	**9**
Insurance receivables	**-**	**17**	**13**	**30**
Total	**2**	**17**	**20**	**39**

2021	Not overdue £'000	<30 days £'000	>30 days £'000	Total £'000
Loan and other receivables	2	-	7	9
Insurance receivables	-	19	11	30
Total	2	19	18	39

Counterparty Risk

The Society also considers counterparty risk. This is the risk of a loss arising due to a party defaulting on any type of debt. The key area of risk for the Society is the amounts held with banks and other financial institutions.

Counterparty risk is managed through limits on total exposure to individual counterparties. The investment managers provide a quarterly look through of holdings in collective investment schemes.

As at 31 December 2022 the Society's exposure is:

Society bank accounts	£1.1 million
Other bank counterparties	£23.0 million

As at 31 December 2021 the Society's exposure was:

Society bank accounts	£0.8 million
Other bank counterparties	£7.1 million

The amount of capital required under Solvency II stresses of the counterparty risk was £1.1 million before loss absorbency (unaudited) (2021: £0.4 million (unaudited)) and £0k after loss absorbency (unaudited) (2021: £0k (unaudited)).

Liquidity risk is the risk that the Society cannot make payments as they become due because there is insufficient cash or assets that can be realised quickly.

The With-profits financial assets under management are all considered marketable securities and are traded either through a recognised central exchange (Level 1 assets) or the over-the-counter market (Level 2 assets) which is supported by both investment banks and brokers. The network is broad and extensive.

	2022 **£'000**	2021 £'000
With-profits cash and marketable securities	**98,872**	117,866

The undiscounted insurance cash-flows expected from the maturity of policies and fixed interest investments are shown in the table below and have been derived from the calculation of discounted technical provisions for insurance contract liabilities.

Year	**Policy cashflows** **£'000**	**Fixed Interest cashflows** **£'000**
< 1 year	**9,494**	**1,018**
1 - 3 years	**26,659**	**21,611**
4 - 5 years	**15,667**	**11,492**
6 - 10 years	**37,370**	**35,062**
11 - 15 years	**21,284**	**-**
16 - 20 years	**7,911**	**-**
20 + years	**2,486**	**-**
Total	**120,871**	**69,183**

Liquidity is maintained at a level where the Society is confident all claims can be paid without delay to the member. The risk exposure is managed by matching maturities of assets and liabilities and holding investments which can be readily realised. The liquidity requirements are taken into consideration in the investment management agreements set by the board. No liquidity sensitivity analysis has been undertaken.

The Society also takes into consideration operational and strategic risk.

Operational Risk

Operational risk covers the losses due to failure of people or processes. The material risks are:

- Data security – the risk of unauthorised access, use or disclosure of data
- IT infrastructure – the risk of system failure, integrity, reliability or effectiveness issues
- Outsourcing – the risk of a service provider failure, non-performance, or ineffective management
- Compliance – the risk of not meeting regulatory or legal requirements
- Reputation – the risk of adverse publicity
- Fraud – the risk of policyholders' funds being misappropriated
- Key person – the risk of the Society losing more than one key employee without notice

Management of operational risk is through the close involvement of senior managers in the day to day running of the business, a robust data security regime, monitoring of regulatory and legal changes, reporting on compliance issues to the board, sign off by the board of all new products, internal operating procedures and controls, internal audit, and the Society's succession plan.

As all Healthy Investment's business has been concluded in the UK, the Society only has a small number of policyholders who have subsequently moved overseas. The Society is continuing to engage with regulators and the Association of Financial Mutuals to establish how best to support these members and treat them fairly where policies cannot legally be encashed early and in the absence of an EU financial services agreement.

Strategic Risk

There is a strategic risk that the Society will not effectively implement its strategy and achieve the objectives set out in its Business Plan.

6. Earned premiums

	2022	2021
	£'000	£'000
Single	**6,550**	9,249
Periodic	**4,729**	4,292
Total Earned Premiums	**11,279**	13,541

7. New business premiums

Annual Premium Equivalent	**2022**	2021
	£'000	£'000
Investment and savings – single premium	**618**	871
Investment and savings – regular premiums	**221**	305
Unit-linked savings	**64**	58
	903	1,234

All new business disclosed is the annual premium equivalent with the exception of Unit-linked investments which are accounted for on a deposit accounting basis and are stated on the same basis as single premium contracts, being 1/10th of the deposited amount.

8. Investment income

	2022	2021
	£'000	£'000
Fixed interest from listed investments	**1,874**	1,510
Dividends from listed investments	**2,554**	2,497
Interest receivable	**24**	2
	4,452	4,009

9. Net (losses)/gains on investments

	2022	2021
	£'000	£'000
Fixed interest securities	**(17,520)**	(4,872)
Equity securities	**(8,250)**	12,172
	(25,770)	7,301

10. Other income

	2022 £'000	2021 £'000
Unit-linked annual management charges received	**927**	896
	927	896

11. Net benefits and claims

	2022 £'000	2021 £'000
Deaths	**871**	1,810
Maturities	**2,910**	2,965
Surrenders	**3,934**	4,263
	7,715	9,038

12. Other operating and administrative expenses

	2022 £'000	2021 £'000
Commission expenses	**174**	235
Employee costs (note 28)	**771**	709
Investment management charges	**333**	325
External auditor's remuneration (note 13)	**65**	172
Actuarial and valuation expenses	**324**	257
Advertising and marketing	**60**	61
Legal and professional fees	**40**	59
Other operating and administrative expenses	**246**	227
Amortisation of intangible assets	**28**	30
Depreciation on property and equipment	**16**	12
Total	**2,057**	2,087

All expenses incurred on behalf of The Rechabite Financial Services Ltd have been met by the Society in 2022 and in 2021.

13. Auditor's remuneration

	2022 £'000	2021 £'000
Audit of these financial statements	**65**	162
Under provision from previous year	**-**	10
Total	**65**	172

14. Investments

	2022 £'000	2021 £'000
UK listed	**72,806**	91,519
Overseas listed	**1,481**	6,084
Debt and other fixed income securities	**67,479**	80,393
Cash deposits	**23,030**	6,501
	164,796	184,497

Unit-Linked assets measured at fair value	**£67,270**	£67,767

The financial assets under management are classified either as Level 1 or Level 2 as they are traded either through a recognised central exchange (Level 1 assets) or the over-the-counter market (Level 2 assets) which is supported by both investment banks and brokers. The network is broad and extensive. Any changes to the fair value are recognised within net losses/gains on investments within the Statement of Comprehensive Income.

Table of fair value hierarchy of financial assets:

2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets – fair value through income	**58,566**	**83,200**	**-**	**141,766**

2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets – fair value through income	56,703	121,293	-	177,996

Collectives and corporate bonds are classified as Level 2 assets.

15. Investment contract liabilities

	2022	2021
	£'000	£'000
Investment contract liabilities	**67,185**	67,684

Movement in investment contract liabilities	**2022**	2021
	£'000	£'000
Balance at 1 January	**67,684**	58,403
Deposits received from policyholders	**642**	578
Payments made to policyholders	**(489)**	(518)
Unit-linked management fees payable	**(927)**	(896)
Change in contract liabilities	**275**	10,117
Balance at 31 December	**67,185**	67,684

16. Insurance contract liabilities

	2022	2021
	£'000	£'000
Insurance contract liabilities	**92,591**	105,350
Total	**92,591**	105,350

Movement in long term insurance contract liabilities	**2022**	2021
	£'000	£'000
Balance at 1 January	**105,350**	105,260
Model change	**(382)**	(956)
Mortality assumption change	**-**	183
Expense assumption change	**(385)**	396
Lapse assumption change	**-**	165
Economic assumption change	**(12,849)**	(4,838)
Bonuses	**(2,757)**	594
Policy movements	**3,614**	4,546
Balance at 31 December	**92,591**	105,350

17. Change in long term contract liabilities

	2022 £'000	2021 £'000
Change in long term contract liabilities		
Increase in insurance contract liabilities	**(12,759)**	90
Increase/(decrease) in investment contract liabilities	**275**	10,117
Provision expense	**(31)**	9
Net change in contract liabilities	**(12,515)**	10,216

18. Long term insurance and investment contract liability valuation assumptions

The calculation of the technical provisions requires realistic assumptions on:

- Discount rates for future cash-flows
- Lapse rates
- Expenses and expense inflation
- Mortality rates

Discount rates for future cash-flows

The discount rates are used to discount the expected future net cash-flows to generate a value as at the valuation date. The rates used are spot rates provided by the PRA. PRA publishes risk-free spot rate curves for the UK on a monthly basis. As the Society's liabilities are all denominated in Sterling the GBP yield curve is used.

Example rates from the risk-free spot rate curve as at 31 December 2022 are shown in the table below:

Term to maturity (years)	**Risk free rate %**	**Term to maturity (years)**	**Risk free rate %**
1	4.460%	**30**	3.351%
2	4.470%	**40**	3.146%
5	4.062%	**50**	2.929%
10	3.710%	**60**	2.914%
15	3.618%	**70**	2.963%
20	3.535%	**75**	2.990%
25	3.449%	**80**	3.016%

No judgement has been applied as the risk-free interest rate is supplied by the PRA.

Lapse rates

For With-profits products, lapse is a generalised term for when a policy is lapsed or surrendered. For the CTF products a lapse is a transfer of the CTF out of the Society. For the purposes of the valuation, we must assume that all CTFs mature at the life assured's 18^{th} birthday as this is the contractual period.

The lapse assumption rates reflect actual experience, based on a Lapse and Partial Withdrawal Investigation carried out as at June 2021. The data used in the investigation is for the period 1 January 2018 to 31 December 2020 inclusive for the With-profits Fund. The Society conducted its own analysis towards the end of 2022 and concluded that the assumed rates were still appropriate.

Judgement is applied when assessing historical data to ensure the data used is applied appropriately. Judgement is also used where assessing data validity.

Expenses and expense inflation

The expense assumptions have been set based on the most recent open fund expense analysis of the Society.

The expense analysis projects the Society's budgeted management expenses allowing for expense inflation. The management expenses are split between acquisition, renewal, and investment expenses. The acquisition and renewal expenses are further split between administration and overhead expenses.

The analysis also projects the expected premium income, number of in force policies and the With-profits and CTF funds in order to derive appropriate assumptions to cover all expected future management expenses.

For the CTF valuation an assumption is required on the costs incurred by the Society for administering the CTF policies which need to be covered by the annual management charge applied to the policy units. The expected CTF administration costs are based on a Society budget of the expected costs for the forthcoming year and the number of CTF policies in force.

The expense inflation is based on inflation figures from the government bond market (comparing index linked and nominal based UK gilts).

Judgement is used to split expenses between the expense category and the products.

The table below shows the expense assumptions used within the valuation:

Product	**Not Mass Lapse Stress**	**Mass Lapse Stress**
Healthy Investment CTF	Investment charge of 0.47% of the Fund Administration expense of £0.33 per annum per policy Maturity expense of £3.00 Expense inflation of 2.75%	Investment charge of 0.72% of the Fund Administration expense of £0.33 per annum per policy Maturity expense of £3.00 Expense inflation of 2.75%
Other Healthy Investment products	0.47% of funds under management 0.66% of annual premium £19.88 per policy expense Expense inflation of 2.75%	0.63% of funds under management 1.10% of annual premium £21.87 per policy expense Expense inflation of 2.75%.

Product	Not Mass Lapse Stress	Mass Lapse Stress
Coventry products	For Table A policies £25 per claim not inflating For Unibond policies 0.7% funds under management 7.5% of premiums For other policies 0.7% funds under management 12.5% of premiums	For Table A policies £25 per claim not inflating For Unibond policies 0.7% funds under management 7.5% of premiums For other policies 0.7% funds under management 12.5% of premiums

Mortality rates

Mortality assumptions are based on published standard mortality tables. These are then adjusted by applying a percentage based on the latest analysis of the Society's past experience.

The standard mortality tables used for all products, except the CTF, are the AMC00/AFC00 tables. The mortality table used for the CTF is the English Life Table number 17 (ELT17).

The table below shows the mortality assumptions:

Healthy Investment CTF	13% English Life Tables 17 for ages up to 17 and 92% AMC00 / 98% AFC00 mortality tables for older ages
Healthy Investment Adult Sick and Death	50% AMC00 and 44% AFC00 series
Healthy Investment Endowment/Whole Life	100% English Life Tables 17 for ages up to 17 and 92% AMC00 / 98% AFC00 mortality series for older ages
Healthy Investment AWP products	100% English Life Tables 17 for ages up to 17 and 97% AMC00 / 97% AFC00 mortality series for older ages
Supplementary Pensions	80% PMA00
Coventry Assurance products	100% English Life Tables 17 for ages up to 17 and 95% AMC00 series / 73% AFC00 for older ages

Judgement is used in the selection of the standard mortality tables. Judgement is also applied when assessing historical data to ensure the data used is valid and applied appropriately.

Tax rates

The current Corporation Tax rate applicable to the Society is 20% (2021: 20%).

Level of uncertainty associated with the value of technical provisions

The technical provisions are calculated using financial models and as such there is always an inherent degree of uncertainty. Analysis of how model results compare to past experience can be used as a guide. Past experience is no guarantee of future experience. The sensitivity of the model results is also central to the assumption setting process. A robust assumption setting process is followed to ensure that any uncertainties are kept to a minimum.

19. Intangible assets

	Goodwill on acquisition £'000	Computer Software £'000	Total 2022 £'000	Total 2021 £'000
Cost				
At 1 January	312	77	389	404
Disposals	0	0	0	(15)
At 31 December	312	77	389	389
Amortisation				
At 1 January	140	77	217	202
For the period	28	0	28	30
Disposals	0	0	0	(15)
At 31 December	168	77	245	217
Net Book Value	144	0	144	172

20. Property, plant, and equipment

	Furniture & Equipment £'000	Land & Buildings £'000	Total 2022 £'000	Total 2021 £'000
Cost / valuation				
At 1 January	76	320	396	426
Additions	12	-	12	-
Disposals	-	-	-	(30)
At 31 December	88	320	408	396
Depreciation / revaluation				
At 1 January	56	20	76	94
Depreciation for the period	17	-	17	12
Revaluation for the period	-	-	-	-
Disposals	-	-	-	(30)
31 December	73	20	93	76
Net Book Value	15	300	315	320

The net book value of the property 2 The Old Court House, Tenterden Street, Bury BL9 0AL is considered at fair value. A formal open market valuation was carried out by Trevor Dawson, commercial property consultants, in March 2020 and in March 2021 the same property consultants considered there to be no material change in value. During 2022 another unit within the same building was sold and the sale valuation given the relative sizes of the units led the board to conclude that the net book value is still appropriate and may continue to be relied upon for accounts purposes.

21. Investment in group undertakings

The Rechabite Financial Services Limited is a wholly owned subsidiary undertaking.
It has not traded in this year or the prior year.

	2022	2021
	£'000	£'000
Cost at 1 January and at 31 December	**1**	1

Note 21 is only applicable to the Society and not the Consolidated Statement of Financial Position.

22. Insurance receivables

	2022	2021
	£'000	£'000
Due from policyholders	**30**	30
Due from agents and intermediaries	**9**	9
	39	39

Insurance receivables are all due within one year.

23. Prepayments and accrued income

	2022	2021
	£'000	£'000
Accrued dividends	**4**	-
Accrued interest	**213**	277
Other prepayments and accrued income	**38**	43
	255	320

Prepayments and accrued income are all due within one year.

24. Insurance payables

	2022	2021
	£'000	£'000
Outstanding claims	**1,670**	1,653
Due to brokers and intermediaries	**5**	9
	1,675	1,662

25. Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	**65**	36
Other taxes and social security costs	**18**	18
Other creditors	**-**	1
Accruals and deferred income	**325**	260
	408	315

26. Tax on profit on ordinary activities

Values have been rounded individually

	2022	2021
Current tax (credit)/charge	**£'000**	£'000
Corporation tax on profit of the period	**(19)**	154
Adjustment in respect of prior years	**7**	-
	(12)	154
Deferred tax charge/(credit)		
Current year	**175**	(232)
Adjustment in respect of prior years	**(6)**	(31)
	169	(263)
Total tax charge/(credit) for the period	**156**	(109)
Reconciliation for tax charge for the period		
(Loss)/profit on ordinary activities before tax	**(6,369)**	4,406
UK corporation tax at 20% (2021: 20%)	**(1,274)**	881
Effect of:		
(Income and gains not taxable)/expenses and losses not deductible	**2,272**	(1,931)
Changes in contract liabilities	**(3,401)**	964
Deferred tax asset not recognised	**2,558**	-
Adjustments in respect of prior years	**1**	(31)
Other	**-**	8
Total tax charge/(credit)	**156**	(109)

The Society is liable to UK corporation tax at the rate of 20% (2021: 20%) on investment income and gains, less allowable expenses and losses, on business other than that relating to tax-exempt policies. This tax is computed in accordance with the legislation applicable to life assurance companies.

27. Deferred tax

Values have been rounded individually

	2022	2021
Deferred tax assets/(liabilities) are attributable to the following:	**£'000**	£'000
Excess expenses and other tax losses carried forward	**2,191**	-
Deferred acquisition expenses and other temporary differences	**209**	209
Unrealised investment losses/(gains)	**159**	(40)
	2,558	169
Deferred tax assets not recognised	**(2,558)**	-
Deferred tax asset/(liability) recognised	**-**	169

The Society has not recognised a net deferred tax asset of £2,558,134 (2021: nil) because it is not probable that future taxable profits will be available against which the carried forward tax losses can be offset. The gross amount of tax losses carried forward is £10,952,626 (2021: nil). These losses have no expiry date.

Movement in deferred tax balances	**2022**	2021
	£'000	£'000
Opening deferred tax asset/(liability)	**169**	(94)
(Charge) / credit to the income and expenditure account	**(169)**	263
Closing deferred tax asset/(liability)	**-**	169

28. Employee costs

	2022 £'000	2021 £'000
Salaries and benefits	**652**	603
Social security costs	**63**	58
Pension costs	**56**	48
Total	**771**	709

Employee costs include the cost of Executive and Non-executive Directors.

Average number of persons employed by the Society over 2022:		
Executives	**2**	2
Non-executive Directors	**5**	6
Sales & marketing	**2**	2
Administration	**10**	9
	19	19

29. Other reserves

	Douglas Carr Memorial scheme £'000	Surplus Contribution Fund £'000	Temperance Fund £'000	2022 £'000	2021 £'000
Balance at 1 January	**76**	**11**	**111**	**198**	207
Movement in reserves	**(15)**	**(7)**	**(21)**	**(43)**	(9)
Balance at 31 December	**61**	**4**	**90**	**155**	198

The reserves made are in respect of:

- The Douglas Carr Memorial Scholarship Scheme was established to give bursaries to members who are in full time education. The fund is not available as funds for the Society to utilise. Any payments out of the fund are made at the discretion of the Society.
- The Surplus Contribution Fund is a legacy product.
- The Temperance Fund was created to support charitable initiatives that promote healthy lifestyle choices. The fund is not available as funds for the Society to utilise. Any payments out of the fund are made at the discretion of the Society.

30. Provisions

	Supplementary Pension Fund 2022 £'000	2021 £'000
Balance at 1 January	**73**	76
Increase in provision	**1**	9
Amounts paid out in the year	**(13)**	(12)
Balance at 31 December	**61**	73

- The Supplementary Pension Fund is in respect of a pension to a former officer of the Society.

31. Fund for Future Appropriations

	2022	2021
Consolidated Statement of Financial Position	**£'000**	£'000
Balance at 1 January	**11,214**	6,699
Transfer (from)/to Statement of Comprehensive Income	**(6,525)**	4,515
Balance at 31 December	**4,689**	11,214

Note 31 shows the consolidated position as per the Consolidated Statement of Financial Position. The Society Financial Position differs by £1k which is the reserve of the subsidiary The Rechabite Financial Services Ltd.

32. Related party transactions

Subsidiary:
In 2022 there were no transactions with the subsidiary (2021: £nil). As at 31 December 2022 the Society owed to the subsidiary an amount of £2,377 (2021: £2,377).

Transactions entered into by the Society's Directors and Committee of Management have all been conducted at arm's length. Some of the Society's Directors and Committee of Management members are members of the Society and pay annual or monthly premiums to policies. Details of loans, transactions and arrangements with Directors and their connected persons are included in a register maintained under Section 69 of the Building Societies Act 1986 (as applied to Friendly Societies by part II of Schedule 11 to the Friendly Societies Act 1992), at the Society's principal office. The register is available for inspection during normal business hours.

The Old Courthouse (Bury) Management Company Ltd:
During 2022 Keith Ashcroft was a director of both Healthy Investment and The Old Courthouse (Bury) Management Company Ltd until he left both businesses at the end of November 2022.

33. Directors' emoluments

Non-executive Directors	**Salary / Fees**	**Pension**	**Bonus**	**Other Benefits**	**2022 £'000**	2021 £'000
S Spilsbury *	**8**	-	-	-	**8**	15
P Okell	**15**	-	-	-	**15**	11
T Birse	**16**	-	-	-	**16**	13
D Fawell	**15**	-	-	-	**15**	12
E Boardall	**13**	-	-	-	**13**	10
S Baldwin	**14**	-	-	-	**14**	10
Executive Directors						
P Green	**118**	**15**	**12**	**9**	**154**	152
K Ashcroft *	**76**	**9**	**9**	-	**94**	96
J Morrissey #	**11**	-	-	-	**11**	-
					340	319

* Individuals resigned during 2022.
# Individuals started during 2022.

34. With-Profits Actuary

Below is the information in accordance with Section 77 of the Friendly Society Act 1992.

The Chief Actuary and the With-Profits Actuary was Mr Stephen Dixon of Steve Dixon Associates LLP.

The Society has requested him to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mr Dixon has confirmed that neither he nor his family, nor any of his associates were members of the Society, nor have they any financial or pecuniary interests in the Society, with the exception of fees paid to Steve Dixon Associates LLP, for professional services. The aggregate amount of fees billed in the year was £324k (2021: £257k).

35. Society information

The Rechabite Friendly Society Limited
Incorporated and registered in England and Wales

Registered office

2 The Old Court House
Tenterden Street
Bury
Greater Manchester
BL9 0AL

Tel: 0161 762 5790
E-mail: enquiries@healthyinvestment.co.uk
Web: www.healthyinvestment.co.uk

HealthyInvestment
ethical investments since 1835

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www.healthyinvestment.co.uk

Healthy Investment is the trading name of The Rechabite Friendly Society Limited.
Registered and incorporated under The Friendly Societies Act 1992. Register No 218F.
Authorised by the Prudential Regulation Authority and regulated by The Financial Conduct Authority and the Prudential Regulation Authority.
Financial Services Register 109994.

Member of the Association of Financial Mutuals (AFM).