

**Shepherds  
Friendly**

Your modern mutual

[www.shepherdsfriendly.co.uk](http://www.shepherdsfriendly.co.uk)

# 2018

## Annual General Meeting

### **Make your voice heard!**

Voting guide & AGM information booklet



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## How to vote in our AGM



### In person

You are more than welcome to come along on Tuesday 19th June in person to the Annual General Meeting itself. Simply bring along your completed voting form together with another form of identification. The meeting takes place at Shepherds Friendly, Haw Bank House, High Street, Cheadle, Cheshire SK8 1AL. If you wish to attend in person please can you let us know in advance, this will assist us planning arrangements on the day.



### Online

You can vote securely online 24 hours a day until 12.30pm on Tuesday 12th June 2017 by visiting [www.shepherdsfriendly.co.uk/agmvote](http://www.shepherdsfriendly.co.uk/agmvote). To vote online you will need your personal voting code, which you can find on your AGM letter with this leaflet.

# The Shepherds Friendly Society's AGM will be held on **Tuesday 19th June 2018**. This is your chance to vote and participate in decisions concerning our future direction.

I am pleased to announce that our Annual General Meeting (AGM) will be held at our head office on Tuesday 19th June at 5:30pm and we would very much like to invite you to attend.

As a mutual society, we're owned by and run for the benefit of you, our members. We firmly believe it is important that you have the chance to make your voice heard in the plans for our future direction and your AGM vote provides you with just such an opportunity.

We hope you will find this booklet helpful in providing you with a review of our performance in 2017, which I am delighted to report was another very successful year for the Society; particularly in terms of membership growth, increased sales volume and healthy investment returns.

You will also find my strategic report, which lays out how the Board of Directors has performed in maintaining the Society's continued strong growth record throughout a year of unusual and testing circumstances. Our collective view is that this level of growth can be maintained if we focus on our core values of doing the very best for our Members at all times.

Please take the time to read through your AGM pack and cast your votes. Also remember that when you do vote, you will benefit our chosen charity Seashell Trust which does such valuable work for those less fortunate in our society. We will be donating 25p for every vote we receive.



**JOANNE HINDLE**

**Chairman**

May 2018



# Chairman's Review 2017

**I am pleased to report that 2017 was another very successful year for the Society. Our main measures of success such as net growth in Membership, increased sales volumes, healthy investment returns and diversification of our activities all performed in a positive manner.**

It is greatly encouraging to be able to say to our Members that we are going from strength to strength as I am sure they, like us, will feel we are operating in a highly unusual world. Never before has there been an American President like this one, never before have we left the European Union, and although we recognise we will see interest rates start to rise, never before have they remained so low for so long, and how often do we see a minority Government having to cope with these extraordinary challenges?

What can we take from this apparent mismatch in events and circumstances?

My view is that as a relatively small mutual Society we can prosper, whatever the consequences of bigger political and economic circumstances, if we focus on our core values of doing the very best for our Members at all times. By offering them competitive and attractive products, through distribution channels they like to use, and backed by great after sales service we will continue our trajectory of the last twelve years of continuous growth.

As Chairman I regard my role as central to setting the strategic direction of the Society, and ensuring the highest standards of governance and risk management are in place to

deliver the strategic objectives safely, and for the greater benefit of our Members. I must give thanks to all my Board colleagues, executive and non-executive, in achieving this. They are all unstinting in their effort, professionalism and dedication to driving the Society forward to continuing prosperity.

We cannot rest on our laurels though because society is changing at perhaps a more rapid pace than ever before. Today ideas come and go with considerable rapidity as a result of social media. The way younger consumers learn about many things, including financial services, and then how they acquire such products bears no resemblance today to what it looked like just eighteen years ago at the turn of the millennium. This pace of change is inexorable and, no doubt, things will look very different again in 2026 when the Society will be celebrating its bi-centenary!

To ensure we remain at the forefront in these new world techniques we took a strategic decision in 2017 to invest in a “fin-tech” firm both as an investment and as a long-term business development and learning opportunity. We have designated 2018 as “the year of technology” in our three-year Strategic Plan, and I am confident the changes we make in 2018 will build a great foundation for our future growth.

I must also mention the exceptional leadership provided by our Chief Executive Officer, Ann-Marie O’Dea, in this field. We are fortunate, indeed, to have her expertise in this critical technology led marketing field. Absolutely the right person at the right time and it gives us great confidence that we will continue to prosper from innovative sales, marketing and distribution techniques.

We very much look forward to reporting further growth this year as our strategy continues to develop.

Finally I would like to thank the executive team, senior management and staff for all their hard work, and for their dedication to our Members during 2017.



**JOANNE HINDLE**

**Chairman**

April 2018

## Strategic report

### For year ended 31st December 2017

The purpose of this Report is to provide an insight into the business performance, forward-looking strategy and the general market environment of Shepherds Friendly Society Limited. In so doing it seeks to add more colour to the numbers contained in the summary in this document.

#### Business Performance

Shepherds Friendly is a Society which has a wider commercial base than many of its competitors because it is active across a range of product categories and a range of distribution channels. The product range is diversified across with-profits saving and investment, income protection and whole of life insurance for the over 50's. The Society also holds regulatory permissions for other product types, currently unused, but which may enable it to pursue further diversification opportunities either alone or in partnership with others.

It is a key business performance strength for the Society that it can pursue a growth strategy across a range of product types and distribution channels and this also reduces concentration risk generally.

Through its wholly owned subsidiary, Financial Advice Network Limited, the Society has a strong capability to offer wider financial planning advice to its growing Membership base. In 2017, the Society has further developed its future technology capability through a minority investment in a "fin-tech" company.

Overall business performance in 2017 was strong and the Society continued to position itself to take advantage of new business opportunities on a range of fronts.

#### Forward looking Strategy

The Society dates back to 1826 and is the oldest Friendly Society open to new business. For its first 178 years it pursued a substantially unchanged business strategy of gaining new Members predominantly by referrals from existing Members and by some modest advertising activity. This led to a year on year decline and to such an extent that by 2004 the Society was in a position where closure was imminent.

Therefore, it was an imperative to re-launch the Society and this was done with a revised product range, new and varied routes to market and a wholehearted engagement with a technology led future.

The new strategy commenced in 2005 and has resulted in a continuous growth in new policy sales, and therefore Membership, as shown in the graph here -



Today the Society remains committed to continuing this strategy and, because it now has a varied product range and a number of distribution techniques, it can manage in a much more agile manner, how it generates new business. This is important both in terms of the Society generating a growing Membership base as well as enabling it to manage a variety of insurance risks and operational risks to best effect.

The strategy going forward for the medium term will not change. However, it will of course “flex” in response to changing consumer trends and the external market environment. The Board remains firmly of the view that technology will continue to become an increasingly dominant force in the buying behaviours of the public, especially so for the younger generations, but by no means will it be ignored by the older generations as well.

The Society is committed to continuous development of its technological base, both as a means to control administration and distribution costs, but also as the means to reach a far bigger audience than ever before. Even in situations where the economic environment causes less disposable income and some market shrinkage, accessing a much wider market should enable the Society to continue to grow its own market share.

To ensure progress in this vital arena the Society has invested significantly not only in its in-house systems and internet and social media capability, but also in staff with the right technological knowledge and skills bases to deliver success. The minority stake in a “fin-tech” company will also be of benefit from synergies going forward.

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## Market environment

In our view there are three major external factors at play in our market place and none of them have been, or are likely to be, positive influences within the next five years.

Firstly, we see the market environment as, at best, “flat” in terms of consumer propensity to invest or protect via insurance-based products. Mainly we believe this to be a result of income and surplus disposable income declining, for a number of years in real terms, as a result of the general economic squeeze and the return of higher price inflation.

For example, Government statistics show a decline every year since 2014 in the number of people investing in ISAs and an overall fall in the amount invested in them. Similarly, industry statistics show a decline in the number of people with income protection policies.

As can be seen from the following graphs, against poor market trends the Society has succeeded in increasing its share of the market both for ISA’s and Income Protection polices, testament to the power of technology led marketing strategies.

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## National Statistics: Number of Stocks & Shares ISA Accounts subscribed to.

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## Shepherds Friendly Society: Number of Stocks & Shares ISA Accounts subscribed to.

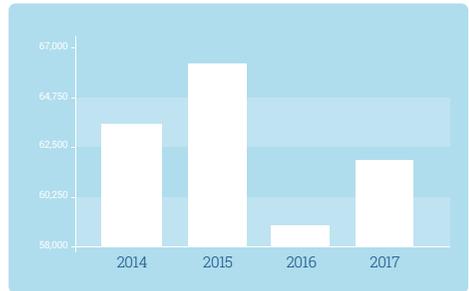
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## National Statistics: Number of new sales of individual long-term Income Protection Plans.

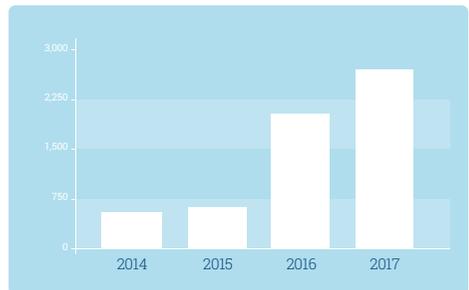
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## Shepherds Friendly Society: Number of new sales of individual long-term Income Protection Plans.

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Secondly, an important factor over recent years, and one which shows no sign of abating, is the impact of regulation on both the Society as a business and its members as policyholders. It was inevitability, and rightly so, that following the financial crisis and banking collapse that there would be significant and far reaching regulatory change. However, the insurance industry in the UK, which did not feature as a problem in the financial crisis, has been subject to immense regulatory change and we believe this has been disproportionate to any economic or consumer detriment posed by our industry.

New regulations of great complexity have emerged from the European Union and been transposed into UK Regulation by the post crisis, twin UK regulators. Examples include The Solvency II Directive, The Senior Insurance Manager Regime, The Markets in Financial Instrument Directive, The Insurance Distribution Directive and The Packaged Retail Investment and Insurance Products Directive.

There has been a heavy financial cost in complying with these regulatory changes, and for some eight years now Boards and senior management teams have spent much of their time devoted to regulatory matters.

The time may be approaching when significant regulatory change will decrease. However, it is yet unknown if the UK's exit from the European Union will cause significant workloads as legislation is re-constructed.

Thirdly, there is unprecedented political uncertainty represented by a UK government without an outright majority, an unusual United States president and of course the UK exit from the European Union. All of these situations are volatile and within our medium-term planning horizon are likely to cause further change and, with change, comes uncertainty. They are beyond our control and we will continue to deploy our strategy which we believe gives us the ability to flex our business model at relatively short notice to accommodate change as it occurs.

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## Solvency Statement

The Board confirm, having received guidance from the Society's actuary, that the Society had a solvency level significantly higher than that required under the Solvency II Directive calculations at the year-end date of 31st December 2017 and throughout the year.

The Society will publish full details of this in its Solvency and Financial Condition Report, which will be made available on its website during 2018.

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## Going concern statement

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the Financial Statements on a going concern basis. The Society's business activities, together with the factors that are likely to affect its future development and position are set out in the Report and Accounts available on our website.

As a result of the Board's consideration of its long-term viability, the Directors are confident that the Society has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.



**JOANNE HINDLE**

**Chairman**

April 2018

## Re-elections to the board

The following Non-Executive Directors are standing for re-election. The Board confirms that the performance of these Non-Executive Directors continues to be effective and demonstrates commitment to their roles and recommends their re-election. Short biographies are given as follows:



**Joanne Hindle** - Chairman

[Standing for re-election](#)

Joanne joined the financial services industry in 1986 and has held a variety of roles. These include being Pensions Development Director for NatWest Life, Corporate Services Director for UNUM and Chair of the trade body ILAG.

Joanne currently works as head of legal for part of the AXA Group as well as chairing the Board of the Holmesdale Building Society.



**Nemone Wynn-Evans** - Non-executive director

[Standing for re-election](#)

Nemone has 20 years' executive and non-executive experience in the financial services sector, across wholesale and retail, including as a former Finance Director on the main board of a stock exchange. Currently she is Chief Operating Officer at a Multi-Family Office providing investment management services, a non-executive director of a regional building society in the Midlands and also a non-executive director of the commercial arm of a university.

Nemone's board experience includes corporate governance, financial leadership, corporate finance, corporate communications, investor relations, regulatory liaison, risk and compliance and business development. She is a Fellow of the Chartered Institute of Securities and Investment, an Associate Member of the Chartered Institute of Marketing and holds an MBA from Cranfield School of Management, and read PPE at Merton College, Oxford.



**Simon Pashby** - Non-executive director  
[Standing for re-election](#)

Simon Pashby is a Chartered Accountant and former audit partner with over 30 years' experience working in financial services. He has experience of advising a wide range of organisations in financial services on risk, regulations and controls.

Simon retired from KPMG in 2012 and now works as an independent non-executive director, and maintains his current knowledge as a Fellow of the Institute of Chartered Accountants. He is Vice-Chairman of the Medical Protection Society, a members' mutual fund which provides indemnity services to the medical profession, where he chairs the Audit and Risk Committee, and is a non-executive director of the Scottish Building Society, where he chairs the Risk Committee.

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**Roger Turner** - Non-executive director  
[Standing for re-election](#)

Roger Turner has extensive experience in financial services; having been a trader in fixed income and derivatives, a regulator and a consultant with PwC where he was a Partner within the Financial Services Regulatory Practice. He has worked predominantly in the UK but undertaken numerous assignments for overseas organisations most notably in the Far East and the USA.

Roger is the CEO of an asset manager in London and a Non-Executive Director of a Building Society in Wales where he is also Chairman of the Remuneration Committee. He holds a B.A. (Hons.) and a M.B.A. in Finance from the City University Business School. Roger is also a Non-Executive Director of a Fin-tech Company.

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**Geoffrey Ross** - Non-executive director  
[Standing for re-election](#)

Geoffrey spent his entire career as an actuary in the life assurance industry holding Chief Actuary and Finance Director roles in a number of insurance companies/friendly societies. He set up his own consultancy practice on retiring from the Phoenix Group in 2006 acting as With Profits Actuary for a number of companies in that Group. Currently he is With Profits Actuary of Reliance Life Limited.

# Directors' update

For the year ended 31st December 2017

## Senior Independent Director - Nemone Wynn-Evans Role of the Senior Independent Director

In publicly listed companies, the role of a Senior Independent Director is to act as a voice of the shareholders, ensuring their interests are fully understood by the board.

At Shepherds Friendly, our members are in effect the owners of the Society, and we are committed to placing them at the heart of everything we do. Nemone's role as the Senior Independent Director is to ensure that this happens, and also to act as a channel of communication for any member who believes they have an issue or problem which cannot be resolved through the usual channels.

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## Complaints

The Society has in place clearly documented procedures for the handling and recording of complaints, which means that the compliance officer will investigate all complaints thoroughly and impartially within a reasonable time. Any member who feels dissatisfied with the result of such an investigation has the right to raise the matter with our Senior Independent Director and can also choose to refer the complaint to the Financial Ombudsman Service.

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## Pension Scheme

The assets of the Society's defined benefit pension scheme are totally separate from the assets of the Society and are invested with independent fund managers. The trustees of the pension scheme include both member nominated and employer nominated trustees. The actuaries of the pension scheme are independent of those of the Society.

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## Appointment of Auditors

Moore Stephens were re-elected as Auditors.

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## Responsibility for Accounts and Statement of Disclosure of Information to Auditors

It is the responsibility of the directors to ensure that the accounts are prepared in an accurate and timely manner. I can confirm on behalf of the board that the directors are satisfied that this is the case in respect of the 2017 audited accounts.

The directors who held office at the date of approval of the report and accounts confirm that, as far as each of them is aware, there is no information relevant to the audit of the Society's consolidated financial statements for the year ended 31st December 2017 of which the auditors are unaware. They have taken all the steps they should have taken as directors to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

# Venue for the Annual General Meeting 2018

The AGM will be held at:

**Shepherds Friendly Society, Haw Bank House, High Street, Cheadle, Cheshire SK8 1AL on Tuesday 19th June at 5.30pm.**



Please note there are limited parking spaces available at Haw Bank House; however there is public parking behind the shops on either side of High Street, which is the main road through Cheadle Village. High Street is situated on main bus routes.

Coffee and biscuits will be available from 5pm for members attending the meeting. No travel, subsistence or other expenses will be paid. It is a rule of the AGM that cameras, laptops or recording equipment may not be brought into the room and that mobile phones must be switched off during the meeting.

# Summary of Financial Results

This financial statement is a summary of information in the audited Annual Accounts and the Report of the Board of Management.

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31st DECEMBER 2017

### Income and expenditure for the year ended 31st December 2017

	2017 £'000	2016 £'000
Earned premiums, net of reinsurance	14,170	10,391
Investment income	2,062	2,372
Unrealised gains on investments	6,429	6,144
Other technical income	299	343
<b>Total technical income</b>	<b>22,960</b>	<b>19,250</b>
Claims incurred, net of reinsurance	9,186	8,504
Changes in other technical provisions	(121)	1,179
Net operating expenses	9,255	6,859
Other technical charges	199	418
<b>Total technical expenditure</b>	<b>18,519</b>	<b>16,960</b>
Excess of income over expenditure	4,441	2,290
Transfer to fund for future appropriations	(4,441)	(2,290)
<b>Balance on technical account - long term business</b>	<b>-</b>	<b>-</b>
Statement of other comprehensive income items that will not be classified to profit & loss		
Actuarial gain(loss) on pension scheme	112	(548)
Transfer to fund for future appropriations	(112)	548
<b>Total Comprehensive income for the year</b>	<b>-</b>	<b>-</b>

**SUMMARY CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2017**

**Assets**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Investments	79,934	75,313
Debtors	495	191
Other assets, including cash	1,613	1,548
Prepayments and accrued income	343	416
<b>Total assets</b>	<b>82,385</b>	<b>77,468</b>

**Liabilities**

Reserves	24,825	20,271
Technical provisions	56,024	55,825
Creditors arising from direct insurance operations	57	62
Other creditors including taxations and social security	511	436
Accruals and deferred income	696	432
Net pension liability	272	442
<b>Total liabilities</b>	<b>82,385</b>	<b>77,468</b>

Approved by the Board on 18th April 2018. J Hindle - Chairman, A M O'Dea - CEO

# 2018

## Annual General Meeting

[www.shepherdsfriendly.co.uk](http://www.shepherdsfriendly.co.uk)



### Our values and principles

We value our heritage of mutuality which means we have no shareholders. The Society is owned by you the member and run for your benefit.

We have helped generations of members save for and protect their families for nearly 200 years.

We believe in conducting our business with integrity and ensuring that your savings are treated fairly and responsibly.

We are committed to creating an environment in which our staff feel valued and motivated to achieve the best possible member outcomes.

**The Shepherds Friendly Society Limited** Registered Office: Haw Bank House, High Street, Cheadle, Cheshire SK8 1AL.  
Tel: 0161 428 1212 Fax: 0161 428 3666 Email: [info@shepherdsfriendly.co.uk](mailto:info@shepherdsfriendly.co.uk) Web: [www.shepherdsfriendly.co.uk](http://www.shepherdsfriendly.co.uk)

SHEPHERDS FRIENDLY IS A TRADING NAME OF THE SHEPHERDS FRIENDLY SOCIETY LIMITED WHICH IS AN INCORPORATED FRIENDLY SOCIETY UNDER THE FRIENDLY SOCIETIES ACT. REGISTERED NO 240F. AUTHORISED BY THE PRUDENTIAL REGULATION AUTHORITY AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY AND THE PRUDENTIAL REGULATION AUTHORITY, FINANCIAL SERVICES REGISTER NO 109997.

The Head office and Registered office of The Shepherds Friendly Society is based in the United Kingdom.