

Shepherds  
Friendly

Your modern mutual

2019  
Annual General Meeting

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



2019  
Annual General Meeting

### Our values and principles

Shepherds  
Friendly

Your modern mutual

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.

Voting guide and  
AGM information booklet

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

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## 3 easy ways you can vote



### 1. In person

You are more than welcome to come along on Monday 17th 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, as this will assist us planning arrangements on the day.



### 2. Online

You can vote securely online 24 hours a day until 12.30pm on Wednesday 12th June 2019 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.



### 3. By post

You can also vote by post if you are unable to attend the AGM. To do this you must complete and detach the voting form from the letter that you have received from us in your pack, this must then be returned to us using the enclosed pre-paid envelope. Please note, the deadline for sending the voting forms back is Wednesday 12th June 2019.

The Shepherds Friendly Society's AGM will be held on **Monday 17th June 2019**. This is your chance to vote and participate in shaping the future of our Society.

### Your Society, your say

As a mutual society, we are owned and run by and for you, our members and always aim to put your interests at the heart of everything we do. Our AGM provides you with the opportunity to vote and have your voice heard, to help shape the future of how our Society is run.

### What to expect in this booklet?

This booklet will provide you with a review of our performance for 2018, including my strategic report, which outlines how the Board of Directors have performed to maintain continued growth and progress for the Society, even in last year's challenging environment.

Please take time to read through the booklet and have your say by casting your vote.

### You vote, we donate

For every vote we receive in the AGM we will be donating 25p to our chosen charity, Seashell Trust, which is dedicated to providing help for children and young adults with complex learning disabilities.

So, your vote not only ensures you have had your say in the future of the Society, but is also a chance for you to make a positive change by us making a small donation on your behalf to a well-deserved charity.

**JOANNE HINDLE**

**Chairman**

May 2019



## Chairman's REVIEW 2018

In my 2017 Report, I said we could achieve continual success by focussing on our core values and by offering competitive products in a variety of ways to existing and potential new members. That is what we did, and it proved, again, to be a highly effective strategy. The Society achieved a record number of sales and membership grew further.

2018 was designated as “the year of technology” and our developments in this field have played a major part in delivering continued growth in sales income and member numbers. It is just as important to retain members and so 2019 has been designated “the year of enhancing the Members’ experience.” When growth in new members is added to by successful member retention, then the opportunity to succeed is greatly enhanced. By investing in our people, our products and further technological development, I am confident we will enjoy continued success and, as a member-owned organisation, deliver this onwards to you.

There are difficulties to face in the world today and some of these were present throughout 2018 and will still be there in 2019. The most important issues globally, which have knock-on effects to us, are the weakening growth of the Chinese economy, the trade disputes between the USA and China, and the increasingly divided and fractious politics within the USA and the UK. These factors led to a decline in the value of world stock markets in 2018, which was reflected in a decline in the value of our investments.

However, our role is to protect you from events such as these. We do this by building up financial reserves so that, in difficult investment market years, we can try to pay you the same bonus as in good years. I am pleased to confirm that this “smoothing approach” means that bonuses awarded in 2018 are the same as in 2017.

My role as Chairman is, in itself, facilitated by the untiring efforts of all my Board colleagues and the team of executives and staff in the Society. I take this opportunity to thank them for their dedication and commitment to the Society and its members.

**JOANNE HINDLE**

**Chairman**

2nd April 2019

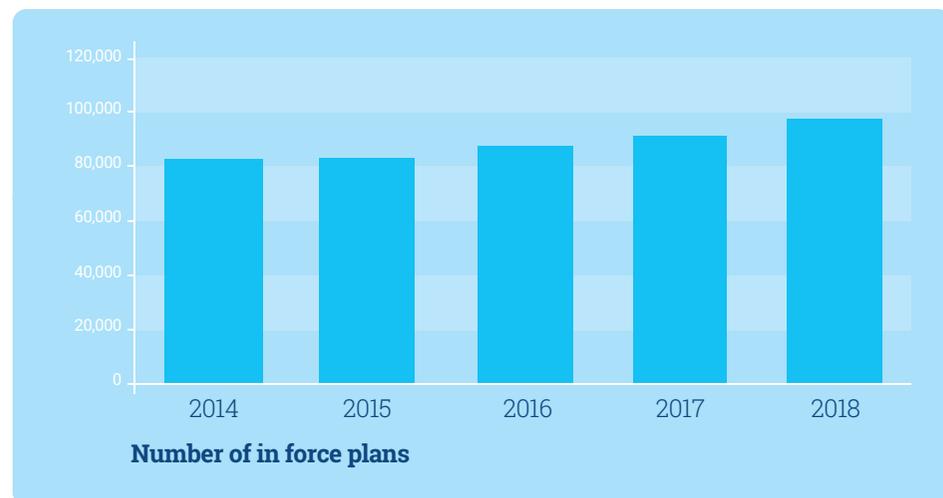
# Strategic report

## For year ended 31st December 2018

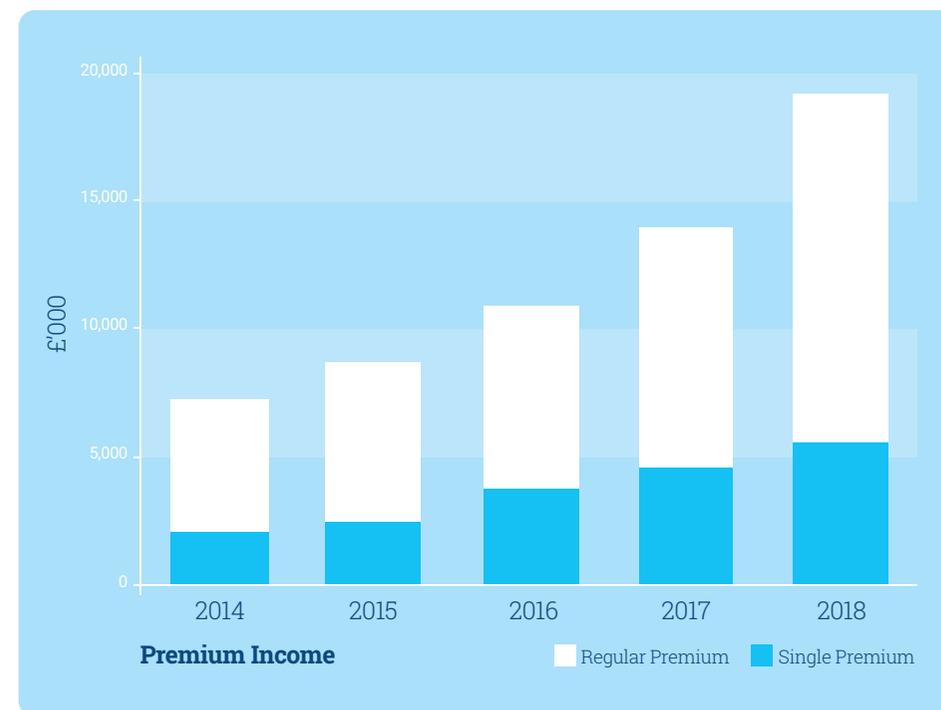
The purpose of this Report is to provide an insight into the business performance, forward-looking strategy and the general market environment of Shepherds Friendly Society Limited. In so doing it seeks to add more colour to the numbers contained in the summary in this document.

### Business Performance

The Society has increased its income levels and new members significantly against a backdrop of challenging operational activity. Throughout the year the Society has successfully managed growth in premiums, by volume and product to support its strategy to have its solvency ratio with its preferred band of 150% to 250% of the required regulatory solvency margin.

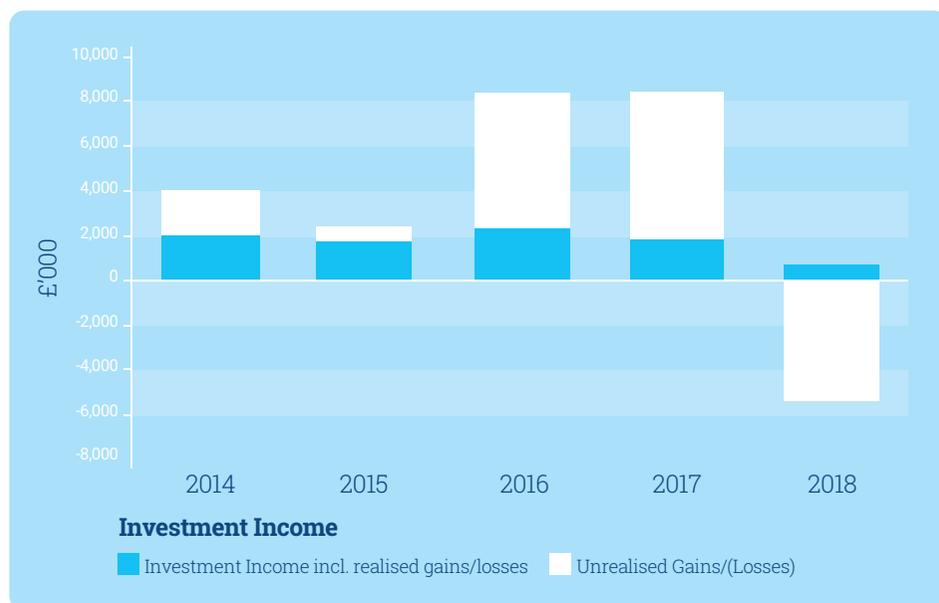


New business sales in the year, coupled with the increased number of in force plans brought forward from prior years, has meant that total premium income has increased from £14.17m in 2017 to £18.78m in 2018. This represents an increase of 33% and, importantly, 70% of the Society's premium income in 2018 is in the form of regular premium contributions.



Significant workloads were incurred in 2018 on major new regulatory requirements such as the General Data Protection Regulation, The Insurance Distribution Directive and the Senior Manager and Certification Regime. In addition to global external factors, outlined by the Chairman, causing increased management activity in respect of our investments, the Society also extended and refurbished its office space to accommodate business expansion. All these activities involved considerable resources. At the year end, the Society's total surplus available for distribution to our members was £23.7m. This decrease of £1.2m from the previous year was driven mainly by lower investment returns.

Lower investment returns were due to 2018 seeing global equity markets experiencing an increased level of volatility for the reasons given in the Chairmans Report which has led to the Society's investment assets falling in line with world stock markets. The major investment markets in the USA and UK ended 2018 significantly lower than in 2017. Excluding investments held for the Child Trust Fund and unit-linked Junior ISA, the unrealised investment loss due to market movements in 2018 was £2.96m (2017: gain of £2.92m).



## Forward Looking

### Investing in the Business

As the Society grows, it remains committed to having the resources to support expansion. Central to this will be its continued investment into technology to improve the ease with which its members can deal with it. In the near horizon, the Society has identified opportunities to incorporate technology in how members manage their policies and in the ways it works with its intermediaries. It is the Society's ambition that technological solutions will further strengthen its view as a modern mutual, but it will never lose sight of the importance of being available to talk to its members when they feel the need, which can often be in times of personal difficulty.

### Maintaining Growth

As the increasing economic uncertainty, both in the UK and globally, continues to affect consumer demand for insurance and investment type products, the Society realises future new business growth may not always be achieved by it generating higher and higher sales volumes. The Society will continue to explore options available to it to reach a far bigger audience by working with others and assess the potential outcomes against its strategic objectives.

### Brexit Uncertainties

The Society does not believe that Brexit, in whatever form it takes, will have much adverse impact on it or the products you have purchased from it. The Society has managed to pay consistent levels of bonus since the financial crash of 2008 when stock markets and interest rates hit the lowest levels, relatively speaking, for a lifetime. The Society expects the impact of Brexit to be less than the 2008 financial crisis and its policy of "smoothing" returns will remain an effective way to diminish adverse impacts.

### Regulatory Landscape

The Society maintains high regulatory and governance standards and expects no change in this respect going forward. 2019 will be a quiet year for new regulations coming into force but we are mindful that in the next four years there may significant regulatory work to do, as leaving the European Union will cause many European Directives to fall away and the UK financial regulators will have to amend their rulebooks.

## 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 2018 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 2019.

## 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.

## Re-elections to the board

The following Non-Executive Directors are standing for re-elections this year. 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

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, she was also Chairman of the Board of the Holmesdale Building Society until their merger with Skipton Building Society in September 2018 and is Non-Executive Director for the Bank of London and Middle East and Chairman for their remuneration committee.



### **Nemone Wynn-Evans** - Non-Executive Director (Senior Independent Director)

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 SORBUS Partners LLP, a private wealth management office, Non-Executive Director of Hinckley & Rugby Building Society, Non-Executive Director of Good Energy Group plc as well as chairing their Audit and Risk Committee and Member of the Commercial Advisory Committee at Coventry 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

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.

## Elections to the Board

The following Non-Executive and Executive Directors are standing for elections this year. After a review of the board, the retirement of directors and the ongoing business plan we felt that a significant benefit to the Society can be obtained by inviting Cameron Mills, Mark Myers, Nasrin Hossain and Sam Chivers to join the Shepherds Friendly Society Board. Below are their short biographies:



### **Cameron Mills** - Non-Executive Director

Cameron qualified as a Fellow of the Faculty and Institute of Actuaries in 1988. He has worked in the insurance industry for over 30 years not only in the UK but also in Europe and Asia. Prior to retirement, Cameron was the Chief Actuary for a mutual insurance company and before that he has held roles in risk, compliance, marketing and sales. Currently, he is also a Non-Executive Director at Chiene + Tait Financial Planning.



### **Mark Myers** - Non-Executive Director

Mark has worked in the Financial Services sector for 35 years and has a broad range of experience across banking and insurance, having worked for both public companies and Mutual organisations.

His recent experience was as CEO of British Friendly, a mutual Income Protection provider and interim CEO of MetFriendly an affinity based with-profits mutual, providing savings and investment products to the Police family. He holds Non-Executive positions with Direct Life where he serves as Chairman, is a Committee member of Huntingdon racecourse and an adviser to LGT Vestra.



### **Nasrin Hossain** - Executive Director

Nasrin joined Shepherds Friendly in 2006 with responsibility for managing and developing the Society's people function. Nasrin is an HR specialist and a Chartered Member of the Institute of Personnel and Development. She has worked in a variety of industries and has over 25 years' experience within the HR profession. Since joining the Society, Nasrin has been focussed on enhancing the Society's culture and people strategy, ensuring that we provide a quality experience for both our members and our staff.



### **Sam Chivers** - Executive Director

Sam joined the Society in 2010. After a previous role as a software analyst, he has held a variety of roles in both Marketing and I.T. rising to Head of I.T. in 2016. Through delivery of the Society's I.T. Strategy, he has played a key role in modernising the Society's technological infrastructure to improve scalability and meet the needs of both our Members and the business. Sam was made Chief Operating Officer in 2017 and holds responsibility for the Business Intelligence, I.T. & Development, Member Services and Project Management teams. Sam holds an MA in Philosophy from the University of Edinburgh.

## Directors' update

For the year ended 31st December 2018

### 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.

### 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.

### 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.

### Appointment of Auditors

Moore Stephens LLP (London) were appointed as external auditor to the Society on 19 June 2018 and have confirmed their independence to the Board of Directors. Following the merger of Moore Stephens LLP and BDO LLP on 1 February 2019, Moore Stephens LLP have resigned as external auditors and BDO LLP have been appointed as external auditors to the Society with effect from 1 February 2019. A resolution to confirm the appointment of BDO LLP will be proposed at the 2019 Annual General Meeting.

### 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 2018 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 2018 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 2019

The AGM will be held at:

**Shepherds Friendly Society, Haw Bank House, High Street, Cheadle, Cheshire SK8 1AL on Monday 17th 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.

Tea, 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 2018

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

	2018 £'000	2017 £'000
Earned premiums, net of reinsurance	18,777	14,170
Investment income	667	2,062
Unrealised losses/gains on investments	(5,438)	6,429
Other technical income	396	299
<b>Total technical income</b>	<b>14,402</b>	<b>22,960</b>
Claims incurred, net of reinsurance	11,469	9,186
Changes in other technical provisions	(7,229)	(121)
Net operating expenses	10,687	9,255
Other technical charges	345	199
<b>Total technical expenditure</b>	<b>15,272</b>	<b>18,519</b>
Excess of income over expenditure	(870)	4,441
Transfer to fund for future appropriations	870	(4,441)
<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	(293)	112
Transfer to fund for future appropriations	293	(112)
<b>Total Comprehensive income for the year</b>	<b>-</b>	<b>-</b>

### SUMMARY CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 2018

#### Assets

	2018 £'000	2017 £'000
Investments	70,095	79,934
Debtors	2,792	495
Other assets, including cash	2,606	1,613
Prepayments and accrued income	348	343
Long Term Business Provision for protection business	38,679	33,422
<b>Total assets</b>	<b>114,520</b>	<b>115,807</b>

#### Liabilities

Reserves	23,662	24,825
Technical provisions	88,395	89,446
Creditors arising from direct insurance operations	49	57
Other creditors including taxations and social security	1,003	511
Accruals and deferred income	876	696
Net pension liability	535	272
<b>Total liabilities</b>	<b>114,520</b>	<b>115,807</b>

Approved by the Board on 2nd April 2019. J Hindle - Chairman, A M O'Dea - CEO