

**The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual
(FRN: 110058)**

**119th Annual Report
of the Committee of Management
for the Year Ended 31 December 2023**

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

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The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Committee of Management and Independent Advisors
for the Year Ended 31 December 2023

Registered Office 1 Kensington Road
Middlesbrough
TS5 6AL

Committee of Management

	Non-Executive Directors	First Election	Last Re-election
Chair	Mark Brooks	June 2005	August 2023
Vice Chair	Jamie Brown	June 2011	Resigned Aug 2023
	Gary Ferguson	June 2012	Resigned Aug 2023
	Debra Barker	June 2015	August 2023
	Gillian Dobson	June 2015	August 2023
	Andrew Douthwaite	June 2017	August 2023
	Dominic Gardner	June 2019	August 2023
	Mark Dobing	July 2022	August 2023
	Liam Moloney	July 2022	August 2023
	Georgia Armin	August 2023	August 2023
	Executive Directors		
	Philip Carey	June 2006	August 2023
	Brian Douglass	June 2012	August 2023

Chief Executive Philip A Carey
1 Kensington Road
Middlesbrough
TS5 6AL

Company Secretary Brian H Douglass
1 Kensington Road
Middlesbrough
TS5 6AL

Internal Auditor Jacqueline Allenby
1 Kensington Road
Middlesbrough
TS5 6AL

Professional Advisors

Appropriate Actuary Sally Butters
OAC Limited
100 Wood Street
London
EC2V 7AN

External Auditors Anderson Barrowcliff LLP
3 Kingfisher Court
Bowesfield Park
Stockton on Tees
TS18 3EX

The Kensington Friendly Collecting Society Limited
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Committee of Management and Independent Advisors
for the Year Ended 31 December 2023

Professional Advisors continued/.....

Solicitors

Endeavour Partnership LLP
Tobias House
St Marks Court
Teesdale Business Park
Thornaby on Tees
TS17 6QW

Investment Managers

LGT Wealth Management LLP
14 Cornhill
London
EC3V 3NR

Bankers

Virgin Money
7 Linthorpe Road
Middlesbrough
TS1 1RF

Compliance Consultants

Mutual Governance Limited
Butterworth Barlow House
10 Derby Street
Prescot
Liverpool
L34 3LD

Enquiries

Enquiries about the Society generally or about an individual's entitlement to benefit should be addressed to the Chief Executive at the above address or at philcarey@teesmutual.co.uk

The Kensington Friendly Collecting Society Limited
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Chair's Report for the Year Ended 31 December 2023

In my report last year, I noted that Tees Mutual had not been immune to the consequences of geo-political events, rapidly increasing inflation, and interest rates. The direct consequences of these events manifested in the board reducing bonuses in early 2023 and again in late 2023.

The board mindful of their fiduciary duties and regulatory responsibilities of delivering fair outcomes to members asked the executive team to consider the long-term future of the society.

The board did this because they were concerned that in future years the society could become commercially unsustainable.

The main reasons why the society could become unsustainable are:

- The society is one of the smallest friendly societies in the UK which means that it is harder to absorb the impact of a negative financial event such as inflation, a pandemic or stock market crash.
- The scale of the society also means that the cost of complying with financial and non-financial regulations in addition to all the other aspects of managing a business directly impact the members of Tees Mutual more than for example members of larger friendly societies.
- Succession planning. The society will over the next five years encounter issues in replacing colleagues within collections, administration, senior management, and the board.

It is the board's regulatory duty to be open and transparent with the society's regulators when they become aware of future challenges regarding the sustainability of the society. This resulted in the board liaising with the Prudential Regulatory Authority and the Financial Conduct Authority throughout 2023.

In the chief executive's report, he discusses the timeline of these events and the options available to the board. We agree with his conclusions and are working with the executive team to table a resolution about the long-term future of the society at the Annual General Meeting.

The board are fully aware that potential changes to the society will have an impact on the employees of the society. The board acknowledges the understanding of colleagues as to why the board need to consider these changes and their loyalty to the society whilst we navigate the process. It is greatly appreciated by all board members and the executive officers.

I shall contact members again in the lead up to the AGM to update members on any special resolutions that may be tabled.

Mark Brooks

Date: 10 June 2024

The Kensington Friendly Collecting Society Limited
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Chief Executive's Report for the Year Ended 31 December 2023

Dear member,

In my report for the annual accounts 2022 I noted that the society's capital position had declined and that the board had initiated discussions with the Financial Conduct Authority (FCA), the Prudential Regulatory Authority (PRA) and the society's actuary to consider the long-term future of the society.

The outcome of these discussions is that over the longer term the society is not financially sustainable. The PRA, FCA and our actuarial advisors suggested that the board of Tees Mutual should consider either a transfer of engagements or go into run-off.

A transfer of engagements is when the assets and liabilities of one society are transferred to another friendly society. The objectives of a transfer of engagements are to:

1. Ensure that a transfer to another society is in the long-term best interests of the society's members.
2. Ensure that the transferee society is financially robust and that it is committed to providing good service to the members being transferred.

The broad advantage to members who are transferring is that they no longer contribute to all the costs of running their own society and benefit from the economies of scale of being part of a larger society. Savings can therefore be made in key areas such as employment, actuarial, accountancy, audit, investment and all the other associated costs of owning and running their own office.

The initial disadvantage of a transfer of engagements to members is that it is an expensive and protracted process. In evidencing that the transfer is in the best interests of members, the board of Tees Mutual will incur legal and actuarial costs during the due diligence process. If the transfer is successful, these costs will be offset by the significant long-term savings of the transfer.

The other option presented to the board is to consider going into 'runoff'. A runoff is when the society continues to administer existing policies but closes to new business.

The issue with a runoff is that the costs associated with running the society do not change much because the society would still require a chief executive, company secretary, office staff, and agents. Further the society would still require actuarial, audit and investment advice in addition to the associated costs of owning and running its own office.

During a runoff the society would close to new business and therefore premium income would decrease. This would contribute to a further deterioration in the capital position because the expenses of running the society would become an even greater proportion of the society's income. At some point in a runoff, the deterioration in the society's financial position would prompt the regulators to insist on a transfer of engagements to protect the remaining Tees Mutual members.

This would mean that the members of Tees Mutual would be transferring from a worse position than the society is currently in.

The board discussed both options with their advisors and decided that it was in the best interests of the members to seek a transfer of engagements now rather than going into runoff.

During the second half of 2023 the board approached Oddfellows Friendly Society who are based in Manchester. The key reasons why the board decided to discuss a transfer with Oddfellows is because they are a financially robust society, and they have an experienced senior management team that has undertaken several other transfers of engagements.

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Chief Executive's Report for the Year Ended 31 December 2023

Also, Oddfellows under their Unity Mutual brand, offer similar products as Tees Mutual which will enable society members to have continued access to life and savings products.

Towards the end of 2023 we held further discussions with both the PRA and FCA and agreed that under the regulations of the Consumer Duty it would be unfair to members during this uncertainty to continue to write new policies. As a result, the society closed to new business on January 1st, 2024.

During the first quarter of 2024 we continued to hold discussions with Oddfellows, and they have forwarded a transfer proposal which at the time of writing my report is being assessed by our actuarial and legal advisors.

If this proposal is considered satisfactory then members will be requested to vote on it at the society's AGM later in the summer of 2024. A proposal to transfer will require 75% of all members voting to be in favour of the resolution.

I shall contact all members again over the next few months with an update and provide further details on the proposed transfer of engagements with Oddfellows.

Phil Carey

Date: 10 June 2024

The Kensington Friendly Collecting Society Limited
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Strategic Report of the Committee of Management
for the Year Ended 31 December 2023

The Committee of Management of Tees Mutual presents its Strategic Report for the Society for the year ended 31 December 2023.

Business Model

The Society is an incorporated, non-directive friendly society that was established in 1904. Throughout 2023 the Committee of Management have been reviewing the future of the Society and have been in discussions with its regulators and other interested parties. The Committee of Management is currently in negotiations with another friendly society regarding a potential transfer of engagements. As part of these negotiations the Society ceased the sale of new policies in January 2024. The Society continues to service its members' existing policies utilising its network of agents and telephone support from the office.

In the achievement of this objective the Society has the following aims: -

- To treat the members of the Society fairly and equitably.
- To ensure members get the outcomes they expect.
- To provide a good level of customer service.
- To ensure that members' funds and investments are maximised and administered equitably and securely.
- The Society aims to achieve high standards of integrity and fairness in its dealings with members. Complaints are investigated thoroughly and impartially as per the Society's dispute and complaints procedures and access to an independent adjudicator is available through the Financial Ombudsman Service Bureau Limited. Members can also contact the Senior Independent Director to resolve issues by email (info@teesmutual.co.uk).

Business Strategy

Historically the Society grew the membership through face-to-face contact with potential members via the Society agents. This assisted in the development of long-term relationships with families and hence the younger generations acquiring policies over time.

The Society does not spend large sums of money on marketing. It has found the use of personal recommendations aided by 'a member gets member' scheme to be the most cost-effective method of recruiting new members.

As set out in previous years' reports the pandemic caused disruption to the society's distribution model. To counteract the restrictions on face-to-face engagement with members, the Society increased its use of electronic communications and automated payments. Most customers now interact with the society via these channels although agents still play an important role in managing all aspects of the customer journey.

Operational issues of the Society and the IT providers delayed the introduction of the Cloud based Customer Relationship Management System (CRM). This system, although still being developed, became operational in July 2023. The introduction of the system has already led to operational efficiencies and has enabled cost savings to be made in 2023 and future years.

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Strategic Report of the Committee of Management
for the Year Ended 31 December 2023 (continued)

Business Environment

The business environment in the Tees Valley area has been challenging for several years, and 2023 was no exception. The society's members were impacted by the cost-of-living crisis, rising inflation and interest rates which reduced members' disposable income and their ability to afford new policies.

Results and Performance

As set out earlier the continuing impact of the pandemic, inflation and rising interest rates has had a significant effect upon the financial results of the Society for 2023.

Global markets during 2023 continued to be impacted by the war in Europe and rising interest rates as Central Banks tried to control soaring inflation. The FTSE 100 and UK Gilt markets remained volatile but most of the lost ground was recovered due to a strong final quarter of the year. Central Banks' tackled rising inflation by increasing base rates which increased the UK 15-year Gilt yield to over 5% during the year, finishing the year at around 4%. To protect the capital of the Society the decision was made during the year to sell the equity holdings and hold the proceeds in a cash fund whilst interest rates were rising. The portfolio overall return for the year was 4.3% (2022: -32.0%).

Cost-of-living uncertainties impacted the membership and the ability of the Society's agents to write new business. The year started strongly but members' on-going cost concerns resulted in a reduced annualised new business total of £45,024 (2022: £54,155) being achieved. In view of the environmental issues and an uncertain economic future the Committee of Management considers that the overall level of new business for the year is satisfactory given the unprecedented conditions faced.

In view of the above the Committee of Management also monitored costs carefully and, despite the inflationary impact on the cost base of the Society, was able to maintain overall costs within the agreed budget.

The Society has again suspended reversionary bonuses as part of its risk management to preserve the solvency of the society.

Based upon the results for the year the Fund for Future Appropriations increased by £89,237 (2022: reduced by £359,429) to £602,446 (2022: £513,209).

As set out in note 3 to the accounts the regulatory solvency margin of the Society increased from 131% of the Required Minimum Margin on 31 December 2022 to 177% at 31 December 2023.

The Society is currently in negotiations with the regulators and another friendly society to secure the future of the society, the specifics are set out on page 6.

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Strategic Report of the Committee of Management
for the Year Ended 31 December 2023 (continued)

Climate Change and Corporate Social Responsibility

The following paragraphs detail the actions that the management is taking to reduce climate risks within the Society:

Governance

- The Chief Executive has been appointed to lead the Society climate change response.

Strategy

- Climate change is considered throughout the Society, from ensuring paper is acquired from sustainable sources to the use of video conferencing to reduce travel whenever appropriate.
- The introduction of the new CRM has enabled the use of paper to be significantly reduced.
- Used supplies are recycled whenever practical.
- Within the investment area, the Committee of Management have delegated this area to LGT Wealth Management. They have a stewardship policy that includes their voting and engagement approach and have developed a sustainability rating matrix where stocks are assessed and scored.

Risk Management

- Climate change risks are recognised as a risk within the Society risk management matrix and mitigating these risks is considered by the Audit & Risk Committee on a regular basis. This is reviewed regularly by the Audit and Risk Committee.

Matrix and Targets

- The Society portfolio is assessed against the LGT sustainability matrix. It currently stands in the highest (leader) category. The Society are continuing to work with LGT to develop the use of this matrix within future investment decisions.

The Society is aware of the importance of the local community and using its website, social media channels and the agent network it regularly shares blogs and articles that will assist members to obtain financial assistance/advice. The Society agents have received training from Middlesbrough Borough Council that has enabled them to assist members during the on-going cost of living crisis by sign-posting them to sources of assistance that are available.

Future Developments

As discussed above the Committee of Management are currently in negotiations with the regulators and another friendly society with the aim to secure the current and future policy benefits of the society members.

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Strategic Report of the Committee of Management
for the Year Ended 31 December 2023 (continued)

Principal Risks and Uncertainties

In trying to achieve the objectives of the Society there will always be risks involved. The Committee of Management has, through the implementation of its governance structure, set out controls and procedures to manage these risks within the risk parameters set by the Committee of Management.

The Committee of Management considers the following to be the main factors that pose a risk to the solvency and sustainability of the Society.

- **Market risk**: Volatility within financial markets could impact upon the Society by adversely affecting the returns that are able to be generated for members and therefore the overall financial strength of the Society. The Committee of Management works closely with the Society's Actuary and Investment Managers to monitor the investment conditions and seeks to maximise the returns within the level of risk determined by the Committee of Management. Risk is mitigated by holding a range of fixed interest securities, quoted equities, property and cash within the portfolio. The Society operates a risk budget approach to protect capital. This determines the maximum proportion of each class of asset in particular market conditions. Changes in interest rates could affect the value of fixed interest securities and to mitigate this risk the Society aims to partly match the duration of assets and liabilities. The risk that corporate bond issuers may default is managed by the restriction upon the level of corporate bonds that the Society may hold at any point in time. The risk of equity prices moving down is managed by the investment managers actively managing the stocks within the market conditions that exist.
- **Regulatory Risk**: Changes introduced by regulators may impact upon the strategy operated by the Society and may cause an increase in expenses. The Committee of Management will continue to monitor any developments from the regulators and will work with the Association of Financial Mutuals and external compliance consultants to ensure that the Society is ready for the introduction of new legislation. The costs of the Society are constantly under review and closely monitored against agreed budgets.
- **Expense risk**: During the valuation of the policy liabilities, various assumptions are made regarding the level of future Society costs, the levels of new business generated and lapse rates. There is therefore a risk that future expenses will exceed these allowances, that the levels of new business will not achieve targets and that lapse rates will be higher than anticipated. In order to mitigate these risks, the Society regularly reviews these areas against budgets and is constantly reviewing its procedures with a view to achieving efficiency savings and reducing overall costs.
- **Coronavirus**: The Committee of Management identified covid-19 as a continuing risk to the Society. During 2023 the Society received an insignificant number of covid-19 claims, and these claims had an immaterial impact upon the solvency of the Society. The Committee of Management will continue to monitor the impact of covid-19 and its impact upon the Society.
- **Climate change**: The Committee of Management recognises that although the Society is small and operates from one office it must play its part in tackling climate change. At this stage it is not considered that the risks associated with climate change are expected to have a material impact on the Society. The Committee of Management will work with its professional advisors to understand the risks of climate change and will monitor these through the Society's governance structure.

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Strategic Report of the Committee of Management
for the Year Ended 31 December 2023 (continued)

- Cyber security: With the increased use of Information Technology by the Society over the last few years the Committee of Management recognises the increasing and evolving risk to the Society's IT infrastructure and members' personal data. The Society works closely with its IT Consultants to mitigate these risks and provides staff training in this area.

By order of the Board

Brian Douglass
Company Secretary

Date: 10 June 2024

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Committee of Management Biographies
for the Year Ended 31 December 2023

Mark Brooks BSc (Hons) - Society Chair

Mark was elected on to the Committee of Management at the 2005 AGM and was Chair from September 2009 serving until September 2013, when he took on a compliance role for the Society. Mark re-joined the Committee of Management in 2015 and served as Senior Independent Director from January 2016 to January 2018. He was re-appointed as Chair in September 2017 and has served on all the Society Committees. He currently also chairs the Finance and Investment Committee and the Nomination Committee and serves on the Remuneration and Assessment Committee.

Mark lives in Middlesbrough with his wife and children and works in the chemical industry on Teesside, which he has been involved in for more than 25 years.

Mark has indicated that it his intention to retire at the 2024 AGM or upon the society's transfer of engagements.

Jamie Brown BSc

Jamie was elected to the Committee of Management in June 2011, he currently serves on the Audit and Risk Committee, the Nomination Committee and the Remuneration and Assessment Committee. Until 2019 Jamie was Chair of the Audit and Risk Committee and Vice Chair of the Society.

After obtaining a degree in Geology from Manchester University, Jamie was employed as a geologist in oil exploration before re-training and qualifying as a solicitor in 2002. He is now a partner in a firm of business lawyers based in the Tees Valley, specialising in commercial property transactions and agricultural law.

Jamie is also a Board Director of the Nicholas Postgate Catholic Academy Trust which oversees the running of 25 local schools.

Jamie retired from the Society 2023 AGM.

Philip Carey BA (Dip PFS) - Chief Executive

Philip has been employed by the Society since 1987. He started work with the Society as a clerk, then as a Society Representative, becoming Sales Manager in 1992. He was appointed Chief Executive in June 2004 and elected on to the Committee of Management in 2006. Philip also serves on the Finance and Investment Committee and the Nomination Committee. Philip served on the Financial Conduct Authority's Small Business Practitioner Panel from September 2015 to October 2016 and is currently National Chair of the Consumer Credit Association.

Gary Ferguson

Gary was elected to the Committee of Management in June 2012 and serves on the Finance & Investment Committee, the Product Oversight and Governance Committee and chairs the Remuneration and Assessment Committee. Gary lives in Middlesbrough. He left the local steel industry in 1985 to work in financial services as an agent with the Prudential based in its Middlesbrough office. He left the Prudential in 1991 to become an Independent Financial Adviser (IFA) and formed a partnership with several local IFA's. In 1992 he left the partnership to start his own business and since then has been based in the offices of a firm of local accountants as a general IFA dealing predominantly with pensions and investments.

Gary was appointed Senior Independent Director in September 2021.

Gary retired from the Society at the 2023 AGM.

Brian Douglass BA (Hons) FCCA - Company Secretary

Brian joined the Society as Company Secretary in May 2012 and was elected on to the Committee of Management in June 2012. He is currently the Compliance Officer of the Society and serves on the Audit and Risk Committee and the Finance and Investment Committee. After graduating from Teesside University in 1988 with a degree in Business Studies he trained as an accountant, qualifying in 1996. Brian worked in the accountancy profession on Teesside for 22 years and was latterly a partner in a local firm of accountants. Before joining the Society Brian worked within the Finance Department of a local professional sports club.

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Committee of Management Biographies
for the Year Ended 31 December 2023 (continued)

Debra Barker CeMap - Society Vice-Chair

Debra joined the Committee of Management in 2014 She serves on the Audit and Risk Committee, the Remuneration and Assessment Committee and chairs the Product Oversight and Governance Committee.

Debra brings a vast knowledge and experience of the financial services industry to the Society, having worked in this environment for over 35 years. She spent over 20 years with Lloyds Banking Group in several roles, managing risk and compliance along with business development and sales across branches in the Northeast. Debra then continued her career in financial services working directly with a Mortgage Broker for 12 years.

Gillian Dobson BA (Hons), ACA DChA

Gillian is a Chartered Accountant with a diploma in Charity Accounting. She is currently Lead Corporate Accountant at Your Homes Newcastle and was previously Director of Finance and Corporate Services for Mental Health Matters, Finance Director of Tees Valley Leisure, Head of Finance and Governance for the Learning and Skills Council Tees Valley and Chief Accountant of Teesside Training and Enterprise Council. Gillian is formerly a trustee of Unite Limited, a mediation and restorative practice charity based in Middlesbrough, and a governor and audit committee member of Prior Pursglove College, in Guisborough.

Gillian serves on the Remuneration and Assessment Committee and chairs the Audit and Risk Committee.

Andrew Douthwaite BSc

Andrew joined the Committee of Management in November 2016 and serves on the Audit and Risk Committee, Remuneration and Assessment Committee and the Finance and Investment Committee. After obtaining a degree in Software Engineering from Leeds Metropolitan University, Andrew was employed in security centric application and web developer positions as well as roles within the telecommunications industry, before moving into advanced networking and cyber security at his current company, where he is now Chief Technology Officer.

Dominic Gardner BA (Hons) ACA

Dominic lives in Middlesbrough with his wife and four children and has been Managing Director of Sunderland based road repair specialist Velocity UK Ltd since 2013, having previously held the posts of Financial Controller and Finance Director at Velocity. Dominic holds a degree in Modern History and Politics from the University of Liverpool and qualified as a Chartered Accountant in 2005 whilst working for a small accountancy practice.

Dominic serves on the Audit and Risk Committee and the Remuneration and Assessment Committee.

Mark Dobing

Mark joined the Committee of Management in the summer of 2021, he currently serves on the Finance and Investment Committee, Product Oversight and Governance Committee and Remuneration and Assessment Committee.

Following on from achieving a B.Eng. (Hons) degree, and a spell working in industry, Mark began his career in financial services in 1993. He later joined Co-operative Bank where he became a fully qualified Independent Financial Adviser in 1998. Following a brief period at Yorkshire Bank, Mark joined the team at Active Chartered Financial Planners based in Stockton on Tees in 2005.

Liam Moloney

Liam lives in Middlesbrough with his wife and has two grown up daughters. He works for an international engineering consultancy where he is global operations manager.

Liam joined the Committee of Management in September 2021 and serves on the Audit and Risk Committee and the Remuneration and Assessment Committee.

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Committee of Management Biographies
for the Year Ended 31 December 2023 (continued)

Georgia Armin

Georgia is local to the area having lived and worked in Teesside her whole life. Georgia worked from the age of 16 alongside studying; she worked for the local football club for 6 years, starting as hospitality assistant and working her way up to become hospitality manager.

She then worked in local authority as a legal assistant for a period of 2 years. Following this, Georgia carried out training at a firm of business lawyers in the Tees Valley and qualified as a solicitor in 2022. Alongside work, Georgia completed an undergraduate law degree at Teesside University, a master's degree in legal practice at the University of Law in Leeds and a Professional Skills Course at Northumbria University.

Georgia opted for a career change in January 2024 and started a job in a local primary school. Georgia is now planning to complete teacher training to qualify as a primary school teacher.

Georgia serves on the Remuneration and Assessment Committee and the Audit and Risk Committee.

The Kensington Friendly Collecting Society Limited
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Corporate Governance Report
for the Year Ended 31 December 2023

The Committee of Management of Tees Mutual is committed to achieving high standards of integrity and ethical values. As an essential part of this commitment the Committee of Management supports high standards of Corporate Governance.

As a member of the Association of Financial Mutuals (AFM) the Society is evaluating its corporate governance activities against the six principles set out in the AFM Corporate Governance Code.

Throughout the year ended 31 December 2023, to the best of the Committee of Management's knowledge, the Society has complied with the AFM Corporate Governance Code. The Society has applied all the principles set out in the Code; the paragraphs below explain how these principles have been applied by the Society during the year to 31 December 2023.

Principle One – Purpose and Leadership

Purpose

The Society was initially founded in 1904 to provide a means for local working-class families to save small sums each week to provide enough money to enable them to pay for a funeral when a family member died. The Committee of Management continues to follow in the historical traditions of the Society. Its purpose remains the provision of life assurance and savings products to the members who are often unable to source mainstream financial services products either because of design, premium or clause exclusions or because they have non-average requirements.

The Society has historically delivered services face to face with a home collection service and the Committee of Management believes that there continues to be a demand for this service. They also recognise that customer behaviour is changing, the pandemic having hastened the move to electronic communication and are adapting systems to service both channels.

Values and Culture

The main operating areas of the Society (Teesside and North Yorkshire) have continued to suffer through high unemployment and welfare sanctions. The business model is therefore required to be inherently forbearing and flexible. Throughout the long-term nature of the life and saving products some members will inevitably have financial setbacks and the Society's staff will work with members by offering repayment plans, flexible premiums or surrender values after two years. These factors differentiate the Society from many of the mainstream insurers that advertise on TV.

The Committee of Management is aware of its responsibilities to set the tone and the expected behaviours of the Society's employees and endeavours to communicate these values to the workforce. This is carried out through a series of regular management and staff meetings.

The Society's sales team hold monthly meetings with their supervisors to discuss operational issues and feedback from members. The supervisors also meet regularly with the Senior Management Team to discuss the issues arising from these meetings.

As a mutual organisation it is essential that our members' interests are at the forefront of what the Society does and the Committee of Management always endeavours to ensure that our products meet our members' needs and that they are confident that members will receive an appropriate, respectful and helpful response when they engage with members of the team.

The Society monitors performance in this area using a treating customers fairly matrix. During 2023 this matter has been a regular agenda item at Committee of Management meetings.

The Committee of Management monitors the performance of the Society through the use of annual appraisals, the receipt of quarterly financial reports, receipt of reports from the sub-committees and from the internal audit and compliance functions.

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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

Strategy

The strategy, objectives and key performance indicators are set out in the Strategic report commencing on page 6.

Principle Two – Board Composition

The Committee of Management has the overall responsibility for creating a governance framework for the Society and is collectively responsible to the members for the direction, promotion and oversight of the Society to ensure its long-term success.

In order to review the performance, the Committee of Management has delegated some of these responsibilities for the operation of the systems to the Executive directors and various sub-committees that report to each Committee of Management meeting.

The Committee of Management meets at least four times a year and works to a schedule of matters set out in the terms of reference of the committee (copy available on the Society's website). All meetings are formally minuted.

The main areas of responsibility of the Committee of Management are as follows: -

- Approving and monitoring the Society's long-term performance.
- Monitoring the governance of the Society including the composition and competency of the Committee.
- Stewardship of members' funds including investment strategies.
- Approval of the annual financial statements.
- Engagement with the members and ensuring that the society is delivering fair outcomes to members and that it is meeting its duties under the consumer duty.
- Remuneration including following the recommendation of the Remuneration Committee in determining salaries.
- Business development and strategy.
- Delegation of authority to various sub-committees and determining the terms of reference for these committees.

Chair

The Chair is responsible for the leadership of the Committee of Management and is committed to working for the Society for approximately 20 days per annum. The job description for the roles of the Society's Chair, Chief Executive and Company Secretary are available on the Society's website.

The current Chair of the Society is Mark Brooks. Mark was appointed as Chair in September 2017 and was considered to be independent upon his appointment. He has indicated that he is able to devote sufficient time to his role as Chair and does not hold any other non-executive roles.

The roles of the Chair and the Chief Executive are carried out by separate people to ensure that a balance of responsibilities, accountability and decision making are effectively maintained.

The Chair in conjunction with the Company Secretary sets the agenda for each Committee of Management meeting and the Chair plays a pivotal role in encouraging open and constructive debate.

The directors all have equal voting rights, except the Chair who has the casting vote if the need arises.

The other non-executive directors carry out a formal appraisal of the Chair on an annual basis.

The current Chair, Mark Brooks has indicated that it is his intention to retire from his role at the 2024 Annual General Meeting or upon the society's transfer of engagements.

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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

Balance and Diversity

The Committee of Management comprises the Chair, Vice-Chair, Chief Executive, Company Secretary and six other non-executive directors. It currently consists of seven men and three women.

The committee currently has the benefit of a diverse range of business specialisms, including accountancy, legal, information technology, financial services, banking, and general management experience.

All the directors are given access to independent professional advice at the Society's expense when members deem it necessary for them to carry out their responsibilities.

All directors are currently subject to election at the first AGM following their appointment and annually thereafter.

The other business commitments of each director are disclosed on appointment and the Committee of Management is satisfied that these do not conflict with their duties as directors of the Society.

The Society operates an equal opportunities policy. It does not discriminate unlawfully when deciding which candidate is considered for a vacancy or in any terms of employment. The Society ensures that each candidate is assessed only in accordance with the candidate's merits, qualifications, and ability to perform the relevant duties required by the particular vacancy.

Size and Structure

The size of the Committee of Management is considered to be appropriate, having regard to the experience and skills that individual members bring to their duties. The Society acknowledges that it could operate with a slightly smaller committee although the additional size allows for a certain degree of flexibility in respect of members serving on sub-committees.

Two Non-Executive directors retired from the Society during 2023, with one new appointment.

The role of the non-executive directors is to challenge the Executive directors and to do this effectively they need to be independent in both character and judgement. All the non-executive directors with the exception of Jamie Brown, Gary Ferguson and Mark Brooks that served throughout the period under review have served for nine years or less and are independent in both aspects. Gary and Jamie retired from the Committee of Management in 2023 and Mark is expected to retire at some point in 2024.

The Society does not automatically terminate appointments after nine years because to lose the experience built up over this period would not be beneficial to the Society. In considering the re-appointment of Mark the Committee of Management have considered his relevant skills in relation to the Society's requirements and have concluded that there is no evidence that the time served would adversely affect his integrity or independence.

Effectiveness

Committee members complete an annual self-assessment and are appraised on an annual basis by the Society's Chair to ensure that they retain their independence and remain fit and proper to carry out their role. In addition, the overall effectiveness of the committees is evaluated on an annual basis by the Internal Audit function. The Society has not had an externally facilitated Board evaluation as it considers that the costs outweigh the benefits.

The Committee of Management meets at least four times per year and has delegated some of its responsibilities to sub-committees that report to each full Committee of Management meeting. Each of the sub-committees has a separate Chair.

New Committee of Management members undergo an induction programme when they join the Society, and all Committee of Management members participate in CPD training each year.

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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

The non-executive directors also meet at least once a year without the Executive directors or the Chair present to facilitate openness and the free exchange of views.

All Committee of Management members have access to the Society's Secretary who is responsible for advising the committee through the Chair on all governance matters.

The business experiences of the Committee of Management members, both individually and collectively, ensure that they can challenge constructively and help to develop proposals on strategy. As a body they bring strong independent judgement, knowledge, and experience to the Committee of Management's deliberations. The independent members are of sufficient calibre and number that their views carry significant weight in the Committee of Management's decision making.

The Chair and Chief Executive are currently in discussions with the non-executive directors with a view to appointing a new Senior Independent Director following the retirement of the previous incumbent.

Principle Three – Director Responsibilities

Accountability

The Corporate Governance practices of the Society are set out in the Memorandum and Articles of Association, the rules of the Society and the terms of reference of the committees.

The Society also operates a conflicts of interest policy that governs the internal affairs of the Society. Committee of Management members are required to declare any conflicts on appointment and potential conflicts are minuted and managed where appropriate at Committee meetings.

The Society has implemented the FCA/PRA Senior Manager and Certification Regime which clearly sets out the respective responsibilities of the Society's staff and senior management team. This regime is designed to encourage staff to take personal responsibility for their actions and to improve overall conduct in financial services.

Committees

The Committee of Management have delegated responsibilities to the sub-committees set out below:

- Remuneration and Assessment Committee (meet at least annually)
- Audit and Risk Committee (at least three meetings per year)
- Finance and Investment Committee (at least three meetings per year)
- Product Oversight and Governance Committee (at least annually)
- Nomination Committee (at least annually)

Each sub-committee has its own terms of reference and reports to the Committee of Management at each meeting. Each committee operates to an agenda agreed in advance and each meeting is formally minuted. The responsibility for each decision remains with the Committee of Management. In the opinion of the Committee of Management the composition of the Audit and Risk Committee meets the expectations of the PRA as regards independence.

Details of the work undertaken during the year by each committee is set out later in this report commencing on page 20.

The terms of reference of all the committees are regularly reviewed. The terms of reference of all the committees and the job descriptions of the officers of the Society are available on the Society's website.

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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

The table below shows board member attendance at all Committees during the year.

	Committee of Management	Finance & Investment	Audit & Risk	Remuneration & Assessment	Product Oversight & Governance
Attendance possible	6	2	4	1	3
Mark Brooks	6	2	-	1	2/2
Philip Carey	6	2	-	-	-
Jamie Brown	2/4	-	2/3	1	-
Gary Ferguson	2/4	1/2	-	1	1/1
Brian Douglass	6	2	4	-	-
Debra Barker	6	-	3	1	3
Gillian Dobson	5	-	4	1	-
Andrew Douthwaite	4	2	-	1	-
Dominic Gardner	3	-	3	1	-
Mark Dobing	5	1	-	1	3
Liam Moloney	3	-	2	0	-
Georgia Armin	6	-	3/3	-	-

Integrity of information

Regular and timely information is distributed to committee members on all aspects of the business and committee papers are distributed seven days in advance of committee meetings. The integrity of this information is reviewed on an on-going basis by the Society's compliance and internal audit functions. Financial information is audited annually by independent external auditors.

Principle Four – Opportunity and Risk

Opportunity and Risks

The Strategic Report at page 6 details the opportunities and the major risks that the Committee of Management is currently considering together with the actions that the Committee of Management is taking to mitigate these risks.

Operational risks are considered at each Audit and Risk Committee meeting using a rolling schedule. All risks considered major are reviewed at each meeting. New emerging risks are added to the risk register once the likelihood and impact becomes material. The risk register is reviewed by the Committee of Management annually.

The systems and controls operated are designed to manage risks rather than eliminate them entirely and can only provide reasonable rather than absolute assurance against a risk materialising.

Responsibilities

The Society has an established organisational structure with clearly stated lines of responsibility and reporting, with authorisation procedures in respect of matters such as purchase commitments, capital expenditure and investment limits. This helps to protect the integrity and long-term sustainability of the business, to meet strategic objectives and create value for its stakeholders.

The Committee of Management is responsible for identifying the risks to the Society and for putting in place controls and procedures to mitigate these risks. This is done through the policies and procedures set out in the paragraphs above.

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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

Principle Five – Remuneration

The Remuneration and Assessment Committee has the primary responsibility to set remuneration levels that will enhance the Society's resources by securing and maintaining quality senior staff who can deliver the strategic aims of the Society.

This committee has clearly defined terms of reference and makes recommendations to the Committee of Management concerning remuneration strategy, recruitment and incentive plans. The remuneration of the Executive directors does not have formal performance related elements and the Remuneration Committee does not formally assess remuneration relative to other organisations. The committee prefers to set remuneration by reference to the overall performance of the Society and the individuals, together with the general economic conditions relevant to the Society and the area it operates in. The Committee of Management believes that this method is appropriate to the size and complexity of the Society.

The remuneration of the Committee of Management is set out in the Remuneration Report starting on page 27.

Principle Six – Stakeholder Relationships and Engagement

Members

The member relations policy that the Society operates allows the Society to maintain close links with the membership and any issues arising can be appropriately and quickly addressed. With the migration to electronic payments the Society is in the process of introducing a policy to ensure all members are contacted on a regular basis.

Notice of the AGM is provided at least 20 working days in advance of the meeting. Members of the Committee of Management will be in attendance at the AGM to answer members' queries. The Committee of Management continues to look at how it may increase the attendance at the AGM.

The Society has a documented complaints-handling procedure and aims to treat customers fairly. Although the Society receives relatively few complaints, those received are taken seriously and wherever possible lessons learned to reduce the chances of the same complaint recurring.

Employees

The employees of the Society are particularly important as they are generally the first point of contact with the Society's members and prospective members. In support of our employees, we try to maintain a degree of flexibility in their working arrangements so that they can balance social and family commitments with work.

The Committee of Management aims to ensure that employees are appropriately equipped and competent to carry out their roles as efficiently as possible and in order to do this provides regular training in both technical and soft skills areas.

Regular meetings are held with employees to understand operational and member related issues that they are experiencing in order that these matters can be addressed.

The new Customer Relationship Management (CRM) system that became operational in 2023 is beginning to improve efficiency for staff and improving the members' experience whilst dealing with the society.

The employees also have access to a formal whistleblowing and grievance procedure that is overseen by the Senior Independent Director.

The employees of the Society play a key role in the development of the Society and wherever possible the Senior Management Team will consult with the employees whilst developing strategic plans.

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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

Suppliers

The Committee of Management aims to ensure that there is appropriate two-way dialogue with suppliers and that contractual terms such as payment terms are adhered to. Suppliers are also regularly reviewed to ensure that the product/service that they supply continues to be fit for purpose and represents value for money. Wherever possible the Society will aim to use local suppliers providing the above criteria are satisfied.

Community and the Environment

As part of the Society's member engagement policy and to increase the awareness of the Society within the local communities, the Society has set up a small community fund that aims to assist members with financial assistance for charitable projects.

The work that the Society is undertaking around its corporate social responsibilities is set out in the Strategic Report on page 8.

Committee Reports

Committee of Management

During 2023 the Committee of Management:

- Approved the Annual Reports and Accounts for 2022.
- Approved the budget for 2024 and the business plan.
- Approved the regulatory actuarial valuation of policy liabilities as of 31 December 2022.
- Received regular reports on the financial performance of the Society and performance against budget.
- Received and considered reports from the Chairs of the Audit and Risk Committee, Finance and Investment Committee, Remuneration and Assessment Committee and the Product Oversight and Governance Committee.
- Received updates from the Chief Executive and Company Secretary on the Society's marketing activities and performance against strategic objectives.
- Considered the future of the Society in conjunction with professional advisers and other interested parties.
- Regularly reviewed key risks and assessed the mitigation of these and the Society response to mitigate the risks to the Society, staff, and membership.
- Received training from the Society, Society Actuary, and Investment Managers.

Audit and Risk Committee

The role of the Audit and Risk Committee is to oversee the Society's corporate governance, risk register and audit matters and to assist the Committee of Management in determining whether the Society's systems and controls are appropriate to effectively manage and mitigate strategic and operational risks.

During 2023 the Audit and Risk Committee met four times and comprised the following Members:

Gillian Dobson - Chair
Debra Barker
Jamie Brown – retired August 2023
Brian Douglass
Dominic Gardner
Liam Moloney
Georgia Armin – appointed March 2023

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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

The Committee of Management has considered the expectations of the PRA regarding the independence and competence of Audit Committees and is satisfied that these conditions are being met by the Society. The Committee of Management Chair is not a member of this committee. The academic, business, and financial experience of the members enables the committee to fulfil its terms of reference in a robust and independent manner.

The committee as a whole has the opportunity to meet privately with both the internal auditor and external auditor at any time. The internal auditor attended all four meetings during 2023.

The committee is authorised by the Committee of Management to seek any information that it requires from any employee, to obtain at the Society's expense legal or professional advice on any matter within its terms of reference, and to call any employee to be questioned at a meeting of the committee as and when required.

The committee works on a structured, risk-based programme of activities focused to coincide with key events of the annual financial reporting cycle and other associated risks.

Activities in 2023

The Audit and Risk Committee discharged its responsibilities by: -

- Reviewing the Society's progress on meeting Consumer Duty obligations.
- Reviewing the Society's draft financial statements and the independence/performance of the auditors to enable it to make recommendations to the Committee of Management regarding the approval of the financial statements and appointment/ re-appointment of external auditors.
- Reviewing and approving the internal audit plan and resources for the internal audit function. The internal audit plan is constructed taking a risk-based approach with the review cycle ensuring that financially material operations are reviewed annually, and all activities are reviewed at least once every three years.
- Considering internal audit reports and actions taken to implement the recommendations in those reports.
- Reviewing and expanding the Society's risk register and considering and improving the mitigating policies in place to manage downwards these risks to the Society. The covid-19 pandemic has impacted upon our existing principal risks. However, it was not considered necessary to create any new principal risks.
- Reviewing the Society's system of internal control and its effectiveness and reporting to the Committee of Management on the results of that review and where appropriate recommending changes to make the system more efficient.

Remuneration and Assessment Committee

The committee comprises of all non-executive members. It is chaired by the Senior Independent Director. It meets at least annually and met once during the year. Its principal function is to review the performance of the Executive directors and to set their salaries for the forthcoming year.

The Kensington Friendly Collecting Society Limited
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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

Nomination Committee

This comprises the following: -

Mark Brooks - Chair
Debra Barker
Philip Carey
Gary Ferguson - resigned August 2023

In view of the negotiations that are on-going with the regulators and another friendly society this Committee did not meet formally during 2023. It was considered important that all Committee of Management members were involved in the negotiations.

Finance and Investment Committee

This comprises the following: -

Mark Brooks - Chair
Philip Carey
Gary Ferguson – resigned August 2023
Brian Douglass
Andrew Douthwaite
Mark Dobing

The committee met on three occasions during 2023 (2 separate meetings and a combined COM meeting)

During 2023 the committee performed the following tasks: -

- Reviewed the Society's investment strategy, financial performance and estimated solvency position following the movements in the equity markets and the actions taken by the Society in response to this. Taking the decision to reduce risk within the portfolio by reducing the equity holdings in favour of a cash-based fund.
- Reviewed the effectiveness of the marketing strategy.
- Reviewed progress on the development of the CRM system.

The main role of the committee is to review the financial performance against budget, to monitor investment performance of the Society's brokers within the agreed risk profile and consideration of business development and marketing activities.

In addition to the formal meetings the Executive hold monthly conference calls with the Investment managers to discuss the investment strategy and market conditions.

The Kensington Friendly Collecting Society Limited
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Corporate Governance Report
for the Year Ended 31 December 2023 (continued)

Product Oversight and Governance Committee

This comprises the following: -

Debra Barker - Chair
Gary Ferguson – resigned August 2023
Mark Dobing
Mark Brooks – appointed September 2023

This Committee held three meetings during the year. The Committee was formed in response to PRA recommendations and the introduction of the Insurance Distribution Directive to consider the Society's Treating Customers Fairly responsibilities and to review existing and new products from a risk perspective.

The meetings were also attended by the Chief Executive, Company Secretary, and Internal Auditor. The committee may also request the attendance of members of the Society's staff.

The meetings discussed market conditions, target market, distribution methods, the current product range, value for money & customer service and the product literature.

The Committee also took the lead on the Society's implementation of Consumer Duty that became effective from July 2023.

On behalf of the Committee of Management

Brian Douglass
Company Secretary

Date: 10 June 2024

The Kensington Friendly Collecting Society Limited
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Report of the Committee of Management
for the Year Ended 31 December 2023

The Committee of Management presents its annual report and audited financial statements for the Society for the year ended 31 December 2023. This report should be read in conjunction with the Strategic Report set out on pages 6 to 10.

Members of the Committee of Management

The Members of the Committee of Management are shown on page 1, and brief biographies on pages 11 to 13. All current Members of the Committee of Management except for Mark Brooks intend to stand for re-election at the forthcoming annual general meeting.

Business Objectives and Activities

The Society is an incorporated, non-directive friendly society. Its core business objective is to provide financial services products to its members with a flexible premium collection service. In accordance with the Friendly Societies Act 1992, the Committee of Management can confirm that all activities carried on during the year by the Society are within its powers.

The Kensington Friendly Collecting Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Business Review

The Society performance is reviewed by the Chair on page 3, the Chief Executive on pages 4 and 5 and in the Strategic Report on pages 6 to 10.

The overall financial position of the Society as at 31 December 2023 is considered satisfactory bearing in mind the local economic climate and the volatility in the world financial markets. (See Going Concern Basis below).

Statement of Solvency

Sally Butters of OAC Limited performs the function of Appropriate Actuary. Fees paid to OAC Limited are disclosed in note 11 to the financial statements.

As of 31 December 2023, the Society had in the opinion of the Appropriate Actuary the required solvency margins prescribed in section 48(2) Friendly Societies Act 1992.

Going Concern Basis

In making this assessment the Committee of Management has considered the following:

- The above Statement of Solvency, the 2023 Actuarial valuation and a going concern report prepared by the Appropriate Actuary covering a three-year period.
- The Society budget and available cash resources.
- Investment decisions taken since the year-end, designed to protect the assets of the Society and protect solvency.

The Society's forecasts and projections show that the Society should be able to continue to operate for a period of at least twelve months from the date of approval of the financial statements. After making enquiries the directors have a reasonable expectation that the Society has adequate resources to continue to operate for the foreseeable future.

The Committee of Management therefore believes that it remains appropriate to continue to prepare these financial statements on a going concern basis.

The Kensington Friendly Collecting Society Limited
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Report of the Committee of Management
for the Year Ended 31 December 2023 (continued)

Charitable and Political Donations

The Society did not make any charitable donations during the year (2022: £Nil).

Equal Opportunities

The Society operates a policy on Equality and Diversity which states "The Society is committed to a policy of equal opportunities for all and shall always adhere to such a policy.

The Society will treat everyone equally irrespective of sex, sexual orientation, gender reassignment, marital or civil partner status, race, colour or belief, nationality, ethnic or national origin, disability, or age, and places an obligation upon all employees to respect and act in accordance with the policy.

The principles of non-discrimination and equality of opportunity also apply to the way in which staff members treat visitors, clients, Members, suppliers, and former staff members.

The Society shall not discriminate unlawfully when deciding which candidate is considered for a vacancy or in any terms of employment. The Society will ensure that each candidate is assessed only in accordance with the candidate's merits, qualifications, and ability to perform the relevant duties required by the vacancy.

The Committee of Management is not aware of any issues that have arisen as a result of this policy.

Statement as to Disclosure of Information to Auditors

Members of the Committee of Management who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the Society's auditors are unaware, and each committee member has taken steps he or she ought to have taken as a committee member to make himself or herself aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Statement of Committee of Management Responsibilities

It is the responsibility of the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the assets, current liabilities, resulting balances and income and expenditure of the Society for that period. In preparing the 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume the Society will continue in business.

The Committee of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to ensure that the financial statements comply with the Financial Services & Markets Act 2000, Friendly Societies Act 1992 and the regulations made under it. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

In addition, the Committee of Management considers 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 performance, business model and strategy.

The Kensington Friendly Collecting Society Limited
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Report of the Committee of Management
for the Year Ended 31 December 2023 (continued)

S172(1) Companies Act 2006 – Director’s Duties Statement

S172 of the Companies Act 2006 requires a director of a company to act in a way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard (among other matters) to: -

- the likely consequences of any decision in the long term.
- the interests of the company employees.
- the need to foster the company’s business relationships with suppliers, customers, and others.
- the impact of the company’s operations on the community and the environment.
- the desirability of the company maintaining a reputation of high standards of business conduct; and
- the need to act fairly between members of the company.

As a mutual organisation the Society exists for the benefit of its members and the Committee of Management consider this in all decisions. Details of how the Directors fulfil these duties are set out in the Strategic Report (pages 6 to 10) and Corporate Governance Report (pages 14 to 23).

Auditors

The external audit has been carried out by Anderson Barrowcliff LLP, Chartered Accountants and Statutory Auditors. They have recently completed their fourteenth audit and the Committee of Management has carried out a review of their performance and continued professional independence and recommend to members their re-appointment.

In accordance with Section 72 of the Friendly Societies Act 1992, a resolution is to be proposed at the AGM for the re-appointment of Anderson Barrowcliff LLP as auditors of the Society.

On behalf of the Committee of Management

Brian Douglass

Company Secretary

Date: 10 June 2024

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Remuneration Report
for the Year Ended 31 December 2023

This report is submitted in respect of the year ended 31 December 2023. A vote to approve the report will be put to the 2024 Annual General Meeting.

Remuneration and Assessment Committee

The remuneration policy of the Society is the responsibility of the Remuneration and Assessment Committee. This committee meets at least annually and is chaired by the Senior Independent Director of the Society. The committee consists of all the Non-Executive Committee members. Executive members do not serve on this committee.

Remuneration Policy

The remuneration policy of the Society aims for remuneration rates to be set that enable it to recruit, motivate and retain suitably qualified and committed staff. The remuneration rates are set at levels that enable a competitive package to be offered reflecting on the experience and level of responsibility of each role. In arriving at these market rates, the committee considers the overall performance of the Society and the individuals together with the overall economic conditions relevant to the Society and the sectors that it operates in.

The Society does not operate a long term-incentive scheme.

Executive Committee Members

Executive committee members are paid a salary to reflect the individual's experience and responsibility. It is based upon the members of the Remuneration Committee's experience of the local market, the size of the role and Society and individual performance. In addition, the Society pays pension contributions for the executive members.

With the authority of the Committee of Management, the Chief Executive holds other external Executive and Non-Executive appointments. In addition to his role as Chief Executive, Philip Carey is the managing partner of Careys Consumer Credit, a role that was approved by the Committee at the time of his appointment as Chief Executive. Throughout 2023 Mr Carey also served as chairman of the Consumer Credit Association (CCA). This appointment was approved by the Committee of Management.

The Executive members have continuing service contracts with notice periods set at less than 12 months.

Non-Executive Members

Non-Executive members are expected to initially serve for a period of three years, subject to satisfactory performance, and they are subject to annual re-appointment at the Society's annual general meeting. Non-Executive members receive annual retainers plus agreed attendance rates for meetings and when they are working for or representing the Society. The policy of the Society is that fees payable to non-executive members should reflect the time spent by the member in relation to the business of the Society and reflect the responsibilities borne by the members.

Non-Executive members do not have service contracts and their notice period is three months.

The Society maintains Directors' and Officers' liability insurance with a current indemnity limit of £2 million. Committee members are given access to independent professional advice at the expense of the Society when they deem it necessary for them to carry out their responsibilities.

The Kensington Friendly Collecting Society Limited
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Remuneration Report
for the Year Ended 31 December 2023 (continued)

Staff Salaries

The Society aims to pay salaries at the market rate to reflect the relevant role, the level of responsibility and the individual's performance. All staff salaries are reviewed annually.

Fees, salaries and benefits of the Committee of Management in 2023 amounted to: -

	Fees	Salary	Benefits	Pension	Total	2022
	£	£	£	£	£	£
Mark Brooks	2,390	-	-	-	2,390	2,135
Philip Carey	-	25,602	-	8,209	33,811	33,983
Jamie Brown – resigned August 2023	865	-	-	-	865	1,170
Christine Scott – resigned July 2022	-	-	-	-	-	810
Gary Ferguson – resigned August 2023	865	-	-	-	865	1,340
Brian Douglass	-	33,234	-	1,059	34,293	35,054
Debra Barker	2,750	-	-	-	2,750	2,525
Gillian Dobson	1,595	-	-	-	1,595	1,510
Andrew Douthwaite	1,340	-	-	-	1,340	1,000
Dominic Gardner	1,255	-	-	-	1,255	1,085
Mark Dobing	1,425	-	-	-	1,425	1,425
Liam Moloney	1,085	-	-	-	1,085	1,425
Georgia Armin – appointed March 2023	1,290	-	-	-	1,290	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	14,860	58,836	-	9,268	82,964	83,462
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Mark Brooks
Chair of the Remuneration Committee

Date: 10 June 2024

The Kensington Friendly Collecting Society Limited
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Independent Auditor's Report to the Members of
The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Opinion

We have audited the financial statements of The Kensington Friendly Collecting Society Limited for the year ended 31 December 2023 which comprise the Income and Expenditure Account, the Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standards 102 and 103 'The Financial Reporting Standards applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as of 31 December 2023 and of its 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 of Opinion

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

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Committee of Management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Key Audit Matters

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

The Kensington Friendly Collecting Society Limited
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Independent Auditor's Report to the Members of
The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual (continued)

Key Audit Matters (continued)

We have identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

- the integrity of the input data and application of suitable methodology, modelling processes and assumptions in the calculation of the Society's long-term technical provision liabilities.
- revenue recognition including the timing, completeness, and accounting of premium income.
- the risk of management override of internal controls. International Standards on Auditing (UK and Ireland) state that this risk must always be treated as significant.
- the Society remains in a solvent position.

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.

When establishing our overall audit strategy, we determined an overall level of uncorrected misstatement that we judged would be material for the financial statements as a whole. We determined planning materiality for the Society to be £25,000 which is approximately 0.5% of total assets.

On the basis of our risk assessment, together with our assessment of the Society's overall control environment, our judgement is that the overall performance materiality level should be 90% of planning materiality, namely £22,500.

However, given the nature of the Society's activities and taking into account the users of the financial statements, we consider this performance materiality level to be too high for the Income and Expenditure Account. Accordingly, therefore, we set a lower planning performance materiality of £8,500 specifically for the Income and Expenditure Account. Our objective in adopting this approach is to ensure that total detected and undetected audit differences that would affect the Income and Expenditure Account do not exceed this performance materiality level.

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.

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Independent Auditor's Report to the Members of
The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual (continued)

An Overview of the Scope of our Audit

Our audit scope focussed on the principal activities of the Society which are undertaken from one location.

We scoped our responses to the significant risks identified above in the following ways:

- we engaged the services of a suitably qualified and experienced 'Independent Actuary' to review and challenge the methodology, assumptions and calculations of the Appropriate Actuary's long term business provision liabilities. We also tested the integrity of the actuarial data extracted from the Society's policy data.
- we carried out substantive testing on the Society's premium income relating to existing policies, new policies written in the year and surrendered policies, as well as analytical and cut-off procedures to ensure revenue recognition policies complied with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
- we carried out analytical procedures and journal entry testing in order to identify and test the risk of error or fraud arising from management override control.
- the work of the Independent Actuary also allows us to consider the appropriateness of the Statement of Solvency on page 20.

Other Information

The Committee of Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Committee of Management, 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.

Opinions 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 Report of the Committee of Management for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Committee of Management have been prepared in accordance with applicable legal requirements.

The Kensington Friendly Collecting Society Limited
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Independent Auditor's Report to the Members of
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Matters on which we are required to report by exception.

In the light of the knowledge and understanding of the Society and its environment obtained in the course of our audit, we have not identified material misstatements in the Strategic Report or the Report of the Committee of Management.

Friendly Societies Act 1992:

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:

- adequate accounting records have not been kept.
- a satisfactory system of control has not been maintained.
- certain disclosures of the Committee of Management's remuneration specified by law are not made.
- 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 Committee of Management

As explained more fully in the Committee of Management's responsibilities statement set out on page 25, the Committee of Management 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee of Management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the industry, we have considered applicable laws and regulations which may be fundamental to the Society's ability to operate or to avoid a material penalty, and we considered the extent to which non-compliance might have a material effect on the financial statements. We considered management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of inappropriate manual journal entries to manipulate financial performance, management bias in significant accounting estimates and any significant one-off or unusual transactions.

We discussed among the audit engagement team the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Independent Auditor's Report to the Members of
The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual (continued)

Audit procedures performed by the engagement team included:

- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims.
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing internal audit reports.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Challenging estimates and judgements made by management in their significant accounting estimates.
- Revenue recognition: agreeing a sample of revenue transactions to gain assurance over the occurrence and accuracy of revenue and also to ensure revenue has been recognised in the correct period.

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

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

Other matters which we are required to address.

We were appointed by the Committee of Management on 1 December 2010. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society in conducting our audit.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's Members as a body, for our audit work, for this report or for the opinions we have formed.

Helen Wilson FCA (Senior Statutory Auditor)
For and on behalf of Anderson Barrowcliff LLP
Statutory Auditor
Chartered Accountants
3 Kingfisher Court
Bowesfield Park
Stockton on Tees TS18 3EX

Date: 19 June 2024

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Income and Expenditure Account
for the Year Ended 31 December 2023

Technical Account - long term business

	Note	2023 £	2022 £
Earned premiums	5	807,163	833,982
Investment income	6	123,676	(780,321)
Other income	7	18,734	18,605
Unrealised surpluses/(losses) on investments	6	94,135	(1,468,198)
		1,043,708	(1,395,932)
Claims incurred	8	828,828	859,178
Changes in other technical provisions	15	(138,201)	(2,168,872)
Net operating expenses			
Acquisition expenses	9	68,946	71,379
Administrative costs	9	134,121	136,305
Investment expenses and charges	9	60,777	65,507
Transfer to/(from) the fund for future appropriations	15	89,237	(359,429)
		1,043,708	(1,395,932)
Balance on the technical account - long term business		-	-

As a friendly society, all net earnings are for the benefit of the members and are carried forward within the funds for future appropriations. Accordingly, there is no profit for the year shown in the Income and Expenditure Account.

The Society has not presented a Statement of Changes in Equity as there are no equity holders within the Society as it is a mutual organisation.

Except as disclosed above, there are no recognised gains or losses for the current or prior year.

All income and expenditure relate to continuing operations.

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Balance Sheet as at 31 December 2023

	Note	2023 £	2022 £
Assets			
Investments			
Land and buildings	12	175,000	175,000
Other financial investments		4,680,064	4,743,282
Debtors			
Debtors arising on direct insurance operations		22,698	26,809
Taxation recoverable		-	116
Other assets			
Tangible assets	13	4,985	5,728
Intangible assets	14	49,731	46,755
Cash at bank and in hand		52,649	39,721
Prepayments and accrued income			
Accrued income		25,657	25,166
Prepayments		19,098	24,271
		5,029,882	5,086,848
Liabilities			
Fund for future appropriations			
	15	602,446	513,209
Technical provisions			
Long term business provision	15	4,332,504	4,470,705
Creditors			
Taxation and social security		2,795	3,322
Other creditors		92,137	99,612
		5,029,882	5,086,848

The financial statements were approved and authorised for issue by the Committee of Management on 10 June 2024 and were signed on their behalf by: -

Philip Carey
Chief Executive

Mark Brooks
Society Chair

Brian Douglass
Company Secretary

The notes on pages 36 to 53 form an integral part of these accounts

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023

1 General Information and basis of preparation

The Kensington Friendly Collecting Society Limited is a non-directive friendly society incorporated in the United Kingdom. The address of the registered office and place of business is given on page 1 of these financial statements. The nature of the Society's operations and principal activities are set out in the Strategic Report of the Committee of Management on page 6.

The financial statements have been prepared in accordance with applicable accounting standards including financial Reporting Standards 102 and 103 *The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland (FRS 102 and FRS 103)*, the Friendly Societies Act 1992 and the Friendly Societies (Accounts and Related Provisions) Regulations 1994. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The financial statements are prepared in Sterling which is the functional currency of the Society and are rounded to the nearest £1.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year and the preceding year.

Going concern

Despite the society now being closed to new business from January 1st 2024 as disclosed in the Chief Executive's Report (page 5), after making enquiries (see page 24) the Committee of Management have a reasonable expectation that the Society has adequate financial resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing these financial statements.

2 Accounting Policies

Premium income

Earned premiums are accounted for as they fall due.

Premium income recognised in the 2023 financial statements represent a 52-week period (2022: 52 weeks).

Investment income and expense

Investment income and expenses include all interest and dividends (including recoverable tax credits), rents and realised gains and losses. Income is accounted for on an accruals basis and includes dividends from investments which are "ex dividend" at the year end.

Realised gains and losses are calculated as sale proceeds less original costs.

Unrealised gains and losses

These represent the movements over the year in the difference between cost and the market value of investments at the year end and are included in the long-term business – technical account.

Claims

Maturities and claims are accounted for as they fall due, surrenders are accounted for when they are paid by the Society. Claims include the attributable processing expense.

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting Policies (continued)

Acquisition costs

These represent the costs incurred in acquiring new business. The Society does not recognise deferred acquisition costs. The acquisition cycle is normally a negligible period of time and there is no significant expense unmatched with a policy at any time.

Taxation

Taxation is provided at current rates in respect of the taxable element of the Society's business. As a friendly society the Society is subject to tax on only part of its life and endowment business, on realised gains on the disposal of its investments and in respect of the increase/decrease in the value of its listed fixed interest securities.

Pension costs

The Society operates a defined contribution pension scheme for some of its employees. Pension premiums are charged to the Income and Expenditure Account in the year that they relate.

Investments

The Society classifies all its investments upon initial recognition as financial assets at fair value and subsequent valuation movements are recognised in the Income and Expenditure account.

Financial assets at fair value include listed investments. Fair value is based upon mid-market value at the year end.

Non-UK investments are translated into sterling at the exchange rate at the balance sheet date. Any gains or losses on exchange rate differences form part of the overall increase/decrease in market value of investments.

Investment properties are measured at fair value at each reporting date with changes in fair value recognised in income or expenditure.

The land and buildings are valued in accordance with generally recognised methods of valuation. The aggregate unrealised surplus or deficit is included in the technical account.

Debtors arising on direct insurance operations

Debtors arising on direct insurance operations are measured at undiscounted amounts receivable.

Depreciation

Depreciation is provided to write off the cost less any residual value of tangible assets over their useful lives:

Fixtures & fittings	10% and 25% per annum on straight line basis
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The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting Policies (continued)

Amortisation

Amortisation is provided to write off the cost of any intangible assets over their useful lives. No amortisation is provided for assets under the course of construction.

Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in income or expenditure.

Long Term Business Provision

The long-term business provision is calculated by the Society's actuarial function using a net premium method which complies with the reporting requirements of the Interim Prudential Source Book for Friendly Societies. The provision allows for the cost of all declared reversionary bonuses attaching to policies, including those relating to the current valuation. No explicit provision is made for future reversionary bonuses, though implicit provision is made for these by reducing the valuation rates of interest significantly below the valuation rate the Society can reasonably expect to earn. No adjustments to the statutory solvency basis were required by the Regulations since these reserves were nil. Neither was it necessary to eliminate any deferred acquisition costs since these were not allowed for in the statutory valuation.

Funds for Future Appropriations

This fund represents funds held by the Society which are not attributable to specific policy holders. Transfers to and from this fund represent the surplus or deficit of income in each year arising from participating business.

Cash Flow Statement

As a mutual life assurance society, the Society is exempt from the requirements under FRS 102 7.1A to provide a cash flow statement.

Critical Accounting Estimates and Judgements

In the application of the Society's accounting policies, the Committee of Management are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the Committee of Management there are two key estimates and assumptions which could have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. These are discussed in more detail below.

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

2 Accounting Policies (continued)

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below: -

- (i) **Valuation of long-Term Insurance Contract Liabilities:**
The liability relating to long-term insurance contracts is based on assumptions reflecting the current best estimate and margins for adverse deviations. The assumptions used for mortality are based upon standard industry tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for investment returns, expenses and persistency are based on current market yields, product characteristics and relevant experience. The assumptions used for discount rates are based on current market yields adjusted for the Society's own risk exposure. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty.
- (ii) **Fair Value Estimations:**
The Committee of Management use their judgement in selecting appropriate valuation techniques. The investments are all held on a recognised stock market and are valued at the mid-market price. The freehold property was valued by a chartered surveyor in July 2022 and the valuation has been reviewed by the directors as explained in note 12.

3 Capital Management

Policies and Objectives

The Society's objectives in managing capital are:

- (i) The Society will always have sufficient funds available to meet its contractual obligations to policyholders.
- (ii) The Society's exposure to risk is managed to ensure that the capital resources available always meet the minimum capital requirements set out by the PRA.
- (iii) To give confidence to policyholders and other stakeholders who have relationships with the Society and.
- (iv) The Society will have sufficient capital resources available to fund its growth expectations.

These objectives are reviewed at least annually, and the capital position is monitored to ensure that sufficient capital is available to the Society.

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

The capital requirement is the statutory minimum capital requirement. The statutory minimum capital requirement is based on UK legislation.

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

Policies and Objectives (continued)

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

The Society complied with all externally imposed capital requirements to which it was subject throughout the reporting period.

The Society is a mutual organisation with no shareholders. As such all its capital belongs to its members.

Capital Statement

The following table sets out the capital available: -

	2023		2022	
	£	£	£	£
Fund for future appropriations	602,446		513,207	
Less: Inadmissible assets	(54,982)		(52,005)	
Resilience reserve	(87,636)		(119,683)	
Expense reserve	(83,466)		(54,999)	
		376,362		286,520
Capital available to meet regulatory capital requirements		376,362		286,520
Regulatory capital requirements		212,130		219,114
Capital in excess of regulatory capital requirements		164,232		67,406

The movement in capital resources is as follows: -

	2023	2022
	£000s	£000s
Capital available as at 1 January	286	697
Change in assumptions in the valuation basis	69	2,133
Economic factors – investments	16	(2,441)
Economic factors – expenses	56	58
(Cost) of new business	(54)	(53)
(Deficit) on exits	(2)	(63)
Change in contingency reserves	5	(45)
Capital available as at 31 December	376	286

The assets available for the Required Minimum Margin are 177% of the RMM (131% last year).

Measurement and Monitoring of Capital

The capital position of the Society is monitored on a regular basis and reviewed regularly by the Committee of Management.

In the event that sufficient capital is not available, actions would be taken either to raise additional capital or to reduce the amount of risk accepted thereby reducing the capital requirement through, for example, reinsurance, reducing business volumes or a change in investment strategy.

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

Available Capital – Long-term Insurance Contracts

The liabilities in respect of the Society's business are determined in accordance with the regulations of the Prudential Regulation Authority (PRA). The assets are taken at market value. The whole of the available capital resources is available to meet the regulatory and other solvency requirements of the fund.

Sensitivity of Long-Term Insurance Contract Liabilities

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

Market Conditions

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

Demographic Assumptions

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

The table below sets out the Society's exposure to life insurance risk: -

	2023	2022
	£	£
Whole of life	2,611,327	2,626,388
Endowment	945,582	987,230
Quinquennial	775,594	857,087
Total	4,332,503	4,470,705

The table shows the impact of movements in key assumptions on the long-term contract liabilities: -

	Change in liabilities (£000s)
Decrease in valuation interest by 0.5%	210
Increase in expenses allowance by 5%	82
Increase in mortality rates by 15%	182

4 Risk Management and Control

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

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

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

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

4 Risk Management and Control (continued)

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

The principal methods involve: -

- (i) Holding reserves to meet the obligations of the Society
 - (ii) Monitoring and managing internal and externally generated reports that provide information about the performance or level of key indicators
 - (iii) Closely matching investments to policy liabilities where those liabilities are tightly defined
 - (iv) Actively managing the investment portfolio after taking advice from the appropriate actuary about the nature and term of the liabilities and the parameters appropriate to limit the downside risks
- (b) Nature and extent of risks arising from insurance contracts

Insurance Risk

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

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

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

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

The following risk factors are components of insurance risk: -

Mortality Risk

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

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

Insurance Risk (continued)

Lapse Risk

This is the risk that withdrawals and lapse rates are different than assumed. This risk can occur on both insurance and investment contracts. Lapses that are higher than assumed are usually detrimental, especially if they occur prior to recovering costs to issue a policy, or at a time when the guarantees underlying the with-profits contracts are onerous.

Expense Risk

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

The actuarial assumptions used in the measurement of insurance contract liabilities take insurance risk factors into account as discussed above. Sensitivities to changes in actuarial assumptions are provided in note 3.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to fulfil its payment obligations. Worsening or continued poor economic conditions could result in borrower or counterparty defaults or downgrades and could lead to increased provisions or impairments related to the Society's invested assets and an increase in provisions for future credit impairments to be included in insurance contract liabilities. The board approved Investment Policy sets out the policies and procedures to manage these risks. Specific guidelines have been established to minimise undue concentration of exposure to a single debtor or a group of related debtors, to limit the purchase of fixed income securities to investment-grade assets, and to specify minimum and/or maximum limits for fixed income securities by credit quality ratings.

Asset portfolios are monitored and reviewed regularly by the board.

(c) **Maximum Exposure to Credit Risk**

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

	2023	2022
	£	£
Assets		
Bonds	3,998,563	4,241,632
Equities/Collectives	-	501,650
Property	169,750	169,750
Deposits	734,149	39,721
	<hr/>	<hr/>
Total	4,902,462	4,952,753
	<hr/>	<hr/>

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

(d) **Concentration of Credit Risk**

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

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

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

Bonds and Other Fixed-Term Securities

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

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

	2023
	£
UK Government Bonds	3,998,563
Corporate Bonds	-
Total	3,998,563

Equities

The Society did not hold any investments in equities at the year-end.

Investment Land and Buildings

The Society currently only invests in one property which it uses for its Head Office.

Liquidity Risk

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

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

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

Market Risk

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

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

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

Below are the key factors that underlie market risk: -

(i) **Currency Risk**

The Society denominates all its insurance contracts in Sterling, therefore there is no currency risk.

(ii) **Interest Rate Risk**

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

The Society is exposed to interest rate risk as the Society invests in long-term debt at both fixed and floating interest rates. The risk is managed by the Society by maintaining an appropriate mix between fixed and floating rate borrowings.

Interest rate risk also exists in products sold by the Society. The Society has no significant concentration of interest rate risk. The Society manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

(iii) **Equity Market Risk**

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

As at the year-end the Society did not hold any equities.

Assets held to provide returns on with profit policies can comprise a substantial portion of equity assets. The positive return on these assets is used to provide part of the addition of bonuses to the with profit policies. The risk is managed by the Society by maintaining an appropriate mix of investment instruments and actively monitoring the level of prices in the stock markets.

The Kensington Friendly Collecting Society Limited
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Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

Summary of market risk sensitivities

	Change in surplus assets (£K)
Fixed interest yields fall by 1%	60
Equity values fall by 10%	-
Fixed interest yields rise by 1%	(64)
Equity values rise by 10%	-

(iv) **Property Price Risk**

The property price risk arises from changes in the value of the investment properties. This is not significant for the Society as it invests in only one property with a current market value of £175,000.

5 Earned Premiums

Earned premiums relate entirely to periodic industrial assurance premiums collectable, contracted for in the United Kingdom.

6 Investment Income

	2023	2022
	£	£
Income from land and buildings	4,903	4,959
Income from listed investments	175,604	163,006
(Losses)/gains on investments realised	(56,946)	(948,319)
Bank interest	115	33
	123,676	(780,321)
	123,676	(780,321)

	2023	2022
	£	£
Unrealised surpluses/(losses) - financial investments at fair value	94,135	(1,468,198)
	94,135	(1,468,198)

7 Other Income

	2023	2022
	£	£
Home collection fees	18,734	18,605
	18,734	18,605

The Kensington Friendly Collecting Society Limited
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Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

8	Claims Incurred	2023	2022
		£	£
	Deaths	366,422	391,122
	Maturities	184,471	167,723
	Surrenders	128,326	161,199
	Bonuses	63,535	55,798
		<hr/>	<hr/>
		742,754	775,842
	Claims processing expenses	86,074	83,336
		<hr/>	<hr/>
		828,828	859,178
		<hr/> <hr/>	<hr/> <hr/>

9	Expenses	2023	2022
		£	£
	Acquisition expenses	68,946	71,379
	Administration	134,121	136,305
	Investment expenses and charges	60,777	65,507
	Claims processing expenses	86,074	83,336
		<hr/>	<hr/>
		349,918	356,527
		<hr/> <hr/>	<hr/> <hr/>

Expenses continued	2023	2022
	£	£
Committee and staff remuneration (see below)	203,390	214,959
Audit	21,700	20,300
Actuary	37,200	37,200
Stockbroker	13,993	18,300
Depreciation	2,399	2,170
Other overheads	66,703	59,283
Registration fees and subscriptions	4,533	4,315
	<hr/>	<hr/>
	349,918	356,527
	<hr/> <hr/>	<hr/> <hr/>

The average number of persons (including Committee Members) employed by the Society during the year was as follows: -

	2023	2022
Committee	11	11
Administration	3	4
Sales	15	16
	<hr/>	<hr/>
	29	31
	<hr/> <hr/>	<hr/> <hr/>

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

9 Expenses (continued)

The aggregate payroll costs of these persons were as follows: -

	2023	2022
	£	£
Committee Members	73,952	73,995
Staff wages	115,880	126,016
Social security costs	3,533	4,519
Pension contributions	10,025	10,429
	<u>203,390</u>	<u>214,959</u>

Remuneration of the committee members which includes the Chief Executive and Company Secretary fell in the following bands: -

	2023	2022
£1 - £5,000	9	9
£25,001 - £30,000	1	1
£30,001 - £35,000	1	1
	<u>11</u>	<u>11</u>

The Chair received £2,390 (2022: £2,135) and the highest paid member of the committee received £33,234 (2022: £33,968).

The number of committee members to whom retirement benefits were accruing was as follows: -

	2023	2022
Money purchase schemes	2	2

10 Audit Fees

	2023	2022
	£	£
Audit	25,000	22,500
Over-provision previous year	(3,300)	(2,200)
	<u>21,700</u>	<u>20,300</u>

11 Actuaries Fees

Sally Butters of OAC Limited performs the function of Appropriate Actuary.

The Society has requested her to furnish it with particulars required under Section 77 of the Friendly Societies Act 1992. Ms Butters has confirmed that neither she or her family, nor any of her associates, were members of the Society, nor have they any financial pecuniary interest in the Society, except for fees payable to OAC Limited, which are shown as follows: -

	2023	2022
	£	£
Valuation work	<u>37,200</u>	<u>37,200</u>

The Kensington Friendly Collecting Society Limited
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Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

12 Investments

Land and Buildings

Valuation	2023
	£
At 1 January 2023	175,000
	<hr/>
At 31 December 2023	175,000
	<hr/> <hr/>

This comprises one freehold building, mainly occupied by the Society for its own use and partially let to third parties, income from which is included in investment income (note 6).

On 22 July 2022 the directors obtained an independent market valuation of the freehold property prepared by Thomas Stevenson, Chartered Surveyors, at £175,000. The valuation was carried out in accordance with the RICS Valuation Standards. The property is freehold; it is partially let to third parties, income from which is reflected in investment income. The historical cost of land and buildings at 31 December 2023 was £336,610 (2022 - £336,610).

The directors are not aware of any material change in value since the valuation date.

Other Financial Investments

	2023		2022	
	Market Value £	Cost £	Market Value £	Cost £
British Funds	3,998,564	5,151,644	4,241,632	5,453,836
Financial services	-	-	14,757	17,002
Diversified Collective Investments	-	-	155,778	153,084
North America	-	-	108,985	123,079
Europe	-	-	15,442	18,524
Asia Pacific	-	-	26,626	30,362
Other overseas	-	-	136,664	150,742
Absolute return	-	-	43,398	43,868
Deposits	681,500	681,500	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,680,064	5,833,144	4,743,282	5,990,497
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All the above investments are ascribable to a recognised investment exchange.

The Kensington Friendly Collecting Society Limited
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Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

13 Tangible Assets

	Fixtures and fittings	Total
	£	£
Cost		
At 1 January 2023	78,066	78,066
Additions	1,656	1,656
Disposals	(391)	(391)
	79,331	79,331
At 31 December 2023		
Depreciation		
At 1 January 2023	72,338	72,338
Charge for the year	2,399	2,399
Depreciation eliminated on disposals	(391)	(391)
	74,346	74,346
At 31 December 2023		
	4,985	4,985
Net Book Value at 31 December 2023		
Net Book Value at 31 December 2022	5,728	5,728

14 Intangible Assets

	CRM System	Total
	£	£
Cost		
At 1 January 2023	46,755	46,755
Additions	2,976	2,976
	49,731	49,731
At 31 December 2023		
	49,731	49,731
Net Book Value at 31 December 2023		
Net Book Value at 31 December 2022	46,755	46,755

The Society is developing a web-based CRM system. Although the system was brought into use during 2023 it remains in development. The deployment has enabled certain functionality to be improved and performance reporting improved. General costs are to be shared equally by the Society and Careys, whilst the costs incurred in relation to specific functionality are borne by the relevant entity (related party).

15 Funds and Technical Provisions

	Long term business provision	Fund for future appropriations
	£	£
At 1 January 2023	4,470,705	513,209
Transfer to/(from) the technical account	(138,201)	89,237
	4,332,504	602,446
At 31 December 2023		
	4,332,504	602,446

The Kensington Friendly Collecting Society Limited
Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

16 Long-Term Business Provision

(a) **Analysis of insurance contract liabilities**

	2023	2022
	£	£
Participating insurance contract liabilities	4,127,532	4,225,108
Non-participating insurance contract liabilities	204,972	245,597
	<hr/>	<hr/>
Total insurance contract liabilities	4,332,504	4,470,705
	<hr/> <hr/>	<hr/> <hr/>

(b) **Movement in long-term insurance contract liabilities**

	2023	2022
	£	£
Balance at 1 January	4,470,705	6,639,577
Valuation interest rate change	(69,412)	(2,132,657)
Policy movements	(68,789)	(36,215)
Cost of bonus	-	-
	<hr/>	<hr/>
Balance at 31 December	4,332,504	4,470,705
	<hr/> <hr/>	<hr/> <hr/>

17 Long-Term Insurance Liabilities Valuation Assumptions

Interest Rates

The gross interest rate without any adjustments for tax or bonus is calculated by allocating appropriate assets to the policy groups shown below. The weighted average yield for that group is then calculated. For fixed interest stocks, the yield is reduced to the yield on a gilt of equivalent duration to allow for the additional credit risk. A reduction is made to the yield on equities of 0.5% per annum. The weighted average yield is further reduced by 2.5% to allow for risk as specified by the regulations.

The weighted average yields based on the appropriate asset mix are then compared to the maximum yield allowed by the regulations.

An expense allowance of 0.33% is deducted from the rate to cover investment expenses and a risk margin.

The resultant interest rates were: -

	Interest rate	
With profit premium paying	3.55%	(2022: 3.45%)
Non-profit paid up	4.23%	(2022: 3.10%)

The Kensington Friendly Collecting Society Limited

Trading as Tees Mutual

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

17 Long-Term Insurance Liabilities Valuation Assumptions (continued)

Mortality Assumptions

A mortality investigation was carried out into the 2023 experience on the Society's policies. The results were compared with the previous mortality investigation which used data from the preceding three financial years. The mortality assumptions used in the statutory valuation were: -

- 110% of English Life Table 14 mortality (ELT14)
- The same proportions of ELT 14 for premium paying policies are applied to paid up policy valuations.

English Life Table No.14 is a decennial life table for males and females based on the mortality experience of the population of England and Wales during the three years from 1980-1982.

Expenses

The net premium method is used to value the liabilities.

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

- 0.30% of funds under management charge (deducted from the interest rate assumption)
- Plus 25% of all endowment and whole of life premiums payable and
- 20% of all quinquennial premiums payable
- Separate reserves for additional costs on closure to new business in 12 months and any new business expenses not covered for the coming 12 months.
- An appropriate Retail Price Index (RPI) assumption for inflation purposes of 3.74% for 2024, reducing to 2.64% thereafter.

The closed fund expenses were not covered by the expense margins above and a reserve of £83,466 (2022: £54,999) made.

There was no requirement to hold an expense overrun reserve.

Persistency – Lapses and Surrenders

No allowance for lapses and surrenders has been included except in the assessment of the expense reserve.

18 Transactions with Related Parties

The Society shares common resources with an unincorporated enterprise, Careys, a firm trading in consumer credit. The Chief Executive of the Society has a significant interest in Careys.

The Society leases office space to Careys at an annual rental of £6,000 (2022: £6,000) on independently assessed commercial terms. The Society also charges and recharges common overheads with Careys, again on normal commercial terms. During the year Careys charged the Society £29,836 (2022: £25,955) and the Society charged Careys £36,767 (2022: £31,459) in respect of these common overheads. This sharing of costs enables economies of scale to be realised. At the year end the sum of £6,020 (2022: £820) was due from the Society to Careys and Careys owed the Society £3,631 (2022: £294).

The Kensington Friendly Collecting Society Limited
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Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

18 Transactions with Related Parties (continued)

By using Careys network, the members benefit not only from the reduction of administrative expenses and acquisition costs but also from the wider availability of the Society's products to both new and existing members.

Certain of the committee members are also members of the Society and pay premiums in relation to life assurance products. These transactions were originally made on the same terms and conditions as applicable to other members of the Society.

19 Pension Costs

During the year the Society paid £10,025 (2022: £10,429) into defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are held separately to the assets of the Society in independently administered funds. At 31 December 2023 there were £462 outstanding contributions (2022: £633).

20 Financial Instruments

The carrying amounts of the financial instruments are as follows: -

	2023	2022
	£	£
Financial Assets		
Measured at fair value through income or expenditure		
- Fixed asset listed investments (note 12)	4,680,064	4,743,282
Debt instruments measured at undiscounted amounts receivable		
- Debtors arising on direct insurance operations	22,698	26,809

21 Capital Commitments

	2023	2022
	£	£
Contracted for but not provided for in the financial statements	-	3,000
	<u> </u>	<u> </u>

The Society has entered into a contract with Sapere Software Limited to develop a web-based CRM system. The costs are to be shared equally by the Society and Careys (related party).