

Charity number 226621

The Friendly Societies Convalescent Scheme
(formerly The Friendly Societies Convalescent Home)

Trustees' Report and Accounts

31 December 2020

**The Friendly Societies Convalescent Scheme
Trustees' Report and Accounts
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The Friendly Societies Convalescent Scheme

Reference and Administration Details

Trustees

Mrs Janet M. Clements - Chairman
Mrs Jo Andrew (appointed 5 March 2021)
Mrs Dorothy Deacon
Mr Ken Demby (resigned 5 March 2021)
Mrs Janet Lewis (appointed 5 March 2021)
Mr John Potton
Mr Peter Saunders
Mr Basil Stanley
Mrs Angela Stanley

Independent Examiner

Mr Daniel Valentine ACA
Begbies
Old Printers House
Stone Street
Cranbrook
TN17 3HF

Bankers

Nat West
140 High Street
Herne Bay
Kent
CT6 5JX

Solicitors

Bull and Bull
98 Thomas Way
Lakesview International Business Park
Hersden
Canterbury
CT3 4NH

Principal Address

PO Box 552
Ashford
Kent
TN23 9UT

Charity registered number

226621

The Friendly Societies Convalescent Scheme (formerly The Friendly Societies Convalescent Home)

Trustees' Report **for the year ended 31 December 2020**

The Trustees present their report and accounts for the year ended 31 December 2020.

The Trustees confirm that the Annual Report and accounts have been prepared in accordance with the accounting policies set out in Note 1 to the accounts and comply with the charity's governing document, The Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard FRS 102 applicable in the UK and Republic of Ireland published on 16 July 2014.

Structure, governance and management

The charity is set up by constitution and operated by the Board of Trustees. New trustees are interviewed and appointed by the Board.

Risk management

The Trustees have identified the major risks which the charity faces and consider that all necessary action has been taken to manage those risks.

Objectives and activities for the public benefit

The charity's original object was to provide convalescent treatment for members of friendly societies through its convalescent home in Herne Bay.

Following the sale of the charity's convalescent home in August 2010, the Trustees reviewed their objectives and activities with the Charity Commission and the charity's revised objects, under a scheme dated 20 May 2015, are the relief of sickness and the preservation of health of the public, in particular but not exclusively to assist members of Friendly Societies by providing grants to help in the provision of facilities and support services.

The Trustees confirm that they have continued to comply with their duty in Section 17 of the 2011 Charities Act to have due regard to the Charity Commission's public benefit guidance.

Grant making policy

The trustees' policy is to support any persons with financial grants towards the cost of convalescence. Applications must be supported by a medical report from a hospital or doctor supporting the need for a convalescent stay. The trustees will also consider a grant towards the cost of a carer staying with the patient on convalescence.

The trustees also provide grants towards the costs of a shortfall in convalescent claims to the Oddfellows and Foresters Friendly Societies. A system is place through the Societies whereby the applications are approved following medical certification. From November 2020 the trustees will pay 100% of any shortfall up to £500 per week, up to 2 weeks per annum.

No claims have been refused. These claims require a medical certificate signed by a Doctor. The trustees continue to explore ways of extending the guest programme.

Trustees' report and financial review

The much used phrase unprecedented times applied to convalescence as much as any other sphere, with people in lockdown and not able to leave their homes. This meant grants were significantly down and we used this time to review how we conducted our Board meetings. We decided to meet via Zoom whilst that at first seemed a disadvantage we realised it opened up who could be invited onto the Board and we invited Janet Lewis from Stoke on Trent and Jo Andrew from Manchester, who having attended in 2020 were confirmed in 2021. This enabled Ken Demby to stand down in 2021 due to ill health and we acknowledge with thanks the many years he served on the Board of Trustees.

The Friendly Societies Convalescent Scheme (formerly The Friendly Societies Convalescent Home)

Trustees' Report **for the year ended 31 December 2020**

We continue to improve our support for convalescence and now pay up to £500 per week for two weeks in any calendar year. We must however have our simple Doctors certificate completed and if a charge is made by the Doctor, we will reimburse up to £25.

Although we support our two friendly societies, the Oddfellows and Foresters it is good to see a continued increase in applications from outside of these Societies.

We were approached by Alice's Escapes, which is a children's charity providing convalescence in the Lake District for families with children who are ill or where the family have been bereaved. We decided to give a grant as our claims had been so low this year.

Total income for the year was £42,268 (2019: £53,450) and total expenditure was £54,500 (2019: £57,729). Net gains on investments amounted to £11,922 (2019: £258,083) resulting in net expenditure for the year of £310 (2019: net income of £253,804). At 31 December 2020 total funds were £2,198,450, of which £173,941 were unrestricted.

Investment policy and performance

The management of the investment portfolio is governed not only by a Client Agreement Letter (September 2013) but also by a Written Investment Policy Statement ("WIPS") dated 31st July 2012. The WIPS can be summarised as follows:

The Trustees have chosen as their investment objective a Balanced return (between income and capital growth) and to maintain the capital value at least in line with inflation. An appropriate mix of assets within certain ranges has been agreed (as revised 10th July 2014).

In terms of risk, the Trustees have a moderate level of tolerance and have directed the Managers to have due regard for the suitability of the investments held and the need for diversification (including the stipulation that no non-collective investment should exceed 8% of the value of the portfolio).

The investment portfolio has produced a total return of 1.6% net of fees, compared to 1.2% for the benchmark over the past year. These relatively small moves belie the reality of a year enormously impacted by Covid-19.

Last year started positively with expectations of economic activity finally starting to accelerate after years of sluggish growth. However, by the end of February it became apparent that Covid-19 was spreading rapidly around the world, with no known cure, and market hopes of recovery turned to fears of a global recession.

Investment markets reacted sharply, reaching a low point on 23rd March before starting to rally as financial authorities responded quickly by keeping interest rates low and injecting a large amount of liquidity through quantitative easing or central bank buying of bonds. In addition Governments took unprecedented direct action, like furlough schemes, to protect jobs and help real economies contain the detrimental impacts of lockdowns and social distancing.

Sectors like retail, travel and leisure were significantly adversely affected by the pandemic, but other parts of the economy benefitted, like the stay at home stocks (Amazon, Tesco, Google, Netflix etc). Then in November it became apparent that Pfizer had produced an effective vaccine and poorly performing stocks rallied and those that had benefitted sold off. Given the level of volatility, it is reassuring that the portfolio produced a small positive return for the year and slightly outperformed its benchmark.

At an asset class level, the fixed interest proportion rose by 3.0% over the year, compared to the Bank of America Merrill Lynch bond indices which rose by between 1.7% for inflation linked bonds and 8.7% for Corporate and collateralized debt. However, there were two distinct periods. The safety of government securities were initially sought and UK Government Securities rose by 6.3%, whereas corporate bonds fell and the fixed interest proportion of the portfolio fell by -5.8% in Q1. But then, in the remaining 9 months of the year they rallied and the fixed interest proportion gained 9.4%,

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Trustees' Report
for the year ended 31 December 2020

The portfolio was much in line with the indices in UK and overseas equities, but the more cyclically and Brexit exposed UK market fell by -9.8%, whereas overseas markets gained 14.2%, benefiting from higher weightings to positively impacted sectors like technology and continued strong growth in China. The portfolio was underweight in UK equities and overweight in overseas equities, helping counter the divergence in returns between the two areas.

The fund only has a 3% weighting to property, but property fund prices were very weak as the pandemic impacted demand for both retail and office property, although distribution warehouses benefitted. Conversely the 8% weighting to alternatives performed much better, more than offsetting the weakness in property, with the macro hedge funds, infrastructure funds and gold all performing well.

Looking forward, the rate of trajectory of economic recovery is uncertain, but the direction of travel for a strong improvement in economic activity is realistically probable. Therefore markets have been willing to look towards a more optimistic future although it is possible that a strong recovery could, at least temporarily, increase inflation.

Reserves policy

The Trustees are aware that the reserves are growing and are seeking more options to increase grants. Their aim is that 50% of their annual income should go towards grants, and that they should hold the income for 2 years in reserve to give continuity should their investments underperform.

Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

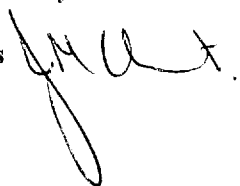
Charity law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of its incoming resources and application of resources of the charity for that period. In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Trustees on 4 June 2021

Mrs Janet M Clements
Chairman



The Friendly Societies Convalescent Scheme
(formerly The Friendly Societies Convalescent Home)

Statement of Financial Activities
for the year ended 31 December 2020

	Notes	Permanent Endowment Fund £	Unrestricted Fund £	Total 2020 £	Permanent Endowment Fund £	Unrestricted Fund £	Total 2019 £
Income from:							
Investments	2	-	42,268	42,268	-	53,450	53,450
Total income		-	42,268	42,268	-	53,450	53,450
Expenditure on:							
Raising funds	3	16,112	5,737	21,849	16,522	5,749	22,271
Charitable activities	4	-	32,651	32,651	-	35,458	35,458
Total expenditure		16,112	38,388	54,500	16,522	41,207	57,729
Net gains/(losses) on investment assets		11,922	-	11,922	258,083	-	258,083
Net income/(expenditure)		(4,190)	3,880	(310)	241,561	12,243	253,804
Transfers							
Transfers between funds		-	-	-	-	-	-
Net movement in funds		(4,190)	3,880	(310)	241,561	12,243	253,804
Reconciliation of Funds							
Total Funds at 1 January 2020		2,028,699	170,061	2,198,760	1,787,138	157,818	1,944,956
Total Funds at 31 December 2020		2,024,509	173,941	2,198,450	2,028,699	170,061	2,198,760

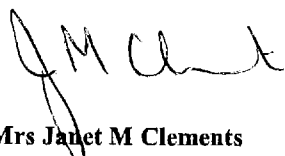
The Notes to the Accounts form part of the Financial Statements

The Friendly Societies Convalescent Scheme
(formerly The Friendly Societies Convalescent Home)

Balance Sheet
as at 31 December 2020

	Notes	2020	2019
		£	£
Fixed assets			
Investments			
- Listed investments	8	2,156,313	2,103,900
- Cash held within portfolio		<u>13,136</u>	<u>22</u>
		2,169,449	2,103,922
Current assets			
Debtors	9	105	100
Cash at bank	10	<u>32,366</u>	<u>99,384</u>
		32,471	99,484
Creditors: amounts falling due within one year	11	(3,470)	(4,646)
Net current assets		<u>29,001</u>	<u>94,838</u>
Net assets		<u><u>2,198,450</u></u>	<u><u>2,198,760</u></u>
Represented by:			
Permanent Endowment Fund		2,024,509	2,028,699
Unrestricted Fund		<u>173,941</u>	<u>170,061</u>
Total Funds	12	<u><u>2,198,450</u></u>	<u><u>2,198,760</u></u>

Approved by the Trustees on 4 June 2021



Mrs Janet M Clements
Chairman

The Notes to the Accounts form part of the Financial Statements

The Friendly Societies Convalescent Scheme
 (formerly The Friendly Societies Convalescent Home)
Notes to the Accounts
for the year ended 31 December 2020

1 Accounting policies

Basis of preparation and assessment of going concern

The accounts have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) published on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

The charity constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

Fund accounting

The Unrestricted Fund is available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

The Permanent Endowment Fund derives from the sale proceeds of the convalescent home. The Charity Commission lifted the restriction over the sale of the home, permitting its sale, and as a result the proceeds continue to carry the permanent requirement originally attached to the property.

Income

All income is recognised once the charity has entitlement to the income, there is sufficient certainty of receipt and so it is probable that the income will be received, and the amount of income receivable can be measured reliably.

Interest on funds held on deposit is included upon notification of the interest paid or payable by the bank. Dividends are recognised upon notification from our investment advisor of the dividend paid or payable.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses, including support costs and governance costs, are allocated or apportioned to the applicable expenditure headings in the statement of financial activities.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the charity. In the case of an unconditional grant offer, this is accrued once the recipient has been notified of the grant award. Grant awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled condition attaching to that grant is outside of the control of the Trust.

Irrecoverable VAT is charged against the expenditure heading for which it was incurred.

The costs of raising funds consist of investment management and an apportionment of support and governance costs

The expenditure on charitable activities includes grants payable and an apportionment of support and governance costs.

The Friendly Societies Convalescent Scheme
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Notes to the Accounts
for the year ended 31 December 2020

Fixed asset investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their market value as at the balance sheet date using the closing quoted market price.

All gains and losses are taken to the statement of financial activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the statement of financial activities.

The charity does not acquire or use put options, derivatives or other complex financial instruments.

2 Investment income	2020	2019
	£	£
Interest received		
Nat West	73	148
Investec portfolio	42,195	53,302
	<u>42,268</u>	<u>53,450</u>
3 Costs of raising funds	2020	2019
	£	£
Investment management costs	16,112	16,522
Support and governance costs (see note 5)	5,737	5,749
	<u>21,849</u>	<u>22,271</u>
4 Expenditure on charitable activities	2020	2019
	£	£
Grants payable (see note 6)	15,439	18,210
Support and governance costs (see note 5)	17,212	17,248
	<u>32,651</u>	<u>35,458</u>

The Friendly Societies Convalescent Scheme
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Notes to the Accounts
for the year ended 31 December 2020

5 Analysis of support and governance costs

	2020 £	2019 £
Support costs		
Staff costs (note 7)	17,160	17,160
PO Box	348	337
Storage rental	1,100	1,100
Bank charges	323	410
Sundry expenses	692	328
	<u>19,623</u>	<u>19,335</u>
Governance costs		
Independent examination		
- Current year	3,000	3,000
- Prior year under provision	210	(30)
Trustees' expenses	-	216
Meeting expenses	116	476
	<u>3,326</u>	<u>3,662</u>
Total	<u><u>22,949</u></u>	<u><u>22,997</u></u>
	2020 £	2019 £
Allocated:		
Costs of raising funds (25%) (note 3)	5,737	5,749
Charitable activities (75%) (note 4)	17,212	17,248
	<u><u>22,949</u></u>	<u><u>22,997</u></u>

6 Grants payable

Total grants payable in 2020 were £15,439 (2019: £18,210). There were 10 grants in the year (2019: 60), of which 9, totalling £5,439 (largest £1,000), were paid to individuals.

7 Staff costs

	2020 £	2019 £
Gross salaries	17,160	17,160
Employer's national insurance	-	-
	<u><u>17,160</u></u>	<u><u>17,160</u></u>

The average number of employees during the year was 1 (2019: 1).

During the year, no Trustee received any remuneration or benefits in kind (2019: £nil). No trustees received reimbursement of expenses in the year (2019: six trustees - £216)

The Friendly Societies Convalescent Scheme
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Notes to the Accounts
for the year ended 31 December 2020

8 Investments

	Listed investments
	£
Market value	
At 1 January 2020	2,103,900
Additions at cost	468,802
Disposals at carrying value	(509,857)
Net gain on revaluation	93,468
At 31 December 2020	<u>2,156,313</u>
Historical cost at 31 December 2020	<u>1,659,086</u>

Listed investments at fair value comprised:

	2020	2019
	£	£
UK fixed interest	320,466	360,964
Overseas fixed interest	55,995	57,072
UK equities	526,799	613,418
International equities	797,242	642,494
Emerging economies	70,217	77,594
Property	71,724	97,151
Alternative assets	188,870	255,207
Money market instruments	125,000	-
	<u>2,156,313</u>	<u>2,103,900</u>

Individual investment holdings amounting to more than 5% of the above total.

Goldman Sachs Am Sterling Lqd Reserves (Instl) Nav	<u>125,000</u>	<u>-</u>
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9 Debtors

	2020	2019
	£	£
Prepayments	<u>105</u>	<u>100</u>

10 Cash balances

	2020	2019
	£	£
Nat West	<u>32,366</u>	<u>99,384</u>

11 Creditors: amounts falling due within one year

	2020	2019
	£	£
PAYE & NI	470	316
Accruals	<u>3,000</u>	<u>4,330</u>
	<u>3,470</u>	<u>4,646</u>

The Friendly Societies Convalescent Scheme
 (formerly The Friendly Societies Convalescent Home)
Notes to the Accounts
for the year ended 31 December 2020

12 Movement in Funds	B/fwd at 1st Jan 2020	Income	Expenditure	Gains & (losses)	C/fwd at 31st Dec 2020
	£	£	£	£	£
Permanent Endowment Fund	2,028,699	-	(16,112)	11,922	2,024,509
Unrestricted Fund	170,061	42,268	(38,388)	-	173,941
	2,198,760	42,268	(54,500)	11,922	2,198,450

Movement in Funds	B/fwd at 1st Jan 2019	Income	Expenditure	Gains & (losses)	C/fwd at 31st Dec 2019
	£	£	£	£	£
Permanent Endowment Fund	1,787,138	-	(16,522)	258,083	2,028,699
Unrestricted Fund	157,818	53,450	(41,207)	-	170,061
	1,944,956	53,450	(57,729)	258,083	2,198,760

The unrestricted fund is available to be spent for any of the purposes of the charity.

The Permanent Endowment Fund derives from the sale proceeds of the convalescent home. The Charity Commission lifted the restriction over the sale of the home, permitting its sale, and as a result the proceeds continue to carry the permanent requirement originally attached to the property.

13 Analysis of Net Assets Between Funds	Endowment Fund	Unrestricted Fund	Total 2020
	£	£	£
Fixed assets investments	2,169,449	-	2,169,449
Cash at bank	-	32,366	32,366
Other current assets	(144,940)	141,575	(3,365)
At 31 December 2020	2,024,509	173,941	2,198,450

Analysis of Net Assets Between Funds	Permanent Endowment Fund	Unrestricted Fund	Total 2019
	£	£	£
Fixed assets investments	2,103,922	-	2,103,922
Cash at bank	-	99,384	99,384
Other current assets	(75,223)	70,677	(4,546)
At 31 December 2019	2,028,699	170,061	2,198,760

14 Related Party Transactions

There were no related party transactions in the year.

**The Friendly Societies Convalescent Scheme
Independent Examiner's Report to the Trustees
for the year ended 31 December 2020**

I report to the trustees on my examination of the accounts of Friendly Societies Convalescent Scheme (the charity) for the year ended 31 December 2020 which are set out on pages 4 to 11.

Responsibilities and basis of report

As the charity's trustees you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

I report in respect of my examination of the trustees' accounts carried out under section 145 of the 2011 Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commissioner under section 145(5)(b) of the 2011 Act.

Independent examiner's statement

I have complete my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

- (1) accounting records were not kept in respect of the Trust as required by section 130 of the Act; or
- (2) the accounts do not accord with those records; or
- (3) the accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination.

I have no matters and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



Daniel Valentine ACA

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20/9/2021