

Charity number 226621

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

Trustees' Report and Accounts

31 December 2022

**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 Joanne Andrew

Mrs Dorothy Deacon

Mrs Janet Lewis

Mr John Potton

Mr Peter Saunders

Mr Basil Stanley - resigned 31 December 2022

Mrs Angela Stanley

Independent Examiner

Mr Daniel Valentine ACA

Begbies

Unit 14, Park Barn

Evegate Business Park

Smeeth, Ashford

TN25 6SX

Bankers

Nat West

140 High Street

Herne Bay

Kent

CT6 5JX

Principal Address

PO Box 552

Ashford

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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 2022**

The Trustees present their report and accounts for the year ended 31 December 2022.

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

This year has proved particularly challenging. The Trustees assumed that once the threat of Covid had subsided then people would seek convalescence. Many of the traditional convalescent homes either closed or changed the way they operated, which meant those who used to attend or knew of others who did, needed to look elsewhere. For example, one home requires a Covid certificate before accepting guests and once there, guests may not leave the grounds to walk into town or on the beach. Another only operates for 6 days, the 7th day being for total cleaning making a 2 week stay impossible.

We have been delighted to help those who have approached us, such as a young family following bereavement of the father and a guest requiring support after a fall. We continue to reach out to increase our scope. Next year we intend to try a different approach to promote ourselves further.

In 2022 the rates remained the same but with interest rates rising and the still low demand, this means we have scope to change for 2023.

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

Trustees' Report **for the year ended 31 December 2022**

Total income for the year was £49,472 (2021: £40,216) and total expenditure was £54,973 (2021: £64,157). Net losses on investments amounted to £286,928 (2021: gains of £205,940) resulting in net deficit for the year of £292,429 (2021: net surplus of £181,999). At 31 December 2022 total funds were £2,088,020 of which £180,155 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).

For the calendar year 2022 the portfolio generated a return of -10.9% net of fees (-10.1% gross) vs the benchmark return of -7.1% and the peer group index return of -9.6%. In contrast to 2021, which was a strong year for the portfolio, 2022 was a more challenging year for risk assets in general. Bond yields rose dramatically (prices fell) following the fastest pace of interest rate tightening in 40 years as central bankers rushed to stifle consumer demand in the face of rising and persistent inflation. Economic expectations deteriorated on fears that central bankers would repeat past mistakes and over-tighten interest rate policy inducing a recession. With that in mind, the consumer has remained in sound financial health with a tight labour market underpinning wages. The chance of a so-called "soft landing" (a short, shallow economic recession - or no recession at all) has improved. "Better than expected" has been commonly cited in earnings reports from Q4 '22 onwards. However, we are not out the woods yet. The war in Ukraine continues and while inflation is falling, core inflation which excludes volatile energy and food, remains stubbornly high. Our preferred investment style seeking quality companies exposed to growing economic markets was out of favour in 2022 as investors sought companies with cheap valuations and near-term clarity on earnings despite weak business models. Quality has returned to the fore in 2023 as investors recognise the ability of well-run companies with low levels of operating leverage to navigate higher interest rate environments. Indeed, the portfolio has produced positive portfolio returns in 2023 to date (3% net) and is well positioned for long term growth.

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.

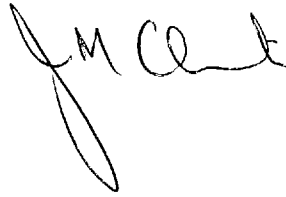
The Friendly Societies Convalescent Scheme
(formerly The Friendly Societies Convalescent Home)

Trustees' Report
for the year ended 31 December 2022

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 28th September 2023

Mrs Janet M Clements
Chairman

A handwritten signature in black ink, appearing to read 'J M Clements', written over the printed name of the Chairman.

Statement of Financial Activities
for the year ended 31 December 2022

	Notes	Permanent Endowment Fund £	Unrestricted Fund £	Total 2022 £	Permanent Endowment Fund £	Unrestricted Fund £	Total 2021 £
Income from:							
Investments	2	-	49,472	49,472	-	40,216	40,216
Total income		-	49,472	49,472	-	40,216	40,216
Expenditure on:							
Raising funds	3	17,495	5,774	23,269	18,161	5,785	23,946
Charitable activities	4	-	31,704	31,704	-	40,211	40,211
Total expenditure		17,495	37,478	54,973	18,161	45,996	64,157
Net gains/(losses) on investment assets		(286,928)	-	(286,928)	205,940	-	205,940
Net income/(expenditure)		(304,423)	11,994	(292,429)	187,779	(5,780)	181,999
Transfers							
Transfers between funds		-	-	-	-	-	-
Net movement in funds		(304,423)	11,994	(292,429)	187,779	(5,780)	181,999
Reconciliation of Funds							
Total Funds at 1 January 2022		2,212,288	168,161	2,380,449	2,024,509	173,941	2,198,450
Total Funds at 31 December 2022		1,907,865	180,155	2,088,020	2,212,288	168,161	2,380,449

The Notes to the Accounts form part of the Financial Statements

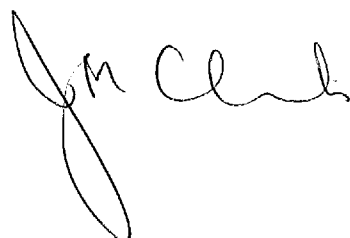
The Friendly Societies Convalescent Scheme
(formerly The Friendly Societies Convalescent Home)

Balance Sheet
as at 31 December 2022

	Notes	2022	2021
		£	£
Fixed assets			
Investments			
- Listed investments	8	2,021,190	2,280,061
- Cash held within portfolio		51,295	92,383
		<u>2,072,485</u>	<u>2,372,444</u>
Current assets			
Debtors	9	113	107
Cash at bank	10	20,167	26,541
		<u>20,280</u>	<u>26,648</u>
Creditors: amounts falling due within one year	11	(4,745)	(18,643)
Net current assets		<u>15,535</u>	<u>8,005</u>
Net assets		<u>2,088,020</u>	<u>2,380,449</u>
Represented by:			
Permanent Endowment Fund		1,907,865	2,212,288
Unrestricted Fund		180,155	168,161
Total Funds	12	<u>2,088,020</u>	<u>2,380,449</u>

Approved by the Trustees on 28th September 2023

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 2022

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
 (formerly The Friendly Societies Convalescent Home)
Notes to the Accounts
for the year ended 31 December 2022

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	2022	2021
		£	£
	Interest received		
	Nat West	8	1
	Investec Wealth & Investment Ltd	223	-
	Investec portfolio	<u>49,241</u>	<u>40,215</u>
		<u>49,472</u>	<u>40,216</u>
3	Costs of raising funds	2022	2021
		£	£
	Investment management costs	17,495	18,161
	Support and governance costs (see note 5)	<u>5,774</u>	<u>5,785</u>
		<u>23,269</u>	<u>23,946</u>
4	Expenditure on charitable activities	2022	2021
		£	£
	Grants payable (see note 6)	14,382	22,857
	Support and governance costs (see note 5)	<u>17,322</u>	<u>17,354</u>
		<u>31,704</u>	<u>40,211</u>

The Friendly Societies Convalescent Scheme
 (formerly The Friendly Societies Convalescent Home)
Notes to the Accounts
for the year ended 31 December 2022

5 Analysis of support and governance costs

	2022 £	2021 £
Support costs		
Staff costs (note 7)	17,160	17,160
Travel and subsistence	226	-
PO Box	372	358
Storage rental	1,100	1,100
Computer and website costs	-	395
Bank charges	331	302
Sundry expenses	145	254
	<u>19,334</u>	<u>19,569</u>
Governance costs		
Accountancy and independent examination	3,762	3,570
Meeting expenses	-	-
	<u>3,762</u>	<u>3,570</u>
Total	<u><u>23,096</u></u>	<u><u>23,139</u></u>
	2022 £	2021 £
Allocated:		
Costs of raising funds (25%) (note 3)	5,774	5,785
Charitable activities (75%) (note 4)	17,322	17,354
	<u><u>23,096</u></u>	<u><u>23,139</u></u>

6 Grants payable	2022 £	2021 £
Paid to individuals	14,382	6,927
Paid to institutions		
- Alice's Escapes (charity no 1146011)	-	15,930
	<u><u>14,382</u></u>	<u><u>22,857</u></u>

7 Staff costs	2022 £	2021 £
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 (2021: 1).

During the year, no Trustee received any remuneration or benefits in kind (2021: £nil). One trustee received reimbursement of expenses in the year of £226 (2021: £nil).

Total emoluments received by the charity's key management personnel was £17,160 (2021: £17,160).

The Friendly Societies Convalescent Scheme
 (formerly The Friendly Societies Convalescent Home)
Notes to the Accounts
for the year ended 31 December 2022

8	Investments		Listed investments
	Market value		£
	At 1 January 2022		2,280,061
	Additions at cost		315,096
	Disposals at carrying value		(331,451)
	Net gain on revaluation		(242,516)
	At 31 December 2022		2,021,190
	Historical cost at 31 December 2022		1,793,495
	Listed investments at fair value comprised:	2022	2021
		£	£
	UK fixed interest	218,817	278,262
	Overseas fixed interest	131,604	101,806
	UK equities	507,931	607,758
	International equities	719,875	918,708
	Emerging economics	70,074	23,593
	Property	80,694	96,735
	Alternative assets	292,195	253,199
		2,021,190	2,280,061
9	Debtors	2022	2021
		£	£
	Prepayments	113	107
10	Cash balances	2022	2021
		£	£
	Nat West	20,167	32,366
11	Creditors: amounts falling due within one year	2022	2021
		£	£
	PAYE & NI	315	643
	Grants payable	-	15,000
	Accruals	4,430	3,000
		4,745	18,643

The Friendly Societies Convalescent Scheme
(formerly The Friendly Societies Convalescent Home)
Notes to the Accounts
for the year ended 31 December 2022

12 Movement in Funds

	B/fwd at 1st Jan 2022	Income	Expenditure	Gains & (losses)	C/fwd at 31st Dec 2022
	£	£	£	£	£
Permanent Endowment Fund	2,212,288	-	(17,495)	(286,928)	1,907,865
Unrestricted Fund	168,161	49,472	(37,478)	-	180,155
	2,380,449	49,472	(54,973)	(286,928)	2,088,020

Movement in Funds	B/fwd at 1st Jan 2021	Income	Expenditure	Gains & (losses)	C/fwd at 31st Dec 2021
	£	£	£	£	£
Permanent Endowment Fund	2,024,509	-	(18,161)	205,940	2,212,288
Unrestricted Fund	173,941	40,216	(45,996)	-	168,161
	2,198,450	40,216	(64,157)	205,940	2,380,449

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 2022 £
Fixed assets investments	2,072,485	-	2,072,485
Cash at bank	-	20,167	20,167
Other current assets	(164,620)	159,988	(4,632)
At 31 December 2022	1,907,865	180,155	2,088,020

Analysis of Net Assets Between Funds	Permanent Endowment Fund £	Unrestricted Fund £	Total 2021 £
Fixed assets investments	2,372,444	-	2,372,444
Cash at bank	-	26,541	26,541
Other current assets	(160,156)	141,620	(18,536)
At 31 December 2021	2,212,288	168,161	2,380,449

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 2022**

I report to the trustees on my examination of the accounts of Friendly Societies Convalescent Scheme (the charity) for the year ended 31 December 2022 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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2/10/2023