benenden health

Annual Report and Financial Statements

For the Benenden Healthcare Society Limited
for the year ending 31 December 2022

Private healthcare for everyone

Contents

Who's Who

at 31 December 2022

The Board

Bob Andrews – Chief Executive Officer
Jo Andrews – Member-nominated
Ian Blanchard – Board-nominated*
Helen Chamberlain – Chief Financial Officer
Paula Clark – Board-nominated*
Brian Eaton – Member-nominated
David Fletcher – Member-nominated
David Furniss – Board-nominated* Chair
Angela Hays – Member-nominated
Deryck Lewis – Member-nominated
Belinda Moore – Board-nominated*
Les Philpott – Member-nominated
Sameer Rahman – Board-nominated*

Chief Executive Officer

Bob Andrews

Society Secretary

René Fraioli

Deputy Secretary

Deryck Lewis

*Board-nominated directors are those the Board considers to be 'independent', as defined by the Society's rulebook and as required by corporate governance best practice. The term is used throughout this Annual Report with that meaning.

Company Secretary

Richard Johnston ACG

Medical Advisor

Mr Rowan Connell MD, FRCOG

External Auditors

Deloitte LLP

Internal Auditors

RSM UK Group LLP

Bankers

Barclays
NatWest

Solicitors

Brachers LLP
DLA Piper
Pinsent Masons LLP
TLT LLP

Investment Advisors

Mercer

Investment Managers

Goldman Sachs Asset Management
Janus Henderson
Legal & General Group plc
Ruffer LLP

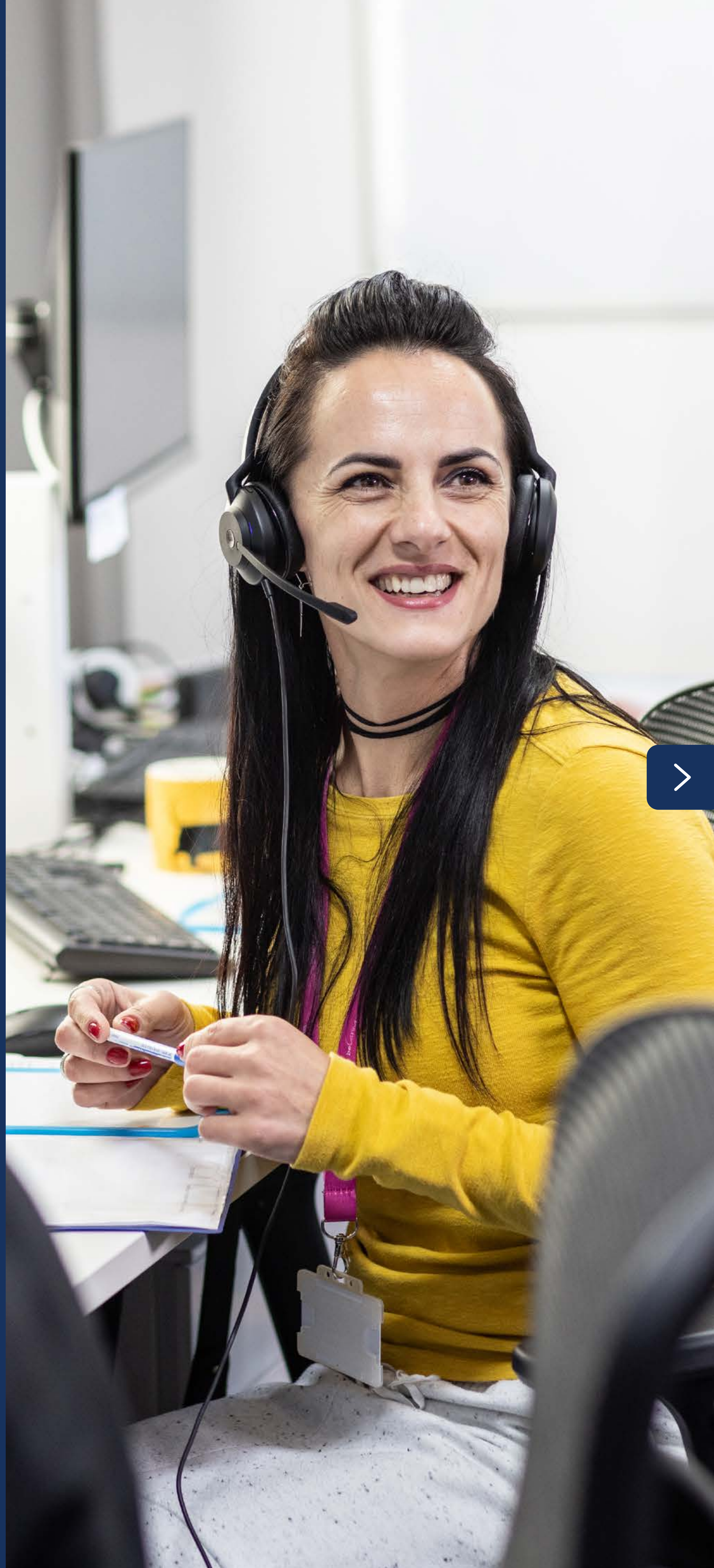
Registered Office and Business Address
Holgate Park Drive,
York, YO26 4GG

Telephone: 0800 414 8500

Website: www.benenden.co.uk

Friendly Society Number: 480F

Financial Services Register Number: 205351



Benenden Health in brief

Our purpose is to improve the nation's health.

We make private healthcare affordable and accessible to everyone. We support people by diagnosing and treating their health issues and by helping them stay well, in body and mind.

4/5

of our members say they would recommend us to friends or family.

We are keeping our members satisfied

Throughout 2022, our members gave us scores of

8.8/10

for overall satisfaction and for how easy we were to interact with.

We are keeping our people engaged

97%

of our people feel proud to work at Benenden Health.

Our membership is growing

In 2022, our membership grew 19,673 to 847,409

Third-party income at Benenden Hospital:

£16.7m

(+19% on 2021)

£8.4m (2021: £21.0m)

Operational surplus achieved

£187.9m

(2021: £178.6m)

Members' funds held

We are helping our members more

In 2022, we provided more services for our members than in 2021. We helped members 137,904 times in 2022, up 25,540 (22.7%) on 2021 (2021: 112,364).

Diagnosis
47,197
(+13% on 2021)

Treatment
15,318
(+21% on 2021)

Physiotherapy
21,193
(+25% on 2021)

24/7 GP had over
45,000
appointments
(+45% on 2021)

The Mental Health Helpline had over
7,500
Calls
(in line with 2021)

From our Chair, David Furniss

Rising to a new challenge

The test of any business is how it handles challenges, not just how it makes the most of good times.

While COVID-19 receded in 2022, another test followed almost immediately – a dramatic rise in the cost of living in the UK. So we must redouble our efforts to emphasise our excellent value and service.

With the NHS under relentless pressure, we have to underline our important role as an affordable alternative to private medical insurance. I am happy to say that our message is resonating strongly.

Doing more for our members

Our membership continues to grow: by the end of 2022, it stood at 847,409 – up by 19,673 on 2021. This is the result of a lot of hard work from our marketing experts, clinical specialists, Member Services teams and those engaging with our corporate clients and keeping our systems running well.

- We helped members 137,904 times in 2022, up 25,540 (22.7%) on 2021
- Authorisations for treatment and diagnosis increased by nearly 16%, from 65,260 to 75,386 in 2022
- Self-pay income increased by over 10%, from £8.7m in 2021 to £9.6m in 2022

Consultations through our 24/7 GP service and Physiotherapy appointments have also increased (see Benenden Health in brief, page 4), and our digital offerings, from exercise classes to healthy living advice, remain popular as we add more content to our Wellbeing Hub.

This tells us that our members value what we offer and that we've been able to help them. Our members also appreciate our services: our own surveys tell us that they consistently scored us 8.8 (2021: 8.7) out of 10 through the year for how easy their experience with us was.

We are not immune to rising costs, particularly medical inflation, which dictates what it costs to provide our services. From April 2023, our members' contribution rate will rise for the first time since 2021, from £11.90 to £12.80 per person per month. But the upper limit for diagnosis will also increase, from £1,800 to £2,500 – a clear sign that we continue to be there for our members.

As well as supporting vulnerable members in accessing services, we will continue to look for ways to help them through the cost of living crisis, just as we did during the pandemic when we offered contribution holidays and extended authorisations.

Relaunching our democracy

In 2022, we changed our democratic structure by replacing our Branches with Benenden Health Communities. The goal is to involve more members in what the Society does and the direction it takes. This includes Communities being able to discuss health and wellbeing topics and take part in important decisions through Direct Member Voting rather than via Conference delegates as before. The new structure also includes a Member Council, which can directly consult with the Board and challenge it constructively on behalf of members.

In 2023, as well as bringing the new Benenden Health Communities to life as places for discussing Health and Wellbeing topics, we will develop a digital forum for members to connect even more strongly to their Society.

Benenden Hospital Trust

During 2022, the Society progressed discussions with the Benenden Hospital Trust's independent Board of Governors regarding the proposed change in legal status from a charity to a company limited by shares. Terms were agreed in principle and the Trust submitted proposals to the Charity Commission.

The change in status would make for more strategic alignment between the hospital and the Society, but we must wait for the Charity Commission's response before making more progress.

Managing environmental and social impact

We continue to emphasise environmental, social and governance (ESG) issues. Last year, we started reporting based on the principles of the Taskforce for Climate-related Financial Disclosures (TCFD). This helps us understand our impact, set targets and be transparent about how we move towards them. In particular, we are looking to support four of the UN's Sustainable Development Goals, including those focused on health, wellbeing and gender equality. For more about this, see our Environmental Report on page 20.

Helping our community

We have been able to support our local community in both York and Kent. Colleagues from our offices in York and from Benenden Hospital have been involved in activities including looking after public spaces and helping school children with reading.

Changes to our Board

We said goodbye to Louise Fowler and Adrian Humphreys in 2022. Both have been great assets to our Board, and I thank them for their support. I also welcome Belinda Moore, who has a background in marketing, commercial transformation and digital and brand strategy.

Looking to the future

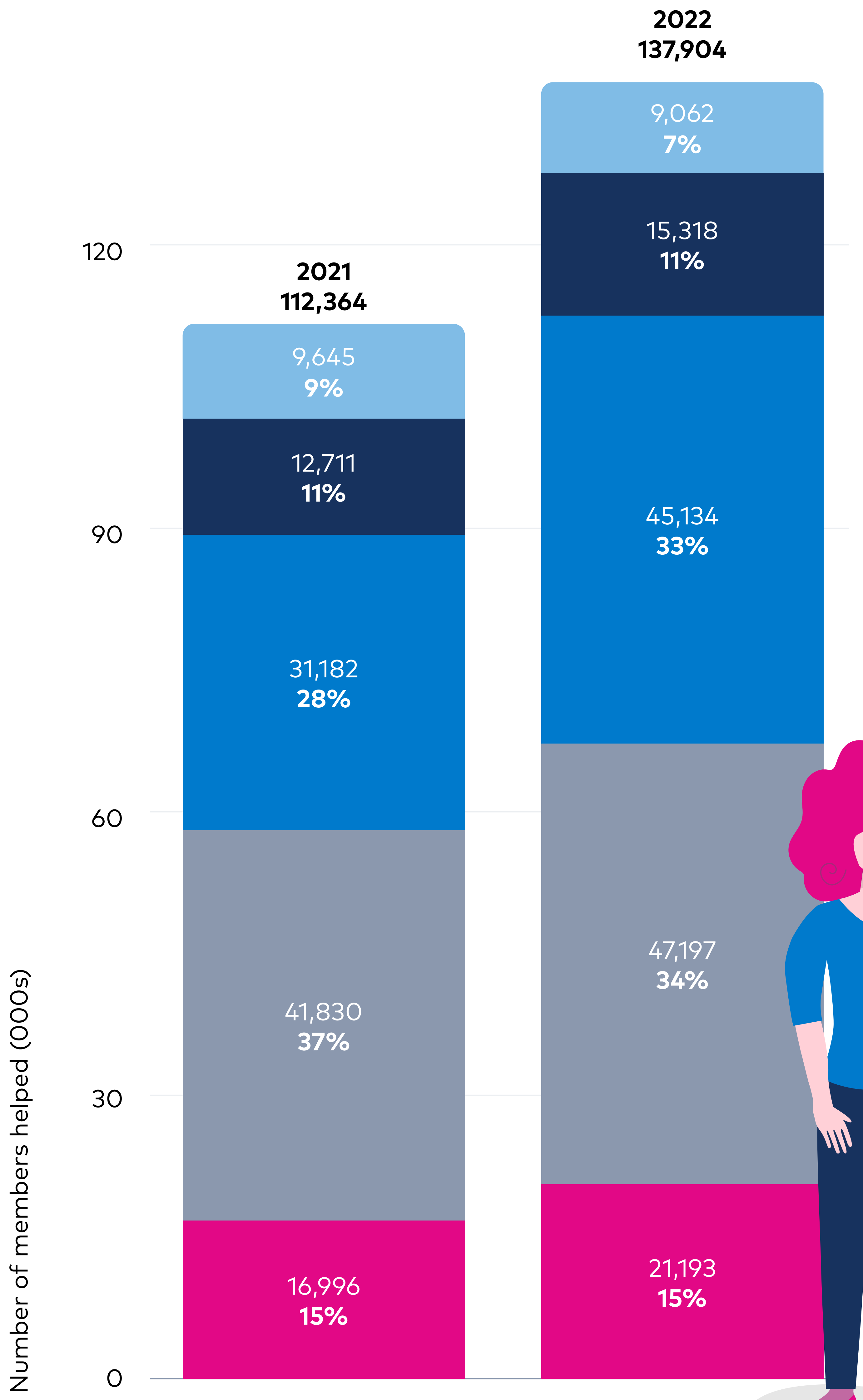
Inflation is likely to stay high well into 2023. Energy prices will also remain volatile. So we must continue making our healthcare product as affordable and easy to access as possible. We go into 2023 having increased our members' funds by £9.3m, from £178.6m in 2021 to £187.9m in 2022, putting us in a good position to withstand economic shocks and further invest in our services.

The need to offer value for money will figure strongly as the Board and leadership team plan the Society's strategic direction for the next five years. Among other things, we will investigate how to make digital technology even more integral to what we offer, creating more services that are easier to use.

Thank you

Our work is only possible because so many people work together for our members' benefit. They include our staff, directors, colleagues at Benenden Hospital, volunteers, suppliers and my fellow Board members. All of them have contributed to helping us recruit new members and keeping our existing members engaged and supported. I want to thank them for all they have done for Benenden Health in 2022.

In 2022, we helped our members 137,904 times

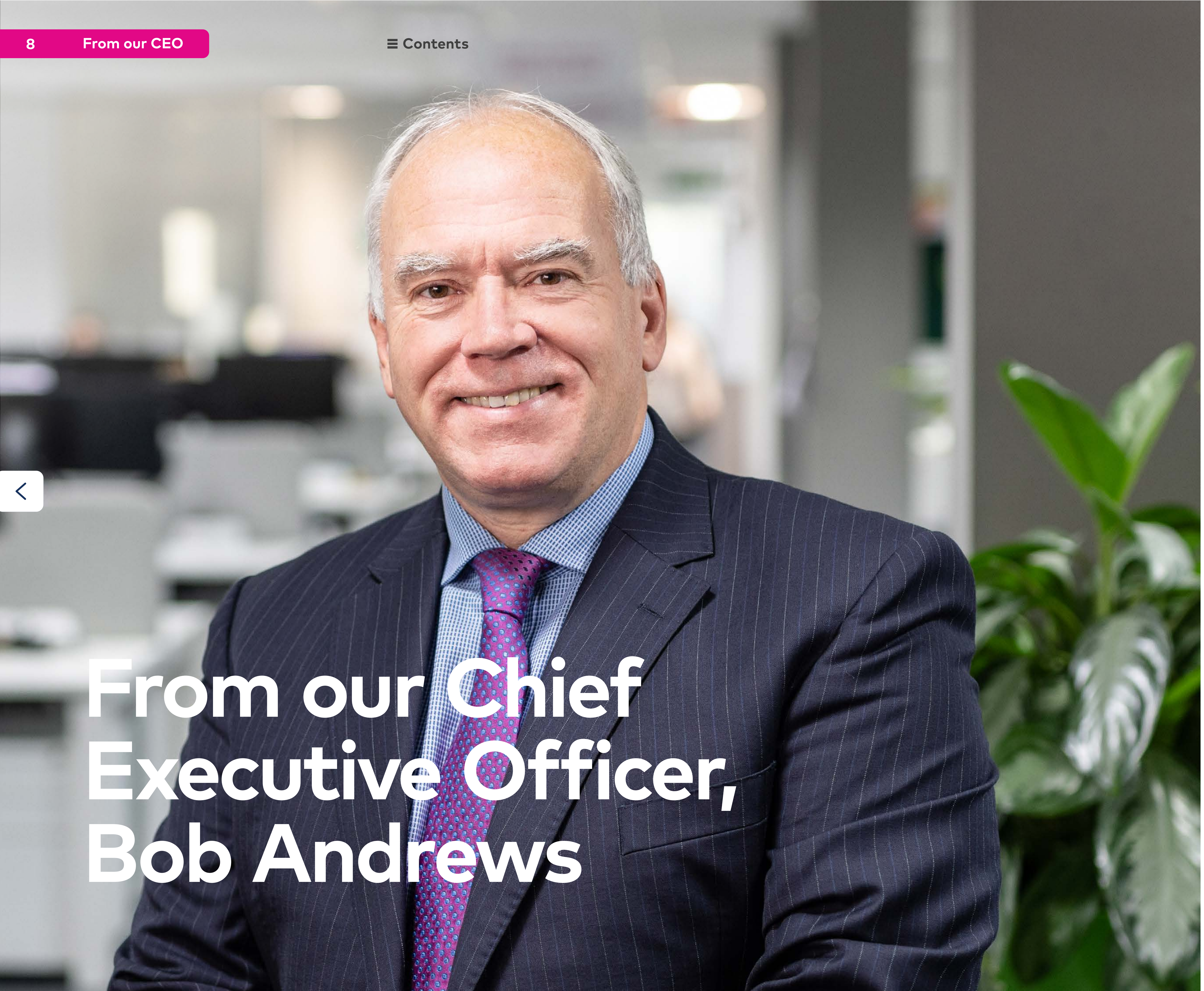


Members helped 2021 vs 2022

Physiotherapy
24/7 GP
Other
Diagnosis
Treatment

"After four weeks of trying to navigate my local GP surgery e-consultation system and getting nowhere, I remembered I have Benenden Health through work and could access a GP 24/7. I phoned today and booked an appointment, had my telephone appointment and collected my prescription all within a four-hour period. What an excellent service you provide. Thanks, Benenden Health, and thank you to my employer for signing us up."

Fiona, member since 2021



From our Chief Executive Officer, Bob Andrews

Making Benenden Health indispensable

We have worked hard in the last four years to strengthen Benenden Health for the future.

Among other things, we have made our product and brand appealing to people across the age range, rethought our democracy to connect more strongly with our members and modernised our systems to make ourselves more efficient. This has helped us carve out a unique space as a mutual dedicated to improving the nation's health. It has also put us in a great position to set new ambitions as we plot a course towards the end of the decade.

Our product is great value. And our membership is growing, despite economic turmoil. Clearly, people value their health and wellbeing and trust us to help safeguard it. But we must always look for new ways to earn that trust. We do this by adding value to our product and connecting with people in a way that makes Benenden Health membership indispensable.

Boosting value through our product

Traditionally, our product has been about diagnosing and treating medical issues. While that is still the core of what we do, we now emphasise the importance of maintaining, protecting and improving physical and mental health. This helps us reach a broader audience and offer value in more ways, from support and information on nutrition to advice on fitness or better sleep.

In 2022, we launched:

- The Cancer Support service, giving people with cancer the support of a registered nurse
- Mental Health Support for 11–16-year-olds
- Video triage as an option for Physiotherapy

We have also added two centres for self-pay diagnosis and treatment, with more in the pipeline.

For more about our product, see page 12.

Growing our digital presence

Digital technology is already part of the Benenden Health experience. In just 18 months, more than 70,000 members have downloaded our app. They can use it to book and participate in GP appointments, attend webinars and exercise classes, download healthy recipes and more. Later in 2023, they will be able to claim for diagnosis and treatment through the app. We will also create bundles of content and events on specific health and wellbeing topics, like the menopause. And we are working towards making it possible for members to keep in touch with us solely through digital channels.

We want to go even further by exploring ways that technology can make our product and medical expertise easier to access, such as messaging GPs directly or enabling digital consultations for dermatology. This is part of us striving to connect members to our healthcare expertise in innovative ways.

Investing in our brand

The key to engaging our audiences is our brand. In 2022, we took our continued investment in brand awareness to a new level through a partnership with Channel 4. Our 'Time for a check-in' campaign, with celebrities including AJ Odudu and Davina McCall, highlights the value of maintaining health and wellbeing through talking to one another.

After launching in September, the campaign immediately increased sales and produced a dramatic spike in web traffic. This is the beginning of a long-term effort to push awareness of the brand to make it one of the most recognised in our sector. By investing now, we become part of people's decision-making when the time comes to buy private healthcare. Our spontaneous brand awareness has increased from 8% to 13% and prompted awareness from 30% to 37%.

Expanding our corporate business

Our brand investment is also boosting our corporate business. Although more organisations include healthcare in their benefits package, the majority of workers still have no cover. By providing it, employers make themselves more attractive, which is critical at a time when the right people are in short supply. Health cover like ours also helps reduce sickness absence and boost retention.

Organisations from education to retail are responding to this message. In fact, in the last 12 months, 28% of our new members came from our corporate business.

Supporting our people

We also want to be an attractive employer and recruit people of all backgrounds to boost our competitiveness. Our brand investment has helped increase the number of people applying for jobs with us. But we want the experience of working here to be positive, too. In 2022, we started work on a diversity, equity and inclusion (DE&I) strategy to help us create an environment where everyone feels they belong. We also performed a benchmarking exercise to make sure that our salaries match the market and provided many staff with the financial support of winter fuel payments.

Upgrading our systems

We have continued to invest in modernising our systems. This year, this included our platform for managing claims which will help us handle members' enquiries quickly. We also rolled out a new finance platform across the group. In 2023, we will begin replacing the system that manages our relationship with members. Once complete, it will link better with our other systems, control data more efficiently and make us easier to do business with.

Looking ahead

We go into 2023 well placed to set our direction for the next five years. I want to thank everyone involved with Benenden Health for helping us improve the nation's health in 2022, from our team in York to the clinicians and staff at Benenden Hospital and all our supportive partners. Your efforts are helping us to make Benenden Health famous!

Strategic Report

We help people stay well by diagnosing and treating medical conditions. We also help them safeguard their physical and mental health. A sharp rise in the cost of living underlines that we have to do this in a way that combines great care with great value.

This section looks at our business model and our market. And alongside the highlights of 2022, it explores our strategy and plans.

What we do

We offer health and wellbeing services to people of all ages, all over the UK. Our members are individuals or employees of businesses that offer healthcare as a benefit.

Our purpose is to improve the nation's health. We help our members to stay healthy and well with a range of services, from diagnosis, treatment, 24/7 GP access, a Mental Health Helpline, to virtual exercise classes and healthy eating advice.

Our membership is growing. By the end of 2022, we had 847,409 members – 19,673 more than 2021 (827,736).

Our income is mainly from members' monthly contributions, which go into a mutual fund together with income from investments and other products. This covers the cost of providing our services and running our business.

How we are different

We stand out by:

Being here for our members

As a mutual, rather than working in the interests of shareholders, we are only here for our members, who also have a say in our big decisions.

Being not-for-profit

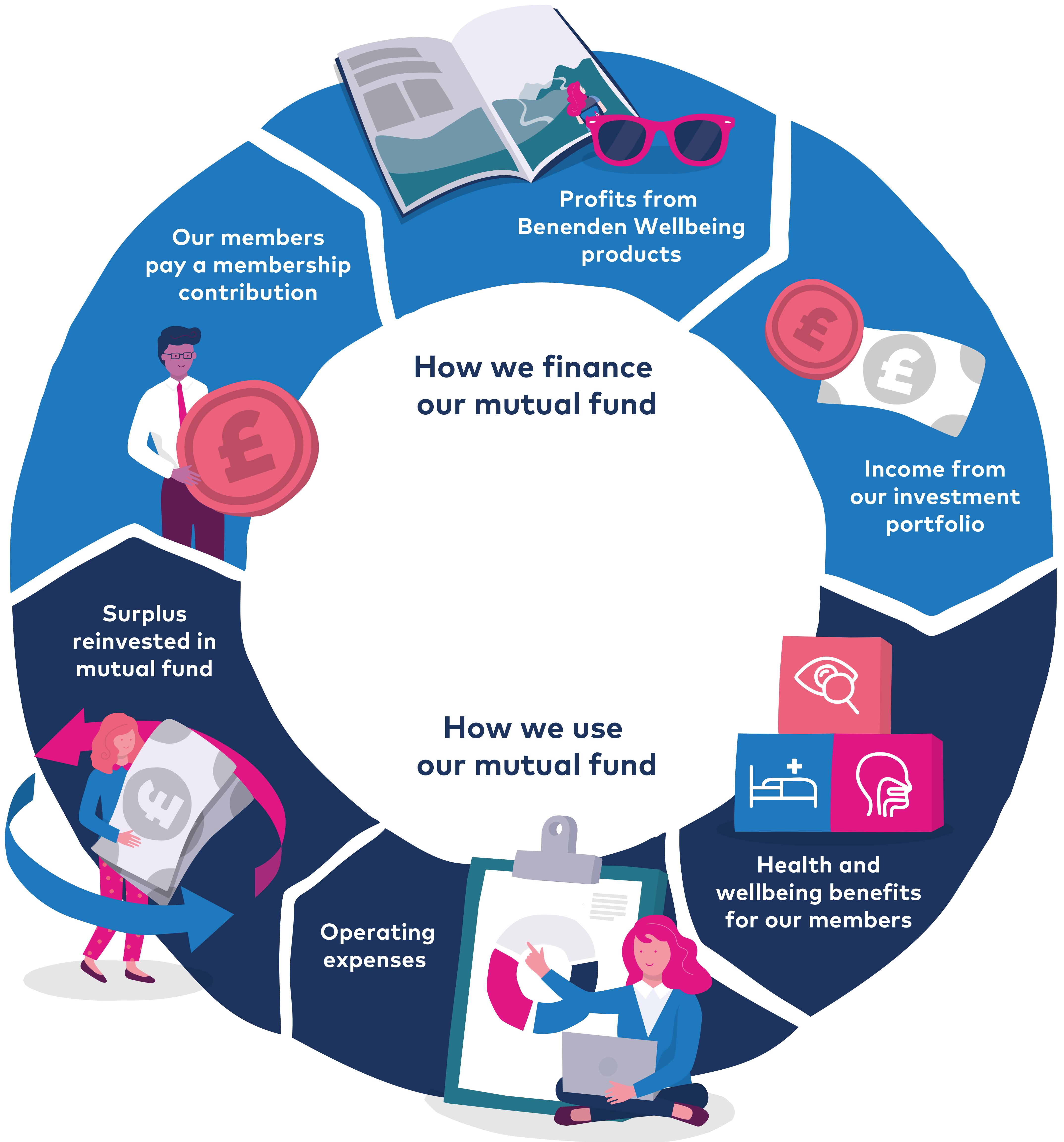
As much of our income as possible goes back into services for members.

Offering discretionary cover

We offer care to everyone, subject to the resources we have available through membership contributions. This makes the price of Benenden Health membership considerably lower than the average private medical insurance policy.

Giving everyone the same deal

All our members pay the same monthly contribution for access to the same services, regardless of their age or any pre-existing medical conditions. We do not ask for an excess or increase the contribution rate when members use our services.



Our services at a glance

Our members can use services including 24/7 GP and Mental Health Helplines, as well as private diagnosis and treatment. They access these services through our national network of partners and our own Benenden Hospital in Kent.

All our members can use these services from day one:

24/7 GP Helpline

Members can call our helpline or log in to the Benenden Health App 24 hours a day, 7 days a week to book an appointment for a telephone or video consultation with a UK-based GP.

24/7 Mental Health Helpline

Members can call our helpline 24 hours a day, 7 days a week for immediate emotional support and signposting for problems such as mild to moderate anxiety, depression, bereavement, relationships and legal and debt concerns.

Care Planning and Social Care Advice

Access to a care adviser who can provide information and advice about adult care issues, including short- or long-term care and advice for children and adults with special needs, including autism, ADHD and learning disabilities.

Benenden Health App

The app lets members access services on their phone or tablet, including booking GP appointments, accessing the Mental Health Helpline and Click to Call to request Medical Diagnostics, Medical Treatment and Physiotherapy. The app also offers access to our Wellbeing Hub and its range of articles, videos and classes on health, wellbeing and nutrition topics.

Members can use these services after six months:

Medical Diagnostics

Members can request private medical diagnosis in our diagnostic network for symptoms referred by a qualified NHS Practitioner. Once authorised, we can support your diagnostic costs up to £2,500 (from 1 April 2023).

Medical Treatment

Members can request private medical treatment for our approved procedures in our treatment network.

Mental Health Support

Support with short-term structured support for members facing life stressors such as bereavement, issues with work or relationship difficulties, and support for mild to moderate distress.

Cancer Support

Members suffering from cancer can request our Cancer Support service, which provides access to a registered nurse, who will provide you with emotional and practical support and advice.

Physiotherapy

Request a physiotherapist to assess your condition over the phone to determine if you are likely to benefit from physiotherapy and, if so, the best course of treatment for you. If recommended, physiotherapy may be provided either via guided self-managed exercise or virtual or face-to-face sessions.

Our other products

Health Cash Plan

An affordable way to help manage the cost of routine healthcare, including dentistry, eyecare and therapies.

Health Assessments

Tests and examinations, more comprehensive than those available on the NHS, designed to highlight possible health concerns in their early stages.

Travel Insurance

Cover for all ages that is comprehensive, flexible and caters for pre-existing conditions.

Home Insurance

Personalised buildings and contents cover.

Self-pay Treatments

Discounted treatments at Benenden Hospital in Kent and hip and knee replacements at four other facilities nationwide.

How we are different from medical insurance

At Benenden Health, we believe access to healthcare should be affordable, inclusive and fair. Along with our discretion, that makes us different from many medical insurance products in several ways:

We do not exclude pre-existing medical conditions on joining.

That means anyone who lives in the UK can join us, regardless of their medical history.

Our members do not have to pay any excess when they use Benenden Health services.

The price of Benenden Health membership is significantly lower than the average private medical insurance policy.

All Benenden Health members pay the same rate.

The price of membership does not depend on age. Nor does it go up if members need to call on our services.

How we stay financially sustainable

Our biggest cost is funding the benefits that we provide to our members. The amount varies each year, depending on how many members ask for our help. In 2022, we spent £96.9m on benefits – £11.5m more than in 2021 – with demand for our services surpassing pre-pandemic levels.

To be able to meet our members' needs, we have to stay financially strong. We do this by:

Controlling the price of our product

Each year, our Board reviews members' monthly contribution rate. This helps make sure we can be there when members need us, while still covering our costs. After consultation with elected member representatives, the Board decided to raise the monthly contribution rate from £11.90 to £12.80 from April 2023. This is the first rise since 2021. At the same time, the Board decided to increase maximum support for each diagnostic claim from £1,800 to £2,500 from 1 April 2023.

Discretionary benefits

We offer services subject to the resources available through membership contributions. This means we can manage our funds to make sure we can keep providing benefits.

Controlling our costs

We spend a proportion of our funds, termed 'Society expenses', on running our business. We aim to keep these to an average of under 24% of our income in any three-year period. In 2022, Society expenses were £30.4m (including the investment in our partnership with Channel 4) – 24.6% of relevant income. The current three-year average for Society expenses is 20.4% of relevant income.

Although we focus on keeping ourselves as efficient as possible, we recognise that there will be upward pressure on Society expenses from inflation and licencing costs associated with modernising our infrastructure. These critical upgrades will make sure we are able to communicate with members more easily.

Income from investments

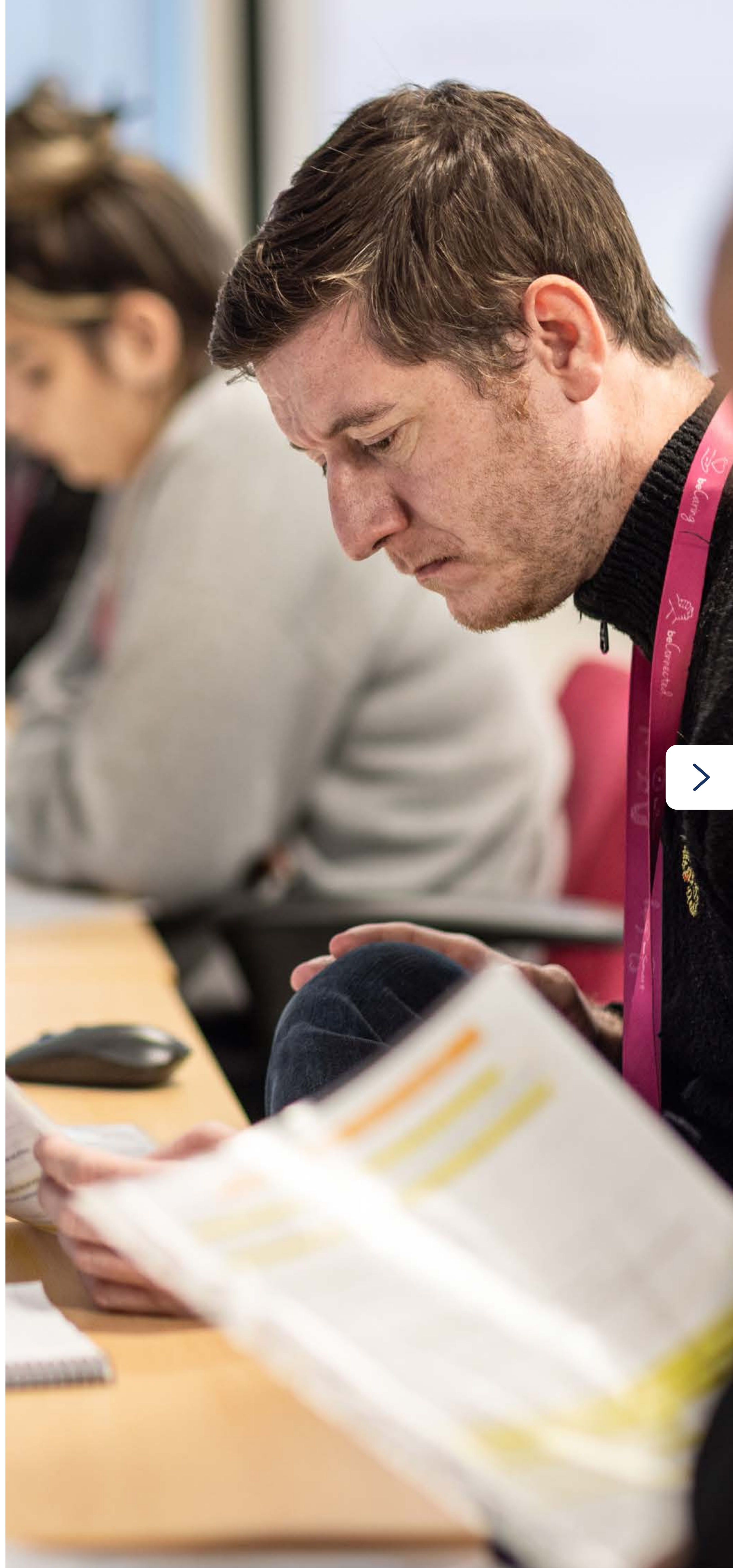
We receive rental income from our property portfolio, as well as dividends and interest from financial investments. At the end of 2022, our investments stood at £158.2 (2021: £153.8m). Income from these investments was £1.1m (2021: £0.8m). Our investment strategy is to have a diversified portfolio that spreads risk across different types of investments (see the Financial Review, page 32).

Watching our capital

We need to have enough capital available to let us implement our strategy, invest in benefits for our members and be able to handle any economic and demographic shocks.

We choose to measure ourselves against the standards an insurer would use in judging how much capital we need. Since 2019, we have followed a capital measure based on the Solvency II regulations for insurance firms. The Board uses this measure to make decisions about our strategy and how we run the Society from day to day.

At the end of 2022, the Society's capital coverage was 235% of the minimum we need to cover our activities. This was up from 176% in 2021 because of the surplus we generated in the year and a lower capital requirement, largely as a result of reduced market risk and longevity risk. See the Financial Review, page 33.



Preparing ourselves for the future

Since 2018, we have set out to make our product and brand as appealing as possible to as broad a range of people as we can. We have also invested in modernising our systems and supporting our people, while looking to engage as many members as possible in our democracy.

Our goal has been to make ourselves a modern mutual that is in a strong position to thrive in an uncertain world. At the heart of that is our drive to make Benenden Health membership indispensable.

Making sure our product offers great value

The need to offer great value is all the more acute amid a dramatic rise in the cost of living. We have always diagnosed and provided a range of treatments for our members' medical issues, but increasingly we also help them to stay well by protecting their physical health and mental wellbeing. Our 24/7 GP service and Mental Health Helpline offer value to those who do not necessarily need access to diagnosis or treatment. The same goes for our ever-expanding online Wellbeing Hub.

In 2022, we added value to our core product with our Cancer Support service. Any member diagnosed with cancer can call on the support of a registered nurse, who will provide emotional support, signposting and guidance through their cancer journey.

We have also broadened our Mental Health Support with services tailored to 11–16-year-olds. And in Physiotherapy, we now offer an initial video consultation, which 15% of users are already opting for. To make services easier to access, we are working towards adding four treatment centres in 2023, as well as more self-pay centres on top of the four current facilities.

Digital technology is an increasingly important part of what we do. Since we launched our Benenden Health App in 2021, 70,000 members have downloaded it. It gives access to an ever-growing hub of videos, resources and guides on healthcare topics, as well as webinars and live and recorded classes. In the pandemic, more people became fluent with technology and more conscious of the need to safeguard their health. Our digital offering is in step with these trends. Significantly, 73% of our new consumer members came through digital channels in 2022, compared to 60% before the pandemic.

Starting in 2023, members will be able to claim for diagnosis and treatment through the app, as well as access content from expert clinicians on topics including the menopause.

This is another step towards creating an entirely digital experience for members who want it, while still also having members of the team available on the phone for those who prefer that.

Expanding our corporate membership

Employers understand that competitive benefits are an important part of attracting and keeping staff, especially with unemployment low and the right people harder to find. Even so, only 20% of UK employees have health cover. This gives us an opportunity to expand our corporate business.

In 2022, 28% of our new members came through our corporate clients. We have built relationships with intermediaries like employee benefits consultants, which gives us more access to businesses. In parallel, we have made ourselves easier to do business with by simplifying onboarding with a portal for employers to add and remove members. And we have invested in showing how health cover benefits employers by reducing sick leave and absenteeism. This makes corporate customers more likely to stay with us.

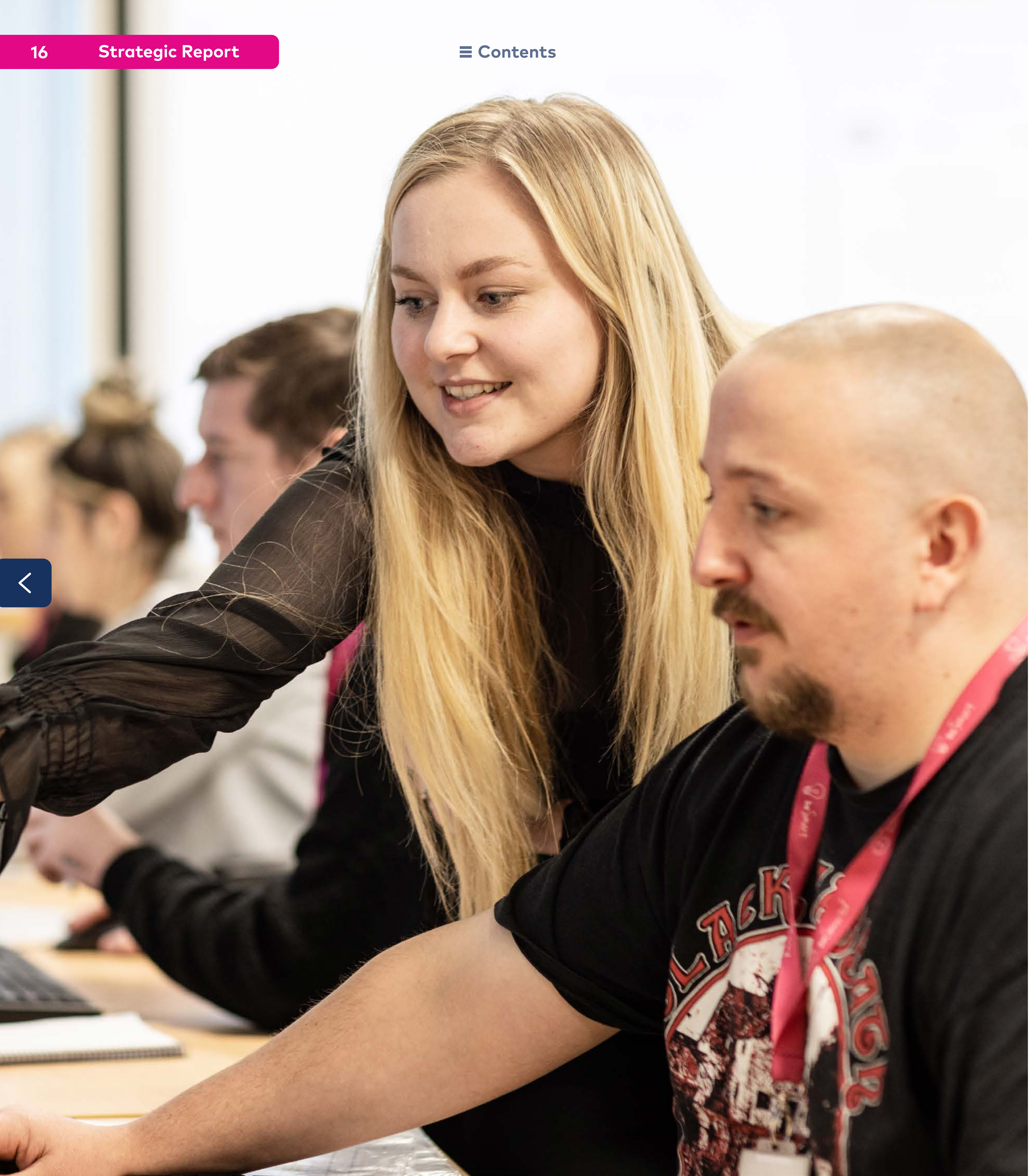
We have created Healthcare Lite, a low-cost version of our core product, to give corporate customers flexibility in what they offer different employees. We are also offering more webinars and live events for businesses.

Making our brand better-known

A brand that appeals to people of all ages and backgrounds is vital to our future as we look to grow our membership. In recent years, we have built our brand through radio and TV advertising, which creates broad awareness of Benenden Health. We have coupled this with more targeted campaigns online and offline to make sure that our message stays prominent as people get closer to deciding to buy healthcare. But our market is highly competitive, so in 2022 we decided to take our brand investment to a new level.

In September 2022, we launched a ten-month partnership with Channel 4. Based on the theme 'Time for a check-in' and fronted by AJ Odudu, it features discussions between celebrities including Davina McCall, Roman Kemp and Judi Love promoting the value of talking to each other about our health. We covered topics from physical fitness, gut health and menopause to mental health, sleep and wellbeing, supporting the ads with social media activity.

We see this partnership as the start of a longer-term investment that will increase the number of people who, when asked about healthcare providers, name Benenden Health among brands they are aware of. At the end of 2022, survey data told us that nine out of 100 people name us; our aim is to increase that to 17 out of 100 as we push to become one of the UK's best-known healthcare providers.



Reinvigorating our democracy

As a mutual, democracy is at the heart of who we are. But our members had become less engaged in the Society's business and big decisions. We investigated how to change this, and in 2022 our members agreed to the biggest ever change in our structure. Instead of 44 Branches, we now have 19 Benenden Health Communities. Rather than being devoted to the business of our Annual Conference, as Branches were, the Health Communities will be forums for discussing and learning about health and healthcare and sharing views on our services.

We are also introducing a direct member voting system to replace voting by Branch delegates. And in 2023, we will begin developing a virtual member forum to encourage closer interaction across our membership.

We have created a Member Council made up of representatives from each Health Community. It will consult with the Board, including on the Society's strategy, and will present ideas all year round, rather than confining this engagement to the Annual Conference.

We want these major changes to:

- Create a direct line of contact between the Society and its members
- Give members more ways to get involved
- Give us new ways to understand what members need

Previously, under 0.5% of members took an active part in the Society's business. But when we asked for views on the proposals for a new democratic model, over 10% of members responded. This tells us that our members are interested in engaging with their Society if the relationship is informative, interesting and easily accessible.

Backing our people

We foster a workplace culture that helps our people perform at their best. Our engagement survey data tells us that colleagues are proud to work for the Society and feel a sense of belonging. But we are always on the look-out for ways to improve. As well as our engagement surveys, we use colleague feedback groups to help us monitor our culture and put right anything we need to.

We want a diverse workforce made up of people from a range of backgrounds and identities that reflect the world we serve. We believe everyone should be able to bring their whole self to work, regardless of age, gender, ethnic background or sexual orientation. And we want a working environment where everyone can shine. In 2022, we launched our diversity, equity and inclusion (DE&I) strategy and, through a special one-day event on the topic, all our people were involved in creating our action plan for 2023. This includes building a culture of DE&I through our training and processes like recruitment and performance management.

Investing in our people

Learning and development are vital to keeping our people engaged and motivated and to retaining them, as well as helping us to perform well.

We filled 30% of our vacancies with internal candidates in 2022, underlining how we help our people to build careers with us.

Development programmes this year included:

- Developing 140 people to understand their communication preferences, priorities, motivators, stressors and styles for resolving conflict
- Project management training for over 80 people
- Training to give our operations team coaching skills
- Training for aspiring leaders – we promoted two people who completed our management course into line management roles

Our 33 trained mentors continued partnerships established in 2021 that foster networks, skill-sharing, development and peer-to-peer learning.

We continue to run our Junior Board, which gives our people a taste of senior-level decision-making through taking responsibility for projects and working alongside our executive team. In 2022, it worked on projects including redeveloping our office space and creating a strategy for community giving.

Five people graduated this year from Benenden University, which gives senior leaders the chance to study for degrees and other qualifications like MBAs.

Our awards

We are proud that we have been recognised for our product and services, as well as the great work our people do, day in and day out.

Employee Benefits Awards

- Best Supplier to Work For

York Cares Golden Moments Award

Investment Life & Pensions Moneyfacts Awards

- Winner – Best Private Medical Provider
- Winner – Best Healthcare Service
- Commended – Best Health Cash Plan Provider

Simplys: Digital IC Awards

- Highly Commended – Best Champion Strategy

Supporting wellbeing

Our people's wellbeing remains a priority as we return to normal after the COVID-19 pandemic. We run regular focus groups to make sure we are helping in the right ways and spotting any gaps in our support. Our wellbeing and inclusion champions back this by raising concerns about any issues and helping to shape our response.

Our engagement survey tells us that our people feel there is support for their wellbeing, backed by clear communication. Our mental health first-aiders can help our people at any time in the office, where we have dedicated quiet spaces and contemplation areas. We also signpost to other support. In 2022, through our surveys, we spotted extra ways to help, including sleep clinics and a cost of living allowance for some of our colleagues.

We have carried on with hybrid working and clarified which roles and tasks are best suited to working at home and in the office. And we have run initiatives that maintain social connections, like monthly 'care for a cuppa' sessions, walking groups and Platinum Jubilee picnics and bake-offs.

Giving back to our community

In 2022, we supported our people to give back to the community through volunteering challenges that offered opportunities for team building and personal development. Colleagues helped primary school children with their reading, worked to regenerate York's green spaces and helped improve people's digital literacy.

A team raced in the Yorkshire Marathon Corporate Relay, raising funds for charity, and a record number of colleagues took part in the York Pride parade, joining schools, charities and organisations across the city to show our allyship for the LGBT+ community. We continue to support the health and wellbeing needs of our local community with our Community Fund. In 2022, we awarded funding to community groups and charities to support activities such as nature crafting, community cafes and walking and singing groups, to name a few.

Managing our impact on the environment and society

We are putting growing emphasis on being a good corporate citizen, and that means focusing on environmental, social and governance (ESG) issues. We want to play our part in combatting climate change and meeting the UK's target of net zero carbon emissions by 2050.

In 2022, we began analysing our greenhouse gas emissions, as well as those of our employees and our supply chain. This is part of our plan to report on our climate risks in line with the framework of the Taskforce for Climate-related Financial Disclosures (TCFD). As our turnover is less than £500m, we are exempt from a law making this reporting mandatory by 2025, but we have still decided to opt in.

We reduced our emissions from gas by over 11% compared to 2021 and by nearly 6% from electricity, heat, steam and cooling. In 2023, we will start work on a plan for how to get to net zero emissions.

Proposals for 2023 include:

- Buying energy from green energy suppliers
- Installing solar panels at our Registered Office
- Sharing knowledge with suppliers on TCFD reporting and cutting carbon emissions

We already:

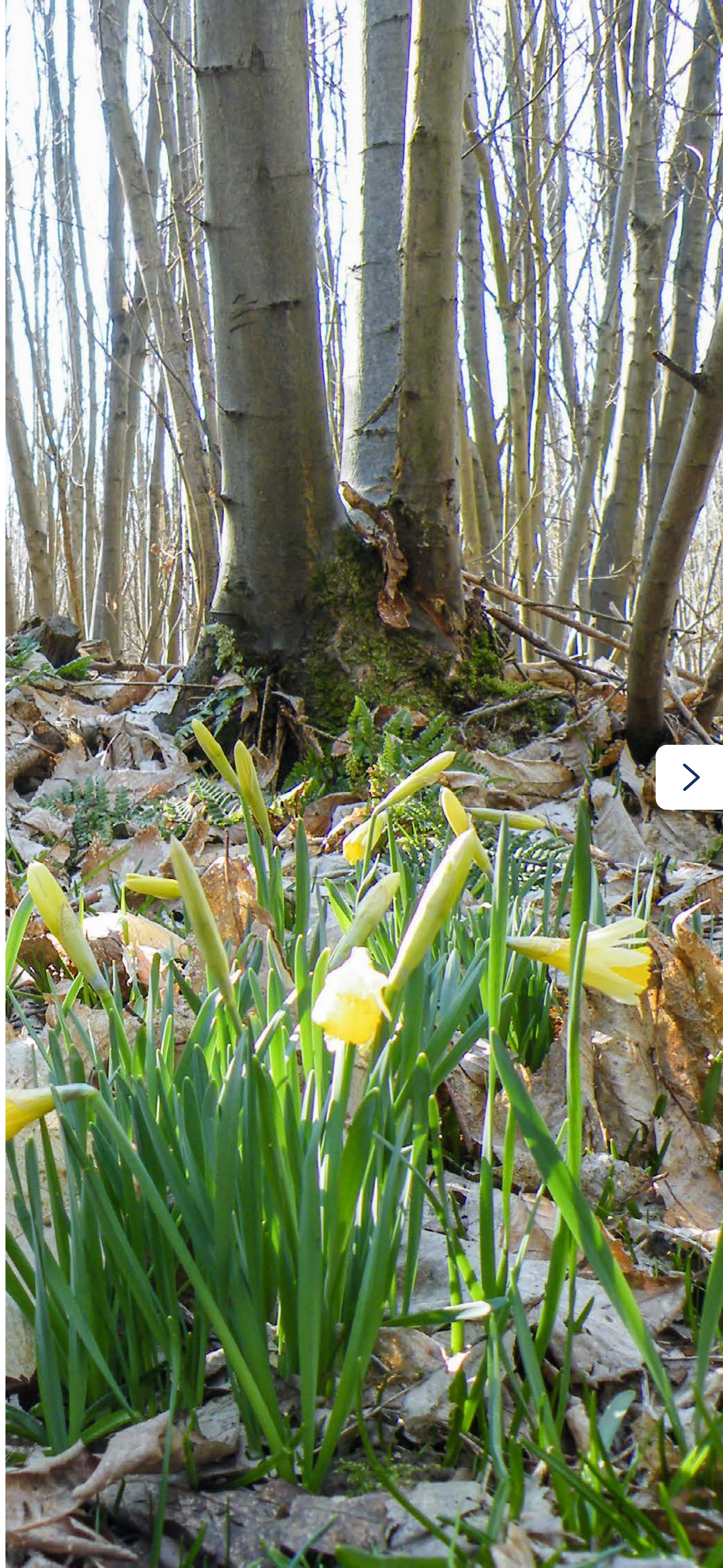
- Use recycled or sustainably sourced paper, recycling bins and LED lighting
- Encourage car sharing by employees and provide car charging points
- Offer an electric car and hybrid leasing scheme
- Encourage flexible working to reduce our people's car journeys
- Take part in the government's Cycle to Work scheme

For more about this, see our Environmental Report on page 20.

Modernising our systems

In 2023, we will begin replacing the system for managing our products and members' policies. This will make us more efficient by linking up more smoothly with our other systems and being able to manage data more easily. This is the biggest of a series of major technology upgrades that have seen us overhaul and modernise systems, including those that help members get in touch with us.

The investment in our systems also means a better experience for members. The reward in 2022 has been consistent scores of over 8.8/10 from members for overall satisfaction and how easy we are to deal with.



Our market

The economy: rising cost of living tightens household budgets

Inflation was the defining economic theme of 2022. In the 18 months to October 2022, the rate of inflation rose from less than 1% to 11.1%, putting significant pressure on many UK households.[1] UK GDP grew by 4.0% in 2022.[2] But rising prices will mean less household spending power and lower consumer demand. And that points to a shrinking UK economy in 2023.[3]

Although the UK health cover market is not immune to the unstable economic environment, interest in health products is likely to stay strong and the market outlook is optimistic.

Longer NHS waiting times mean that more people are turning to the private sector. Also, our own research has found that 71% of people with health products classed them as 'essential', which bodes well for retaining our members.

Low unemployment means that businesses need to work harder to recruit and retain employees. Research has consistently shown that health cover is one of the benefits employees want most.[4] This makes health products more valuable and relevant than ever for businesses.

Private healthcare: a growing market, despite economic turmoil

The number of people covered by private medical insurance (PMI) policies rose by 4.5% in 2021.[5] Since 2019, the market has grown by 14.8%, with 5.4 million people now covered. Forecasts show growth continuing in 2023 and beyond.

Our own research showed that 24% of Britons are more likely to consider buying a health product than they were 12 months ago. But the average cost of consumer PMI in 2021 was £2,220 a year, which is not affordable for many.[6]

Our inclusive product offers people health cover that they might not otherwise be able to buy. The strong growth of our consumer membership in 2022 underlines this.

At an average cost of £1,044 PMI for business is also significantly more expensive than Benenden Health membership.[7] Many businesses have introduced or boosted employee benefits recently and 46% say they plan to increase benefit spending in the next two years.[8] But rising costs are squeezing budgets. The launch of our Healthcare Lite product, alongside our existing corporate offering, lets businesses offer employees substantive cover at a fraction of the cost of PMI.

We saw strong net growth from direct business sales in 2022, and entering the intermediary market has given us extra channels to distribute our products.

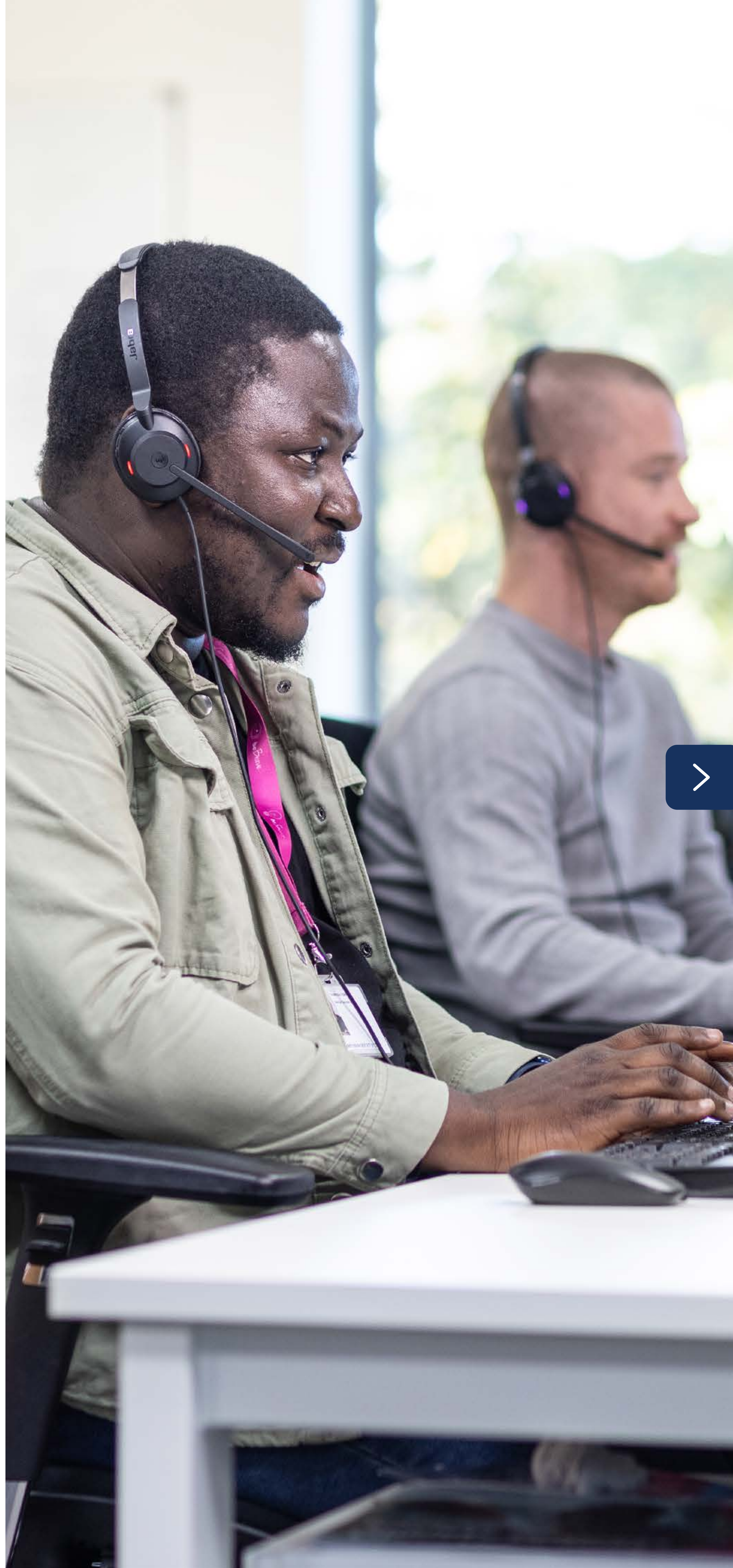
Self-pay treatment: more demand as NHS waiting lists grow

Longer waiting times for NHS elective care have triggered an exponential rise in sales of on-demand health services. In Q2 2022, self-pay admissions were 33% higher than Q2 2019, the last comparable year before the COVID-19 pandemic.[9]

There has been triple-digit growth in admissions for some high-volume procedures. Compared with 2019, UK self-pay hip replacements have grown by 184%, knee replacements by 153%, inguinal hernia repair by 123% and cataract surgery by 42%.

Benenden Hospital, which provides all these among its 250 self-pay treatments, performed more private inguinal hernia repairs than any other UK independent hospital in the year to March 2022. In the same period, Benenden Hospital was also the UK's second largest provider of private cataract surgery.

Bespoke discounts for hip and knee surgery are currently available to members at hospitals in Belfast, St Helens, Newport and Swansea. We are also looking into offering a national self-pay service, which would provide discounts for a wider range of treatments at more hospitals.



Environmental Report

According to the World Economic Forum, more than half of adults on the planet say that climate change has already had a severe impact on their part of the world. Seven in ten expect severe impacts for their countries within the next decade.

In 2022, the impact of climate change has been seen through countless deaths from floods around the world, billions of dollars of damage caused by Hurricane Ian in North and Central America and heatwaves throughout Europe. The Met Office reported that 2022 was the warmest year ever in the UK, averaging over 10°C for the first time.[10] Fifteen of the UK's twenty warmest years have occurred this century.

The UN continues to call on industrialised nations to lead by example and take bold and immediate action to tackle climate change.[11] The most recent summit, COP27, held in Egypt in November 2022, brought together 90 world leaders and representatives from almost 200 countries. They agreed to set up a fund for developing countries to rebuild physical and social infrastructure devastated by extreme weather events. But the summit made little progress on commitments to cut greenhouse gas emissions in pursuit of the 2015 Paris Agreement goal of "limiting the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C".

In November 2020, the government announced that the UK would be the first country to make it mandatory by 2025 for businesses across the economy to disclose their climate risks. The model for these would be the framework of the Taskforce for Climate-Related Financial Disclosures (TCFD), which was created by the Financial Stability Board in 2015 to promote financial transparency related to climate risks. While we are not yet required to produce these disclosures, we have nevertheless chosen to describe the journey we are on when it comes to climate change using TCFD structure and content. We see this as a tangible sign of how seriously we take our responsibility to limit climate change.

In 2022, we have also begun our journey to become TCFD-compliant by analysing the carbon emissions of our business, including those of our suppliers and employees. We have used this analysis to understand how we can contribute to the government's ambition to make the UK carbon neutral by 2050, and to begin to put a plan in place to work with internal and external stakeholders to reduce emissions.

Governance

The Board is ultimately responsible for managing risk (including risks associated with climate change) and approving the risk appetite statements, although it delegates much of the oversight of risk to the Group Audit and Risk Committee (GARC). For full details of the risk governance process, including how it relates to climate change risks, see the Risk Management Report on page 35.

Climate change

We have made identifying and managing climate-related risks part of our existing risk management framework to give us an appropriate level of oversight. Our Statements of Responsibility reflect how the responsibilities for identifying the financial risks associated with climate change are shared among the Society Executive.

Strategy

We do not face the same issues as general insurance companies having to factor extreme weather into their liability calculations. However, we are conscious of the risks we face associated with climate change. We have a responsibility to positively contribute to the government's aim of net zero carbon emissions by 2050, and our strategy is to understand, report on and reduce our carbon emissions in line with Streamlined Energy and Carbon Reporting (SECR) and TCFD regulations.

This matches our aim to have a positive impact on our local environment and be seen as an ethical employer and supplier. It also makes us more attractive to would-be members and employees, who rightly expect organisations to make a determined effort to limit climate change.

This year, we have begun to develop an environmental, social and governance (ESG) strategy. We have worked with experts to understand TCFD regulations and more fully understand our carbon footprint by analysing the impact of our supply chain and of how our employees work in terms of commuting and home-working. This work has given us an understanding of how we can reduce our carbon footprint over time, and we look forward to putting actions in place that will help us achieve our goals in 2023. These actions will include procuring energy from green energy suppliers, installing solar panels at our Registered Office and engaging with our suppliers to share knowledge on TCFD regulations and carbon emission reduction.

We appreciate that it may not be possible to eradicate 100% of our base-level carbon emissions, and TCFD regulations allow for a small portion to be offset. To this end, we have begun a project to plant trees on some of our land in Kent. This will have a positive impact in reducing the amount of carbon in the environment.

As our annual turnover is less than £500m, we are exempt from TCFD regulations, but we have opted in by providing as much data as we can. This helps us focus our efforts to define metrics, set targets and gather the data we need to progress towards meeting what we see as our obligation to cut our emissions. The Board recognises the importance of understanding the short-, medium- and long-term impacts of climate change on the group. We consider the impact of climate change on our business to be low in the short to medium term. But we accept that risks associated with the transition to a low-carbon economy might have an impact on us, especially in relation to how our investments perform. We are developing a carbon investment policy to support sustainable investment decisions.

Understanding the risk

While we consider the short-term risks to the Society from climate change to be low, the GARC recognises the importance of identifying and managing the financial risks associated with climate change. The risks fall into these categories:

- Physical risks associated with higher and more variable temperatures and extreme weather events (like heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (like changes in rainfall, more volatile weather and rising sea levels and mean temperatures). Some examples of physical risks materialising include:
  - More extreme temperatures or pollution levels leading to increased claims
  - More frequent, severe or volatile extreme weather causing more business disruption and losses, as well as potentially making property insurance unavailable or more costly
  - More regular and severe flooding causing physical damage to our assets, like the Hospital or other properties we own or hold in investment funds

We do not currently anticipate that physical risks will have a material impact on our demand levels or membership numbers in the short term. But continuing to analyse healthcare data and our market will help us identify any trends which might affect us.

- Transition risks may arise from the process of adjusting to a net-zero economy. The UK government has set a target of achieving net zero greenhouse gas emissions by 2050. Examples of transition risks materialising include changes in:
  - Government policy which affects the economy
  - Technology
  - Investor sentiment

All our investment managers have ESG investment strategies. They have also signed up to organisations that promote responsible investing and influence the world's largest corporate greenhouse gas emitters to take the necessary action on climate change.

Risk management

We have established a culture where everyone is conscious of risk and their role in controlling it. And this, in turn, reduces the chances of us overlooking risks.

For full details of our risk management framework, see the Risk Management Report on page 35.

Risk management process

The table below shows the actions we are taking to understand and manage the risk as it develops:

Climate change risk	Actions taken
The risk that the changing climate and increase in extreme weather events might have a financial impact on our business.	We have completed an assessment to understand the potential financial impact of climate change on our business. Instead of identifying climate change as a separate key risk, we regularly review our risk universe to identify any additional actions we need to take because of climate change. This involves considering the potential physical risks to our premises and how member claim behaviour might change. We also monitor changes in government policy, stakeholder expectations and the development of new technologies as we transition to a net-zero economy. We are working with an external expert to better understand our operational impact on the environment and to create a plan for achieving net zero no later than 2050. All our investment managers have ESG-aligned strategies designed to promote responsible investing and influence the actions that corporate greenhouse gas emitters take on climate change. An ESG investment policy is also being drafted for Board approval in 2023. We have robust business continuity plans to prepare us for any extreme weather events. We are also enhancing our supplier onboarding and management processes to understand how suppliers are responding to climate change and what they are doing to mitigate the associated risks. We have insurance against loss of or damage to our properties from extreme weather events, as well as business interruption insurance.

Metrics and targets

In 2022, we have enhanced our understanding of TCFD regulations and our wider operational emissions from use of suppliers and from employee commuting and working from home. This has given useful insight to help us reduce emissions, and we will use this data to set targets and develop it for future reporting. The metrics below are presented on a consistent basis with prior years and do not include the direct emissions from Benenden Hospital, which reports emissions separately.

We recognise that 2021 and 2020 were unusual years due to changes in behaviour during the COVID-19 pandemic. As such, we show 2019 emissions here for context.

Operational emissions

The main metric we use is our carbon footprint, measured in tCO2e (tonnes of carbon dioxide equivalent). The metrics below relate to emissions from 1 January to 31 December 2022. The increase in emissions from 2021 reflects that our people travelled more, as there were more face-to-face meetings and events.

Emissions in 2022 are significantly lower than those in 2019, showing the results of new ways of working post-COVID-19.

Operational emissions	2022 Tonnes CO2e	2021 Tonnes CO2e	2020 Tonnes CO2e	2019 Tonnes CO2e
Scope 1 Combustion of gas	3.22	3.63	1.90	4.50
Scope 1 Combustion of fuel for transport	-	-	-	-
Scope 2 Purchased electricity, heat, steam and cooling (location-based)	63.24	67.17	55.30	86.20
Scope 3 Emissions from business travel in rental cars or employees' vehicles where we are responsible for purchasing the fuel	18.40	7.17	5.95	23.06
Scope 3 Other emissions (business travel via cars, taxis, trains and planes)	23.45	7.51	6.93	49.91
Gross total	108.31	85.48	70.08	163.67
Intensity ratio – revenues (per £million)	0.91	0.74	0.63	1.64
Intensity ratio – people (per FTE)	0.30	0.25	0.22	0.51

Methodology

For our current reporting year, we have followed the government's guidelines on Streamlined Energy and Carbon Reporting.

We buy most of our electricity directly and have used kWh figures from our providers combined with the government conversion factors for carbon emissions.

We have estimated kWh from the invoice amounts using the gas and electricity readings over the year. We estimate carbon emissions from this based on the government's conversion factors.

We extracted business travel data from our finance, expenses and travel booking systems. And we used government conversion factors for company reporting of greenhouse gas emissions to convert distance into carbon emissions. In calculating vehicle emissions, we have used average car estimates.

Our investment portfolio's climate metrics

We recognise that climate change is an emerging risk that could affect the financial returns on our investments if not properly measured and managed. We also recognise that climate change presents an opportunity to invest in companies or assets that are expected to perform well in an economy that is positioned to address climate change.

We have based our assessment of climate-related risks and opportunities on information from companies we invest in and our investment managers. This data is subject to change as climate change reporting improves.

Climate change is one risk among many that we measure, monitor and manage. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way. We will therefore continue to invest in companies where there is a sufficiently attractive investment case and the asset manager believes there is an opportunity to engage and influence change in the behaviour and actions of a company.

We have sourced the climate metrics set out below directly from our investment managers. The aim of reporting this information across several different metrics is to give a slightly different insight into the make-up of our portfolios from a climate change perspective. In this way, we can identify the areas of our investment strategy that present the greatest risks and opportunities and engage with our investment managers to make sure they manage these risks appropriately.

Overview of metrics

Emissions of the seven greenhouse gases have different impacts on climate change. To simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as carbon dioxide equivalent emissions (CO2e). In this way, we can compare companies that emit different amounts of different gases on a consistent basis.

The data below is all on a scope 1 and scope 2 basis; as the robustness and availability of scope 3 data improves, we will extend our reporting to include it. Data for less traditional asset classes, e.g. real estate and sovereign debt, is both less available and less reliable and will be reported once consistent methodologies and reporting are available in the market.

Listed assets (equities and corporate bonds)		
Emissions metrics	**Overview**	**Description**
Absolute GHG emissions	Total greenhouse gas (GHG) emissions: tonnes of CO2 and equivalents (tCO2e)	Calculates an investor's share of the total emissions for each company/holding. This seeks to answer what real-world emissions the investor is responsible for.
Carbon footprint	tCO2e/$million invested	The amount of carbon dioxide and equivalents (tCO2e) emitted per million dollars of our investments. This seeks to show how carbon-intensive the various elements of the investment strategy are.
Weighted average carbon intensity (WACI)	tCO2e/$million revenue	Average exposure (weighted by portfolio allocation) to GHG emissions normalised by revenue. This seeks to answer how carbon-intensive the companies held in the portfolio are.
Implied temperature rise	Expressed as °C	Prediction of the temperature rise scenario over the rest of the century given a company's emissions, commitments and momentum. This can be compared to the aims of the Paris Agreement, which targets 1.5°C, to provide an indication of alignment versus this goal.

The purpose of starting to measure the investment managers on climate metrics is to provide an understanding of how carbon intensive the portfolios are versus the broader market (shown via the MSCI ACWI figures in the table below) and to track how the carbon intensity of the portfolios evolve over time. We will use this information to inform engagement with our investment managers to ensure that we are comfortable that they are appropriately monitoring these risks over time.

Asset class	Investment strategy	Assets as at 31/12/2022 (£m)	(% of total analysed investment portfolio)	Absolute GHG emissions (tCO2e)	Carbon footprint (tCO2e /$m invested)	WACI (tCO2e/ $m revenue)	Implied temperature rise (°C)
Publicly traded corporate bonds	Mercer short duration bond fund – corporate bonds portion	13.6	31.5%	354.0	19.0	51.0	2.2
	Janus Henderson – multi-asset credit – public credit portion	21.7	50.0%	1,542.0	59.2	89.0	2.4
	Total publicly traded corporate bonds	**35.3**	**81.5%**	**1,896.0**	**43.7**	**74.3**	**2.3**
Diversified growth fund	Ruffer – listed equity portion	8.0	18.5%	2,007.5	273.5	327.2	4.3
	Total analysed listed assets (listed equity and corporate bonds)	**43.3**	**100.0%**	**3,903.5**	**86.1**	**121.0**	**2.7**

Source: Investment Managers Disclosure, data as at 31 December 2022. Where metrics were provided on different currency bases, these have been converted into USD terms as at 31/12/2022.

Where absolute emissions metrics have been provided on a total pooled fund basis, these have been scaled down to reflect the size of Benenden Health's investment. Aggregate implied temperature rise metrics have been calculated as a weighted average.

To contextualise the above results, we provide a broad equity market comparator below, the MSCI All Countries World Index (MCSI ACWI). In subsequent years, we will report progress over time.

Benchmark	WACI (tCO2e/$m invested)	Carbon footprint (tCO2e/$m invested)	Total GHG emissions (tCO2e)	Implied temperature rise (°C)
MSCI ACWI	159.8	59.0	-	2.8

Source: MSCI ESG 2023, reproduced by permission.

2022 Financial Review

2022 Financial Review

	2022	2021
Number of members	**847,409**	827,736
Total income (excluding the gain/loss on realisation of investments)	**Up 5%**	Up 4%
Proportion of income spent on members*	**74%**	66%
Operational surplus**	**£8.4m**	£21.0m
Increase in members' funds	**£9.3m**	£36.6m
Members' funds	**£187.9m**	£178.6m

* An alternative performance measure showing the underlying cost of members' benefits as a proportion of the income the Society receives through member contributions.

** An alternative performance measure which the Board believes gives a clear view of the group's underlying performance. As shown in the table on the following page, it represents net income excluding the impacts of revaluations of the group's property and investment portfolios.

- **We have grown our membership –** against the backdrop of a cost of living crisis which has led many UK households to consider what costs they can reduce, our membership has increased by 19,673 in the year to 847,409. This is a testament to the value our product offers and to our investment in brand awareness, particularly in attracting new corporate members. As a result of this membership growth, income has increased by 5%
- **We have done more to help our members –** the group has been able to provide more services to more people in 2022 as, for the first time since the pandemic began, the year was free from lockdown restrictions. This meant we spent 74% of Society contribution income on members
- **We have achieved an operational surplus of £8.4m for 2022 (2021: £21.0m) and increased members' funds by £9.3m (2021: £36.6m) to £187.9m –** this has come despite the cost of living crisis, the increase in demand for our services, inflationary pressures and significant investment in brand, the benefits of which we expect to see in 2023 and beyond. £4.1m of the operational surplus in 2022 is as a result of the release of unutilised reserves for members' benefits from prior years as noted on page 30.

	2022 £m	2021 £m
Excess of income over expenditure after tax	**6.6**	**25.4**
Add loss/(less gain) on investments	0.9	(2.9)
Less change in investment property valuation	(0.2)	(1.5)
Add change in operational property valuation	1.1	0.0
Operational surplus for the year	**8.4**	**21.0**
Change in investment fund (realised and unrealised losses/gains)	(11.2)	5.7
Net impact of property revaluations	(0.5)	1.5
Actuarial gain on pension scheme	12.6	8.4
Increase in members' funds	**9.3**	**36.6**

The increase in members' funds of £9.3m is due to the operational surplus we achieved, along with actuarial gains on the pension scheme of £12.6m, arising from the impact of rising inflation on the level of scheme assets and liabilities. The inflation impact caused a reduction in the value of part of the investment portfolio held as a hedge against the pension scheme deficit. This resulted in realised and unrealised losses on the investment fund of £11.2m.

The operational surplus for the year of £8.4m is £12.6m lower than the £21.0m reported in 2021, a year when we saw lower demand from members because of COVID-19 restrictions.

Summary income statement	Group	
	2022 £m	2021 £m
Income		
Contributions	**119.6**	115.4
(Loss)/gain on the realisation of investments	**(0.9)**	2.9
Gain on investment property revaluation	**0.2**	1.5
Third-party income from hospital activities	**16.7**	14.0
Other income*	**2.9**	2.1
Total income	**138.5**	**135.9**
Expenditure		
Members' benefits	**(96.9)**	(85.4)
Management expenses	**(31.4)**	(22.4)
Other expenses**	**(3.6)**	(2.7)
Total expenditure	**(131.9)**	**(110.5)**
Excess of income over expenditure after tax	**6.6**	**25.4**

* Includes investment income, commissions receivable and other income.

** Includes non-recurring costs, impairment charges, depreciation, investment expenses, interest and similar costs and tax.

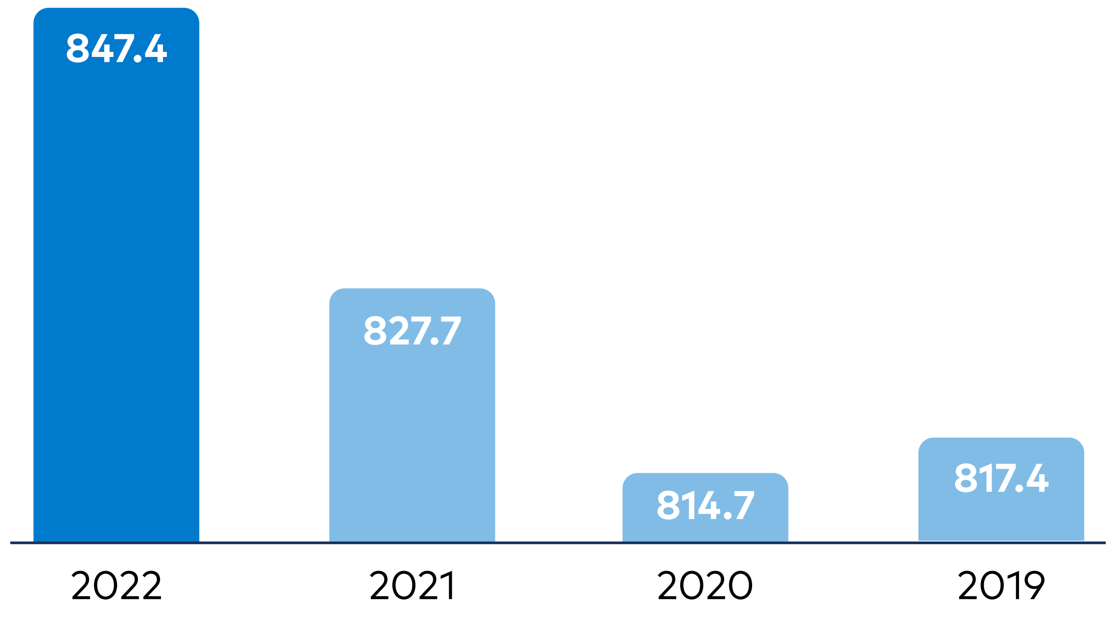
Income

We have achieved a net increase of 19,673 members in 2022, bringing the total to 847,409 (2021: 827,736).

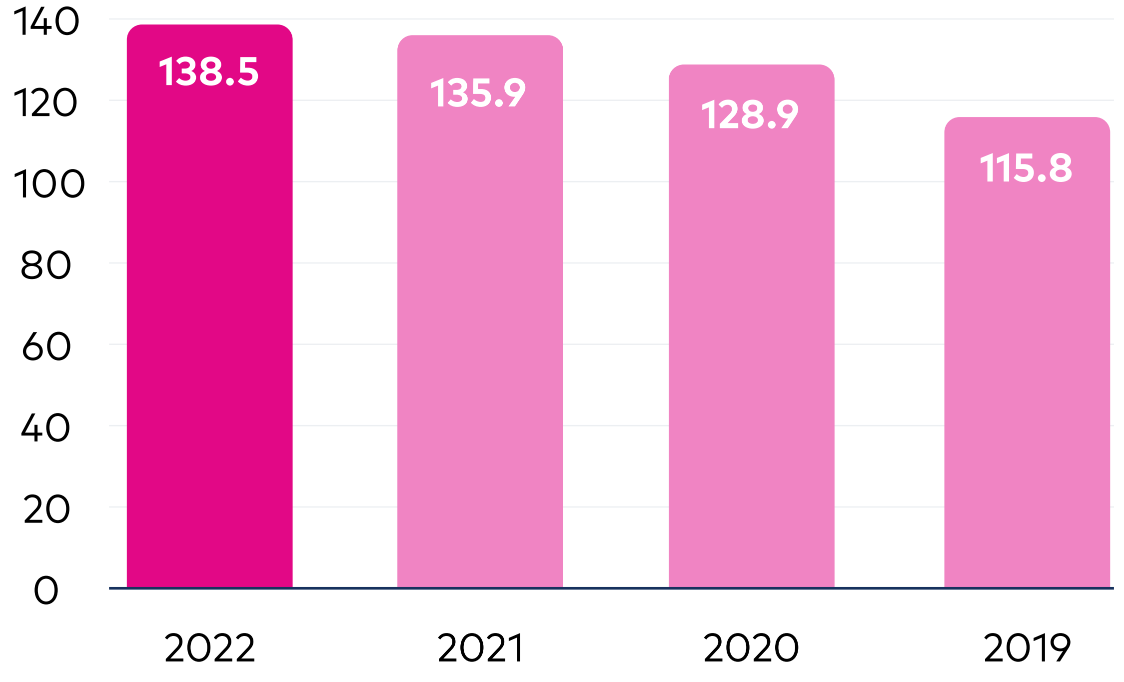
This is down to investment in our brand and renewed focus on corporate channels, along with the value our product provides as an alternative to private medical insurance. The increase comes despite the cost of living crisis making households re-examine their spending priorities. In the last two years, we have seen a combined net increase of more than 32,700 members.

The strong financial position of the group at the end of 2021 enabled us to freeze the contribution rate in 2022. Despite this, group income has increased by £2.6m to £138.5m (2021: £135.9m) due to our growing membership and growing Benenden Hospital income, as more people choose to use the Hospital for private operations instead of waiting for NHS treatment.

Society membership numbers (000s)



Income (£m)



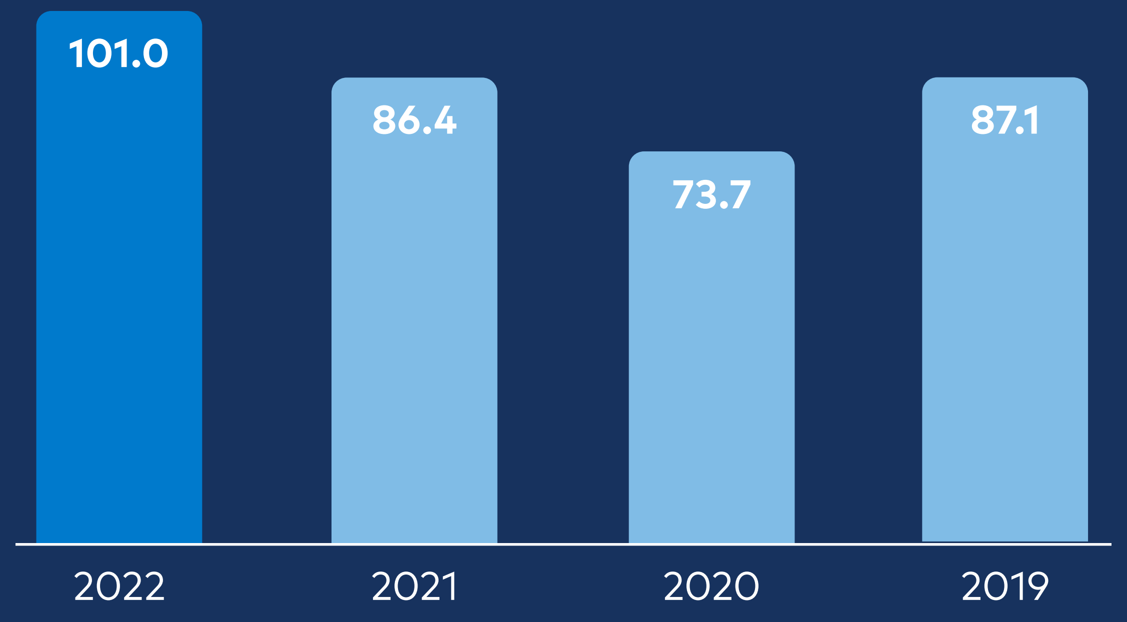
Expenditure

Member benefit costs

An increase in membership, a year free of COVID-19 restrictions and a rise in demand for services, due in part to increasing NHS waiting times, have led to member benefit costs exceeding pre-COVID levels in 2022.

Underlying member benefit spend (the reported member benefit cost adjusted for movements in provisions due to changes in estimates) provides a realistic view of how members' benefits have changed in the last few years.

Underlying member benefit spend (£m)



Reconciliation between reported members' benefits and the underlying cost	2022 £m	2021 £m	2020 £m	2019 £m
Reported in the income statement (page 83)	96.9	85.4	77.2	89.0
Adjustments to prior year estimates	4.1	1.0	(3.5)	(1.9)
Underlying member benefit spend	**101.0**	**86.4**	**73.7**	**87.1**

The underlying member benefit costs in 2022 of £101.0m were far higher than the previous year (2021: £86.4m), with 2021's figure affected by COVID-19 restrictions in Q1 and Q4. There were no such restrictions in 2022 and, as membership has grown and the pressure on the NHS has increased, we have been able to provide services to more members.

We saw some inflationary pressures in 2022 through supply chain issues caused by COVID-19 lockdowns and the invasion of Ukraine, though we were largely sheltered by contracts with key suppliers. We expect inflationary pressure to continue in 2023 as the cost of living crisis adds to wage inflation.

Expenses of management

Expenses of management (the cost of running our business) have increased by £9.0m in 2022 to £31.4m (2021: £22.4m). This is because we invested significantly in the Benenden Health brand and in operational projects such as Democracy for Tomorrow. We also increased employee numbers to help our growing number of members and made extra payments to staff.

Financial position

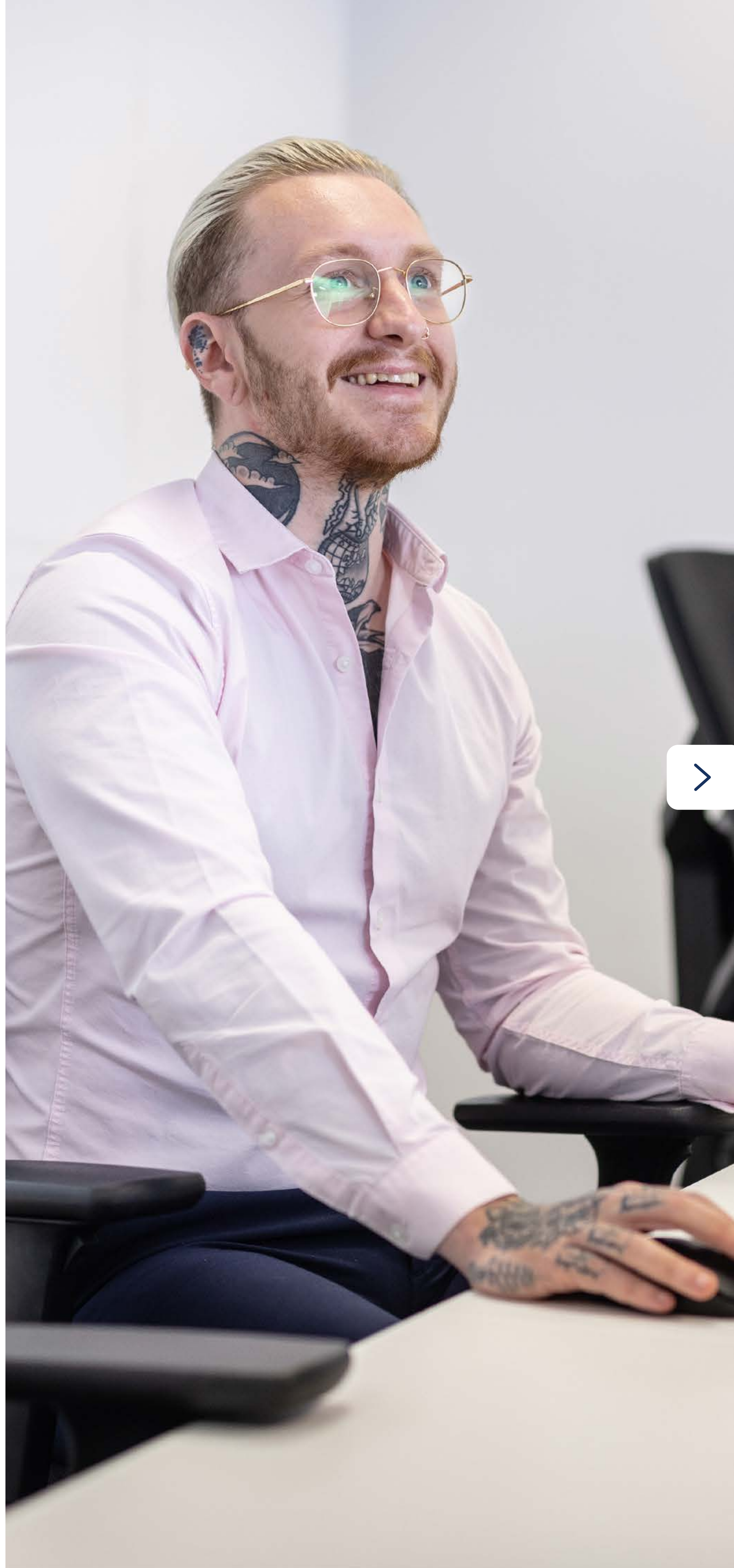
Summary statement of financial position	2022 £m	2021 £m
Assets		
Intangible assets	**3.6**	3.6
Tangible assets	**46.5**	49.1
Investments	**158.2**	153.8
Cash and cash equivalents	**18.2**	36.3
Debtors and other assets	**10.7**	10.1
Total assets	**237.2**	252.9
Capital and reserves		
Members' funds	**187.9**	178.6
Liabilities		
Provision for outstanding members' benefits	**20.1**	23.1
Defined Benefit Pension scheme liability	**14.0**	29.0
Other liabilities	**15.2**	22.2
Total liabilities	**237.2**	252.9

Total assets and total liabilities have decreased by £15.7m in 2022. The main reason for the fall in liabilities was a £15.0m reduction in the value of the Defined Benefit Pension scheme deficit as a result of payments made in the year and actuarial gains from increased bond yields.

Increased bond yields have also caused a corresponding reduction in part of the investment portfolio, which we hold as a hedge against the scheme liabilities. This, together with other fixed income market volatility in the year, reduced the underlying value of the investment fund by £10.6m.

Overall, members' funds have been protected, as the decline in investment assets is lower than the reduction in the pension scheme deficit. In the latter part of the year, we transferred surplus cash balances of £15.0m into the investment fund to generate more income.

Although total assets and total liabilities have fallen by £15.7m in 2022, members' funds have risen £9.3m to £187.9m.

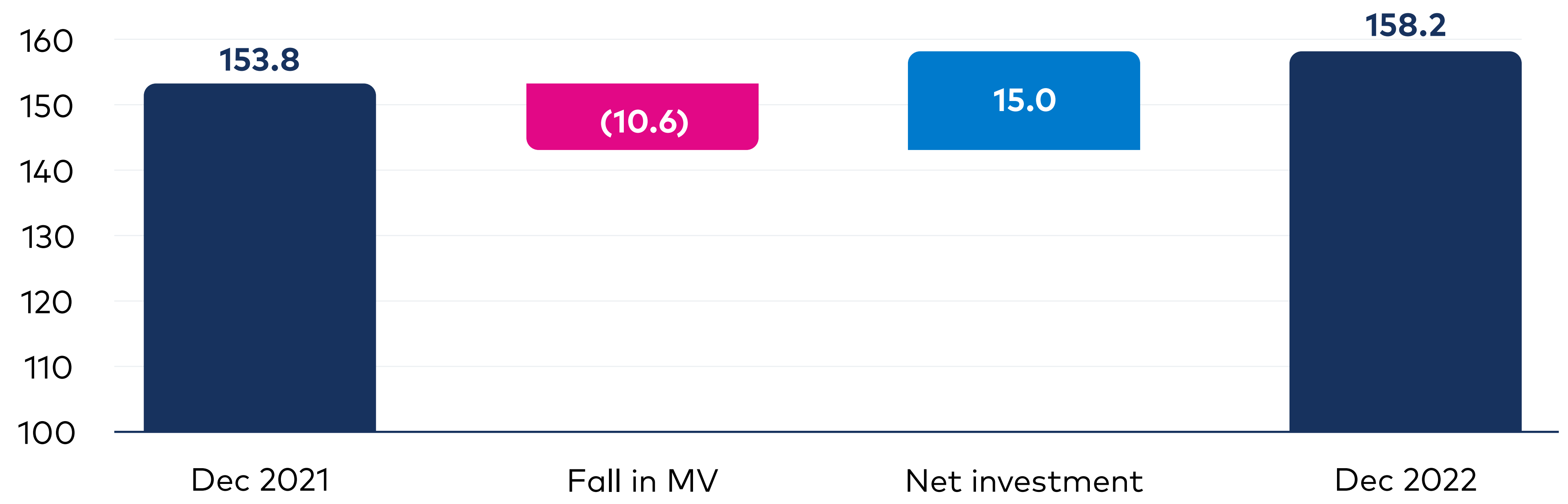


Investments

The invasion of Ukraine by Russia in February 2022 and the impact of COVID-19 on global supply chains resulted in significant falls in the value of investments across the world.

The group was not sheltered from this market volatility, which was compounded in the UK by political events, and the most significant impact on us was the fall in the value of UK gilts in the year. Overall, the market value (MV) of investments, including investment properties, decreased by £10.6m (2021: increase of £7.2m). This was offset by transferring £15.0m from cash to investments.

Movement in investments 2022 (value £m)



The decrease in the market value of investments was down to:

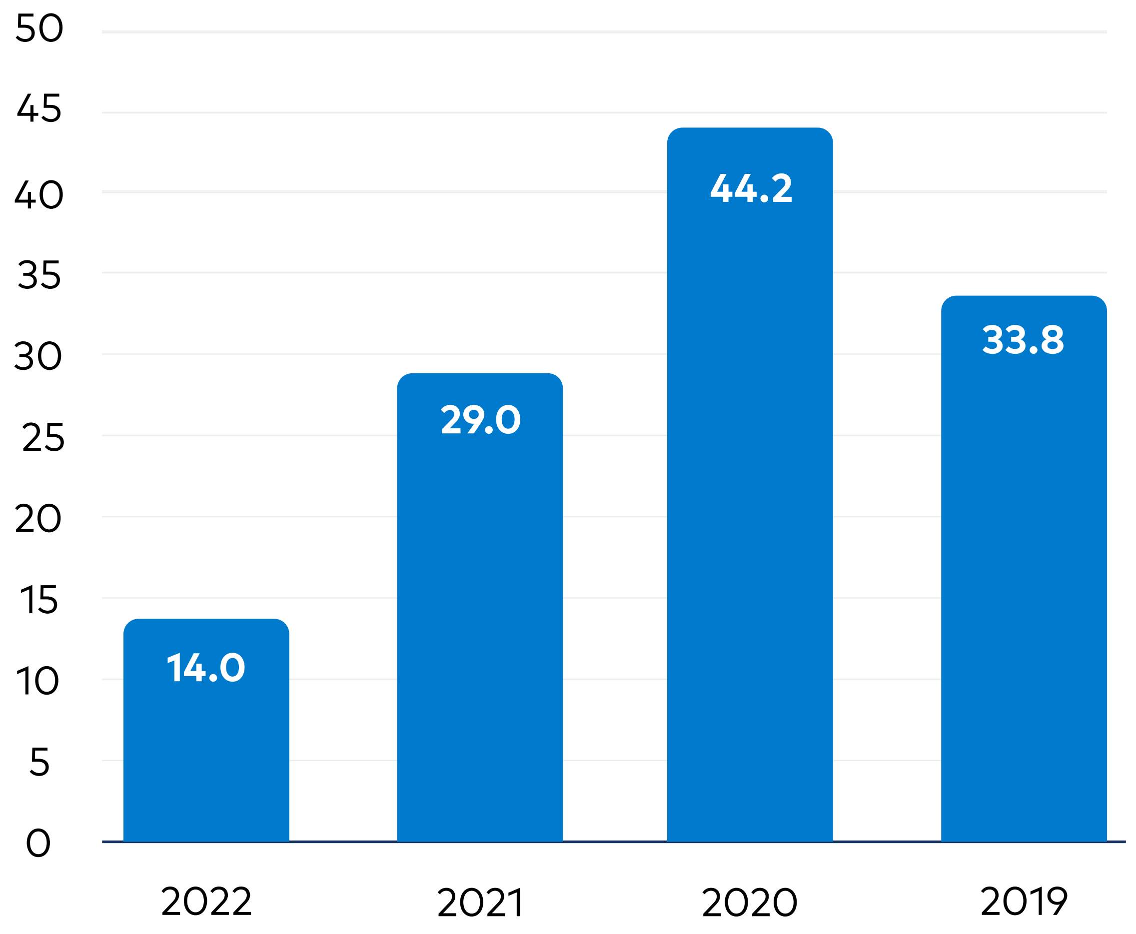
- Events in Ukraine and, more significantly, the UK government 'mini-budget' in September 2022, which led to the market value of our holding in the L&G index-linked gilts fund falling by £12.1m (34%) in the year, £2.3m of which was realised on sale. The objective of the L&G fund is to track the performance of the FTSE Actuaries UK Index-Linked Gilt All Stock Index and it contains only inflation-linked UK government bonds. These assets act as a hedge against liabilities in the group's Defined Benefit Pension scheme due to their profile
- Market sentiment saw the Janus Henderson fund's value fall by £2.2m (5%) in the year. The aim of the fund is to generate a total return in excess of the Bank of England benchmark interest rate over a three- to five-year investment horizon, and it is made up of secured loans, high-yield investments, asset-backed securities and cash
- The performance of the Ruffer fund partly offset this, defying the market by increasing in value by £3.4m (7%) in the year, despite the turmoil. The goal of the fund is to retain capital value in any rolling 12-month period and to generate returns which are meaningfully ahead of the return on cash
- Management engaged an independent professional property valuer to undertake a valuation at 31 December 2022. This resulted in a net increase in the value of our investment properties in the year of £0.2m

After an extensive tender exercise, we appointed Mercer Investments as investment advisors. This has strengthened our capabilities around investments and helped to restructure some of our investments amid volatility. In October, we invested £5.0m divested from the L&G index-linked gilts fund, together with an extra £10.0m from cash, in a short-dated global bond fund managed by Goldman Sachs, aiming to improve returns relative to cash and reduce our index-linked gilt holdings. This fund saw an increase in market value of £0.1m in 2022. An extra £5.0m was transferred from our current account to a term deposit account in the period, to maximise the return on cash while still maintaining enough liquidity to pay all bills when due.

Defined Benefit Pension deficit

The same global and domestic issues which adversely affected investments have also reduced the Defined Benefit Pension deficit. A decrease in the value of future liabilities, arising from a change in the discount rate used due to rising inflation and higher interest rates, led to an actuarial change in value. This, combined with payments made to the scheme, reduced the deficit by £15.0m to £14.0m (2021: £29.0m) and improved the scheme's funding level, which measures assets available to meet future pensions liabilities, to 84% (2021: 78%). The group continues to make annual contributions to reduce the deficit in line with the plan agreed with the scheme trustees.

Defined Benefit Pension deficit (£m)



Provision for outstanding members' benefits

The provision for members' benefits, which reflects the estimated outstanding cost for members' benefits approved or pending approval, but not yet fully paid, has reduced by £3.0m to £20.1m (2021: £23.1m), partly due to the release of unutilised provision brought forward from 2021.

In 2022, increases in costs and take-up by members for some 2020 and 2021 service packs were lower than we expected, which meant we released £4.1m of the provision we held at the end 2021. This reflects the necessarily cautious approach to reserving in 2021 due to the unprecedented circumstances arising from COVID-19. The provision at the end of 2022 includes the estimated increase in costs from inflation.

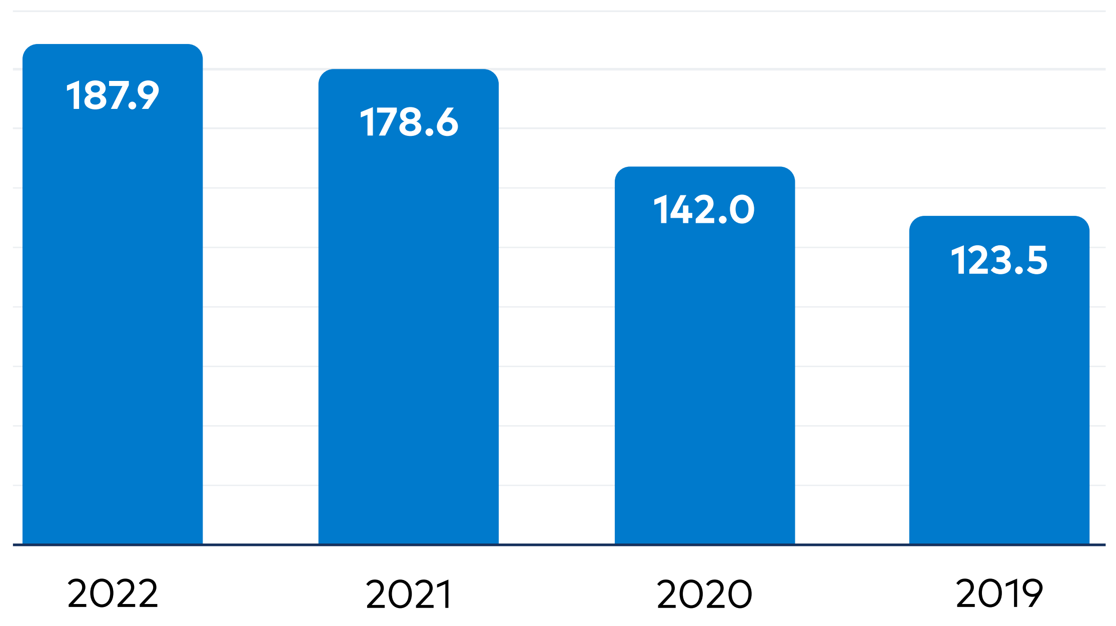
We hold enough cash and liquid assets to service increased demand.

Total members' funds and solvency coverage

The surplus in members' funds in the year meant that they ended 2022 at £187.9m (2021: £178.6m). This provides a sound funding position to withstand the continued impact of the cost of living crisis and allows the group to continue to invest in providing a better modern service to more of those who need it.

For the Society and our regulated subsidiary Benenden Wellbeing Limited to maintain enough capital to be able to carry on providing services, we monitor capital continually. Although laws or regulations do not demand it, we judge how much capital we need using the Solvency II regulations for insurance firms, designed to make sure that organisations can survive a once-in-200-year risk event. The Group Audit and Risk Committee reviews results quarterly. Holding enough capital and monitoring it regularly are especially important in periods of economic instability or investment market volatility, which can cause meaningful swings in the capital that organisations hold or need.

Group membership funds (£m)



The solvency capital requirement (SCR) reduced in the year to £73.4m (2021: £92.0m). This is largely because market risk has reduced. This, in turn, is down to a combination of market factors, including a fall in the value of assets caused by turmoil in international investment markets, inflation and higher interest rates. The capital requirement associated with the pension scheme liabilities has also reduced because of rising inflation.

The increase in members' funds and the fall in the SCR mean that at the end of 2022, the capital coverage for the Society, the ratio of members' funds to the SCR, increased to 235% (2021: 176%). This puts us in a stronger position to absorb adverse market conditions or other major capital shocks. This is important in a global environment where the pandemic and other world events have increased uncertainties for all of us.

Benenden Wellbeing Limited is subject to FCA-regulated minimum capital requirements, which we met throughout 2022.

Cash flow

The group's cash position has reduced by £18.1m to £18.2m (2021: £36.3m), largely because of the group's aim to achieve a better return on assets than that available from cash. In 2022, we transferred £15.0m of cash into investments, with £10.0m invested in short-term bonds and £5.0m in term deposit arrangements.

Cash flow category	2022 £m	2021 £m
Net cash flows from operating activities	(0.9)	25.5
Net cash flows from investing activities	(2.2)	(1.8)
Funds transferred to investment fund	(15.0)	(0.9)
Net cash flows used in financing activities	0.0	(4.2)
Net movement in cash and equivalents	**(18.1)**	**18.6**
Closing cash and cash equivalents	18.2	36.3

The group has also invested in brand awareness in the year, which has already seen a positive impact on member numbers. This, together with payments towards the pension deficit and an isolated decrease in deferred income relating to cash received in December 2021, has led to a cash outflow from operating activities of £0.9m.

Risk Management Report

This report sets out the Society's approach to risk management, the action we have taken to improve the control environment and the key risks the group is exposed to.

As the UK emerged from COVID-19 and Russia invaded Ukraine, the political and economic volatility seen in 2021 continued into 2022, affecting a number of our key risks. Having an effective risk management framework helps us identify new and emerging risks and manage them appropriately. It plays an important role in making sure that we can deliver our strategy, make better business decisions and protect members' funds.

This report sets out:

- Our approach to risk management
- What we have done to improve the control environment and protect members' funds
- The key risks the group is exposed to

Risk Management Framework

Our approach to risk management

We have established a culture across the organisation where everyone is conscious of risk and their role in controlling it. And this, in turn, reduces the chances of us overlooking risks.

The risk management framework has seven elements that together create robust mechanisms to make sure that we identify, assess and monitor all risks. This helps us understand what could go wrong and the impact it would have on our strategy and members. It also allows us to identify adverse trends and monitor the effectiveness of controls so that we can continuously improve. We summarise the framework on pages 37 to 39.

The Board is ultimately responsible for setting our risk appetite and making sure that we mitigate risks to the group's business model and strategy as far as possible. It delegates the oversight of risk management to the Group Audit and Risk Committee, which oversees the risk management framework and monitors its effectiveness and the overall control environment.

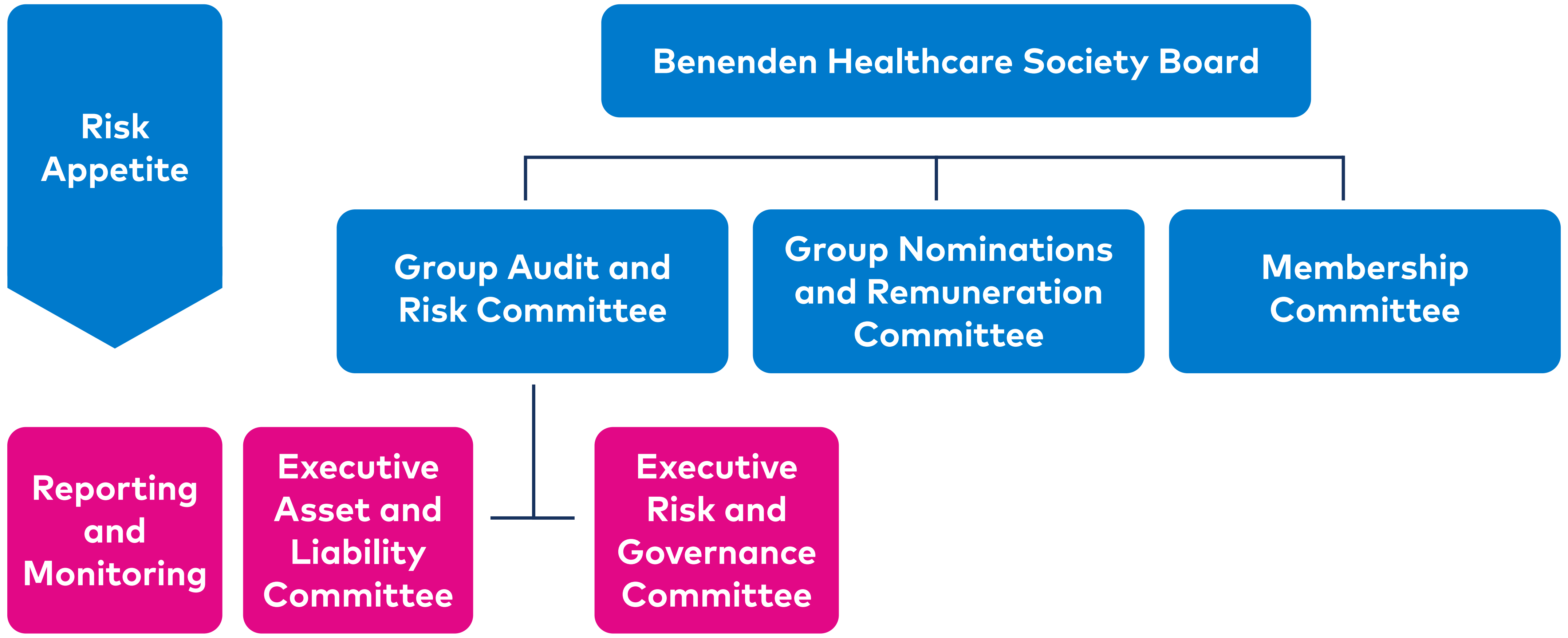
While the Board generally takes a prudent approach to risk management, it recognises that things do go wrong from time to time and accepts that we need to take some risks to grow. The risk management framework is designed to give a clear view of our risks and make sure that we are not exposed to them unnecessarily. This means that if a risk materialises, we reduce the impact.

We have also incorporated the impact of climate change and the move to a greener economy into the risk framework. We are measuring the environmental impact of our business so that we can set targets for reducing carbon emissions, waste and water use. For more about this, see the Environmental Report on page 20.

All staff are responsible for managing risks so we can carry on improving our controls and giving our members a great service. Effective risk management makes for informed decision-making and helps us deliver on our business objectives.

Risk governance

The governance arrangements are as follows:



The Board is ultimately responsible for managing risk (including risks associated with climate change) and approving the risk appetite statements. But it delegates much of the oversight of risk to the Group Audit and Risk Committee (GARC).

The GARC is responsible for advising the Board on the risk management strategy, current and potential risk exposure and defining the risk appetite. The GARC operates within terms of reference which we review annually.

They include overseeing:

- Compliance with the group risk management policy
- Effectiveness of risk management of all entities in the group
- The group's risk profile, including financial risks from climate change
- Our capital management strategy, making sure that the Society maintains a healthy capital position
- Management of Society assets and liabilities, protecting members' funds for the long-term benefit of members

The Committee does this by reviewing risk reports to assess how we are managing risks, how we are responding to emerging risks and risk events and how effective the control environment is, and by tracking performance against the agreed risk appetite statements.

These non-executive directors were members of GARC during the year:

- Ian Blanchard (Chair)
- David Fletcher
- Brian Eaton
- Jo Andrews
- Louise Fowler (resigned September 2022)
- Sameer Rahman (from January 2022)
- Belinda Moore (from November 2022)

Members of the Executive also attend the GARC meetings, including the CEO, CFO, CRO and Benenden Hospital Director.

For details of members' backgrounds, see pages 46 to 50.

The GARC met four times in 2022.
Key activities included:

- Monitoring the group's response to economic uncertainty and its impact on us
- Overseeing and approving the Annual Report and Accounts
- Monitoring the performance of the capital management and investment strategy
- Overseeing the process for the sale of the derelict Southeast Quadrant of the Benenden Hospital estate (subject to contract)

All meetings were attended (as appropriate) by GARC members and relevant executive directors.

The Executive Risk and Governance Committee (ERGC) is responsible for overseeing day-to-day risk management, including, among other things, reviewing the effectiveness of the group's risk management framework and system of internal controls. It has authority to direct the business in relation to mitigating actions and to approve or endorse risk acceptance within defined levels.

The Executive Asset and Liability Committee (EALC) is responsible for overseeing the day-to-day investment and property portfolio strategy, including buying and selling investments in line with the Delegated Authority Limits. It also makes recommendations to the GARC and the Board for decisions falling outside of the Delegated Authority Limits. It reports to the GARC.

Risk appetite

The Board's risk appetite comprises of a series of statements setting out the amount of risk that the Board is prepared to accept to deliver its strategy.

We have designed these statements to:

- Reflect the Board's focus on maintaining the long-term sustainability of the Society and delivering value to members
- Articulate the amount of risk we are willing to take to deliver our strategic objectives
- Discharge our corporate governance responsibilities
- Articulate how we strike a balance between taking risks and exercising control

These risk appetite statements include quantitative and qualitative risk appetite statements covering these broad categories:

- Operational
- Legal and regulatory
- Financial and markets
- Strategic

The Board has reviewed, updated and approved the risk appetite statements, making no material changes. The statements include operating parameters for managing risk. We have developed a series of key risk indicators, both forward- and backward-looking, to monitor our risk profile and drive risk-based decisions. If we identify a risk as falling outside our risk appetite, the GARC oversees and monitors the implementation of risk mitigation actions.

Risk management process

Robust risk management processes are essential to the effectiveness of any risk management framework. They facilitate a continuous assessment of our risk profile to make sure that we understand what could go wrong and how effective our controls are, and that we take proactive action to mitigate risks where we need to. We use a risk software system to capture the outputs and actions from the risk management process.

Risk universe

We have created a risk universe to capture all the different types of risks the Society is exposed to.

They fall into four high-level categories:

- **Operational**
- **Legal and regulatory**
- **Financial and markets**
- **Strategic**

We have also established sub-categories for each high-level risk category to make sure that we can identify all material financial, non-financial and conduct-related risks that we might be exposed to.

Three lines of defence

The 'three lines of defence' model is an integral part of our risk management framework.

First line – functions that own and manage risks

The Board delegates day-to-day risk management to the CEO and to business managers through a system of delegated authorities and limits. Business managers and frontline staff are responsible for identifying events that have happened or might happen in the future. They are responsible for making sure that the right controls are in place to manage risks and that the controls are effective.

Second line – functions that oversee risks

The CRO oversees risk, supported by the Group Risk Management function. They are responsible for developing an appropriate risk management framework, monitoring the risk control improvement plans and reporting on the risk environment to the ERGC and the GARC.

Third line – functions that give independent assurance

Our internal audit function is outsourced to an independent professional services firm, which verifies the adequacy and effectiveness of our internal risk and control management systems. The internal auditors are supervised and challenged by the GARC.

Risk control self-assessment

We operate a programme of risk control self-assessment to test the effectiveness of the controls. The first line is responsible for completing the assessments and taking actions where necessary. This delivers a culture of continuous process improvement and helps each area of the business to properly define their risks and understand the control environment. The second line is responsible for defining the risk control self-assessment process and overseeing first line outputs and reporting.

Training

We reconfigured our risk management software system in late 2021 and rolled it out in 2022. The redevelopment improved reporting and first line accountability for managing risks and incidents. We trained management and risk owners on the revised system.

Management information and reporting

We extract data from the risk management system on managed and active risks, risk events and effectiveness of controls. The risk team, overseen by the CRO, analyse the data and report their findings to the ERGC and the GARC. Any material issues are also reported to the Board by either the Chair of the GARC or the CRO.

Climate change

The Board recognises that climate change is important to a range of stakeholders and that we have a responsibility to understand climate-related risks and their impact on the group. While longer-term changes to climate may affect morbidity and mortality rates, we consider that the risks we are exposed to are low because of the scope and discretionary nature of the Benenden Health product.

Physical climate-related risks, such as extreme weather events or longer-term shifts in climate, could disrupt services, whereas risks associated with transitioning to a low-carbon economy are more likely to result in policy, legal and technology changes. We have incorporated identifying and managing climate-related risks into our risk management framework to give the right level of oversight.

We are developing an environmental, social and governance (ESG) strategy, which will include targets for reducing carbon emissions, a key driver of climate change. Although we are not required to produce disclosures under the Taskforce for Climate-related Financial Disclosures (TCFD) model, we have used the TCFD framework to describe our current position and what we are doing to manage climate-related risks. For more on this, see the Environmental Report on page 20.

Key risks and uncertainties

When identifying risks, we consider what might get in the way of the Society delivering its strategic objectives.

For 2022, these were to create a mutual for tomorrow by:

- Focusing on sustainable growth
- Putting our members at the heart of everything we do
- Developing a culture and workforce ready for our future business
- Developing a fit-for-purpose infrastructure
- Developing and making the most of our Hospital

These tables summarise the key risks the group faces. The current economic volatility, driven by high inflation, rising interest rates and the threat of recession, is a common thread running through many of our key risks. While our ability to support our members has not been adversely impacted so far, we will continue to monitor the macro-economic environment and our financial performance so we can incorporate any extra mitigations if we need to.

Sustainable growth

Key risks	Risk management and mitigation plans
Investment markets – pension deficit The risk that adverse market conditions increase the group's Defined Benefit Pension scheme deficit.	The group pension deficit reduced by £15.0m to £14.0m. The reduction is mainly due to £3.0m of deficit repair payments and the large increase in bond yields over 2022 reducing the value placed on the liabilities. During 2022, as a result of global economic conditions, bond yields have risen significantly and the pension trustees have taken advantage of this by significantly reducing the volatility of the funding position by switching the equities to liability-driven investment assets, thus reducing equity exposure and increasing hedging. We continue to hedge the deficit by holding index-linked gilts. The latest triennial valuation has been finalised in early 2023 and the long-term deficit reduction plan continues (the pension scheme actuary estimates that the deficit will be cleared in 2028).

Key risks	Risk management and mitigation plans
Investment markets – members' funds The risk that adverse market conditions could lower the value of members' funds and leave the group with less capital.	The investment markets were very volatile during 2022. We have a diversified portfolio of investments, which protected us from some of this volatility. The index-linked gilts have acted as a hedge against the pension deficit, and while they have reduced in value over 2022, the pension deficit has also reduced. Following a review, we have reduced the level of our index-linked gilts and introduced short-dated investment global bonds into the portfolio during 2022. Work on revising the Society's investment strategy will continue and be implemented during 2023.
Claims ratios The risk that the cost of claims is more than the contributions we get from members, and that we have less capital.	Claims levels have stabilised after two years of instability during the COVID-19 pandemic. But there is a risk that claims will significantly increase over the next 12 months following reported pressures on the NHS and a growth in membership creating a different claims profile. We have seen inflationary pressures affecting our claims costs and expect this to continue during 2023. We monitor claims closely and undertake stress testing to make sure that we can meet our claims in the severest of scenarios. The contribution rate is also increasing to help cover increased costs.
Business strategy The risk that we incur losses by having the wrong business strategy and/or objectives.	The Board agrees our strategy and business plan in line with the risk appetite statement. We monitor performance against the business plan throughout the year. Data analytics provide evidenced-based insight into business performance and factors that could lead to adverse trends. The processes for developing the business strategy and financial planning are subject to internal audit.

Members at the heart of everything

Key risks	Risk management and mitigation plans
Critical outsourcing failure The risk of losing Member Services and suffering reputational damage if a critical supplier either fails to deliver the agreed service to the right standard or goes out of business.	Suppliers' costs are under pressure from borrowing costs and energy prices. Also, pressures on the NHS are leading to increased demand on some of our services. We undertake initial and ongoing due diligence on critical suppliers to assess their financial position and understand their processes and controls. Also, our relationship management monitors performance against contract terms. Our partnership management teams work closely with suppliers to develop extra capacity where they need to. Key partners from our supplier base now attend meetings with the Society Executive annually to share strategy and market insights.

Culture and workforce

Key risks	Risk management and mitigation plans
Retaining and recruiting talent The risk that we cannot retain or recruit people to support our business needs.	Post-COVID-19, many businesses now offer remote and flexible working opportunities to retain and attract employees. This increases the risk of staff shortages due to ineffective people management processes. To mitigate this, we: • Continue to support employees' health and wellbeing • Have introduced flexible working through a hybrid working pilot • Regularly benchmark our reward package against our peers to see that it stays competitive • Encourage career development by providing training, coaching and mentoring, as well as funding formal qualifications for certain roles • Continue to engage with employees to see where we can improve We also paid a winter fuel allowance to employees most affected by the cost of living crisis.

Fit-for-purpose infrastructure

Key risks	Risk management and mitigation plans
Information technology The risk that the IT infrastructure cannot support our strategic objectives.	Our technology strategy over the last four years has been to replace all old technology across the organisation to significantly reduce technology risk while supporting the business plan. During 2022, among other things, we: • Deployed a cloud-based telephony platform and fully integrated our sales management system into our core systems • Created a hybrid on/offshore development team delivering app and robotic services for members and employees • Completed the migration of all platforms into cloud environments Work has started on replacing our policy platform system with a new cloud-based system, with delivery scheduled for 2024. This ongoing programme has significantly reduced the technology risks to the business, and we expect that this risk will continue to reduce during 2023.
Cyber security The risk that a material incident results in loss of data or a ransomware attack.	In 2022, we faced a number of challenges. We experienced a significant increase in both possible threats and directed attacks, and our current cyber risk level remains elevated but stable. In responding to these risks, IT have deployed numerous upgrades and improvements to our cyber framework. These changes have involved investing in emerging technologies as they become available, increasing monitoring and control via external partners and replacing toolsets where required. As a result, we did not experience any significant breaches or near misses during 2022 but, as we enter 2023, we are planning for this significant ongoing threat level to become the 'new normal'.

Fit-for-purpose infrastructure (continued)

Key risks	Risk management and mitigation plans
Operational resilience The risk that we cannot deliver core business processes and support our members because of an unexpected business disruption.	Although the 'living with COVID' plan ended all government restrictions in February 2022, operational resilience continues to be a key risk. Our business continuity processes were well-tested during the pandemic; we continue to test our incident management response through scenario testing to make sure that it remains fit for purpose.
Regulatory challenge The risk of regulatory scrutiny because of systemic regulatory breaches or widespread customer detriment resulting in regulatory censure or fines.	Systems and controls are in place to make sure that we comply with regulatory and legal requirements. We also make sure that our risk management processes and controls are effective and able to identify adverse trends. The Board approved an implementation plan for the FCA's new Consumer Duty, which sets higher and clearer standards across the financial services industry, and we have updated governance arrangements to monitor progress against this plan. We continue to monitor the Society's key conduct risks and report performance against conduct risk metrics to provide assurance that member outcomes are fair. We will review and amend these metrics to reflect the new Consumer Duty requirement for firms to be able to evidence that they deliver good consumer outcomes. All employees complete conduct risk and regulatory training on induction and then annually. Regulatory and risk management processes are also subject to internal audit. In 2022, the risk management framework was reviewed by internal audit and given a 'substantial assurance' rating.

Making the most of our Hospital

Key risks	Risk management and mitigation plans
Hospital growth The risk that our Hospital requires significant financial support from the Society	The Hospital has a strategy to grow its third-party income which is monitored by the Society and the Hospital's Board of Governors. The third-party income has grown significantly in the last three years and is projected to continue to grow in 2023.

Risks associated with COVID-19

The 'living with COVID' plan ended all government restrictions in February 2022, and we replaced our hybrid working pilot with 'smart working'.

This adapted hybrid working supports business needs, while maintaining a more flexible workplace environment to help retain and attract people.

Underlying resource challenges compounded by the legacy of the pandemic have increased pressure on the NHS and contributed to longer waiting lists in 2022. The impact of this on demand for our services remains a concern. Demand levels have now returned to pre-pandemic levels, and inflationary pressures and increasing membership levels are also affecting the cost of claims.

Emerging risks

Emerging risk	Response
Climate change The risk that the changing climate and increase in extreme weather events may have a financial impact on our business.	All our investment managers have ESG-aligned strategies designed to promote responsible investing and influence the actions that corporate greenhouse gas emitters take on climate change. An ESG investment policy is also being drafted for Board approval in 2023. We have robust business continuity plans to prepare us for any extreme weather events. We are also enhancing our supplier onboarding and management processes to understand how suppliers are responding to climate change and what they are doing to mitigate the associated risks. We have insurance against loss of or damage to our properties from extreme weather events, as well as business interruption insurance. Due to the nature of our product and the location of our premises, we view climate change as an emerging risk. We regularly review our risk universe to identify any additional actions we need to undertake because of climate change, and this involves considering the potential physical risks to our premises and how member claims behaviour might change. For more about our activities linked to climate risk and achieving net-zero no later than 2050, see the Environmental Report on pages 20 to 25.

Emerging risk	Response
Competitive environment The risk of competitors and new entrants increasing their share of the low-cost healthcare market.	We are starting to see more low-cost healthcare products entering the market, as well as the use of digital technology to deliver health and wellbeing. We continually monitor the market and healthcare developments to understand how we can develop our products and services to better support our members. We also continually review our product and processes to make sure that we deliver excellent value at our price point, a benefit of our scale that competitors will find difficult to emulate. Even so, it is important that we increase the speed of innovation and use digital technologies to enhance our product at pace, as an increasingly competitive market requires a constantly evolving product.

≡ Contents

Attendance at Meetings

The table opposite shows the record of attendance at Board and major Board Committee meetings during the year ended 31 December 2022.

Senior Management – Society Executive

The Society Executive (SE) focuses on delivering the Society's business plan and corporate strategy (including HR strategy, corporate services, regulatory liaison, commissioning and funding) and comprises the Chief Executive Officer (CEO) and the CEO's direct reports. The IT Director also attends all SE meetings. At 31 December 2022, the SE members were:

Chief Executive Officer
Bob Andrews

Chief Financial Officer
Helen Chamberlain

Chief Operating Officer
Andrew Barker

Chief Risk Officer
Stella Croot

Chief Commercial Officer
Andy Wiggans

Hospital Director
Jane Abbott

Group IT Director
Mike Cowling

Name	Board		Group Audit and Risk		Group Nominations and Remuneration		Membership	
	Called to	Attended	Called to	Attended	Called to	Attended	Called to	Attended
Bob Andrews* †	9	9	4	4	6	6	4	4
Jo Andrews	9	9	4	4	-	-	4	4
Ian Blanchard	9	9	4	4	-	-	-	-
Helen Chamberlain*	9	9	4	4	-	-	-	-
Paula Clark† ◊	9	9	-	-	6	6	-	-
Brian Eaton	9	9	4	4	-	-	4	4
David Fletcher*	9	9	4	4	-	-	-	-
Louise Fowler (to 30/09/22)	7	7	3	3	-	-	3	3
David Furniss	9	9	-	-	6	6	-	-
Angela Hays†	9	8^	-	-	6	6	-	-
Adrian Humphreys (to 26/10/22)* †	8	7	-	-	5	5	-	-
Deryck Lewis	9	9	-	-	6	5	4	3^
Belinda Moore (from 30/11/22)	1	1	-	-	-	-	-	-
Les Philpott	9	9	-	-	6	6	4	4
Sameer Rahman (from 19/01/22)	8	7^	4	4	-	-	-	-

* Also attended meetings of the board of Benenden Wellbeing Limited

† Also attended meetings of The Benenden Hospital Trust

◊ Also attended meetings of The Benenden Charitable Trust

^ Attended for part of one meeting, but not counted as full meeting attendance.

Board Biographies

(as at 31 December 2022)

David Furniss
Board-nominated, Chair

Group Nominations and Remuneration Committee

Board involvement:

Elected to the Board in June 2017 and Chair of the Board since July 2017.

Business skills:

David is an experienced Board Chair and Group CEO. He has relevant leadership skills and strong strategic experience to support the organisation within the context it operates in. David takes a member-focused approach to strategic positioning and has sound commercial judgement underpinned by a strong mutual ethos to deliver an excellent and affordable healthcare and wellbeing service for members. He applies independent thinking to identify the important issues facing the organisation.

Background and experience:

David is a Chartered Insurer and member of the Chartered Institute of Marketing, and is a director with over 39 years' experience of regulated financial services, mostly in the mutual, insurance and healthcare sectors. He has wide experience of corporate governance best practice and relevant regulatory compliance to help maintain a strong and sustainable business in the continually changing healthcare environment. David is also Chair of the Board of Bournemouth University.

Bob Andrews
Executive – Chief Executive Officer

Benenden Hospital, Benenden Wellbeing

Board involvement:

Appointed in December 2017, co-opted to the Board in January 2018 and elected to the Board in June 2018.

Business skills:

A wealth of experience at main Board level, having held senior roles in financial services. Also, experience of leading businesses and large operational, support and customer-focused teams.

Background and experience:

Bob is currently a member of the Board of the Association of Financial Mutuals and a non-executive director with Beverley Building Society. He has over 30 years' experience in financial services, operating at senior levels, most recently as CEO at Capital Home Loans and Landmark Mortgages Ltd. Previous roles include Chief Operating Officer at HML (part of Skipton Building Society) and senior operational roles with NatWest Bank and Direct Line Group.

Jo Andrews
Member-nominated

Group Audit and Risk Committee, Membership Committee

Board involvement:

Elected to the Board in June 2021.

Business skills:

Fellow of the Chartered Institute of Securities & Investment, member of the Edinburgh University Business School and a former compliance officer in the pensions, asset management and life insurance industries.

Background and experience:

Diplomas in Business and Finance, Regulation, Fund Management and Marketing Communications and over 25 years in senior governance roles. Jo began her career in Germany with Commerzbank and has since worked with large multinational PRA- and FCA-registered firms. In advisory positions, she has contributed to influencing the strategic direction of Boards at Clydesdale Bank, Standard Life and Aegon UK.

Ian Blanchard
Board-nominated

Group Audit and Risk Committee (Chair)

Board involvement:

Co-opted to the Board in February 2018 and elected in June 2018.

Business skills:

An experienced CFO and a Fellow of the Institute & Faculty of Actuaries with wide experience of risk management, investment strategies and mergers and acquisitions.

Background and experience:

Over 40 years' experience in regulated financial services, much of it in the mutual and friendly society sector. Independent non-executive Chair of the With Profits Committee and independent non-executive member of the RNPFN Supervisory Board at Liverpool Victoria Financial Services Limited.

Helen Chamberlain
Executive – Chief Financial Officer

Benenden Wellbeing

Board involvement:

Co-opted to the Board in November 2017 and elected in June 2018.

Business skills:

Expertise in business strategy, transformation and assurance programmes. Commercial, pragmatic approach with sound business judgement and a focus on strong financial performance. Deep knowledge of Board governance, processes and practice from Board and sub-committee.

Background and experience:

Experienced CFO with a wealth of senior finance experience predominantly gained in large banking and financial services organisations. A Chartered Accountant, Helen has also led large teams through extensive operational and regulatory change. Previously finance director for a regulated legal services organisation.

Paula Clark
Board-nominated

Benenden Charitable Trust (Chair), Group Nominations and Remuneration Committee, Benenden Hospital

Board involvement:

Elected to the Board in June 2019.

Business skills:

Strategic planning, corporate and clinical governance, NHS commissioning and service provision/improvement.

Background and experience:

Over 20 years' experience in the NHS as CEO in both commissioning and challenging hospital settings. Having led turnarounds for three hospital trusts and with other key stakeholders and partners in health and care systems, she has an in-depth understanding of the workings of the NHS and policy. She is currently Independent Chair of Leicester, Leicestershire and Rutland Provider Company Limited, a health Community Interest Company serving the local NHS.

Brian Eaton
Member-nominated

Group Audit and Risk Committee, Membership Committee

Board involvement:

Elected to the Board in September 2020.

Business skills:

Brian holds an MBA and is a qualified teacher in the university sector. He has a depth of understanding of leadership and governance, and an ability to scrutinise and challenge so as to influence policy formation. Brian has worked in diverse cultures including Hong Kong and New Zealand.

Background and experience:

Currently working in university business schools in the UK and overseas. A trustee of Eden Special Multi-Academy Trust since 2018, with experience of Finance, Audit and Remuneration Committees. He has a special interest in China and South East Asia.

Previously FSA-approved with Royal Liver, Chair of Governors of James Rennie School and served as a member of the Children's Services Scrutiny Board of Cumbria County Council.

David Fletcher
Member-nominated

Group Audit and Risk Committee, Benenden Wellbeing

Board involvement:

Elected to the Board in September 2020.

Business skills:

A qualified accountant and internal auditor with strong people and communication skills, a track record of leading and delivering change, implementing systems and also delivering large, complex projects.

Background and experience:

A Benenden Health member for nearly 30 years, David commenced his career in the health sector, qualified as a Certified Accountant and spent time with the National Audit Office, then held Senior Finance Manager roles, including ECGD and as a member of the Valuation Office Agency Audit Committee. Ten years as Head of Local Taxation in Wales, carrying out the very sensitive Council Tax revaluation of 1.3 million homes. Senior Private Secretary for a Cabinet Minister and finally Head of Science at the Welsh Government. Previously Chair of St Martins High School for eight years.

Angela Hays
Member-nominated, Vice-Chair

Benenden Hospital (Chair), Group Nominations and Remuneration Committee

Board involvement:

First elected to the Board in June 2017.

Business skills:

Experienced Senior Finance Leader. Strong commercial and strategic acumen, change management, transformation programmes, articulate communicator, relationship management of external advisors and third-party service providers, corporate governance.

Background and experience:

Angela joined Benenden Health in 1989. A Chartered Accountant with significant experience, including external and internal audit, supporting an extensive knowledge of controls and processes.

Manages and develops successful teams for global organisations covering all areas of finance, from tax and treasury to payroll. Operates in private and public environments across a broad range of sectors. Company director.

Deryck Lewis
Member-nominated

Group Nominations and Remuneration Committee, Membership Committee (Chair), Lord Plant (Chair)

Board involvement:

First elected to the Board in June 2015.

Business skills:

Operations management, project planning and stakeholder management, leadership, risk management, performance management and data analysis using Continuous Improvement and Agile principles.

Background and experience:

19 years' Civil Service experience, leading large, medium and small teams to deliver organisational priorities, with over ten years' experience in using Continuous Improvement tools. Working with internal and external stakeholders to deliver national projects and build capability in the organisation. Two years' experience with delivery partners in delivering an end-to-end recruitment process.

Belinda Moore
Board-nominated

Group Audit and Risk Committee, Membership Committee

Board involvement:

Co-opted to the Board in November 2022 (to be elected in June 2023).

Business skills:

Value creation, driving change through a clear vision, functional expertise, rigour and people skills. Core capabilities include transformation, digital, strategy, patient and customer experience and brand.

Background and experience:

Board-level marketing and commercial director with fast-moving consumer goods, consumer service and healthcare experience across FTSE 100 and multi-site private equity-backed businesses. A Fellow of the Chartered Institute of Marketing, currently non-executive director of Tipton & Coseley Building Society and The University of Essex Campus Services (a division of the university). Former executive director roles at General Healthcare Group (owner of BMI Healthcare), Care UK and E.ON Energy.

Les Philpott
Member-nominated

Group Nominations and Remuneration Committee (Chair), Membership Committee

Board involvement:

First elected to the Board in June 2017.

Business skills:

Board director in executive and non-executive capacities: strategic, financial and change leadership across the public, private and voluntary sectors, including leadership of public health and safety regulatory bodies, corporate governance, audit, assurance and risk management.

Background and experience:

A Benenden Health member for some 35 years, Les formerly held the position of CEO at the Office for Nuclear Regulation and previously held senior roles in the Health and Safety Executive. In addition to Benenden Health, Les' non-executive experience includes Chair and NED roles in central government, the NHS and education.

Sameer Rahman
Board-nominated

Group Audit and Risk Committee

Board involvement:

Co-opted to the Board in January 2022 and elected in June 2022.

Business skills:

Recognised as a top data influencer and leader in the UK and internationally, Sameer is skilled in digital transformation, data strategy, technology and business alignment and personalisation. He is an experienced speaker, writer and blogger, and a published international author on personalisation and machine learning.

Background and experience:

A Fellow of the Chartered Institute of Marketing, Sameer has diverse experience across multiple industry sectors. This includes bringing about data and digital transformation at various companies, helping start-ups to define their business models and being at the leading edge of machine learning and intelligent automation. Sameer is also on the Boards of Glamorgan Cricket Club, Bath Building Society and the Millennium Stadium, and has previously served as the Chair of the Chartered Institute of Marketing in Wales.

Board membership changes in 2022

Last year, two Board-nominated directors, Louise Fowler and Adrian Humphreys, resigned. At our Annual Conference in June 2022, Sameer Rahman was formally elected to the Board. And in November 2022, the Board also welcomed Belinda Moore. We are undergoing the formal selection process for the remaining Board-nominated non-executive position, which we hope to fill during Q1 2023.

Board Timeline 2022

Activity	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Board meeting	19th	23rd		27th		22nd	7th	17th	15th	19th	30th	
Board Committees		1st/2nd		5th/6th			26th/27th				8th/9th	
Conference						23rd			29th Special Conference			
Training/Briefing				Quarterly e-learning due		Quarterly e-learning due	7th Two Board briefings (climate change; ransomware)		Quarterly e-learning due	19th Board briefing (consumer duty implementation plan)		Quarterly e-learning due
Board/Board Committee effectiveness exercise		Board Committee effectiveness exercise →	→	→	→						Board effectiveness exercise →	→

The Board's Report

The Board's Report 2022

Electing new Board members

The Society's Board comprises six Board-nominated non-executives, six Member-nominated non-executives and two executive members. Board-nominated non-executive Board members are considered independent.

After the selection process towards the end of 2021, the Board welcomed Sameer Rahman as a new Board-nominated non-executive director in January 2022. Sameer was formally elected by our Annual Conference in June 2022. No Board members were affected by The Friendly Societies Act 1992 requirement for annual elections for Board members aged 70 or over.

During 2022, two Board-nominated directors resigned: Louise Fowler and Adrian Humphreys. The Board welcomed Belinda Moore in November 2022 and is overseeing the formal selection process for the remaining Board-nominated non-executive position, which it hopes to be able to fill in the first half of 2023.

The names and biographies of Board members at the end of 2022 are on pages 46 to 50.

Accounting as a going concern

The Board has assessed the Society's financial position, net assets and prospects, as well as our strategy and the potential impact of risks and uncertainties. Based on this, the Board is confident that we have the financial resources to carry on operating for the foreseeable future, or for at least 12 months from the date of this report.

For this reason, the Board continues to adopt the going-concern basis in preparing the accounts.

Longer-term viability

The Board has reviewed the Society's future cash requirements, earnings projections and capital projections over the five years to 31 December 2027. The Board believes that these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance, such as increases in members' benefits spend, reductions in membership and reductions in investment valuations. The Board has continued to review the Society's financial and operational performance up to the date of approval of the Financial Statements. This review includes:

- Recognising the emergence of significant inflation in the near term due to supply constraints, and rising raw material and energy costs, and the impact of the cost of living crisis on wages
- Regular monitoring of the Society's investment fund given the ongoing global uncertainty about the scale of inflation and investment volatility arising from the conflict in Ukraine
- Completing the 2023–27 budget and forecast, together with stress testing covering several severe scenarios

The Board has concluded that the Society will be able to operate without needing external funding.

It also has a reasonable expectation that the Society will stay viable and be able to meet its liabilities over the five years to 31 December 2027.

Charitable and political donations

During 2022, the Society made charitable donations of £20.4k to several local charities (2021: £9.4k).

The Society also made a donation of £250,000 to the Disasters Emergency Committee Ukraine Humanitarian Appeal. This donation was made through the British Red Cross, whose objectives, the Board agreed, matched the wider purposes of the Society, namely improving health and preventing disease.

The Society made nil political donations in 2022 (2021: nil).

Combatting modern slavery

We know that modern slavery (comprising slavery, servitude, forced labour and human trafficking) is a growing global issue that no sector or economic area can consider itself immune from. We will not tolerate modern slavery of any kind in our business and supply chain. We will also take seriously any allegations about human rights being abused.

We construct our key contracts to demand that suppliers:

- Comply with the Modern Slavery Act
- Run regular modern slavery risk assessments for their own supply chains
- Bring in controls to prevent modern slavery
- Tell us immediately if they find any modern slavery in their supply chains

If suppliers break these obligations, we could end their contracts.

We do not use forced, bonded or compulsory labour: all our people are free to leave their jobs after giving notice. Also, we do not ask our people to deposit money or identity papers before we employ them.

We have developed e-learning to raise awareness of the issues involved in modern slavery and our legal responsibilities. New starters complete this, as do all colleagues as an annual refresher.

Insuring our officers

The Society has officers' liability insurance to cover officers carrying out their duties.

Principal activity

We aim to give our members affordable healthcare services on a discretionary and non-discretionary basis, in a spirit of mutuality.

Disclosing information to our auditor

The Board in office when this report was approved confirms that, as far as it knows, there is no relevant audit information that our auditor is unaware of. The Board also confirms that each of its members has done all they can to make themselves aware of any relevant audit information and to make sure that the Society's auditor knows about it, too.

Appointment of auditors

A resolution was agreed at the Society's Annual Conference in June 2022 that Deloitte LLP were appointed as auditors to the Society from the conclusion of Conference 2022 until Conference 2023.

Taxation

As a Society, we are not liable for corporation tax, income tax or capital gains tax. Our subsidiary companies might not all be eligible for the same tax exemptions as the Society.

Regulated status

We are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

We are classed as a 'small NDF' (non-directive firm) and we fall outside the scope of Solvency II because we carry out 'Solvency II excluded operations'. This means we are a mutual whose insurance business is restricted to providing benefits which vary according to the resources available, and in which members' contributions are determined on a flat-rate basis.

Solvency and actuarial valuation

Although we are subject to prudential requirements, as a friendly society conducting flat-rate benefits business, we do not have to maintain a margin of solvency or carry out an actuarial valuation. But we recognise the importance of having a robust capital management strategy and therefore monitor our capital position based on Solvency II methodology.

Benenden Healthcare Pension Plan

The assets and management of the Benenden Healthcare Pension Plan are totally separate from the Society's assets and management.

Pension Plan assets are invested through independent fund managers. To comply with pension regulations, at least one third of the Pension Plan trustees are nominated by members.

The Defined Benefit section of the Pension Plan closed to new accruals on 31 December 2018 and active members of the scheme were enrolled into the Defined Contribution section of the Plan from 1 January 2019.

Subsidiary companies and controlled bodies

The Society directly controls:

- Benenden Wellbeing Limited – a wholly owned subsidiary company limited by shares and authorised and regulated by the Financial Conduct Authority
- The Benenden Charitable Trust – a registered charity and a company limited by guarantee
- The Benenden Hospital Trust – a registered charity and a company limited by guarantee
- Benenden Hospital Limited – a wholly owned subsidiary company limited by shares and registered with Companies House. The subsidiary did not trade during 2022
- The Friendly Healthcare Organisation Limited – a wholly owned subsidiary company limited by shares. The subsidiary was dormant throughout 2022
- Best Health Limited – a wholly owned subsidiary company limited by shares. The subsidiary was dormant throughout 2022

Statement of the Board's responsibilities

The Board is responsible for preparing the Annual Report and Financial Statements in line with applicable laws and regulations.

Friendly Society law says that the Board must prepare Financial Statements for each financial year. Under that law, the Board has chosen to prepare Financial Statements in line with UK Accounting Standards and law (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard that applies in the UK and Republic of Ireland.

By law, Financial Statements have to give a true and fair view of the state of affairs at the end of the financial year, along with income and expenditure for the financial year.

In preparing Financial Statements, the Board has to:

- Choose suitable accounting policies and apply them consistently
- Make reasonable and prudent judgements and estimates
- Say whether they have followed UK Accounting Standards and if they have departed from them, say why
- Prepare the Financial Statements on the going concern basis, unless it is not appropriate to presume that the organisation will stay in business

The Board is also responsible for:

- Keeping proper accounting records that disclose the organisation's financial position with reasonable accuracy. These records also let the Board make sure that the Financial Statements comply with the Friendly Societies Act 1992 and its regulations
- Preparing a report in line with the Friendly Societies Act 1992 and its regulations
- Keeping the corporate and financial information on the Society's website up to date. UK laws on preparing and disseminating Financial Statements may be different from legislation elsewhere
- Doing anything reasonable to protect the Society's assets and to prevent and detect fraud and other irregularities

The Board has decided to prepare a Directors' Report on Remuneration (page 70) in line with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Society.

Section 172 report

In the spirit of good practice, the group is disclosing a section 172(1) statement although, as a friendly society, it does not legally have to. The statement requires company directors to describe how they have complied with their duties to promote the long-term success of the company under section 172 of the Companies Act.

The directors recognise the best practice outlined in section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Society for the benefit of its members as a whole and, in doing so, have regard to:

a. The likely consequences of any decision in the long term – this is noted in the strategy section of the report, in particular the capital reporting and the requirements to have capital coverage ratios in the range 125–175% (see page 14 of the Strategic Report). Directors attend meetings with our active members to engage on the Society's strategic direction and understand member feedback on strategic decisions.

b. The interests of the company employees – see pages 16 to 18 of the Strategic Report describing how we support our people. Directors spend time with our colleagues to develop knowledge of specific areas of the Society's operation and understand colleague feedback. We have offered increased support to colleagues in the face of the current economic climate.

c. The need to foster the company's business relationships with suppliers, customers and others – see page 15 for how we focus on strong partnerships, page 15 for how we attract and retain our members and pages 63 to 64 for a description of our member engagement, including a timeline. Regular reports from the CEO keep directors updated on key supplier relationships. Progress with recruitment and retention is discussed at each Board meeting. Through the Membership Committee and member engagement events (held both face-to-face and virtually in 2022), the Board can work closely with active members. The Board has developed a stakeholder map to help it further understand the impact of business decisions on the Society's stakeholders.

d. The impact of the company's operations on the community and environment – see page 18 for an overview of how we manage our impact on the environment and how we support our community. Regular reports from the CEO keep directors updated on initiatives to support our community. The Board is mindful of the Society's impact on the environment, particularly climate change. The management of financial risks related to climate change is discussed by the Group Audit and Risk Committee.

e. The desirability of the company maintaining a reputation for maintaining high standards of business conduct – see the Corporate Governance Report on page 56. The Board has set a strong values framework, promoting high standards of behaviour and a positive culture throughout the Society.

The Board reviews the Society's performance against corporate governance best practice on an annual basis and identifies any areas for improvement.

f. The need to act fairly as between members of the company – see the Corporate Governance Report on page 56. The Board considers conduct risk – the risk that the business's behaviour will result in poor outcomes for consumers – as a central part of each item it discusses. In doing so, directors demonstrate at all times their commitment to avoiding unfairness or detriment to our members.

During 2022, the Board took the decision to propose rule changes to our Special Conference in September which would bring about far-reaching changes to the Society's democratic processes. A comprehensive programme of consultation with Society members, those active members involved through the previous Branch structure and staff took place during the months preceding our Special Conference. This process allowed the Board to address concerns from any of those stakeholders promptly. More information on the outcome can be found in the Strategic Report on page 16 and in the Member Engagement section on page 63.

Also during the year, the Society has made significant progress in its work on diversity, equity and inclusion. This has also been achieved through consultation with staff, senior management and the Board.

The Board has prepared its Corporate Governance Report in line with the requirements of the Association of Financial Mutuals Corporate Governance Code, while also taking account of the requirements of other corporate governance codes and statements of best practice. For more about the Society's governance arrangements, see the Corporate Governance Report on page 56.

We believe the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide members with the information they need to assess the Society's position, performance, business model and strategy.

For and on behalf of the Board

René Fraioli
Society Secretary

Corporate Governance Report

The Society's Board remains committed to a high standard of corporate governance and, as a member of the Association of Financial Mutuals (AFM), complies with the AFM Corporate Governance Code.

AFM members are asked to show in their annual reports how they have applied the Code's six high-level principles and how that has helped to improve corporate governance.

Though reporting against the requirements of the AFM Code, the Board believes there are lessons to be learned from governance codes in other sectors, and we will continue to study wider best practice.

To underline our commitment to good corporate governance, we carry out an annual benchmarking exercise to consider opportunities for implementing best practice guidance from other sources. The 2022 benchmarking exercise revealed that the Society performs well overall against other governance codes. Work continued during 2022 on significant changes to our democratic processes, culminating in the approval of the necessary rule changes at a Special Conference. We are confident that our new structure, Democracy for Tomorrow, will have a positive impact on stakeholder engagement. For more about this, see the Member Engagement section on page 63.

AFM Corporate Governance Code: principles and supporting statements

Purpose and leadership	An effective board promotes the purpose of an organisation and ensures that its values, strategy and culture align with that purpose.
Board composition	Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.
Director responsibilities	A board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.
Opportunity and risk	A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.
Remuneration	A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.
Stakeholder relationships and engagement	Directors should foster effective stakeholder relationships aligned with the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board's report against the AFM Code:

Purpose and leadership

How we apply the principle	This contributes to good governance because...
The Board held focused strategic discussions on a quarterly basis during 2022.	The strategy sessions give the Board an opportunity to devote time to focusing on strategy, purpose and business model.
We have a strong values framework and work hard to make sure that a positive culture pervades our Society.	Staff pay awards are linked to objectives and to values-led behaviours. 89% of staff achieved a bonus payment in 2022. We carried out three staff surveys during 2022, allowing our people to feel involved and engaged in the business. Our consequences framework means there are implications for staff, members, volunteers and directors who behave in ways which are not in line with our values or the regulatory code of conduct, or which might bring the Society into disrepute. This framework underlines the importance we place on maintaining a positive culture.
We have continued to review our systems and controls to make sure we have a strong control framework. Specific work in 2022 included a full review of our corporate governance documentation, e.g. the Board Handbook and the Scheme of Delegation.	Keeping our governance documentation, policy framework, risk framework and procedures up to date leads to more transparency and better accountability.

Board composition

How we apply the principle	This contributes to good governance because...
The size and composition of our Board is subject to ongoing review.	Having the right people, and the right number of people, around the Board table is key to effective decision-making. As we embed the new democratic structure, the Board will continue to consider the appropriateness of its size and composition.
Appointments for Board-nominated Board positions are filled through open competition, using professional recruitment consultants.	This allows us to consistently identify appropriate candidates for Board-nominated Board positions and to keep the right experience and skills around the Board table. We appointed one Board-nominated director in 2022 (subsequently elected by Conference). Two other Board-nominated directors resigned during 2022, and we ran a comprehensive recruitment process to identify replacements. We filled the first vacancy in November 2022 and expect to fill the second in the first half of 2023.
We published information about Board competencies for members and are running a familiarisation process in Q1 2023 for members who are considering standing for a Member-nominated Board position.	By doing this and also giving potential candidates as much information as possible about the role, we can use the skills and experience of members who want to get involved in running our Society.
We will publish information for all members entitled to vote in Board elections about all candidates standing for election to the Board at our 2023 Conference.	Giving our members as much information as possible about the candidates standing for election means they can make an informed decision when casting their votes.

Board composition (continued)

How we apply the principle	This contributes to good governance because...
Board-nominated directors are elected at the first AGM after their appointment. Member-nominated directors are not appointed before election unless they have been co-opted to fill a vacancy between elections. Any co-opted director is elected at the first AGM after their co-option. All directors serve for a three-year term, with a maximum tenure of nine years.	The rule changes necessary to introduce a three-year term of office and a maximum tenure of nine years, alongside a process of rotation, were passed by our Special Conference in September 2022. This will allow us to refresh Board members progressively, while maintaining stability by removing the risk that an entire Board might be replaced in one election.
Succession planning is a priority to give us management continuity. So it is a regular item on the Group Nominations and Remuneration Committee agenda.	This supports our decision-making processes, allowing candidates for Board-nominated Board positions to be identified in good time to replace Board-nominated directors retiring under the nine-year maximum tenure.
Each Board member has an annual appraisal with the Chair. The Chair's appraisal is run by the Vice-Chair. The Chief Executive's appraisal is run by the Board Chair, and the Chief Financial Officer's appraisal is run by the Chief Executive and includes Board performance.	It is important not just to recruit the right people for our Board, but to help them maintain their fitness for the role. Our annual appraisal process creates an opportunity for each Board member to work with the Chair to identify continuing professional development needs.

Board composition (continued)

How we apply the principle	This contributes to good governance because...
We carry out annual evaluation of the effectiveness of the Board and its Committees.	The Board agreed to further postpone an externally facilitated Board effectiveness review until 2023, following a year of significant change. We carried out internally facilitated effectiveness reviews during 2022 for the Board and its Committees, with the action plans coming out of each allowing process improvements. For the Board Committees, we used the same questionnaire format as 2021, which allowed us to compare results directly. For the Board effectiveness exercise, we used the two sections of the questionnaire that returned the least positive responses in 2021. This let us identify improvements more easily, while minimising the burden on each Board member. Implementing action plans from Board evaluations leads to improvements in Board effectiveness.
We held Board development sessions during 2022, including group sessions on climate change, ransomware and the implementation of consumer duty regulatory requirements, as well as a full programme of e-learning.	Along with regular compliance/governance updates, this training maintains Board members' professional development, keeping their knowledge up to date and relevant.
At the end of 2022, the percentage of women on our Board rose to 38%, which compares favourably with the averages reported in the 2022 FTSE Review (39.1% in FTSE 100 companies and 36.8% in FTSE 250 companies). In our senior leadership roles below Board level, the proportion of women remains stable at 38%.	Board diversity encourages challenge, reducing the risk of 'group think'. Gender balance on our Board and at senior management level is something we are very aware of, though we still believe that the most important thing is to have the right people in the posts, regardless of gender.

Director responsibilities	
How we apply the principle	**This contributes to good governance because...**
We have corporate governance documents, including a Responsibilities Map, Scheme of Delegation, Statements of Responsibilities, Conflicts of Interest Policy and processes, Board Handbook and Board and Committee terms of reference. We review all these documents annually.	Maintaining up-to-date documents keeps governance arrangements clear, especially around lines of accountability and responsibility. Each time we review these documents, we have the opportunity to think about whether they are still relevant or whether there might be a better way of doing things.
There is a balance of Board-nominated and Member-nominated Board members, and the Board Chair is one of our Board-nominated directors.	This makes sure there is independent challenge at Board and Board Committee meetings.
We have a standardised Board paper template.	We review the Board paper template regularly and last updated it at the end of 2021. The consistent format means that the Board can quickly see what is expected of it in relation to each paper, and that it has the right balance of detail to make an informed decision.

Opportunity and risk

How we apply the principle	This contributes to good governance because...
We have an effective risk management framework.	We have done a significant amount of work in developing a mature and appropriate risk management system. It identifies the Society's emerging risks and lets the Board make informed and robust decisions about: • Determining the Society's risk appetite • Agreeing how to manage or mitigate the principal risks to reduce their likelihood and/or impact • Establishing clear internal and external communication channels on identifying risk factors • Agreeing a monitoring and review process For more about our work to develop our risk management processes, see pages 35 to 44.

Remuneration

How we apply the principle	This contributes to good governance because...
Through our Group Nominations and Remuneration Committee, our remuneration strategy and our gender pay gap reporting.	Appropriate and fair levels of remuneration allow us to attract and retain high-quality directors and senior managers. We do not lose sight of our not-for-profit status, making sure we match remuneration to our strategy, values and long-term success. For more about our Group Nominations and Remuneration Committee, see page 68 and the Directors' Report on Remuneration on page 70. Our Gender Pay Gap Report is on our website: www.benenden.co.uk

Stakeholder relationships and engagement

How we apply the principle	This contributes to good governance because...
We engage regularly and effectively with our principal stakeholders (our members and staff) in various ways. For more about how we have engaged with each during the year, see Member Engagement (page 63) and Backing and Investing in our people (pages 16-18).	Building good relationships with our stakeholders is important to us – we recognise that the success or failure of any policy or product starts and ends with the stakeholders it affects. Engaging effectively gives us the opportunity to learn what our members want or need and to test any assumptions we might have. Understanding our members' viewpoints helps us to build credibility and trust ahead of asking them to make important decisions at our Conferences. To engage with our staff, we have developed formal and informal channels which let colleagues share ideas and concerns with senior management. Many ideas for process improvements have come through these channels.
We are particularly proud of our engagement with our wider community (page 18).	Positive engagement with our community goes a long way towards attracting and retaining staff and members, and towards building our culture and brand values. Our internal questionnaire responses showed that staff really value the opportunities we give them to contribute to our community through volunteering with organisations like YorkCares.

Performance evaluation

In 2022, we conducted a Board effectiveness evaluation process using a supported software package.

Each Board member has also had an individual appraisal meeting with the Chair. The Vice-Chair led the Chair's appraisal.

Board training in 2022 included:

- Mandatory e-learning packages:
  - Anti-financial crime
  - Senior managers and certification regime and conduct rules
  - Conduct risk
  - Conflicts of interest
  - Gifts and hospitality
  - Diversity
  - Health and safety at the office
  - Information security
  - Modern slavery
  - Product knowledge
  - Three lines of defence
  - Whistleblowing
  - Working from home
- Facilitated Board workshops:
  - Climate change
  - Ransomware
  - Consumer duty
- Maintaining an electronic continuing professional development folder – containing regulatory updates and newsletters which all Board members can access

Member engagement

We are proud of our mutual status, central to which is our members' ability to have a say in how we are run. It's important that they know how to do that.

During summer 2022, we communicated with all members, asking them to engage in a consultation process on a proposed change to the Society's democratic structure. We were delighted that over 10% responded.

After the consultation process, we held a Special Conference in September where members voted for the proposed changes. We are now transitioning to the new structure, which will give members the power to influence change all year round and get involved in person or online at a time that suits them.

All Benenden Health members are part of a community of members in their area – a Benenden Health Community. We have 19 of these Communities across the UK. Each is managed by a group of elected Community Representatives, whose role is to engage with their fellow members and see that they are kept informed and can share their views.

Benenden Health Communities will support our engagement with members by:

- Holding member meet-ups, where members can find out more about the Society's strategy, products and services, and information on current healthcare topics
- Representing members' views for the Member Council and Board to consider
- Keeping members up to date and enabling them to engage via our website when it suits them

To help members keep up to date with Society news and give feedback, we are developing an online platform, which will be launched in 2023.

This will let members engage with their Communities by:

- Posting in forums
- Voting in polls
- Reading Society updates
- Watching videos from member meet-ups and guest speakers

Our new democratic structure also includes a Member Council, a forum that gives members a voice at the highest level of the Society. It will act as a channel between Benenden Health Communities and the Board, feeding members' ideas up and passing news from the Society down, keeping our members at the heart of what we do.

The Member Council will comprise a group of Community Representatives (one from each Community, chosen by their fellow Community Representatives) who will meet at least once every quarter to represent members' views.

They will put members' ideas forward to the Board and constructively challenge it on members' behalf. Each Member Council representative will also consult with their Benenden Health Community on Board proposals, gathering members' views and feeding them back to the Board.

The Member Council will meet quarterly to discuss:

- The Society's strategy and performance updates
- Proposed changes to our products and services
- Suggestions from members
- Discussion topics at the Society's Conference

One of the biggest changes to our democracy is the move to direct member voting. This means that, instead of delegates voting on members' behalf, we will invite members to cast their individual vote on key business decisions.

The key decisions which will require an individual member's vote are:

- Elections for the Board of Directors
- Elections for Benenden Health Community Representatives
- Significant changes to the Society's product and services
- Proposals to change the Society's rulebook

We will give members all the information they need to make an informed vote, accompanying each proposal with a clear rationale. Voting will typically happen once a year, ahead of our Conference in June, and we will invite members to vote online or by email. When it comes to electing the Board of Directors and Benenden Health Community Representatives, the candidates will be supported by clear and concise biographical information, with more detail available on request.

In all, the changes to our democratic processes offer an exciting opportunity for members to get more involved in how our Society is run. And they underpin a democratic structure which will be fit for purpose for many years to come – truly a Democracy for Tomorrow.

Member Engagement Timeline 2022

Activity	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec
Branch AGMs*	Wrote to members advising that all member meetings were cancelled up to 31st March (inc AGMs)	Online Committee meetings held to conduct the business of each AGM	Online Committee meetings held to conduct the business of each AGM									
Branch mandating meetings					Branch mandating meetings	Branch mandating meetings			Special mandating meetings			
Branch officers meeting		**3rd** Online										
Conference					**23rd** Conference agenda distribution	**23rd** Conference	**28th** Formal notification of Special Conference		**1st** Special Conference agenda distribution **29th** Special Conference			
Engagement events					Online Annual Report Q&A session						Contribution rate consultation event, York	
Democracy for Tomorrow (DFT)	DFT member website went live	Online Branch DFT session		Branch DFT/ contribution rate consultation session, York Branch consultation tour	Branch consultation tour	Branch consultation tour Leeds consultation event DFT Committee member survey DFT discussion (post-Conference)		Manchester and London Branch DFT consultation events				DFT launch event
Be Healthy	'Your Benenden Health' articles			'Your Benenden Health' articles			'Your Benenden Health' articles			'Your Benenden Health' articles		

*As a result of the COVID-19 pandemic, all physical Branch/member meetings were cancelled until 31 March 2022, a period which covered scheduled Branch AGMs. A communication went out to all members telling them about the cancellation. Members were offered the opportunity to share their views with their Branch.

Branches were asked to take these views into account when discussing Branch AGM business. Branches held online meetings, with just Committee members in attendance, to conduct the business of the Branch AGM. Branches then produced a summary of the meeting, which was published on the My Branch area of the website for members.

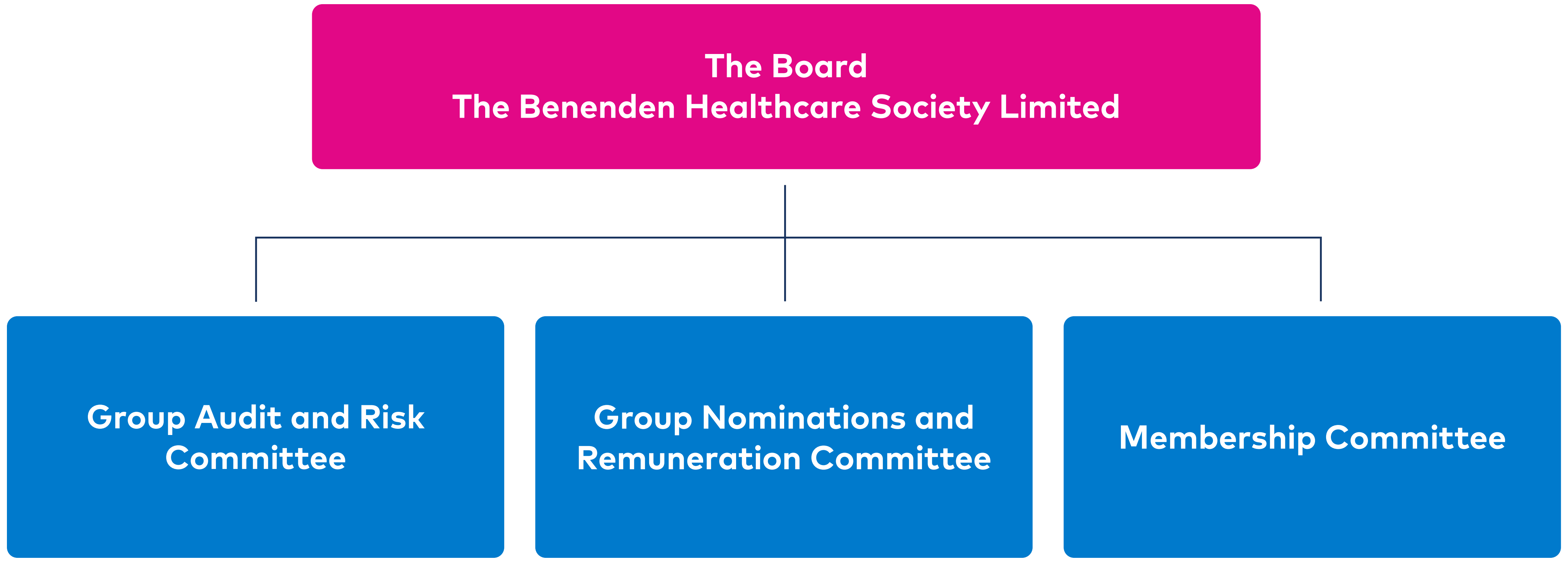
Board Committees

We held our Board Committee meetings in 2022 virtually, face-to-face and in a combination of the two. Each Committee functions effectively in this hybrid way of working and has managed its responsibilities successfully.

All Board Committees reviewed their own effectiveness and terms of reference in the fourth quarter of 2022. The terms of reference are available in the member area of the website (www.benenden.co.uk) and from the Society Secretary.

All Board Committee meeting minutes go to the Board, with the Chair of each Committee also giving a written update at the next available Board meeting.

Board Committee structure at 31 December 2022



Group Audit and Risk Committee (GARC)

Members:

- Ian Blanchard (Chair)
- Jo Andrews
- Brian Eaton
- David Fletcher
- Sameer Rahman

For details of members' backgrounds, see pages 46 to 50.

Members of the Society Executive, including the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO) attend GARC meetings, as do the Company Secretary and the Society's internal and external auditors.

The GARC is a Board Committee which carries out its duties for The Benenden Healthcare Society, Benenden Wellbeing Limited and The Benenden Charitable Trust. The GARC consults with the Audit Committee of The Benenden Hospital Trust on managing Hospital-related risks. The Benenden Hospital Audit Committee provides a quarterly report to the GARC.

The Committee has written terms of reference covering its role and responsibilities, which include:

- Supervising the quality, independence and effectiveness of the internal and external auditors to give independent assurance to the Board that the Society's financial reporting systems are adequate and effective
- Monitoring the adequacy of the Society's internal control systems
- Reviewing arrangements for complying with regulatory and financial reporting requirements
- Making sure we have clear whistleblowing arrangements for raising and investigating concerns about possible wrongdoing
- Reviewing the effectiveness of the Society's Risk Management Policy and related procedures and giving assurance to the Board
- Advising the Board on the Society's risk appetite, tolerance and strategy
- Advising the Board on proposed strategic transactions, including acquisitions or disposals, before the Board takes a decision
- Advising the Board on the Society's capital and investment strategy

The GARC held four meetings in 2022, all achieving quorum. Every member of the Committee was fully engaged in discussion, debate and challenge.

Key pieces of work for the GARC during 2022 included:

- Monitoring the effectiveness of the internal and external auditors
- Approving the 2021 year-end papers
- Approving the 2021 Annual Report and Financial Statements
- Reviewing the CRO's report on a regular basis
- Reviewing changes to the investment fund portfolio

Key areas of work for the GARC in 2023 will include:

- Working with the Society to develop our environmental, social and governance (ESG) and diversity, equity and inclusion (DE&I) strategies
- Overseeing the Consumer Duty implementation plan

The GARC assesses the effectiveness of internal control systems to give the Board confidence that its strategic objectives are achievable and that members' funds are appropriately safeguarded.

The GARC also monitors the status of issues raised in reports from the second and third lines of defence to make sure we deal with them in a timely and appropriate way. The volume and profile of control issues has stayed within tolerable limits.

Internal audit and internal controls

RSM UK LLP has been the Society's internal auditor throughout 2022.

The internal auditor reports to the CEO and, after each audit, distributes the report to the GARC, the CEO and the CRO. The internal audit plan is developed using a risk-based methodology for a rolling three-year period and covers the Society and its subsidiaries. The internal audit plan is a core part of assessing operational risks and the effectiveness of the group's internal systems and controls. Senior management and the internal auditors agree a draft plan, with final challenge and approval made by the GARC.

The GARC reviewed seven internal audit reports and three advisory reviews or follow-up reports during 2022:

Internal audit reports

- HR Practices
- Administration and Payment of Claims
- Financial Risk Management
- Risk Management
- B2B Sales Practices
- Benenden Wellbeing and Product Governance
- Workforce Review – Recruitment and Retention

Advisory reviews or follow-ups

- Fraud and Bribery Risk Assessment
- Spreadsheet and Model Governance
- Cyber Risk Assessment

As a standing agenda item for all GARC meetings, the Committee receives reports on any instances of fraud, whistleblowing and internal control deficiencies and any action to deal with them.

The Committee tracks all internal audit and compliance monitoring actions until they are complete. This assures us that management has taken, or is taking, the action needed to put right any failings or weaknesses in the Society's controls.

External audit and financial reporting

Deloitte LLP has been the Society's external auditor throughout 2022.

The GARC considers the financial information published in the Society's Annual Report, in particular the key judgements that management have made in preparing the Financial Statements.

The GARC gets updates throughout the year from both the external auditors and the Finance department. This includes:

- Tracking the observations on controls in the management letter about the 2021 year-end through to completion
- Reviewing the external auditors' audit strategy
- Reviewing and approving the wording for the audit sections of the Annual Report

The GARC has received 'judgement' papers describing the basis for preparing the Annual Report and Financial Statements. These include the valuation of properties, the investment fund valuation and the estimate of provisions for outstanding members' benefits.

This meant that the GARC (and then the Board) could review and challenge the content to make sure that the 2022 Annual Report was fair, easy to understand and balanced, so that members can assess the Society's strategy and performance.

The GARC regularly considers the balance between audit and non-audit services to keep in line with best practice on independence and objectivity. The ratio of non-audit fees to audit fees for the period up to 31 December 2022 was nil for our current auditor (2021: nil). This is highlighted in note 6 of the Financial Statements.

The GARC is satisfied that the 2022 Annual Report and Financial Statements are fair, balanced and understandable.

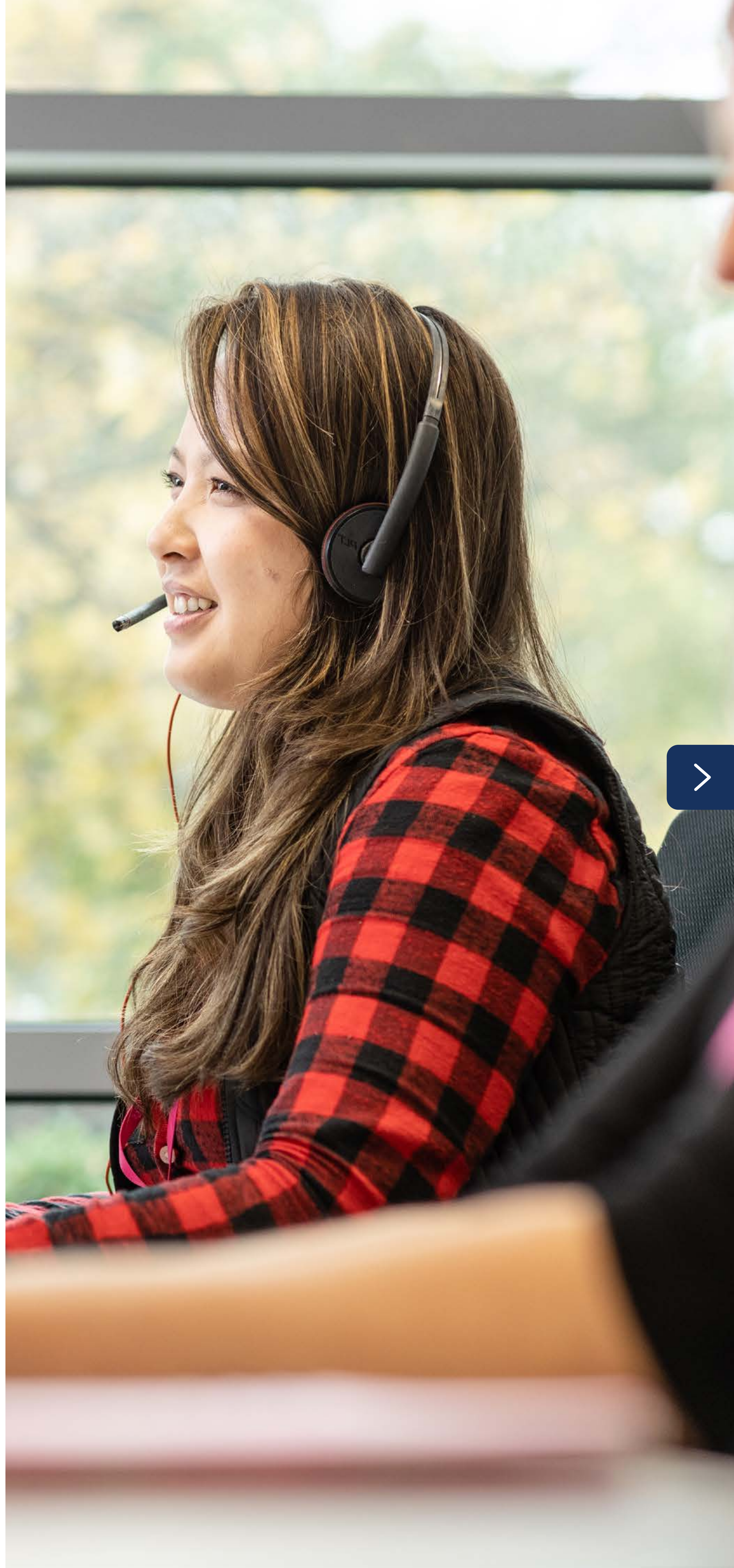
Risk management

The Board recognises how important sound risk management systems and controls are in delivering its objectives.

Also, effective controls should make us more efficient and effective, based on reliable management reporting. Senior management, through the Society Executive, is responsible for designing the internal systems and control framework and implementing policies that the Board approves.

The GARC regularly receives reports on our principal risks and uncertainties, including strategic, legal, financial and operational risks and the actions we are taking to mitigate these risks. The Committee receives more detailed reports on any risks and issues that materialise.

For more about our approach to risk management, see page 35.



Group Nominations and Remuneration Committee

Members:

- Les Philpott (Chair)
- Paula Clark
- David Furniss
- Angela Hays
- Deryck Lewis

For details of members' backgrounds, see pages 46 to 50.

The CEO and the Company Secretary attend Group Nominations and Remuneration Committee meetings. The Chief Operating Officer (COO) and the Head of HR attend for agenda items relating to their individual responsibilities, particularly when they relate to remuneration.

The Group Nominations and Remuneration Committee is a Board Committee which carries out its duties for The Benenden Healthcare Society, Benenden Wellbeing Limited and The Society, Benenden Charitable Trust. It communicates with the Nominations Committee and the Remuneration Committee of The Benenden Hospital Trust as appropriate.

The Committee has written terms of reference covering its role and responsibilities, which include:

- Reviewing the balance of skills, knowledge and experience needed on the Board. This includes the core competencies, diversity and time commitment, as well as the Board's size, structure and composition and succession planning
- Recommending processes to help identify candidates for Member-nominated members of the Board
- Recommending candidates for executive and Board-nominated non-executive members of the Board
- Overseeing the process for performance evaluation of the Board
- Evaluating the balance of skills, knowledge and experience of senior management, including diversity and succession planning, and approving appointments to the senior management team
- Setting the directors' remuneration at a level appropriate to their role and the results they achieve. It should also be set at a level that means the Society can attract, retain and motivate the right calibre of staff
- Setting up an appropriate reward structure and framework for remunerating all our people
- Developing all remuneration policies for the Society and making sure it follows them

The Group Nominations and Remuneration Committee held four meetings during 2022, all achieving quorum and with all members fully engaged in discussion, debate and challenge.

Key pieces of work for the Group Nominations and Remuneration Committee during 2022 included:

- Recommending to the Board candidates to fill two Board-nominated non-executive director vacancies and starting a recruitment process for one other vacancy
- Reviewing non-executive directors' remuneration
- Approving the Society Executive's performance bonus scheme for 2022
- Agreeing the staff pay award and salary benchmarking. The Committee also agreed a permanent salary rise for operational roles as part of the Society's response to cost of living pressures
- Delegating approval of staff incentive schemes to the Society Executive, with the Committee retaining oversight through an annual review of each scheme
- Approving standard reports, including the Directors' Remuneration Report and the Gender Pay Gap Report
- Considering the impacts of the Democracy for Tomorrow proposals, including:
  - The process for nomination of candidates for the positions of Member-nominated directors
  - Member Council remuneration
- Approving The Benenden Hospital Limited governance structure

In 2023, the Committee looks forward to considering how best to implement the Board rotation rules passed at our Special Conference in September 2022, as well as being involved in the process leading to the election of Member-nominated directors in 2023.

The Committee takes external advice and guidance from professional remuneration consulting firms when it needs to. It has continued to use Willis Towers Watson during 2022 for executive pay guidance.

We carried out a full salary benchmarking exercise in 2022, using Willis Towers Watson and CIPD's HR-Inform salary search and job evaluation tools.

A performance development review process sees that individual and team objectives help to deliver the business plan.

In line with our reward principles, we have made sure that we have a transparent reward framework. This includes introducing salary ranges and job 'families' and reviewing all aspects of financial reward, as well as non-financial reward.

For the Committee's report on Directors' Remuneration, see page 70.

Membership Committee

Members:

- Deryck Lewis (Chair)
- Brian Eaton
- Les Philpott
- Jo Andrews

For details of members' backgrounds, see pages 46 to 50.

The Society Secretary, the Company Secretary, the CEO, the CRO and the COO are invited to attend Membership Committee meetings.

The Membership Committee is a Board Committee which carries out its duties for The Benenden Healthcare Society Limited.

The Committee has written terms of reference covering its role and responsibilities, which include:

- Taking the lead on engaging with the Society's members
- Overseeing the administration of the Society's democratic structure
- Leading debate on proposals to make changes to the Society's democratic processes
- Monitoring member correspondence received by the Society Secretary
- Getting feedback from members, including from member surveys and focus groups
- Overseeing arrangements for the Society's Conferences

The Committee held four meetings during 2022, each achieving quorum, with all members fully engaged in discussion, debate and challenge.

Key pieces of work for the Committee during 2022 included:

- Arrangements for Conference 2022, including reviewing Board rule amendments and approving initial views on Branch proposals
- Reviewing member experience updates
- Playing an active role in monitoring how the Society resolves complaints
- Being involved in Democracy for Tomorrow, including reviewing the proposed new rules and key documents, discussing amendments from Branches and overseeing arrangements for the Special Conference

Looking ahead to 2023, the Membership Committee anticipates focusing on monitoring implementation of our new democratic structure. This will include liaising with the Member Council, overseeing the Community structure and working with the Conference Facilitation Panel in designing a new-style Conference. The Committee expects that spending less time on considering issues related to our democratic model will allow it to focus more on important issues around member experience.

Lord Plant Travelling Fellowship Committee

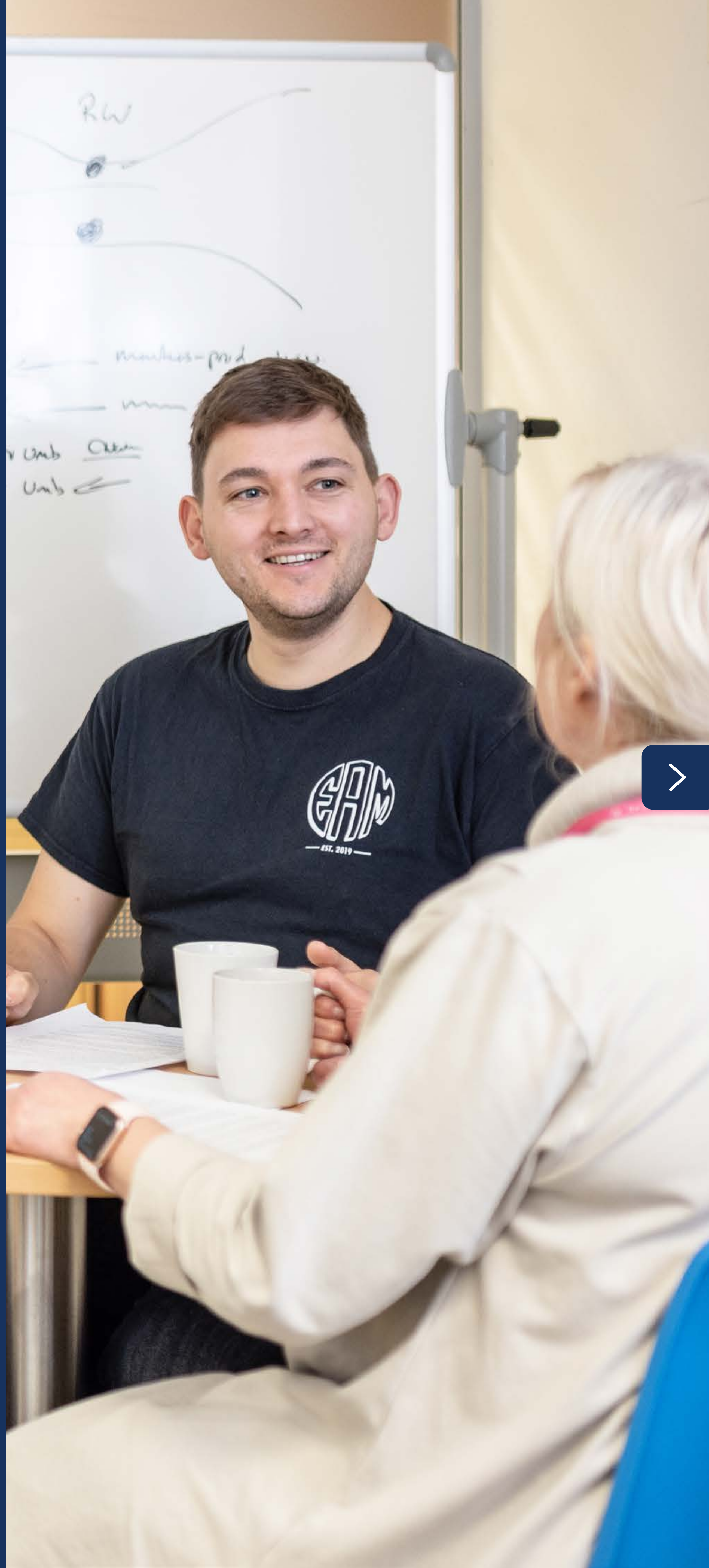
Members:

- Deryck Lewis (Chair)
- HMRC Branch member
- Relative of Lord Plant

The Lord Plant Travelling Fellowship provides an opportunity for Benenden Health and Benenden Hospital employees to apply for funding to undertake a project abroad or within the UK. These projects could be to give back to the community, learn new skills or gain knowledge and experience for professional or personal development.

The 2022 award went to Kate Minett (Staff Nurse at Benenden Hospital). She will use the funding to run a year of fundraising events for the Papyrus Charity, which is dedicated to preventing suicide and promoting positive mental health and emotional wellbeing in young people.

Kate hopes her project will give her colleagues opportunities to bond as a team and boost their self-confidence as, in memory of a close colleague, they take on challenges that might otherwise not have been available to them.



The Directors' Report on Remuneration

The Group Nominations and Remuneration Committee Report

including the Directors' Report on Remuneration

In 2022, the Group Nominations and Remuneration Committee, chaired by Member-nominated non-executive director Les Philpott, carried out its responsibilities in line with its terms of reference.

The challenges facing the Committee were:

1. The increasingly difficult recruitment market and candidate shortages in specialist areas
2. Motivating and retaining our people
3. Balancing this with the need to 'spend members' money wisely' in line with the 'Be smart' Society value

The Committee and main Board decided it was important to recognise how the Society had performed after yet another challenging year, coming out of the COVID-19 pandemic. It is important to note the improved results driven by business performance and the hard work of colleagues against a backdrop of economic uncertainty and spiralling inflation.

The Committee recognises that market pay rates have increased and the cost of living has risen significantly. Also, total reward (which includes all benefits as well as salary) is even more important to attracting and keeping people. Making sure that smart working works well also matters.

This is why the Committee commissioned a full independent review of Society remuneration in 2022.

This is in line with the reward strategy to re-benchmark regularly, looking at base pay, discretionary bonus and benefits. This benchmarking revealed that several salaries had fallen behind market rates and that we needed to act. So the Group Nominations and Remuneration Committee approved bringing forward the re-benchmarking of these salaries. In turn, this saw us increasing salaries for roles under £21,000 from 1 September 2022.

It also became apparent that the cost of living crisis was having a big impact on many of our colleagues and creating stress and anxiety over financial worries. So the Committee also approved a winter allowance to lower-paid colleagues, payable monthly from October to March inclusive.

Both these decisions helped us keep colleagues, as they felt valued and looked after – something borne out in the employee feedback we received.

We will now benchmark every two years. This will make sure we do not fall behind market rates and can recruit and retain the people we need to look after our members, grow the business and reach our long-term goals.

How we decide what to pay our people

Our approach to total reward reflects our values and strategic objectives. It considers our mutual status and our commitment to spend our members' money wisely. We must also look at the market sectors we recruit from to make sure we can attract and retain the right people to drive performance.

The Committee makes sure that we source independent data and advice on salaries and bonuses from reputable employee benefits consultants. We look at several factors in benchmarking data to help us decide on a fair comparison for the Society, including comparisons with financial services and other mutuals (where the comparators are relevant), plus turnover, geography and complexity. We evaluate each role against a relevant dataset.

In 2022, the Committee approved the use of a specialist reward consultant, on a contract basis, who ran a benchmarking process for all roles, including executive positions. The results of the executive benchmarking were presented to the Committee in February 2023. The group next plans to benchmark executive salaries in 2025.

We made an annual pay award of 4.5% in April 2022 to all colleagues, excluding the Society Executive, based on indicators including the Consumer Price Index and owner-occupiers' housing costs (CPIH) at the time. This was higher than in previous years due to the cost of living crisis, with inflation remaining high throughout 2022.

All our people who are eligible have the chance to earn a discretionary performance bonus, including executive directors. This varies depending on the overall performance of the Society and the individual's contribution to the Society's success. We measure someone's contribution against performance goals set at the start of the financial year, as well as measuring conduct and behaviour in line with our values. The average discretionary bonus paid in April 2022, excluding the Society Executive, was 3.96%. The maximum discretionary bonus for employees, excluding the executive directors, was 9%. A discretionary bonus is common practice among our competitors and keeps our people's rewards in line with those in comparable organisations.

Executive remuneration

The Committee realises the importance of its role in setting remuneration for the Society Executive at a level that promotes the long-term success of the organisation. But it also recognises that, as a mutual organisation, the Society needs to be prudent with members' money.

The Committee strives to keep the system for executive reward simple, avoiding complex, long-term incentive plans (LTIPs) used by many organisations. Reflecting corporate best practice, we publish the ratio of the CEO's pay to that of employees as a whole. We benchmark executive salaries against similar roles in other broadly comparable organisations with the help of independent remuneration consultants. These comparisons are important but difficult because of our uniqueness in the private healthcare sector. This means that we must base all remuneration decisions not just on benchmarking data, but on a wide range of factors, including the need to invest members' contributions in our people judiciously.

The Committee is confident that the independent work on executive remuneration in 2022 was robust, transparent and sensible. Our remuneration approach helps us keep the skills and experience we need and stay competitive in attracting new people to support our plans for growth.

Executive directors' bonus depends on how they perform against key measures. Each executive is measured against personal and collective objectives which drive the variable element of the discretionary bonus. We also look at conduct and behaviour in deciding any discretionary award.

Usually, the discretionary element of reward includes a maximum of 50% of individual executives' salaries. We have reset this to 30%, with an 'on target' expectation at 25%, to reflect the realistic maximum payments we are likely to make. The bonus opportunity is designed to drive outstanding performance and deliver the best we can for the Society and all our members on a sustainable basis. The Committee decided it was important to recognise that the Society's performance had been strong in 2022, despite the backdrop of high inflation and economic uncertainty, and set bonuses payable in April 2023 at 27.5% of salary for the CEO and CFO.

This resulted in similar bonus payments to those of 2022, where the executive director bonus was paid up to 25%.

The Committee decided to pay a lower salary increase for the executive team of 3%, paid in April 2022. The rest of the Society received a 4.5% salary increase. This decision reflected an uncertain post-pandemic environment and fluctuating inflation.

The impact of performance on executives' discretionary pay

In considering the discretionary element of executives' pay, the Committee assesses the performance of the Society and each executive's contribution. Payments under the plan are made at the Committee's discretion in April, following the audited accounts. A 'clawback' provision is in place for any audited activity that, after year-end, turns out not to have been delivered to the expected level or standard.

The Committee must be satisfied that there is no significant conduct risk or any reputational, financial, operational or other reason not to make awards. It makes this judgement based on input from the Group Audit and Risk Committee.

The Committee had established annual targets for the executives, which they met despite the cost of living crisis and economic uncertainty. The Society has recorded another surplus this year, while also increasing net membership. As well as recognising whether executives deliver objectives, the Committee has also assessed how they have dealt with long-term issues and risks facing the group. It has also made sure that it carries on supporting members and safeguarding stakeholders' interests in these uncertain times and as we move out of the pandemic. To assess the right level of award, the Committee has looked at three aspects of how the Society has treated key stakeholders:

Treating our people fairly

We have run three engagement surveys with our people. This includes our 'Take 10' survey that keeps a check on how our colleagues are feeling about the Society. This maintained a very healthy 6.11 out of 7, indicating high engagement. We have also repeated our wellbeing audit, using Concilio Health. In terms of physical and mental aspects of health and happiness, it was pleasing to again see a high score. We have also taken big strides with our focus on diversity, equity and inclusion. While this will form a significant part of our future people strategy, 79% of our colleagues confirmed that they feel they belong at Benenden Health, which is again a strong score but still highlights that we have work to do.

We continue to operate a smart working model that brings balance and flexibility to many of our colleagues' working patterns. This is enabling a different way to operate, while using our offices to help people connect as much as possible and support members.

Maintaining support and services for members

In 2022, we helped our members 137,904 times across the range of services we offer. With the cost of living crisis and challenges in the NHS, it has never been more important to make sure that we offer great value and are here for our members. We are fortunate to work with some excellent partners in delivering our service, and we continue to look at ways to enhance our core product. Most recently, this has seen us revamp our Cancer Support service.

Monitoring members' satisfaction

For all our achievements since 2018, we cannot take anything for granted. Research tells us that our members overwhelmingly appreciate our service and the experience of dealing with us: throughout 2022, in our customer surveys, members consistently gave us 8.8 out of 10 for overall satisfaction and how easy their experience with us was.

It is nevertheless important for us to remember that we have competition and that members' budgets are tighter because of the rising cost of living. This means we have to make sure that they continue to see Benenden Health membership as an essential.

	Salary/fees	Additional responsibility	Benefits	Annual bonus payable	Total	Total
	£'000	£'000	£'000	£'000	2022 £'000	2021 £'000
Executive						
Bob Andrews	281		40	78	399	371
Helen Chamberlain	224		42	62	328	308
Non-executive						
Jo Andrews	30		-	-	30	14
Ian Blanchard	30	6	-	-	36	33
Paula Clark	30		-	-	30	27
Brian Eaton	30		-	-	30	27
David Fletcher	30		-	-	30	27
David Furniss	82		-	-	82	65
Angela Hays	30	6	-	-	36	33
Deryck Lewis	30	2	-	-	32	27
Belinda Moore	3		-	-	3	-
Les Philpott	30	5	-	-	35	29
Sameer Rahman	28		-	-	28	-
Non-executive – Left in year or prior year						
Mike Bury	-		-	-	-	17
Louise Fowler	22	4	-	-	26	28
Ken Hesketh	-		-	-	-	14
Adrian Humphreys	25	5	-	-	30	33

Non-executive directors' remuneration

The Committee commissioned an independent benchmark of non-executive directors' remuneration, presented in 2022. The objective was to make sure that remuneration is in line with suitable market comparators, as non-executive directors' basic pay had not risen for three years. In particular, the Board took the decision in 2021 not to increase NED fees, having made the sober calculation that it was important to show restraint in the wake of the COVID-19 pandemic.

As a result of this benchmarking, a proposal was recommended by the CEO, then reviewed and approved by the Committee and the Board, resulting in these changes from March 2022:

The Chair's remuneration was increased to £85,000 per year.

For other non-executive directors, the basic remuneration was paid at £30,000. A further £6,000 for extra responsibilities is payable to the Board of Directors' Vice-Chair, the Chair of the Group Audit and Risk Committee, the Chair of the Membership Committee, the Chair of Benenden Wellbeing Limited and the Chair of the Group Nominations and Remuneration Committee.

The table on the left shows all directors' remuneration for 2022.

Executive pension entitlement

Bob Andrews and Helen Chamberlain have chosen not to participate in the employer pension scheme, as they have reached the lifetime allowance. As part of their remuneration package, they receive an allowance equivalent to 10% of their basic salary in lieu of pension contributions.

This is consistent with the contribution arrangements for employees who are members of the Legal & General Worksave Master Trust Pension Scheme. The allowance is included in the benefits figure in the table.

Workforce profile

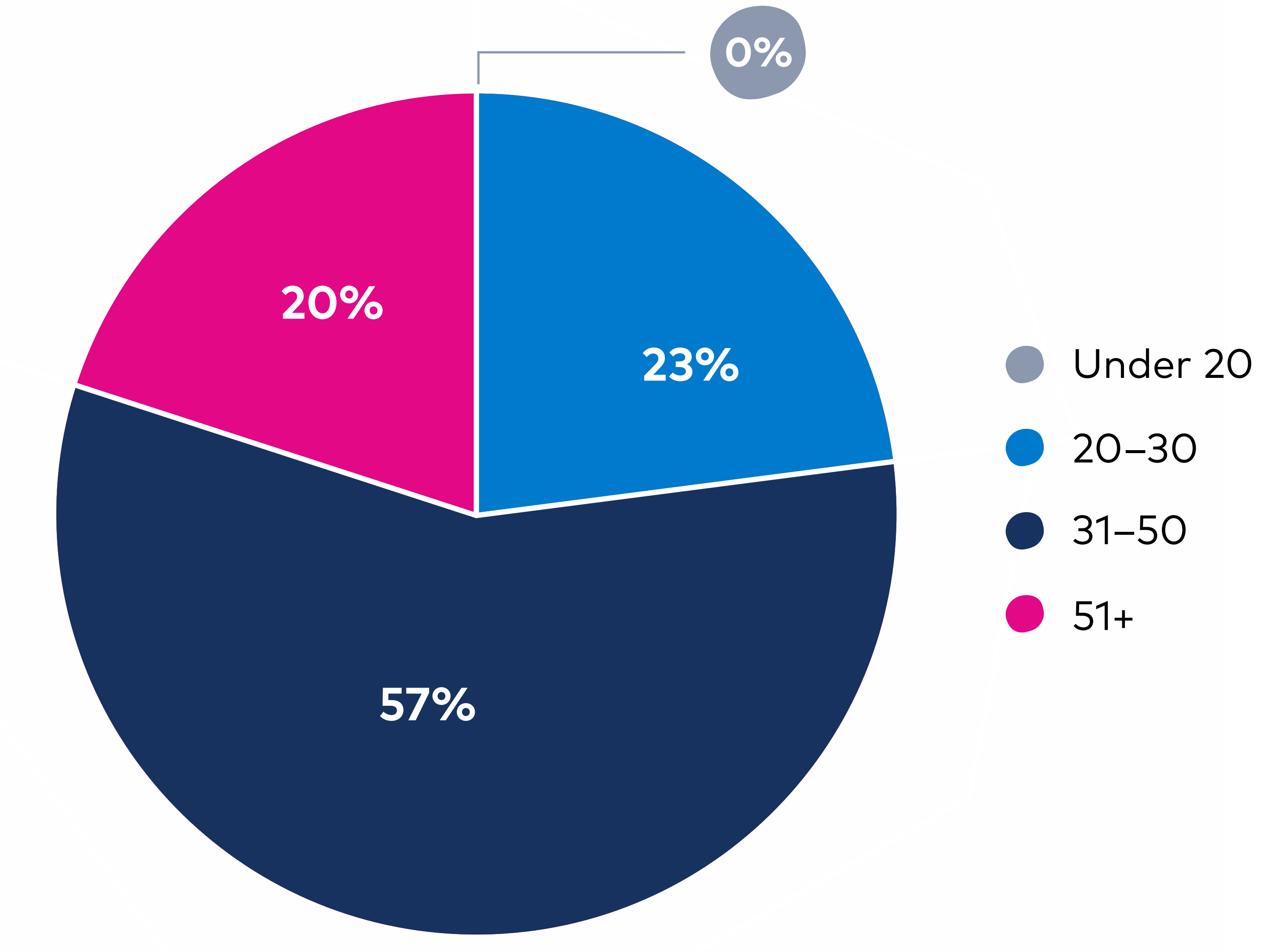
Benenden Health has a diverse, multi-generational workforce (see Figure 1*). Our people cover an age range from 20 to over 50. Length of service also varies – 123 colleagues have fewer than two years' service and 61 employees have ten years and over.

We are committed to promoting diversity, equity and inclusion in our recruitment and people processes. Our employee profile is 63% female and 37% male, and 17% of our workforce work part-time. This shows that we promote flexible working by offering part-time and varied roles, including job-shares and alternative working patterns.

Of our current 37 senior leaders – the Board, Society Executive and senior management team – 49% are female and 51% are male. Excluding the non-executive directors and Society Secretary, the gender split for the executive and senior management of 25 people was 56% female and 44% male.

Figure 1. Age ranges

*Data as of 24 January 2023.



Gender pay gap reporting

The gender pay gap is the difference between the average pay of all men and the average pay of all women in an organisation. Benenden Health believes in equal opportunities and equal pay for work of equal value. Our mean gender pay gap has increased from 16.7% in 2021 to 25.5% in 2022. We were anticipating this increase because there has been a change in the ratio of men to women at the lower end of the pay scale through attrition and recruitment. The increase is also down to the payment of the 2021 and 2022 Society Executive's bonus in the same reporting period. The HMRC calculation uses 'in-year' payments, even though these bonuses were approved for the separate years, and so they have to be included in the report. This has created an artificial impact on the figures. Equally, as there will only be one bonus payment in 2023, the gender pay gap is likely to decrease. We are still very confident that our transparent grading structure and role evaluation supports equal pay.

As much as possible, our policy is to keep pay gaps to a minimum, and we have been reporting on gender pay since 2017. This table summarises the trend in pay and bonus gaps.

Gender reward gap	2022	2021	2020	2019	2018	2017
Pay – mean	25.5%	16.7%	17.8%	19.8%	20.3%	31.2%
Bonus – mean	53.3%	37.3%	27.6%	29.4%	7.9%	33.0%

The mean gender pay gap is the difference in average hourly rates of pay for male and female employees. This gives an overall indication of the gender pay gap by taking all hourly rates of pay and dividing by the total number of people in scope. A gender pay gap of 25.5% is a broad measure of the difference between the average earnings, including bonuses, of men and women across all roles and at all levels in our organisation. The national average is 13.9%, and in the financial and insurance sector the average is 28.8%.

The gender pay gap at Benenden Health is not a result of equal pay issues. We have a gender-neutral approach to deciding pay for roles at all levels, and we regularly monitor this to make sure that we continue to meet legal and moral obligations.

For more information on the Gender Pay Gap Report, see our website.

Diversity, equity and inclusion, including flexible working

We are proud of the flexible working environment we provide for our colleagues. We have successfully moved from a hybrid working pilot into a 'smart working' model in 2022. This has enabled us to combine working in the office with working from home to suit the business and help our colleagues and members.

We continue to partner with recruitment agencies who commit to sourcing diverse candidates, and we continue to review all the agencies we work with.

Our focus in 2022 was to retain and attract talent for Benenden Health to make sure that we continue to provide a first-class service to our members.

In 2022, we continued to offer our flexible benefits platform, with an emphasis on health and wellbeing products such as health assessments, gym memberships and will-writing products.

We promote vacancies internally, recruiting 30% of all roles in-house in 2022, compared to 22% the year before. We have succession planning and development opportunities to harness the talent we have internally.

CEO pay ratio reporting

The Pay Ratio Regulations make it a legal requirement for UK-listed companies with more than 250 employees to annually disclose the ratio of their CEO's pay to the median, lower quartile and upper quartile pay of their UK employees.

In the spirit of the transparency of our reward approach, we welcome the opportunity to share the pay ratio of our CEO using salaries on 5 April 2022. At Benenden Health, the ratio of CEO salary to the median workforce salary is 10:1.

Pay ratios*

Salaries as of 5 April 2022:

CEO to average FTE salary	8:1
CEO to average actual salary	8:1
CEO to median salary	10:1
CEO total remuneration to 50th percentile	13:1
CEO total remuneration to 25th percentile	18:1
CEO total remuneration to 75th percentile	9:1

* The salary figures are post-salary sacrifice. Employer's pension contributions are not included.

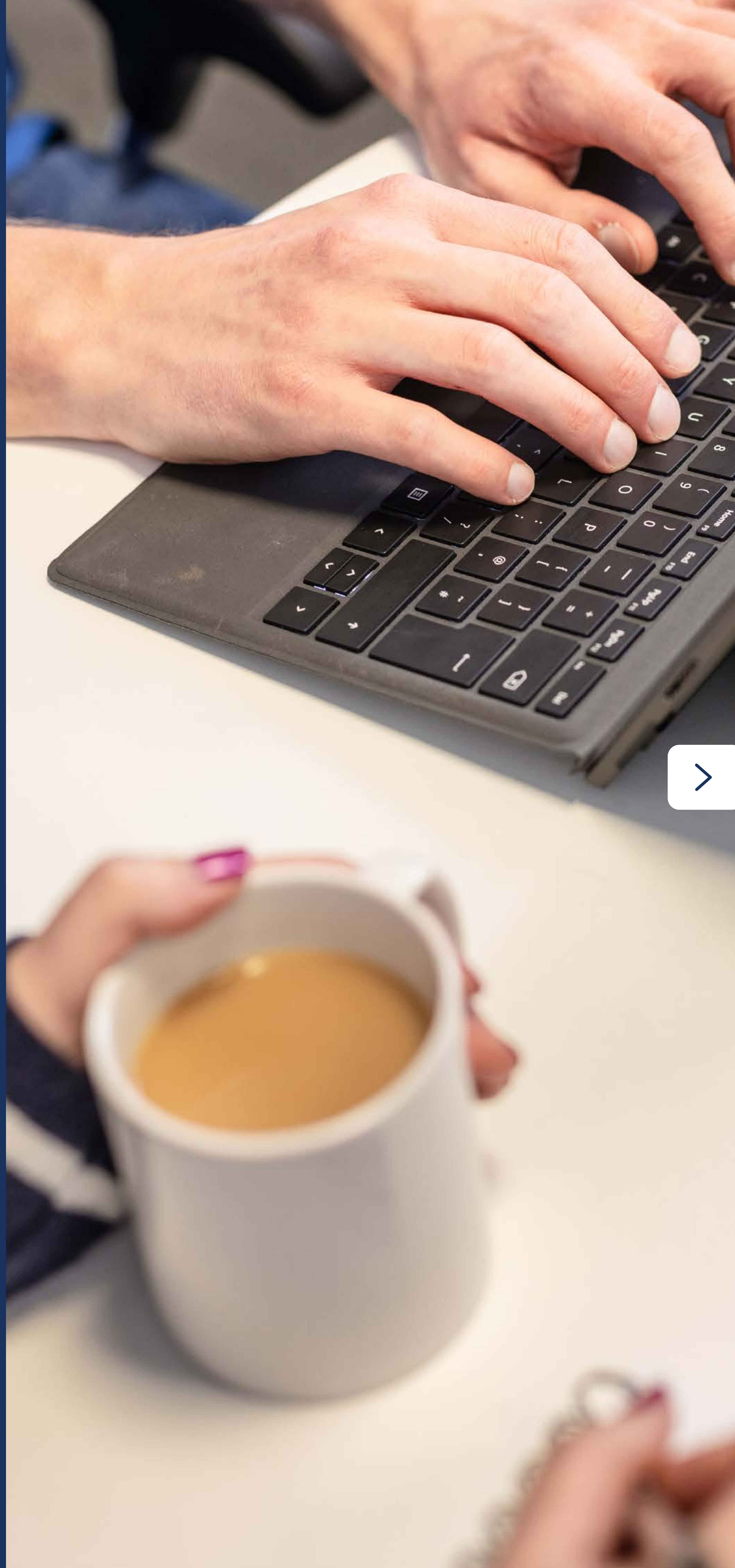
The year ahead

The Group Nominations and Remuneration Committee's purpose is to help and advise the Board on the remuneration of the Board and Society Executive.

The Committee will operate in line with these principles:

1. Focus on recruiting, retaining and motivating a high-quality and high-performing workforce
2. Be as transparent as we can and make decisions based on evidence
3. Use members' money wisely
4. Keep monitoring inflation and cost of living data

The Committee will carry on working to make sure that our remuneration structure supports the right culture, conduct and behaviours and helps us perform well. Key priorities for 2023 are to review executive and non-executive remuneration. This will take full account of and reflect the Society's strategy and mutual status, as well as wider market developments.



Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BENENDEN HEALTHCARE SOCIETY LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of The Benenden Healthcare Society Limited (the 'Society') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2022 and of the Group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

We have audited the financial statements which comprise:

- the Group and Society statements of income and expenditure;
- the Group and Society statements of other comprehensive income;
- the Group and Society statements of financial position;
- the Group and Society statements of changes in members' funds;
- the Group and Society statements of cash flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for 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 Group and the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of the provision for outstanding members' benefits. Within this report, key audit matter is identified as follows: Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £1.43m which was determined on the basis of 1.2% of member contributions.
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Therefore, our Group audit scope focused on Benenden Healthcare Society, Benenden Hospital Trust, Benenden Charitable Trust and Benenden Wellbeing Limited, which together account for 100% of the Group's net assets.
Significant changes in our approach	There have been no significant changes to our audit approach in comparison to the prior period.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Group's and Society's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's judgement paper regarding future cash flows and earnings and capital projections. This included the assumptions applied in respect of memberships, costs of member benefits, inflation and investment valuations, testing the mechanical accuracy of the underlying forecast;
- assessing the historical accuracy of forecasts prepared by management; and
- reviewing the disclosures in relation to going concern to assess their consistency with our understanding of the Group's forecast performance and position.

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 Group's and 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 directors with respect to going concern are described in the relevant sections of this report.

5. 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) that we identified. These matters included 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.

5.1. Valuation of provision for outstanding members' benefits

Key audit matter description	The valuation of the provision for outstanding members' benefits is the key judgement within Benenden's financial reporting. As at 31 December 2022, the provision stood at £20.2m (2021: £22.4m). The provision is based on outstanding member benefits reflecting a liability to fund services and treatment that has been authorised but not yet fully undertaken and paid. Covid-19 had previously caused a significant level of disruption to member behaviour and availability of services. As a result, Management relaxed the usual requirement for members to take up services within six months of authorisation. All cases approved during 2020 and 2021 remained open to take up until 30 June 2022. In the current period the Society reinstated the take up limit of six months for service packs approved from 1 January 2022 and member data trends in 2022 have returned to normal. As a result of this management has released unutilised provisions brought forward from 2021. The provision is estimated using cohort methodology with Management exercising judgement where projection results appear to be outside of the expected range of values based on previous experience. The key assumptions within the calculation are the take-up rates and the average cost. From our risk assessment we determined that the greatest complexity inherent in the calculation lies within the management overlays applied. These are based on historical data and experience, and we identified them as a potential area for fraud. Management has also included a Covid-19 provision to provide for cases that require specific Covid-19 test prior to treatment, and a pipeline provision to provide for service packs which should have been approved by the end of the year however had not been due to the time to approval. This is in line with the prior year approach. Management has allowed for inflation on the value of outstanding costs within the provision to reflect the current general inflationary pressures that will feed through to costs of service packs. The critical accounting judgement and key accounting estimate disclosure for the provision for outstanding members' benefits is set out in note 3 and the financial disclosures are set out in note 18.
How the scope of our audit responded to the key audit matter	In response to this key audit matter, we performed the following procedures: • obtained an understanding of and tested the relevant controls over the calculation of the provision, including management's review of the assumptions used in the calculation and the manual overlays made; • tested the estimated costs used in management's calculation by reconciling the number of service packs and amounts paid per management's calculation to the totals in Service Management System ("SMS"); • tested the underlying data used in the provision calculation by agreeing a sample of service packs from third party data sheets sent to the Group to details on SMS; • reviewed management's judgement paper and challenged the key assumptions used such as the take up rate and average cost assumption through obtaining corroboratory and contradictory evidence; • with the involvement of our internal actuarial specialists, we compared the methodology applied to peers and considered its appropriateness; • performed sensitivity analysis around the key assumptions used within the model including take up rate and average cost; • assessed the impact of the pipeline provision and Covid-19 provision, determining whether these are reasonable and performed a recalculation of the balances; • challenged the reasonableness of inflation assumptions through discussion with management and assessment of correspondence with suppliers; • obtained the calculation and checked its mechanical accuracy by performing a recalculation using the underlying data; and • analysed the run-off of the 31 Dec 2022 reserve post year end to the actual development in 2023.
Key observations	Based on the procedures performed above, we concluded that the valuation of the provision for outstanding members' benefits, including the manual adjustments that were made, was reasonable.

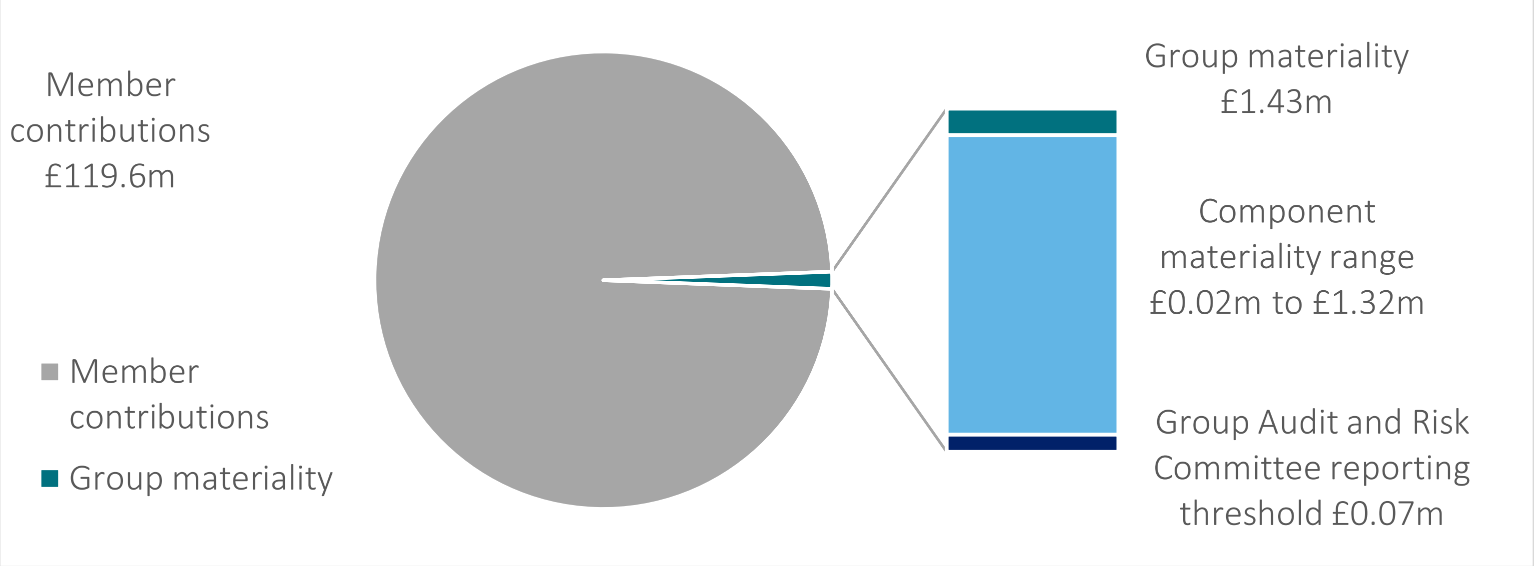
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Society financial statements
Materiality	£1.43m (2021: £1.39m)	£1.32m (2021: £1.28m)
Basis for determining materiality	Approximately 1.2% of member contributions (2021: approximately 1.2% of member contributions).	Approximately 1.2% of member contributions, which is capped at 92.5% of Group materiality. (2021: approximately 1.2% of member contributions).
Rationale for the benchmark applied	We deem member contributions to be the most suitable measure for both the Group and the Society given that the size of the membership, and in turn the quantum of membership contributions, is a key focus area for users of the financial statements and management. It is also a more stable measure year on year than the excess of income over expenditure.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Society financial statements
Performance materiality	80% (2021: 80%) of Group materiality	80% (2021: 80%) of Society materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and b. our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes.	

6.3. Error reporting threshold

We agreed with the Group Audit and Risk Committee that we would report to the Committee all audit differences in excess of £72k (2021: £69k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Group Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We focused our Group audit primarily on the operations and results on Benenden Healthcare Society, and also Benenden Hospital Trust, Benenden Charitable Trust and Benenden Wellbeing Limited, which together account for 100% of the Group's net assets. All entities are audited to an individual materiality level determined on their individual financial statements which range from £0.01m to £1.32m (2021: £0.01m to £1.28m).

7.2. Our consideration of the control environment

We identified the financial reporting and provisioning for outstanding members' benefits business cycles to be the most relevant to the audit. We were able to take a controls reliance approach over the provisioning for outstanding members' benefits and with the involvement of our IT specialists we tested and relied upon IT controls across this area. We have shared observations from our procedures with management and the Group Audit and Risk Committee. The Board's assessment of the Group's internal control environment is set out on page 54 and the Audit Committee's assessment is set out on pages 66 to 67.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group continues to develop its assessment of the potential impacts of climate change as explained in the Environmental Report on pages 20 to 25. In the current period management has performed forward-looking qualitative analysis to explore the potential range of climate change implications on the Group.

As part of our audit, we have held discussions with Management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has identified there to be no material impact arising from climate change on the judgements and estimates made in the financial statements.

We performed our own qualitative assessment of the potential impact of climate change material misstatement. Our procedures also included reading disclosures included in the Environmental Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The consolidation and all entities within it were audited by the Group audit team, with the exception of The Benenden Hospital Trust. The Group team held regular calls with the component audit team, attended key audit related meetings and also reviewed the audit work performed at various stages throughout the audit process.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are 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 the directors determine 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 directors are responsible for assessing the Group's and 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 directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

10. 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.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 25 April 2023;
- results of our enquiries of management, the directors and the Group Audit and Risk committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the provision for outstanding members' benefits. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Friendly Societies Act and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the requirements of the Financial Conduct Authority and the Care Standards Act.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the provision for outstanding members' benefits as the key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Group Audit and Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matters prescribed by our engagement letter

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 as if those requirements applied to the Society.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Friendly Societies Act 1992 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the society; or
- the society's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

15. 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

David Heaton (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, UK

25 April 2023

Financial Statements

Statement of income and expenditure

for the year ended 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Income					
Contributions		**119,633**	115,388	**119,633**	115,388
Investment income	4	**1,146**	812	**3,599**	3,108
(Loss)/gain on the realisation of investments		**(889)**	2,906	**(889)**	2,906
Gain on investment property revaluation		**209**	1,479	**209**	1,479
Commissions receivable		**1,210**	1,173	**-**	-
Third party income from hospital activities		**16,720**	13,971	**-**	-
Other income		**503**	124	**487**	82
Total income		**138,532**	135,853	**123,039**	122,963
Expenditure					
Members' benefits	5	**(96,907)**	(85,397)	**(83,902)**	(75,249)
Expenses of management	6	**(31,439)**	(22,434)	**(30,436)**	(21,361)
Non-recurring costs	8	**(250)**	(31)	**(250)**	(31)
Investment expenses and charges		**(578)**	(934)	**(578)**	(934)
Depreciation and impairment of operational property		**(2,184)**	(1,140)	**(2,184)**	(1,140)
Interest and other similar costs		**(510)**	(503)	**(510)**	(503)
Total expenditure		**(131,868)**	(110,439)	**(117,860)**	(99,218)
Excess of income over expenditure before tax		**6,664**	25,414	**5,179**	23,745
Tax on excess of income over expenditure	22	**(17)**	(5)	**(17)**	(5)
Excess of income over expenditure for the financial year		**6,647**	25,409	**5,162**	23,740

Statement of other comprehensive income

for the year ended 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Surplus for the financial year		**6,647**	25,409	**5,162**	23,740
Unrealised (loss)/gain on investments		**(10,313)**	2,773	**(10,365)**	2,764
Unrealised gain on operational property		**338**	-	**338**	-
Benenden Hospital pension contribution		**-**	-	**2,550**	1,913
Pension scheme actuarial gain		**12,590**	8,474	**12,590**	8,474
Total gains of other comprehensive income		**2,615**	11,247	**5,113**	13,151
Total gains recognised since the last annual report		**9,262**	36,656	**10,275**	36,891

Statement of financial position

as at 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Assets					
Intangible assets					
Computer intangibles	9	**3,597**	3,618	**1,993**	1,897
Investments					
Land and buildings	11	**17,060**	16,851	**17,060**	16,851
Other financial investments	12	**141,178**	136,929	**140,367**	136,170
Investment in subsidiary	13	**-**	-	**1,750**	1,750
Debtors					
Members' contribution receivable		**1,579**	1,516	**1,579**	1,516
Debtors	16	**5,979**	6,689	**5,501**	5,120
Other assets					
Tangible assets	10	**46,487**	49,110	**37,907**	39,520
Stocks	15	**528**	662	**-**	-
Cash and cash equivalents		**18,237**	36,310	**12,168**	31,751
Prepayments and accrued income					
Prepayments and accrued income		**2,509**	1,186	**1,766**	905
Total assets		**237,154**	252,871	**220,091**	235,480

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Liabilities					
Capital and reserves					
Members' funds		**187,876**	178,614	**172,390**	162,115
Gross technical provisions					
Provision for outstanding members' benefits	18	**20,081**	23,090	**20,081**	23,090
Provision for liabilities and charges					
Defined Benefit Pension scheme liability	19	**13,956**	29,036	**13,956**	29,036
Creditors					
Creditors	17	**2,393**	2,669	**3,556**	3,001
Accruals and deferred income					
Accruals and deferred income		**12,848**	19,462	**10,108**	18,238
Total liabilities		**237,154**	252,871	**220,091**	235,480

The notes on pages 87 to 109 form part of these Financial Statements.

The Financial Statements on pages 82 to 109 were approved and authorised for issue by the Board on 25 April 2023 and were signed on their behalf by:

René Fraioli
Society Secretary

The Benenden Healthcare Society Limited
Friendly Society number 480F

Statement of changes in members' funds

for the year ended 31 December 2022

Group	General fund	Operational property reserve	Investments reserve	Lord Plant fund	Total members' funds
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Surplus for the financial year	**6,647**	**-**	**-**	**-**	**6,647**
Unrealised losses on investments	**-**	**-**	**(10,313)**	**-**	**(10,313)**
Unrealised gains on operational property	**-**	**338**	**-**	**-**	**338**
Pension scheme actuarial gain	**12,590**	**-**	**-**	**-**	**12,590**
	19,237	**338**	**(10,313)**	**-**	**9,262**
Balance at 1 January	**166,595**	**60**	**11,917**	**42**	**178,614**
Balance at 31 December	**185,832**	**398**	**1,604**	**42**	**187,876**
	2021 £'000	2021 £'000	2021 £'000	2021 £'000	2021 £'000
Surplus for the financial year	25,409	-	-	-	25,409
Unrealised gains on investments	-	-	2,773	-	2,773
Pension scheme actuarial gain	8,474	-	-	-	8,474
	33,883	-	2,773	-	36,656
Balance at 1 January	132,712	60	9,144	42	141,958
Balance at 31 December	166,595	60	11,917	42	178,614

The group seeks to hold a long-term surplus which is available to support requests for assistance that are likely to arise from current and future members.

Included in members' funds are £15,601k (2021: £16,723k) of net assets (after consolidation adjustments) held by The Benenden Hospital Trust and The Benenden Charitable Trust. Both are registered charities and must apply these funds solely in the pursuit of their charitable objectives, consequently these funds are not available for the general purposes of the group.

Society	General fund	Operational property reserve	Investments reserve	Lord Plant fund	Total members' funds
	2022 £'000	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Surplus for the financial year	**5,162**	**-**	**-**	**-**	**5,162**
Unrealised losses on investments	**-**	**-**	**(10,365)**	**-**	**(10,365)**
Unrealised gains on operational property	**-**	**338**	**-**	**-**	**338**
Benenden Hospital pension contribution	**2,550**	**-**	**-**	**-**	**2,550**
Pension scheme actuarial gain	**12,590**	**-**	**-**	**-**	**12,590**
	20,302	**338**	**(10,365)**	**-**	**10,275**
Balance at 1 January	**150,105**	**60**	**11,908**	**42**	**162,115**
Balance at 31 December	**170,407**	**398**	**1,543**	**42**	**172,390**
	2021 £'000	2021 £'000	2021 £'000	2021 £'000	2021 £'000
Surplus for the financial year	23,740	-	-	-	23,740
Unrealised gains on investments	-	-	2,764	-	2,764
Benenden Hospital pension contribution	1,913	-	-	-	1,913
Pension scheme actuarial gain	8,474	-	-	-	8,474
	34,127	-	2,764	-	36,891
Balance at 1 January	115,978	60	9,144	42	125,224
Balance at 31 December	150,105	60	11,908	42	162,115

The Society seeks to hold a long-term surplus which is available to support requests for assistance that are likely to arise from current and future members.

The Lord Plant Fund was established following the death of Cyril Thomas Howe Plant to allow staff the opportunity to travel within the United Kingdom or overseas to develop personally and bring improvements in all aspects of care for our members and patients.

Statement of cash flows

for the year ended 31 December 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Cash flows from operating activities					
Surplus for the year		**6,647**	25,409	**5,162**	23,740
Adjustments for:					
Depreciation and amortisation		**4,802**	4,589	**2,246**	2,254
Net impairment/(gains) on property revaluations		**829**	(1,479)	**829**	(1,479)
Loss/(profit) on sale of assets		**894**	(2,903)	**889**	(2,908)
Investment income	4	**(1,146)**	(812)	**(3,599)**	(3,108)
Interest on pensions		**510**	495	**510**	495
		12,536	25,299	**6,037**	18,994
(Increase)/decrease in debtors		**(676)**	920	**(1,305)**	(114)
Decrease/(increase) in stock		**134**	(128)	**-**	-
(Decrease)/increase in creditors		**(6,890)**	9,969	**(7,575)**	9,206
Decrease in provisions for members' benefits		**(3,009)**	(304)	**(3,009)**	(304)
		(10,441)	10,457	**(11,889)**	8,788
Defined Benefit Pension contributions		**(3,000)**	(10,250)	**(450)**	(8,337)
Net cash flows generated from operating activities		**(905)**	25,506	**(6,302)**	19,445

	Notes	Group 2022 £'000	Group 2021 £'000	Society 2022 £'000	Society 2021 £'000
Cash flows from investing activities					
Proceeds from sale of fixed assets		**-**	74	**106**	74
Dividends received		**443**	430	**443**	430
Interest and other income received		**601**	382	**3,054**	2,678
Proceeds from sale of investments	12	**59,429**	47,911	**59,429**	47,911
Acquisition of investments	12	**(74,778)**	(48,887)	**(74,778)**	(48,137)
Acquisition of property and equipment		**(2,863)**	(2,649)	**(1,535)**	(970)
Net cash flows used in investing activities		**(17,168)**	(2,739)	**(13,281)**	1,986
Cash flows from financing activities					
Loans to fund Hospital development		**-**	(4,167)	**-**	(4,167)
Net cash flows used in financing activities		**-**	(4,167)	**-**	(4,167)
Cash flows from financing activities		**-**	-	**-**	-
Net increase in cash and cash equivalents		**(18,073)**	18,600	**(19,583)**	17,264
Opening cash and cash equivalents		**36,310**	17,710	**31,751**	14,487
Closing cash and cash equivalents		**18,237**	36,310	**12,168**	31,751

Notes to the financial statements

for the year ended 31 December 2022

1. General information

The Benenden Healthcare Society Limited ('the Society') is a friendly society conducting flat-rate benefits business, and in addition together with its subsidiaries ('the group') provides a range of general insurance products to its members and the wider public.

The Society is a mutual incorporated in England (Friendly Society no. 480F).

The address of its registered office is:
Holgate Park Drive, York, YO26 4GG.

Statement of compliance

The financial statements of the Society and the group have been prepared in compliance with United Kingdom Accounting standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and 'The Friendly Societies (Accounts and Related Provisions) Regulations 1994'. The Society has chosen to adopt the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement, as per paragraph 11.2(b) of FRS 102.

2. Summary of significant accounting policies

The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation

These separate and consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value (namely investment properties, land and buildings and listed investments).

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and Society's accounting policies. Management estimates are based on subjective as well as objective factors and, as a result, judgement may be required to estimate an amount at the date of the financial statements. Management's judgement is based on its knowledge and experience about past and current events, its assumptions about conditions it expects to exist and courses of action it expects to take. Judgements made by management in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed under 'Significant accounting estimates and judgements'.

(b) Going concern

The consolidated financial statements are prepared on a going concern basis. In considering the going concern basis, the Directors have reviewed the group's and Society's future cash requirements, earnings projections and capital projections. The Board of Directors believes that these forecasts have been prepared on a prudent basis and has also considered the impact of a range of potential changes to trading performance. Forecasts have been stress tested for a range of possible, but very unlikely, scenarios relating to increases in members' benefits spend, reductions in membership, inflation and reductions in investment valuations.

The Board of Directors has concluded that the group and Society will be able to operate without requiring additional external funding and therefore believes it is appropriate to prepare consolidated financial statements of the group and Society on a going concern basis.

(c) Basis of consolidation

The consolidated financial statements include the results of the Society and its subsidiary undertakings and controlled bodies made up to 31 December each year. A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of subsidiary undertakings are included in the consolidated statement of income and expenditure from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Benenden Charitable Trust and The Benenden Hospital Trust are controlled bodies of the Society under the provisions of the Friendly Societies Act 1992 and are fully consolidated accordingly. Benenden Hospital Limited, which has not traded in the period, has been controlled by the Society since its incorporation on 13 October 2021.

The amounts in the consolidated financial statements all arise from continuing operations made up until 31 December each year.

(d) Functional and presentation currency

The group financial statements are presented in pounds sterling and rounded to the nearest thousand.

The Society's functional and presentational currency is pounds sterling, as this is the currency of the United Kingdom, in which the Society exclusively trades.

(e) Revenue recognition

(i) Contribution income

Revenue is recognised at the fair value of the consideration received with the main source being member contributions. Contributions are recognised on a monthly basis as and when certainty of membership is confirmed.

Revenues are included in the financial statements and represent the income payable by the active membership in the year either:

a) by amounts advised as being deducted from members' payrolls by employers or pension providers in the year;

b) on payments received directly from members in respect of the year; or

c) less refunded contributions paid to members.

(ii) Investment income

Income from rental properties and investments includes dividends from the investment portfolio, together with any associated tax credit and interest from bank deposits and is shown in the statement of income and expenditure on an accruals basis.

(iii) Commission income

Commission income comprises commission earned by Benenden Wellbeing Limited on travel insurance, health assessments and health cash plans.

Commission income is recognised at fair value on a monthly basis in line with contractual obligations with the respective third parties.

(iv) Third party income from Hospital activities

Third party income from Hospital activities represents the invoiced value of goods and services supplied.

(v) Other income

Charitable donations, profit shares, legacy and other income are credited to the statement of income and expenditure when there is adequate certainty of receipt.

(f) Employee benefits

The Benenden Healthcare Pension Plan (the 'Scheme') is funded by the Society, The Benenden Hospital Trust (the 'employers') and employees of both entities through their respective contributions.

(i) Group Defined Benefit plan

The Society recognises the cost and net obligation of the group-wide Defined Benefit Pension Plan. One of the Society's subsidiaries (The Benenden Hospital Trust) also participates in the Scheme. There is no contractual agreement or stated policy for charging the net Defined Benefit cost between the Society and The Benenden Hospital Trust ('Hospital Trust'). In light of this, the Society recognises the full cost of the Scheme, including the Hospital Trust's portion of the FRS 102 Scheme liability.

The Society's net obligation in respect of the Defined Benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted from the total liability to arrive at the net asset or obligation. The net interest expense/income is determined on the net Defined Benefit liability for the period by applying the discount rate (as determined at the beginning of the annual period) to the net Defined Benefit liability, taking account of changes arising as a result of contributions and benefit payments.

The Scheme assets and liabilities are recognised in full in the accounts of the Society on a net basis. FRS 102 requires that the discount rate should reflect the current rate of return available on high quality corporate bonds (typically AA-rated or equivalent) of equivalent currency and term to the plan liabilities.

The Society's Defined Benefit Pension scheme closed to future accrual on 31 December 2018. Previously, the rates of contribution paid were determined by the Pension Trustees on advice of the Scheme actuary.

A triennial valuation is undertaken by a professionally qualified actuary. Actuarial gains or losses are recognised under the heading 'Pension scheme actuarial gain/loss' within the statement of other comprehensive income.

(ii) Group Defined Contribution plan

A Defined Contribution scheme is a pension scheme under which the group pays fixed contributions into a separate entity and provides no guarantee as to the quantum of retirement benefits that those contributions will ultimately purchase.

The Society operates a Defined Contribution Pension scheme for the auto-enrolment of all new employees and any existing. The Society's principal subsidiary, The Benenden Hospital Trust, participates in this Scheme. The Society makes guaranteed fixed contributions on a regular basis relative to the level of the employee contribution. The future benefits are not guaranteed, and the Society has no legal or constructive obligation to pay further amounts.

(g) Taxation

The Benenden Hospital Trust and The Benenden Charitable Trust are exempt from corporation tax.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end in the financial statements.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. In general, deferred tax is recognised in respect of all timing differences between taxable profit and total comprehensive income at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

(h) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are separable from the entity or arise from contractual or legal rights. An intangible asset is recognised if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost or value can be measured reliably. Intangible assets are measured using the cost model, which takes into account accumulated amortisation and all impairment losses.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Computer intangible – 3 years

(i) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses or revalued amount. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Property, plant and equipment

The Hospital asset is valued at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses by both the group and Society.

Other property is recognised initially at cost and is revalued periodically using market-based evidence. Gains on revaluation in excess of losses previously recognised on individual assets are credited through the statement of other comprehensive income. Losses on revaluation in excess of gains previously recognised on individual assets are debited through the statement of income and expenditure.

Plant and equipment are recognised at cost, including all costs necessary to prepare the asset for its intended use, an estimate of the costs of dismantling and removing the item and restoring the site if required.

Revaluations are made with sufficient regularity to ensure that the carrying value does not differ materially from fair value.

(ii) Depreciation

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Buildings (Hospital asset) – over the period of the lease

Buildings (Other property) – 40 years

Fixtures and fittings – 15 years

Furniture and equipment – 3-7 years

Motor vehicles – 3 years

Assets held under the revaluation model are depreciated in the period when they are not revalued, with the accumulated depreciation being reversed at each revaluation date.

Within the prior year, the accounting estimate for the depreciation of the Hospital asset was changed, from over 40 years to over the period of the lease. See note 3 (c) for further details.

(j) Borrowing costs

Borrowing costs were recognised in the statement of income and expenditure in the period in which they are incurred. The Society had a term loan which was repaid on 17 February 2021 following approval from the Board.

(k) Leased assets

At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases and are charged to the statement of income and expenditure on a straight-line basis over the period of the lease. All other leases are classified as finance leases. Finance leases are recognised at the present value of the minimum lease value; neither the group nor the Society held any finance leases in 2021 or 2022.

(l) Impairment of non-financial assets

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit, 'ACGU') may be impaired. If there is such an indication the recoverable amount of the asset (or ACGU) is compared to the carrying amount of the asset (or ACGU). The recoverable amount of the asset (or ACGU) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or ACGU) continued use.

The cash flows are derived from the business plans for the next three to five years and do not include any activities that the group is not yet permitted to undertake or significant future investments that will enhance the asset's performance. If it is not possible to determine the recoverable amount of the asset, then it is based on the recoverable amount of the income-generating unit to which it belongs.

If the recoverable amount is lower than the carrying amount, the difference is recognised in the statement of income and expenditure as an impairment loss. Assessment of impairment is carried out at each reporting date, where there are indicators of impairment of individual assets. Management performs impairment tests based on the recoverable amount.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or ACGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of income and expenditure.

(m) Investments in subsidiaries

Investments in subsidiaries are measured at cost on initial recognition and are subsequently subject to impairment review. Any impairment loss is recognised in the statement of income and expenditure. Assessment of impairment is carried out at each reporting date, where there are indicators of impairment of individual investments. Management performs its impairment test by comparing the carrying value of the investment with the recoverable amount. The cash flows are derived from the business plans for the next five years and do not include any activities that the group is not yet permitted to undertake or significant future investments that will enhance the asset's performance. If it is not possible to determine the recoverable amount of the asset, then it is based on the recoverable amount of the income-generating unit to which it belongs.

(n) Investments

(i) Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is measured at cost on initial recognition. Subsequently, investment property is measured at fair value at the reporting date with any changes recognised in the statement of income and expenditure.

(ii) Other investments

Other investments held by the Society (excluding term deposits with a maturity date of more than three months) are classified as being available for sale ('AFS') and are stated at fair value. Other investments are initially recognised at cost in the statement of financial position and are revalued on a quarterly basis at quoted price, with any gain or loss recognised in the revaluation reserve within the statement of other comprehensive income. On disposal, cumulative gains and losses that have arisen as a result of changes in fair value in AFS financial assets are recycled in full in the statement of income and expenditure.

Term deposits with a maturity date of more than three months are stated at initial investment plus any accrued interest and are classified as loans and receivables.

All of the Society's other investments are quoted in an active market. The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis and use the source which the Society's investment advisors consider most appropriate for the market and investment concerned. The quoted price is usually the current bid price.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined below, net of outstanding bank overdrafts.

(o) Debtors

Member contributions outstanding and other debtors are initially recognised at fair value, which is generally equal to face value, and are subsequently held at amortised cost.

Provision is made when there is objective evidence that the group will not be able to recover balances in full, with the charge being recognised in the statement of income and expenditure.

(p) Stock

Stock is valued at the lower of cost or estimated selling price less selling costs (net realisable value) and includes Hospital medical goods.

(q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a current maturity date of three months or less.

(r) Financial instruments

The group has chosen to apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value or amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of income and expenditure.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of income and expenditure.

Other financial assets which are not subsidiaries, associates or joint ventures are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the statement of income and expenditure except investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price and represent the total change in fair value since an investment was acquired and are calculated using the average cost method. Movements in unrealised gains and losses on investments represent the difference between the fair value at the statement of financial position date and their purchase price or their fair value at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Dividends on equity instruments are included as investment income on the date the equity shares are quoted ex dividend and are stated net of any withholding tax.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Provision for outstanding members' benefits represents the anticipated cost of all cases that have been either authorised and expected to commence treatment or have started treatment and the costs are yet to be fully charged and are thereby accrued in line with FRS 102 section 21.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and are subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, i.e. when the contractual obligation is discharged, cancelled or expires.

(s) Related party transactions

Balances due to or from other group companies are initially recognised at fair value and are subsequently held at amortised cost less any provision for impairment.

(t) Members' benefits

Members' benefits consist of all the directly attributable costs of delivering services to the membership, such as medical services, costs related to Benenden Hospital (including costs for third party treatment), information-based services, the cost of running the Member Services function and movements in the outstanding members' benefits provision.

(u) Expenses of management

The expenses of management are recognised as the non-medically related costs incurred by the group and consist of all the running costs of the group excluding those categorised as 'members' benefits' in the financial statements. Included within expenses of management are staffing (for example salaries, pension, recruitment, training), operational costs (for example utilities, stationery, systems support and maintenance), costs relating to the recruitment of members, Conference costs, Board costs, depreciation and costs associated with the delivery of strategic objectives.

(v) Total members' funds

Total members' funds are the accumulated unrestricted surpluses of the Society, its subsidiaries and its controlled bodies added to the unrealised gains on investments. Total members' funds are available for use at the discretion of the Board and increase (or decrease) the organisation's ability to absorb or respond to temporary changes in its business environment.

3. Critical accounting judgements and estimation uncertainty

In the preparation of these financial statements, the group is required to make estimates and judgements that affect items reported in the group and Society statement of income and expenditure, statement of financial position and other primary statements and related notes. The key areas involving a degree of judgement or complexity, or areas where assumptions are significant to the financial statements are listed below.

Critical judgements in applying the group's accounting policies

(a) Provision for outstanding members' benefits

Management deems FRS 102 section 21 to be the appropriate accounting standard to follow when assessing what provision is required for its obligations in respect of outstanding members' benefits. This provision, at the reporting date, represents the anticipated cost of all cases that have been or are expected to be authorised and expected to commence treatment or have started treatment and the costs are yet to be fully charged.

(b) Investment in subsidiary

It is management's view that the value of the Society's investment in subsidiary should be reviewed each year for evidence of impairment. Management exercises its judgement in determining whether indicators of impairment exist.

(c) Property valuation

The group and Society hold investment property and operational property. Property is held at depreciated cost or fair value, dependent on its asset class. Where property is held at fair value, management has based the value on the latest external valuation adjusted for market movements since that date using market data for similar property in the same geographical area where an external valuation was not undertaken at the reporting date.

Key accounting estimates and assumptions

(a) Provision for outstanding members' benefits

The valuation of the outstanding members' benefits provision is based on the expected future costs of settling cases that have been or are expected to be authorised, by reference to past experience and trends seen in the preceding months. The provision uses average take-up rates and average case costs to estimate the liability of all open cases at 31 December each year that were not settled at that date. The assumptions used are sensitive to fluctuations in demand and cost; however, the trends are analysed over the preceding months using a cohort methodology to extrapolate the underlying data (see note 18). At 31 December 2022, the provision for outstanding members' benefits was £20,081k (2021: £23,090k).

During the COVID-19 pandemic, government guidance and restrictions resulted in changes in member behaviour and the availability of certain clinical and treatment facilities.

The Society reacted to the unprecedented restrictions by relaxing the usual requirement for members to take up services within six months of approval. All cases approved during 2020 remained open for take up until 30 June 2022. The provision for any cases approved in 2020 and 2021 but not taken up by this date has been released in the year.

The provision is estimated using cohort methodology with management exercising judgement where projection results appear to be outside of the expected range of values based on previous experience. These judgements have been used on the more extreme fluctuation in the cohort cost estimates, mostly impacted by the timing of billing. In the prior year, judgement was also applied in estimating the impact of the extended period of exposure for members to take up service packs so that modest residual reserves are held for earlier months in 2020 which were severely impacted by COVID restrictions.

In assessing the level of provision at the year end, management has considered different scenarios for the development to maturity of take up rate and average cost assumptions for cases opened in 2022. Guidance from the Financial Reporting Council requests disclosure of sensitivity analysis or ranges of possible outcomes to be provided for areas subject to significant estimation uncertainty. Management views the provision for outstanding members' benefits as a key estimate and considers that the estimated range of outcomes for members' benefits, based on a range of possible take up rates and average costs, could result in the provision being between £1.3m lower and £1.4m higher for the year.

(b) Investment in subsidiary

The recoverable amount of the cash-generating unit is based on value in use calculations. The calculations are based on expected pre-tax cash flows. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance. At 31 December 2022 the Society's investment in subsidiary was valued at £1,750k (2021: £1,750k).

(c) Property valuation

Management engaged an independent professional valuer to undertake a valuation at 31 December 2022. The methodology for this calculation is detailed in note 11. This revaluation has resulted in a net increase in value in the year of £209k (2021: increase of £1,479k). At 31 December 2022 the group's and Society's property was valued at £54,809k (2021: £56,059k). Sensitivity analysis, based on possible fluctuations in market prices, is provided in note 14.

(d) Pension benefit obligation

The valuation of the pension benefit obligation for the group's Defined Benefit scheme requires actuarial assumptions relating to discount rates, inflation, longevity and future pension increases. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty. Details of the principal assumptions used for the Defined Benefit scheme are disclosed in note 20. At 31 December 2022 the pension benefit obligation was £13,956k (2021: £29,036k).

4. Investment income	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Collective investment income	**443**	430	**443**	430
Rental income	**321**	288	**2,784**	2,584
Interest received	**382**	94	**372**	94
Income from investments	**1,146**	812	**3,599**	3,108

The above investment income includes income generated from group investment holdings (note 12), rental income and income from cash on deposit held across the group.

5. Members' benefits	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Treatment services	**20,502**	16,505	**20,502**	16,505
Consultation services	**35,557**	32,511	**35,557**	32,511
Financial assistance	**276**	220	**276**	220
Grants and donations	**-**	-	**24,228**	23,208
Hospital running costs	**37,233**	33,356	**-**	-
Information based services	**3,339**	2,805	**3,339**	2,805
Total members' benefits	**96,907**	85,397	**83,902**	75,249

Regulated activity

Less than 0.1% of the total members' benefits relates to the regulated activity of provision of approved treatment for tuberculosis or any allied condition.

6. Expenses of management include the following expenditure	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Officers' emoluments and other payments*	**1,255**	1,152	**1,255**	1,152
Auditor's remuneration (including VAT)	**395**	312	**253**	223
Expenses paid to the Officers**	**79**	33	**79**	33
Operating lease rentals - plant and machinery	**141**	151	**82**	91
Depreciation and impairment	**3,517**	3,462	**1,300**	1,296
Amortisation	**1,285**	1,127	**946**	958
Officers' emoluments and other payments*				
Chief Executive Officer	**399**	371	**399**	371
Chief Financial Officer	**328**	308	**328**	308
Secretary	**105**	100	**105**	100
Non-Executive Directors	**423**	373	**423**	373
Total	**1,255**	1,152	**1,255**	1,152
Amount receivable (excluding VAT) by the group's auditor and its associates in respect of:				
Audit of financial report and financial statements				
- fees and expenses in respect of the current year	**211**	186	**211**	186
- audit of the financial statements of the subsidiaries	**118**	74	**-**	-
Total	**329**	260	**211**	186

*Officers' emoluments and other payments represent the amounts paid in the year on salaries, bonus (including accrued and not yet paid), car allowance and the employer's pension contributions.

**2021 has been restated to include the expenses of the Society Secretary.

The number of remunerated non-executive directors at the end of 2022 was 11 (2021: 11).

7. Employee number and costs	Group		Society	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Wages and salaries	**24,716**	22,187	**13,350**	12,077
Social security costs	**2,438**	2,074	**1,449**	1,232
Contributions to Defined Contribution Pension Plan	**2,976**	2,801	**1,723**	1,553
Redundancy costs	**139**	296	**-**	-
Total cost	**30,269**	27,358	**16,522**	14,862
	No.	**No.**	**No.**	**No.**
Board	**13**	13	**13**	13
Management	**5**	5	**4**	4
Medical services	**333**	333	**-**	-
Administration and support	**466**	451	**340**	328
Number of employees	**817**	802	**357**	345

Senior management

Full disclosure of the Chief Executive Officer's and Chief Financial Officer's employee benefits are shown in the Director's Remuneration Report on pages 70 to 75.

8. Non-recurring costs	Group		Society	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
Legal costs	**-**	31	**-**	31
Donations	**250**	-	**250**	-
Total non-recurring costs	**250**	31	**250**	31

The legal costs of £nil (2021: £31k) were incurred in relation to the investigation into issues raised in 2016 about how the Society was run between January 2015 and July 2016. The investigation is now complete.

In the year, the Society donated £250k (2021: £nil) to the Disasters Emergency Committee Ukraine Humanitarian Appeal. The donation was made through the British Red Cross whose objectives, the Board agreed, matched the wider purposes of the Society, namely improving health and preventing disease.

9. Intangible assets	Computer intangibles	
	Group	Society
Cost	**£'000**	**£'000**
At 1 January 2022	11,269	9,379
Additions	1,264	1,148
Transfer to subsidiary undertaking	-	(106)
At 31 December 2022	**12,533**	**10,421**
Amortisation and impairment		
At 1 January 2022	7,651	7,482
Amortisation charge for the year	1,285	946
At 31 December 2022	**8,936**	**8,428**
Net book value at 31 December 2021	3,618	1,897
Net book value at 31 December 2022	**3,597**	**1,993**

10. Tangible fixed assets	Land and buildings		Fixtures and fittings	Motor vehicles	Furniture and equipment	Total
Group	@Revaluation	@Cost				
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2022	2,819	51,450	10,937	127	13,556	78,889
Additions	-	387	55	-	1,157	1,599
Revaluation	131	-	-	-	-	131
Disposals	-	-	-	(42)	(22)	(64)
At 31 December 2022	**2,950**	**51,837**	**10,992**	**85**	**14,691**	**80,555**
Depreciation and impairment						
At 1 January 2022	138	14,923	4,920	112	9,686	29,779
Provided in the year	69	1,077	436	6	1,929	3,517
Impairment	-	1,038	-	-	-	1,038
Disposals	-	-	-	(37)	(22)	(59)
Depreciation reversed on revaluation	(207)	-	-	-	-	(207)
At 31 December 2022	**-**	**17,038**	**5,356**	**81**	**11,593**	**34,068**
Net book value at 31 December 2021	2,681	36,527	6,017	15	3,870	49,110
Net book value at 31 December 2022	**2,950**	**34,799**	**5,636**	**4**	**3,098**	**46,487**

10. Tangible fixed assets	Land and buildings		Furniture and equipment	
Society	@Revaluation	@Cost		Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2022	2,819	51,450	949	55,218
Additions	-	387	-	387
Revaluation	131	-	-	131
At 31 December 2022	**2,950**	**51,837**	**949**	**55,736**
Depreciation and impairment				
At 1 January 2022	138	14,923	637	15,698
Provided in the year	69	1,077	154	1,300
Impairment	-	1,038	-	1,038
Depreciation reversed on revaluation	(207)	-	-	(207)
At 31 December 2022	**-**	**17,038**	**791**	**17,829**
Net book value at 31 December 2021	2,681	36,527	312	39,520
Net book value at 31 December 2022	**2,950**	**34,799**	**158**	**37,907**

The group and Society occupied land and buildings for its own use and the use of its members with a value of £37,749k at the year end (2021: £39,208k).

In the year, the properties owned by the Society were revalued by an independent, professionally qualified valuer as at the balance sheet date. As a result, the value of the operational properties reduced by £700k (2021: £nil).

11. Investments - Land and buildings	
Group and Society	Investment property (at fair value)
Cost	**£'000**
Balance at 1 January 2022	16,851
Unrealised gain to members' funds	209
Balance at 31 December 2022	**17,060**
Net balance at 31 December 2021	16,851
Net balance at 31 December 2022	**17,060**

Investment property

The group's investment properties are valued annually as at 31 December of each financial year at fair value.

In the year, the properties owned by the Society were revalued by an independent, professionally qualified valuer as at the balance sheet date. As a result the value of the investment properties increased by £209k (2021: £1,479k following internal valuation).

At 31 December 2022 the fair value of the investment property was determined by an independent, professionally qualified valuer. The independent valuation was undertaken in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2021, effective from 31 January 2022, incorporating the IVSC International Valuation Standards (the "RICS Red Book") and the UK National Supplement 2018, effective 14th January 2019.

The key assumption in this valuation is the definition of market value (as per Valuation Standard VPS 4 of the RICS Red Book) as being the "estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

If investment property had been accounted for under the historic cost accounting rules, the property would have been measured as follows:

Net book value on historic cost basis	Group and Society	
	2022 £'000	2021 £'000
Historic cost	**5,675**	5,675
Accumulated depreciation and impairments	**(5,012)**	(4,870)
Net book value	**663**	805

12. Investments - other investments	At fair value			
Group	Fixed maturity securities	Equity securities	Other investments (including derivatives)	Total investments
	£'000	£'000	£'000	£'000
Balance at 1 January 2022	**99,654**	**19,254**	**18,021**	**136,929**
Additions	**54,921**	**9,333**	**10,524**	**74,778**
Disposals	**(35,724)**	**(22,808)**	**(897)**	**(59,429)**
(Loss)/gain to members' funds or income statement	**(16,863)**	**305**	**5,458**	**(11,100)**
Balance at 31 December 2022	**101,988**	**6,084**	**33,106**	**141,178**
Net investments at 31 December 2021	99,654	19,254	18,021	136,929
Net investments at 31 December 2022	**101,988**	**6,084**	**33,106**	**141,178**

Society				
	£'000	£'000	£'000	£'000
Balance at 1 January 2022	**99,364**	**18,921**	**17,885**	**136,170**
Additions	**54,921**	**9,333**	**10,524**	**74,778**
Disposals	**(35,724)**	**(22,808)**	**(897)**	**(59,429)**
(Loss)/gain to members' funds or income statement	**(17,120)**	**510**	**5,458**	**(11,152)**
Balance at 31 December 2022	**101,441**	**5,956**	**32,970**	**140,367**
Net investments at 31 December 2021	99,364	18,921	17,885	136,170
Net investments at 31 December 2022	**101,441**	**5,956**	**32,970**	**140,367**

Within investments, there are significant additions and disposals in the year which relate to the Society's investments with Ruffer LLP. Unlike the Society's other fund-based investments, Ruffer invests the funds under their management directly thereby generating a large number of transactions. In line with accounting standards the Society records these investment transactions as additions and disposals in the period.

In the year, the Society disinvested £5.0m from L&G index-linked gilts for re-investment and, together with £15.0m cash from the current account, the Society invested £15.0m into a short term bond fund managed by Mercer and £5.0m into a deposit bank account.

13. Society investment in subsidiary undertakings

	2022 £'000
Cost	
At 1 January and 31 December 2022	**4,801**
Accumulated impairment	
At 1 January and 31 December 2022	**3,051**
Net book amount at 31 December 2021	1,750
Net book amount at 31 December 2022	**1,750**

Of the accumulated impairment loss brought forward, £2,301k relates to the impairment of the Society's investment in The Friendly Healthcare Organisation Limited (FHOL) in 2016. FHOL ceased to trade in July 2015 following the sale of its trade and assets to Benenden Wellbeing Limited, another group company. FHOL has been dormant since 3 August 2016.

The remaining £750k relates to the impairment of the Society's investment in Benenden Wellbeing Limited. At 31 December 2022, management reviewed the forecast performance of Benenden Wellbeing Limited, the results of which gave no indication that the net book value of £1,750k was no longer appropriate. The Society has therefore applied no impairment in the year (2021: £nil).

Investment in subsidiaries

At 31 December 2022 the group and Society had interests in the following subsidiaries, all of which are included in the consolidated figures:

Company name	Subsidiary of	Business activity	Registered office address	Country of incorporation	Proportion of shares held	Share class	Shares issued
Benenden Wellbeing Limited	Society	Insurance intermediary	Holgate Park, York, YO26 4GG	England	100%	Ordinary	2,500,000
Best Health Limited	Society	Dormant	Holgate Park, York, YO26 4GG	England	100%	Ordinary	2
The Friendly Healthcare Organisation Limited	Society	Dormant	Holgate Park, York, YO26 4GG	England	100%	Ordinary	1
Benenden Hospital Limited	Society	Dormant	Holgate Park, York, YO26 4GG	England	100%	Ordinary	100

These consolidated results include the financial statements of The Benenden Charitable Trust and The Benenden Hospital Trust, as they represent controlled bodies for the following reasons:

The Benenden Charitable Trust

The Benenden Charitable Trust is a controlled body of the Society under the provisions of the Friendly Societies Act 1992. Control is effected by the Charity's constitution allowing the majority of its trustees to be appointed by the members; the Society is the sole member of the Trust.

Audited financial statements for The Benenden Charitable Trust are publicly accessible from The Charity Commission, Registrar of Companies or directly from The Benenden Charitable Trust, Holgate Park, York, YO26 4GG.

The Benenden Hospital Trust

The Benenden Hospital Trust became a controlled body of the Society under the provisions of the Friendly Societies Act 1992 with effect from 1 July 2003. Control was effected by the Trust's constitution being changed to allow the majority of its trustees to be appointed by the Society and the Society being admitted as a member of the Trust.

The transfer of control has been treated in accordance with UK Generally Accepted Accounting Practices, and as such fair values were assigned to the net assets of The Benenden Hospital Trust and its subsidiary undertakings.

No consideration was paid by the Society in respect of the assessed fair value of assets as stated above. The financial results since acquisition have been incorporated into the consolidated financial statements of the Society.

Audited financial statements for The Benenden Hospital Trust are publicly accessible from the Charity Commission, Registrar of Companies or directly from The Benenden Hospital Trust, Goddard's Green Road, Benenden, Cranbrook, Kent, TN17 4AX.

Financial instruments

The group and Society uses financial instruments to invest liquid asset balances and generate income through the return generated by these financial instruments.

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. This note describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The tables below analyse the group's and Society's assets and liabilities by financial classification:

14. Carrying values by category	Held at amortised cost		Held at fair value	
Group	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Total
	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents	18,237	-	-	18,237
Members' contributions receivable	1,579	-	-	1,579
Other assets	-	6,723	141,178	147,901
Total financial assets	**19,816**	**6,723**	**141,178**	**167,717**
Non-financial assets				69,437
Total assets	**19,816**	**6,723**	**141,178**	**237,154**
Financial liabilities				
Amounts owed to members and suppliers	-	21,742	-	21,742
Other liabilities	-	13,580	-	13,580
Total financial liabilities	**-**	**35,322**	**-**	**35,322**
Non-financial liabilities				13,956
Total liabilities	**-**	**35,322**	**-**	**49,278**

14. Carrying values by category	Held at amortised cost		Held at fair value	
Society	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Total
	£'000	£'000	£'000	£'000
Financial assets				
Cash and cash equivalents	12,168	-	-	12,168
Members' contributions receivable	1,579	-	-	1,579
Other assets	-	5,585	140,367	145,952
Total financial assets	**13,747**	**5,585**	**140,367**	**159,699**
Non-financial assets				60,392
Total assets	**13,747**	**5,585**	**140,367**	**220,091**
Financial liabilities				
Amounts owed to members and suppliers	-	21,418	-	21,418
Other liabilities	-	12,327	-	12,327
Total financial liabilities	**-**	**33,745**	**-**	**33,745**
Non-financial liabilities				13,956
Total liabilities	**-**	**33,745**	**-**	**47,701**

Derivative financial instruments – forward contracts

One of the funds that the Society invests in enter into forward foreign currency contracts to mitigate the exchange rate risk on certain foreign currency assets within the fund. At 31 December 2022, there was a single outstanding contract to buy US$17,645k payable in GBP (2021: €2,156k and US$12,716k) maturing within 3 months (2021: all mature within 6 months) of the year end.

The forward currency contract is measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key input used in valuing the derivative is the forward exchange rates for GBP:USD (2021: GBP:USD and GBP:EUR). The fair value of the forward-foreign currency contract is £(242)k (2021: £208k).

≡ Contents

Valuation of financial instruments carried at fair value

The group and Society hold certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. market data is unavailable) for the asset or liability.

The tables opposite summarise the fair values of the group's and Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the group and Society to derive the financial instruments, fair value.

14. Fair value Group	Level 1	Level 2	Level 3	Total
Financial assets Available for sale	£'000	£'000	£'000	£'000
Other financial investments				
Fixed maturity securities	101,988	-	-	101,988
Equity securities	6,084	-	-	6,084
Other investments (including derivatives)	14,476	18,630	-	33,106
Other assets held at fair value				
Investment property	-	17,060	-	17,060
Society				
Financial assets Available for sale	£'000	£'000	£'000	£'000
Investments				
Fixed maturity securities	101,441	-	-	101,441
Equity securities	5,956	-	-	5,956
Other investments (including derivatives)	14,340	18,630	-	32,970
Other assets held at fair value				
Investment property	-	17,060	-	17,060

Credit risk

Credit risk is defined as the risk of loss if a counterparty fails to perform its obligations; it may also arise in terms of default or deterioration in a counterparty. Exposure to credit risk may arise in connection with a single transaction or an aggregation of transactions (not necessarily the same type) with a single counterparty.

The group's and Society's maximum credit risk exposure is detailed in the table below.

14. Credit risk	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash and cash equivalents	**18,237**	36,310	**12,168**	31,751
Members' contributions receivable	**1,579**	1,516	**1,579**	1,516
Debtors	**5,979**	6,689	**5,501**	5,120
Investments	**141,178**	136,929	**140,367**	136,170
Total statement of financial position exposure	**166,973**	181,444	**159,615**	174,557

The group and Society do not use credit derivatives, or similar instruments, to manage their credit risk. None of the above assets are either past due or impaired. The group and Society's investments and cash are all held in investment grade assets.

Liquidity risk

Liquidity risk is the risk that the group and Society cannot make payments as they become contractually due because there are insufficient assets in cash form.

The group and Society encounter potential liquidity risk exposures from their different business activities. These principally arise from an unexpected increase in member benefit payments. Liquidity is maintained to a prudent level, with a buffer to cover contingencies, including the provision of temporary liquidity to The Benenden Hospital Trust. The group Investment and Treasury Policy and associated standards have been set to maintain sufficient liquid assets.

At a group level there is a liquidity risk appetite statement which requires that sufficient liquid resources are maintained to cover net cash outflows both on a business as usual basis and under stressed conditions.

The group and Society manage this by:

- Maintaining forecasts of cash requirements and adjusting investment management strategies as appropriate to meet these requirements, both in the short and long term
- Maintaining sufficient expected fund levels to be able to settle liabilities as these fall due
- Forecasting additional cash demands and management actions to be taken to liquidate sufficient assets to meet the increased demands

Maturity analysis for financial liabilities

The tables below set out the remaining contractual maturities for the group's and Society's financial liabilities. In practice, contractual maturities are not always reflected in actual experience.

14. Liquidity risk Group	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	Total
	£'000	£'000	£'000	£'000	£'000
Financial liabilities					
Amounts due to members and suppliers	-	**18,000**	**17,322**	-	**35,322**
Total liabilities	-	**18,000**	**17,322**	-	**35,322**
Society					
Financial liabilities					
Amounts due to members and suppliers	-	**18,000**	**15,745**	-	**33,745**
Total liabilities	-	**18,000**	**15,745**	-	**33,745**

Market risk

Financial market risk is defined as the risk that arises from adverse fluctuations or increased volatility in asset values, asset income or interest rates. This includes credit spreads widening. The group manages these risks through aligning the investment strategy, asset allocation and performance benchmarks with the group's risk appetite.

The key types of financial market risk to which the group is exposed are:

Investment property

The group has a significant exposure to the UK property market through the carrying value of its land and buildings. If there is a sudden downturn in the UK property market this could result in the group and Society booking a significant impairment loss to the statement of income and expenditure. The group manages this risk by monitoring market conditions. A sensitivity analysis has been provided opposite.

Market fluctuations

The group has an exposure to the stock market through its investment portfolio, which in turn has a greater exposure to market conditions. Management manages this risk by reference to the group's investment managers and by monitoring market conditions. A sensitivity analysis has been provided opposite.

Interest rate risk

The group has an exposure to interest rate risk through its investment portfolio and specifically though the group's fixed maturity securities of £24,793k (2021: £18,343k). Also within investments, the Society has cash investments of £18,630k (2021: £9,607k), all of which are exposed to interest rate movements. After consideration by the group, interest rate sensitivity analysis has not been included on the basis that the potential impact of interest rate movements on the excess of income over expenditure and members' funds is considered to be low.

Foreign currency exchange rate risk

The group solely operates within the UK and therefore does not have significant exposure to the currency markets through its operations. However, the group's investment strategy and policies allow for a level of investment in overseas markets.

14. Market risk sensitivity analysis (Group)	Net investment	Change in market price by	Effect on income and on equity	Net investment	Change in market price by	Effect on income and on equity
Percentage change in:	2022 £'000	2022 %	2022 £'000	2021 £'000	2021 %	2021 £'000
Property market	**54,809**	**10**	**5,481**	56,059	10	5,606
Stock market	**122,548**	**10**	**12,255**	127,322	10	12,732

Capital

The group's members' funds of £187,876k (2021: £178,614k) less the net assets of The Benenden Charitable Trust and The Benenden Hospital Trust of £15,601k (2021: £16,723k) represents the group's available capital. Both The Benenden Charitable Trust and The Benenden Hospital Trust are registered charities and must apply their funds solely in the pursuit of their charitable objectives; as such these funds are not available for the general purposes of the group. Consequently, the group has available capital of £172,275k (2021: £161,891k) at 31 December 2022.

The Society has members' funds of £172,390k (2021: £162,115k), which represents the Society's available capital at 31 December 2022.

Benenden Wellbeing Limited is subject to FCA regulated minimum capital requirements and has complied with these requirements in the period.

The Board monitors both the Society's and the group's capital position to ensure that both entities are able to meet their commitments as they fall due. The capital position is monitored against benchmarks to ensure that sufficient capital is available to the group and Society; the capital requirements calculations have remained consistent and the entities have complied with these requirements in 2022.

15. Stock	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Medical stock	**528**	662	**-**	-
Total stock	**528**	662	**-**	-

16. Debtors	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Other debtors	**5,979**	6,689	**5,007**	4,956
Amounts due from group undertakings	**-**	-	**494**	164
Total debtors	**5,979**	6,689	**5,501**	5,120

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Further details of inter-entity transactions can be found in note 24.

17. Creditors	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade creditors	**1,661**	2,143	**1,337**	461
Other taxes and social security	**651**	340	**393**	340
Amounts due to group undertakings	**-**	-	**1,819**	2,143
Other creditors	**81**	186	**7**	57
Total creditors	**2,393**	2,669	**3,556**	3,001

18. Provisions (Group and Society)	Outstanding members' benefits
	£'000
At 1 January 2022	**23,090**
Additions dealt with in profit or loss	**13,259**
Amounts utilised	**(12,186)**
Unused amounts reversed to the profit and loss account	**(4,082)**
Balance at 31 December 2022	**20,081**

Outstanding members' benefits

The group estimates the expected cost of future requests for assistance arising from cases that have been or are expected to be authorised by reference to past experience and projected trends of the potential number and magnitude of these requests. As discretionary benefits are expected to be used within the period specified in Your Guide to Benenden Health, the projections require financial modelling over the expected take-up period. At the end of 2022, management's estimate of this potential future cost was £20,081k (2021: £23,090k). The assumptions used are sensitive to fluctuations in demand and cost; however, the trends are analysed over the preceding months using a cohort methodology to extrapolate the underlying data. It is anticipated that all of these cases will be paid within 12 months of the period end.

In recent years, COVID-19 severely impacted member behaviour and access to services for several months in 2020 and the first quarter of 2021 and in response, the Society extended the time for members to take up services from 6 months from approval to any time up to 30 June 2022. As such the exposure period for all claim months from January 2020 to December 2021 was extended from the usual 6-12 months to up to 30 months at the extreme (being January 2020 to June 2022); however, the Society reinstated the take up limit of six months for service packs approved from 1 January 2022. The extension to the take up period meant that the brought forward provision included outstanding cost estimates for all service pack approval months from January 2020 to December 2021.

Last year's provision has developed favourably and, along with reductions in the provision through improvements to calculation methods, led to a release of £4.1m of members' benefits back to the income statement in 2022.

Potential costs arising from members' benefits not notified at the year-end do not constitute a liability, contingent or otherwise, and are therefore not recognised in the statement of financial position.

19. Pension obligations

	2022 £'000	2021 £'000
Fair value of plan assets	**72,127**	104,235
Present value of Defined Benefit obligation	**(86,083)**	(133,271)
Net scheme liability	**(13,956)**	(29,036)
Reconciliation of the opening and closing balances of the Defined Benefit obligation:		
Defined Benefit obligation at the beginning of the period	**133,271**	135,511
Benefits paid	**(3,584)**	(3,801)
Interest cost	**2,436**	1,672
Actuarial gains	**(46,040)**	(111)
Defined Benefit obligation at the end of the period	**86,083**	133,271
Reconciliation of the opening and closing balances of the fair value of plan assets:		
Fair value of the plan assets at the beginning of the period	**104,235**	88,246
Interest income	**1,926**	1,177
Return on plan assets excluding interest income	**(33,450)**	8,576
Contributions by employer	**3,000**	10,037
Benefits paid	**(3,584)**	(3,801)
Fair value of plan assets at the end of the period	**72,127**	104,235
Defined Benefit costs recognised in the income statement:		
Interest on the net Defined Benefit liability	**510**	495
Defined Benefit costs recognised in the income statement	**510**	495
Total amounts taken to other comprehensive income		
Actual return on plan assets - (losses) and gains	**(31,524)**	9,753
less: amounts included in net assets in net interest on the Defined Benefit liability	**(1,926)**	(1,177)
Remeasurement (losses) and gains- return on plan assets excluding interest income	**(33,450)**	8,576
Remeasurement gains - actuarial gains	**46,040**	111
Remeasurement gain recognised in other comprehensive income	**12,590**	8,687

In the prior year the remeasurement gain varied from the amount shown on the Statement of changes in members' funds. The pension disclosures are prepared on a cash received basis, whereas these financial statements are prepared on an accruals basis, consequently a £213k difference arose between the note and the Statement of changes in members' funds.

19. Pension obligations

	2022 %	2021 %
Assets		
Equity	**-**	20.8
Diversified growth funds	**29.3**	25.6
Absolute return bond fund	**9.2**	8.7
Multi asset credit fund	**20.6**	15.7
Property	**2.9**	2.1
Real liability driven investment	**-**	21.7
Bonds	**40.5**	-
Derivatives	**(3.2)**	-
Cash and insured policies	**0.7**	5.4
	100.0	100.0

The return on plan assets was a loss of £31,524k, 30.1% (2021: £9,753k gain, 11.1%). None of the fair values of the assets above included any of the group's own financial instruments or any property occupied by, or other assets used by, the group.

19. Pension obligations (Continued)	2022 %	2021 %
Assumptions:		
Discount rate (%)	**4.75**	1.85
Retail Prices Index (RPI) inflation	**3.05**	3.25
Consumer Prices Index (CPI) inflation	**2.65**	2.80
Life expectancy of male aged 65 at balance sheet date	**22.20**	22.40
Life expectancy of male aged 65 20 years after at balance sheet date	**23.80**	23.80
Life expectancy of female aged 65 at balance sheet date	**24.50**	24.90
Life expectancy of female aged 65 20 years after at balance sheet date	**26.30**	26.30

The Trustee Board of the Benenden Healthcare Pension Plan ("the Scheme") is required by law to act in the best interest of the Scheme participants and is responsible for setting the investment, funding and governance policies of the Scheme fund. A representative of the employer attends Trustee Board meetings primarily to provide the group's view on investment strategy; however, the decision-making authority rests with the Trustees.

The Defined Benefit Pension scheme is funded by both employees and employers through their respective contributions, with the employers having the power to set the contribution rates. One of the Society's subsidiaries (The Benenden Hospital Trust) also participates in the Scheme. There is no contractual agreement or stated policy for charging the net Defined Benefit cost between the Society and The Benenden Hospital Trust ("Hospital Trust"). In light of this, and because the Society recognises the cost of the Scheme, the Hospital Trust's portion of the FRS102 Scheme liability of £11,863k (2021: £24,681k) in line with accounting standards.

On 29 January 2021, the Society and the Hospital Trust agreed to pay Deficit Repair Contributions of £3,000k a year from 1 April 2021. Furthermore, on 17 March 2021, the Society paid a one-off contribution of £7,500k to the pension scheme to reduce the deficit.

The last full actuarial valuations were carried out as at 31 March 2022, the next one being due at 31 March 2025. The Scheme exposes the group to inflation risk, interest rate risk, market investment risk and demographic risk.

The Society operates a Defined Contribution Pension scheme for the auto-enrolment of all eligible employees and any existing employee who has chosen not to be in the Defined Benefit Pension scheme. The Society's principal subsidiary, The Benenden Hospital Trust, participates in this scheme. The Society makes guaranteed fixed contributions on a regular basis relative to the level of the employee contribution. The future benefits are not guaranteed and the Society will have no legal or constructive obligation to pay further amounts.

The assets of the Defined Contribution scheme are held separately from those of the group in independently administered funds. The pension costs and charge represent contributions payable by the group to the funds and amounted to £2,976k (2021: £2,801k).

Details of the cost to the group and Society of the Defined Contribution and Defined Benefit Pension Plans are shown in note 7.

The group and Society had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

20. Leases	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Leases as lessor				
Not later than one year	**54**	78	**2,655**	2,379
Later than one year, less than five years	**48**	-	**10,448**	9,200
Later than five years	**-**	-	**39,000**	36,800
Total leases as lessor	**102**	78	**52,103**	48,379
Leases as lessee				
Not later than one year	**140**	99	**81**	82
Later than one year, less than five years	**202**	105	**24**	105
Later than five years	**-**	-	**-**	-
Total leases as lessee	**342**	204	**105**	187

The group and Society rent out residential property and farmland to staff and other third parties; these leases are on a rolling 6-12 month basis. Contracts are charged at market rates.

The Society leases the Hospital to a fellow group entity, The Benenden Hospital Trust ("Hospital Trust"). The Society and the Hospital Trust agreed that from 1 January 2022, the Hospital Trust would pay rent of £2,600k per annum (2021: £2,300k).

There are no finance lease commitments within the group.

21. Commitments	Group		Society	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Not later than one year	**3,000**	3,000	**3,000**	3,000
Later than one year, less than five years	**12,000**	12,000	**12,000**	12,000
Later than five years	**7,750**	10,750	**7,750**	10,750
Total commitments	**22,750**	25,750	**22,750**	25,750

The commitments referred to above of £22,750k are repayments to fund the pension scheme deficit (see note 19) over the next 8 years.

In 2021, the group entered an agreement with the trustees of the pension scheme that, starting from 1 April 2021, the group would pay £3,000k per annum until 31 July 2030.

In 2022 the Society entered into a contract to raise brand awareness through marketing and advertising activities over 2022 and 2023. No liability is recognised in the statement of financial position for contracted costs relating to 2023 advertising campaigns as performance obligations had not been met at the end of the reporting period. Costs will be recognised in the statement of income and expenditure in 2023 as and when the performance obligations are met.

22. Taxation	Group	
	2022 £'000	2021 £'000
(a) Corporation tax charge:		
Current year tax charge:		
Current year	**17**	5
Adjustment in respect of prior years	**-**	-
Total current tax	**17**	5
Deferred tax:		
Temporary differences	**-**	-
Adjustment in respect of prior years	**-**	-
Total deferred tax	**-**	-
Total corporation tax	**17**	5
(b) Reconciliation of tax charge:		
Profit for the year	**6,647**	25,409
Total tax charge	**17**	5
Profit excluding taxation	**6,664**	25,414
Tax using UK corporation tax rate of 19% (2021: 19%)	**1,266**	4,829
Tax on income not subject to corporation tax	**(1,249)**	(4,824)
Total tax charge included within the income statement	**17**	5

(c) Corporation tax liability

An amount of £nil (2021: £nil) is included in creditors on the face of the statement of financial position. In 2022, of the consolidated entities, only the Society and Benenden Wellbeing Limited are subject to corporation tax.

In the year ended 31 December 2022 the tax rate is 19% (2021: 19%).

23. Deferred taxation	Group	
	2022 £'000	2021 £'000
Analysis of deferred taxation temporary differences:		
Total tax credit - short term timing differences	-	-
Recognised deferred tax liability	**-**	-
Losses and other deductions	**(21)**	(41)
Unrecognised deferred tax asset	**(21)**	(41)
Net deferred tax asset	**(21)**	(41)

In the 2021 Budget on 24 May 2021, it was substantively enacted that the UK tax rate would increase from 19% to 25% (effective from 1 April 2023), and the unrecognised asset above is based on this tax rate.

24. Related party disclosures

Related party transactions between the subsidiaries and controlled bodies are disclosed within their individual financial statements. Copies can be obtained from the Registered Office by writing to The Secretary, The Benenden Healthcare Society Limited, Holgate Park Drive, York, YO26 4GG.

All of the following transactions between the subsidiaries and The Benenden Healthcare Society Limited were entered into on an arms' length basis:

The Benenden Hospital Trust:

The Society made donations to The Benenden Hospital Trust to the value of £26,326k (2021: £25,800k).

Furthermore, properties at Benenden Hospital were leased to the Trust under a 25-year lease at an annual rental of £2,463k (2021: £2,300k).

At 31 December 2022, the total amount due from The Benenden Healthcare Society Limited to The Benenden Hospital Trust was £1,819k (2021: £2,143). Also at this date, the amount due from The Benenden Hospital Trust to The Benenden Healthcare Society was £395k (2021: £108k).

The Benenden Charitable Trust:

In 2022 the Society made donations of £438k (2021: £192k) to The Benenden Charitable Trust; £369k (2021: £150k) was a donation to help fund the issued grants and £69k (2021: £42k) related to resources to cover the running costs of the charity.

Benenden Wellbeing Limited:

At 31 December 2022 the amount due to The Benenden Healthcare Society Limited from Benenden Wellbeing Limited was £99k (2021: £56k).

Trustees of the Benenden Healthcare Pension Plan:

The Benenden Healthcare Society Limited paid trustees' insurance for the trustees of the Benenden Healthcare Pension Plan of £8k in the year (2021: £4k).

Members of the Board of Directors, Society Executive and Hospital Executive:

Some members of the Board of Directors, Society Executive and Hospital Executive have insurance policies through Benenden Wellbeing Limited. These policies are issued under normal business terms and conditions.

Appendix

1 – Rising cost of living in the UK - House of Commons Library (parliament.uk)

2 – BCC Economic Forecast: Long road to recovery after over a year of recession (britishchambers.org.uk)

3 – UK economy forecast to shrink 1.4% in 2023 - Reuters

4 – Bupa: Demand for Workplace Benefits Soars During Fast-Changing Economic Climate (yahoo.com)

5 – Mintel / ABI

6 – Mintel / ABI

7 – Mintel / ABI

8 – Employers to reform benefits strategies around D&I, ESG: Howden (covermagazine.co.uk)

9 – PHIN - Private market update: December 2022

10 – Metoffice.gov.uk

11 – un.org

Get in touch

Member Services
0800 414 8100

Add friends and family
0800 414 8470

24/7 GP Helpline
0800 414 8247 (select option 1)

24/7 Mental Health Helpline
0800 414 8247 (select option 2)