



Key Points from the Report & Accounts 2009 by the Chief Operating Officer

Mr McAusland, the Chief Operating Officer, presented a brief summary of the 2008 Report & Accounts and spoke about investment markets and performance and the implications for plan returns. He explained that set against the backdrop of the significant challenges which the Society faced in terms of investment markets in 2008 the report and accounts show a mixed picture. He pointed out that although the Society had operationally performed very well, this was tempered by the impact of financial markets which have impacted returns on funds and the overall financial strength of the Society.

Mr McAusland explained that by electing to change to a realistic reporting regime the Society could more clearly reflect the true nature and value of its assets and liabilities and in particular it has allowed the inclusion of a more reasonable value of Tunbridge Wells Equitable Investments Company through which Child Trust Fund business is written. He highlighted key points from the accounts and reported that the Society had complied with the key principles of good corporate governance as set out in the Annotated Combined Code for Mutuals. He explained that a big challenge for all mutuals is membership engagement and he expressed pleasure at the numbers visiting the zoo and the increase in proxy voting at this year's AGM.

The Children's Mutual, Registered Office: Brockbourne House, 77 Mount Ephraim, Tunbridge Wells, Kent, TN4 8GN.
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The Children's Mutual is a trading name of the Tunbridge Wells Equitable Group, which comprises: Tunbridge Wells Equitable Friendly Society Limited, incorporated in the United Kingdom under the Friendly Societies Act 1992, registered no. 190F, FSA registered no. 109990; and Tunbridge Wells Equitable Investments Company Limited, registered in England under the Companies Act 1985, registered no. 4315370, FSA registered no. 208027. Both are authorised by the Financial Services Authority and are members of the Financial Ombudsman Service.
Tunbridge Wells Equitable Friendly Society Limited was established in 1881.

With reference to investment performance Mr McAusland commented that although the Society's funds had performed well against benchmark return this simply meant that in real terms the Society's funds had lost less than others. The only significant exception to good performance against benchmark was the Society's unit linked funds where performance was once again disappointing. He highlighted the Society's pragmatism in its approach to protecting funds from significant downside falls in equity markets which had worked very effectively. However because of the scale of falls in equity and property markets very difficult decisions over bonus rates had had to be taken. He emphasised that returns, although not good in the absolute sense, could be considered reasonable considering market conditions. He pointed out that there had also been a significant impact on the value of CTF accounts although, given their 18 year term, there is a significant period of time for them to recover.

Mr McAusland advised that the market falls had also had an adverse impact on the Society's financial strength. He explained the requirement for the Society to carry out internal assessments, testing the amount of capital required against various scenarios in order to ensure that capital is sufficient to support business plans.

Mr McAusland reported that feedback regarding the new format of the accounts had been mainly positive although negative comments regarding the length had been received. He pointed out that the cost had actually been reduced and that as the content of the report and accounts was mostly prescribed there was limited scope to reduce the length.

He concluded by reporting a good operational result despite 2008 being a mixed year with challenging investment markets.

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