



The Chairman, Andreas Whittam Smith, warmly welcomed the Members present and the Society's advisors and friends attending the 129th Annual General Meeting. He commented that it was a great pleasure to arrive at London Zoo and see all the family members queuing up to take the benefit of the discounted entrance tickets. He reminded that proceedings were being recorded and a summary and some photographs would be displayed on the website.

Mr Whittam Smith stated that the meeting was taking place at a difficult time, for the third consecutive year. Members would have read in the newspapers movements in the FTSE Index. He felt there were three sources of the uncertainty: firstly, the Greek crisis which resembled the sub-prime mortgage market with money markets starting to seize up and many European countries announcing retrenchment plans. Secondly, regulation was tightening up everywhere – the US Congress had acted early that week on remortgaging rules; in the UK the Financial Services Authority had announced it was toughening its attitude to financial regulation. Thirdly, the new Coalition Government had expressed reservations about the cost of the Child Trust Fund.

Mr Whittam Smith felt this was 'Round II' of the great financial crisis which began in August 2007. Although it may not be quite that bad for the UK, in the Euro system the Greek crisis was being compared with the failure of Lehman Brothers. The Chairman questioned what this would mean for the Society and its members. He expressed the opinion that currencies and bonds would fluctuate widely although the impact would be limited as policies had very little currency exposure and while bonds were held they were for reasonably short durations. Heightened volatility would force life assurers to hold more capital, resulting in management needing to be even more cautious than usual. Mr Whittam Smith felt it was difficult to predict how equities would far; any rise in interest rates would be adverse, but an increase in inflation would have a positive effect. Investors' faith in equities did not appear to have been seriously dented in recent months. He reminded that since 2002 the Society had had protection against wide market fluctuations in place.

In considering the savings market, Mr Whittam Smith felt that there was a heartening picture in relation to children's savings. The market remained strong and people's faith in savings was intact; sales of Children's Mutual CTF plans were particularly healthy. He felt this meant that the Society was trusted in the marketplace and this was a great prize for any financial services organisation. Mr Whittam Smith stated that this was the result of combined work of many people, particularly David White and his Executive team for producing excellent results. The Chairman also thanked his Non-Executive colleagues who had a wide-range of skills and experience; in particular he welcomed Keith Percy as a new Director with expertise in investment markets.

Mr Whittam Smith also highlighted that the Annual Report confirmed that 69 people were employed in Tunbridge Wells. This was a small but high quality team; they could only produce the results because of the relationship with Capita Life & Pensions in Cheltenham who carried out a vast amount of administration work. They were considered part of The Children's Mutual team and the Board were very pleased with how the relationship worked. The Chairman also felt the position

of being trusted had also been reached because of the many firms of advisers used for their distinct areas of expertise. Mr Whittam Smith concluded his introductory remarks by thanking them all.

22 May 2010