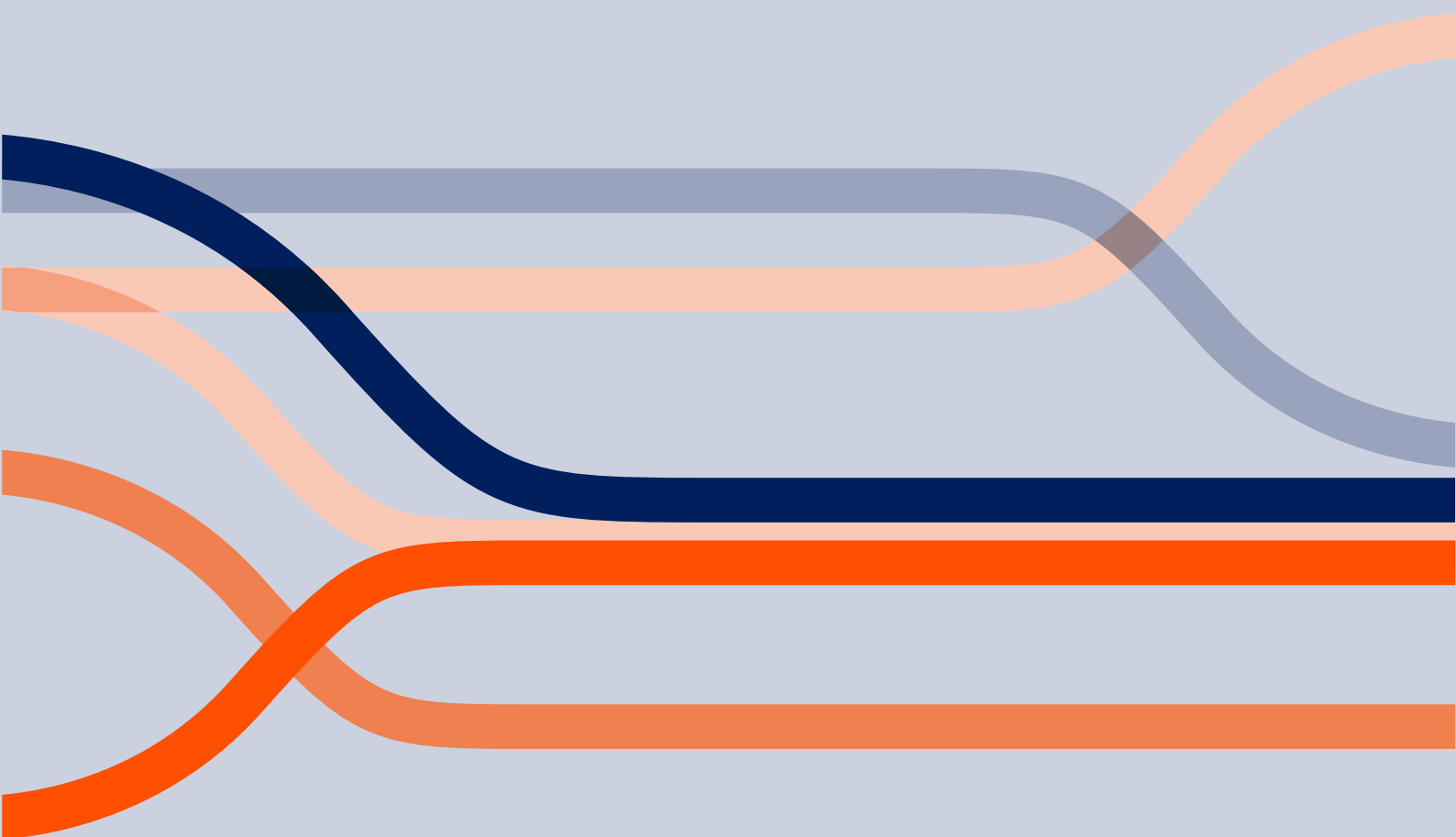


2025

Report and Financial Statements

for year ending 31 December 2025





Contents

Chair of the Board's Welcome Statement	04
Chief Executive Officer's Report	07
Risk Management	10
Board and Board Committees	13
Corporate Governance Report	20
Director's Report	21
Independent Auditor's Report	23
Financial Statements	28
General Information	50

Stuart Purdy
Chair of the Board



“I’m very proud of the Society’s continued focus on improving member outcomes, and our support of over 900 new claims.”

Chair of the Board's Welcome Statement

Introduction

Despite a challenging economic backdrop marked by persistent inflation and continued pressure on household finances, British Friendly delivered a stable and sustainable performance over the last year. The Society's capital position remains strong, enabling us to continue supporting members when they need us most. As Chair of British Friendly, I am pleased to present a report that reflects not only our financial strength but also our continued commitment to the values that have guided this Society for more than a century: mutuality, fairness and putting members first.

Financial Performance

The Society has sustained our record level of earned premium income of £13.6 million (£13.6 m in 2024) with a consistent volume of new business written in 2025 which has delivered a society excess of income over expenditure of £8.4million (£19.4m in 2024 [restated]). Despite interest rates continuing to impact the value of the Society's investment portfolio there was an investment capital gain, after accounting for investment income received, of £1.1 million (£0.1m investment capital loss in 2024). After accounting for member withdrawals of £4.4 million (£6.3m in 2024), the Fund for Future Appropriations, which is a measure of the long-term value of the Society, has increased by £3.9 million to £47.2 million (increased by £13.0m in 2024 [restated]).

Capital Strength

The Board closely monitor, and develop, the capital management strategy of the Society in order to maintain a healthy capital position. At the end of 2025, the Society had a level of capital which covered the Solvency Capital Requirements prescribed by the Regulator by [unaudited*] 181% (2024: 198%). Our ongoing Own Risk and Solvency Assessment process demonstrated that we had a comfortable margin of capital resources over the Solvency Capital Requirement as required under the provisions of the Solvency regulations. The Board continue to monitor capital requirements against prudential requirements and, in addition to the risk sharing agreements already in place, the Society has financial reinsurance which supports the writing of new business. The availability of additional financial resources supports the Society's financial resilience and policyholder protection.

Holloway Bonus

As a mutual organisation, the Society's Board act in the best interests of all members and is required to consider the longer-term interest of the members including future sick pay and other benefits. The Board protect member's longer-term interests by establishing appropriate reserves, taking into account the recommendations of the Society's Appointed Actuary. In 2025 the Board agreed that we should continue to pay bonuses on members' capital balances. However, the Annual Interest Bonus earned on all member's capital balances is reduced to 2.25% (2024 3%) in line with reductions in the Bank of England base rate and the investment income earned by the Society.

The Apportionment Rate applied to members' capital balances remains as £1.80 for commuted members and £0.60 for non-commuted members. Considering the recommendations of the Society's Appointed Actuary and the reduction in the number of Holloway type members, the Society's Board agreed to suspend the loyalty bonus to protect the interests of its remaining members and ensure that appropriate reserves are adequately maintained.



Mutuality and Member Benefits

As a proud mutual, the Society exists solely for the benefit of members and there are no shareholders to whom dividends need to be paid. After paying sickness benefits and expenses, any surplus is used for the benefit of our members. One of the key ways that the Society looks to provide additional benefit to members is through our Mutual Benefits programme. This provides access to resources and support for members and their families at no additional cost. In 2025 the Society embedded our new partner Health Hero's health services including digital GP consultations, second medical opinions, mental health support, physiotherapy and health MOTs. These services are available to all members and their families irrespective of whether they make a claim or not and we were delighted that over three thousand members have downloaded Health Hero's Symbio application which has delivered hundreds of digital services to our members. In addition to our Mutual Benefits programme, the Society's discretionary BF Care programme continues to deliver crucial financial support for members and their families through life changing events such as a close relative needing full time care, terminal illness or death.

*Solvency Coverage Ratio is calculated by the BFS appointed actuary and does not fall within the external audit remit.

Transformation

Since the successful migration of Protect policies to a new administration system and simultaneously launching a new quote and apply underwriting platform in 2021 we have been enhancing the Society's products and proposition to support our members and intermediary partners. The improvements have included the introduction of Fracture Cover and Children's Critical Illness cover which received fantastic feedback and we were proud to be named Outstanding Added Value Provider at the 2025 COVER Excellence Awards. The Society continues to push innovation and improvements to our propositions and the changes made in 2025 to the Simplified proposition will support more new members to discover the benefits of the support of British Friendly.

Strategy



The Society's strategy is driven by our **purpose** to be a trusted and relevant provider of financial support for our members in times of need. We **aim** to offer attractive Income Protection products that meet the needs of our members and which intermediaries will want to recommend to their clients. We **aim** to be easy to do business with for intermediaries, so they will consider us for their clients and help us to grow, and for our members by providing a personal service which they will value. We are guided by our **promise** to do the right thing for our members, rather than pursuing shareholder profit, which allows us to consider the situation of each member and offer access to additional discretionary benefits. By putting our members at the heart of everything we do, more intermediaries will recommend us which will allow us to grow. The Board remain **committed** to mutuality which allows us to wholeheartedly focus on the needs of our members and deliver our inclusive strategy to provide support to as many members as possible.

Regulation

The Society continues to respond fully to the requirements of our two regulators, the Prudential Regulation Authority and the Financial Conduct Authority. The Society successfully completed work to ensure compliance with the requirements of the Operational Resilience rules ahead of the March 2025 deadline and Consumer Duty objectives and outcomes are embedded across the Society. Oversight is provided by the Risk function and Risk & Investment Committee, which ensures the identification of critical business services, the establishment of appropriate impact tolerances, the execution of scenario testing, the resolution of identified vulnerabilities, and the maintenance of effective communication strategies which are adequately conducted and remain suitable.

And Finally

We have taken meaningful steps to ensure that our Society remains relevant and competitive in an evolving marketplace. From digital enhancements and product innovation, our focus has been on building a strong and sustainable member-centric organisation. At the same time, we have preserved the values that distinguish us as a mutual: transparency, fairness, and a genuine sense of shared purpose which was recognised when we were awarded Gold in the Defaqto Protection Service Awards.

None of this progress would be possible without the trust and loyalty of our members and intermediary partners. Your confidence in British Friendly is the foundation on which we build, and we remain committed to earning that trust every day. I would also like to extend my sincere thanks to each member of the Board and our exceptional staff members for their unwavering dedication and commitment.

Stuart Purdy
Chair of the Board
29th April 2026

Simon Owens
Chief Executive Officer



“It’s a privilege to provide dependable protection and compassionate support when our members need us most”

Chief Executive Officer's Report

Overview

2025 has been a year of meaningful progress and continued commitment to the values that define the Society. Throughout 2025, we have focused on ensuring that British Friendly remained accessible, responsive, and financially resilient. We have continued to pay claims promptly and fairly, supporting members through illness, injury, and unexpected life events. Our claim's philosophy remains rooted in empathy and transparency and I am very proud of the service our teams deliver each and every day to our members.

The Society remains in a strong financial position as a result of prudent capital management, disciplined underwriting, and a balanced approach to writing new business, maintaining a sound investment approach and growth. Our approach to service and proposition enhancements has been recognised at the Investment Life and Pensions Moneyfacts Awards, Cover Excellence Awards and the Defaqto Protection Service Awards.

Business Development Strategy

The Society's purpose is to be a trusted and relevant provider of financial support for our members in times of need but we also strive to deliver and protect our members long-term physical and mental health by helping them return to work as quickly as it is safe to do so. This includes the health and wellness support that the Society can provide to members through the Mutual Benefits programme. We know how valuable this support can be to our members and this discretionary benefit has once again proved popular in 2025 with over a thousand digital appointments having been made by our members. In 2026 we will increase accessibility to these services for our members and their families providing tools in addition to the popular Symbio application.

Strategic Report Strategic Aims

The Society focuses on four strategic aims. Through these:

1

We aim to offer attractive protection products and propositions that meet the needs of working people and which intermediaries will want to recommend to their clients. To do this we ensure that we understand the needs of our customers, and design value for money products that differentiate against competitors using our mutual advantage.

2

We always aim to create an excellent experience for intermediaries, so they will consider us for their clients and our membership will grow. We ensure that we design services that are simple and easy to use and remove barriers to working with us. We also work closely with intermediaries to support them to develop their business with the common interest of putting their clients first.

3

We strive to deliver the very best service, guided by our promise to do the right thing for our members. We are known for being compassionate and caring by our members and achieving fantastic service, including paying valid claims promptly, supporting members through their recovery and finding faster ways of helping new customers get the cover they seek. We want our members to value their membership and want to remain members.

4

We aspire to be a great place for our colleagues to work so that they will want to contribute their talents, deliver the best service for our members and intermediaries, and ensure that the Society can execute its plans in an efficient and agile way so it can prosper in an increasingly competitive market.

By putting our members at the heart of everything we do, more members and intermediaries will recommend us, and we will grow, ensuring we have a strong capital base and are able to deliver even more benefits for our members.

Business Model

The Society's business model is to take on risk for members to provide them financial security should they become incapacitated and be unable to work. The Society designs, builds and administers products, so that it can meet the specific needs of customers and provide excellent service to members and intermediaries.

Operations, Claims and Underwriting, as well as most of the key functions, are managed in-house. We outsource a small number of specialist functions including Actuarial, Internal Audit and Investment Management and we partner with specialist third parties for rehabilitation and systems development including the provision of technology services.

Business Performance

Membership

The Society's membership consists of Protect members and members who hold a 'Holloway-style' product. The 'Holloway-style' products are no longer available for new members and, therefore, the number of members has been falling for many years. The number of 'Holloway-style' members reduced in 2025 from 4,878 to 4,415. The number of Protect members has remained stable at 28,081 (2024 28,697).

New Business Sales

As a result of new business written, the Society's record level of earned premiums was sustained at £13.6 million (£13.6m in 2024). The Society's strategy continues to broaden access to the Income Protection market to be more inclusive for customers that need protection the most. Receiving awards and external recognition demonstrates the continued relevance and attractiveness of the Society's propositions.

Trading Surplus And Own Funds

The Society's technical provisions, held in Societies assets, increased in 2025 by £7.0 million as a result of writing new business and the continued run-off of the members holding the 'Holloway-style' products which are closed to new business. The Society's trading returned a surplus in 2025 of £8.4 million (£19.4m in 2024[restated]) and after accounting for the capital withdrawals made by members with 'Holloway-style' products the net surplus for 2025 was £3.9 million (£13.0m in 2024[restated]).

Capital And Solvency

The Society is incorporated within the meaning of the Friendly Societies Act 1992 and, as such, it has no shareholders. Its members are the ultimate owners of the business. In relation to Solvency U.K., all capital is classed as Tier 1 – high quality capital which is generally more secure and capable of absorbing losses. The Society's solvency capital requirement coverage ratio [unaudited*] is 181% (198% in 2024). The expected reduction in the coverage ratio represents the runoff of the Holloway membership and the new business capital requirements. We continue to maintain a comfortable margin of capital resources over the Solvency Capital Requirement and continue to monitor, and forecast, capital requirements against prudential requirements.

Reinsurance has been utilised to support the Society's exposure to morbidity risk, persistency risk and writing new business. The Society continues to actively review the effectiveness of risk transfer solutions to ensure an appropriate balance between risk transfer and member value.

Claims

Providing financial support to members at their time of need is the very reason for our existence. We expect to receive new claims every year, and every claim has a cost. If more members are unable to work than expected or members claim for longer than expected, then the Society becomes financially weaker, so we review our claims experience carefully. The Society continually monitors and reviews the volume of new claims and the reasons that members are unable to work. Active claims management is a key capability in the Society as we continue to support more members financially and aid their recovery and rehabilitation, allowing them to return to work sooner, something that is very much in our members interests, whilst receiving the valuable support that the Society provides.

Expenses And Capital Investment

The Society's 2025 net operating expenses reduced to £10.3 million (£12.4m in 2024) against a backdrop of inflationary impacts, cost savings were delivered through an organisational restructure at the start of 2025 and we will continue our focus on efficiency and effectiveness in 2026.

*Solvency Coverage Ratio is calculated by the BFS appointed actuary and does not fall within the external audit remit.

People And Culture

The Society's culture represents how we treat each other, our members and our partners. Mutuality and inclusivity are at the heart of the Society's culture and drive our behaviours. Being a mutual organisation owned by its members means we put our members at the heart of everything we do and we try to help every member with financial support and our Mutual Benefits and BF Care programmes. Being inclusive means that we try to provide solutions for as many people as possible and that can be clearly evidenced in the product and proposition enhancements delivered in 2025. We promote equality and diversity within the organisation and recognise that the Society's people are its most valuable asset. This commitment was once again evidenced in 2025 as we completed our submission to the HM Treasury's Women in Finance Charter. The Charter seeks to ensure gender balance at all levels across Financial Services firms. We are very proud that the Society's submission was again able to demonstrate that equality and inclusion, including gender diversity, are very prominent in the Society. The Society is also an Accredited Living Wage employer as certified by the Living Wage Foundation alongside which we provide a comprehensive set of employee benefits.

Conclusion

I am proud of the progress we have made and the resilience we have shown in 2025. In a year that has seen the Society receive external recognition for our propositions and services we have maintained our underwriting discipline to write sustainable new business whilst reducing our cost per-policy in order to provide financial strength and deliver our purpose to provide dependable protection and compassionate support when our members need us most.

The achievements outlined in this report reflect the dedication of our colleagues, the trust of our members and intermediary partners, and the guidance of our Board. Together, we have strengthened our Society's long-term position and enhanced the propositions and value that we deliver.

Looking ahead, we remain confident in our strategic direction and will continue to seek opportunities to broaden our membership, deepen our partnerships with advisers, and uphold the principles of fairness, transparency, and mutuality that define who we are.

Thank you for your continued support. It is a privilege to lead this organisation, and I look forward to building on the momentum of 2025 as we work together to secure a strong and sustainable future.



Simon Owens
Chief Executive Officer
29th April 2026

Risk Management

Introduction

Effective risk management is fundamental to the long-term sustainability and success of the Society. As a regulated financial services organisation, proactively identifying, assessing, and managing risk is a central component of our business model and essential to delivering our strategic objectives in a responsible, controlled, and sustainable manner.

Our approach to risk management supports the creation of long-term, sustainable value by ensuring that both opportunities and threats to our strategic objectives are fully understood and appropriately managed. The Society is exposed to a wide range of strategic, financial, insurance, operational and conduct-related risks, which are managed through governance, policies and frameworks, regulatory and member-focused disciplines. Through our iterative risk management processes, we ensure that the Society remains compliant with legal and regulatory requirements, fulfils its obligations to members, and executes its strategy prudently and effectively.

Risk Appetite

The Society's risk appetite outlines the level and types of risk the Board is prepared to accept in pursuit of its strategic objectives. It provides clear parameters within which the business must operate and supports consistent, risk-aware decision-making.

Qualitative risk appetite statements are underpinned by quantitative measures aligned to the Society's principal risks. These measures are integrated into the central risk register and are subject to ongoing monitoring and regular reporting to both the Board and the Risk and Investment Committee.

Risk Management Framework

The Society's Risk Management Framework enables the structured identification, assessment, monitoring, and management of risks and supports the continued development of a robust and proactive risk culture. The framework is supported by a suite of policies, standards, and processes that embed effective risk management across the organisation.

During 2025, the Society enhanced its Risk Management and Internal Control Framework to support the adoption of a more holistic Enterprise Risk Management (ERM) approach. This updated framework enables the Society to take a more balanced and forward-looking view of risk, ensuring that risk management not only mitigates threats but also supports the identification and responsible pursuit of opportunities that align with the Society's long-term strategic objectives.

Risk Governance

The Society operates a Three Lines of Defence model, ensuring clarity of accountability, effective oversight, and strong governance across all risk management activities. Oversight of risk is delegated by the Board to the Risk and Investment Committee.

First line of defence - Operational Management

The first line of defence is comprised of the operational areas such as Claims, Underwriting and Member Services and support functions such as Finance, IT and HR. The first line, led by the Chief Executive and supported by the senior management team, is responsible for the day to day running of the Society, identifying and managing risks and ensuring their processes and controls remain effective.

Second line of defence - Risk and Compliance

Led by the Chief Risk & Technology Officer, the Risk and Compliance functions provide independent oversight, advice, challenge, and monitoring. These functions ensure that risks are managed within appetite and that the Society meets regulatory and legislative requirements. Risk and Compliance also provide oversight through policies, frameworks, tools, and techniques and are responsible for advice, oversight, and challenge.

Third line of defence - Internal Audit

The third line of defence provides independent and objective assurance to the Board regarding the effectiveness of risk management and internal control arrangements across the first and second lines. The Society engages specialist firms to undertake internal audit reviews and to report their findings to the Audit and Compliance Committee.

Principal Risks

Throughout 2025 the key risks to which the Society is exposed have not significantly changed. The table below summarises our principal risks and mitigating actions:

Risk and Description	Mitigating Actions
<p>Financial Risk: Financial risk encompasses credit, counterparty, market, and liquidity risks. These risks arise from adverse movements in financial markets, reduced investment income, credit downgrades or defaults (including from distributors and reinsurance partners), or the inability to meet financial obligations when due. This category also includes the risk of non-compliance with regulatory capital requirements.</p>	<p>The Society manages financial risks through clearly defined investment mandates, diversification strategies, credit quality limits, and continuous monitoring of counterparties. Stress testing, cash flow forecasting, and liquidity planning support the identification and management of financial resilience. The financial reinsurance agreement implemented in 2024 continues to provide liquidity protection and support new business activity. The Society maintains capital well in excess of Solvency UK requirements, with ongoing monitoring through the Own Risk and Solvency Assessment (ORSA) and periodic solvency assessments.</p>
<p>Insurance Risk: Insurance risk is the uncertainty associated with underwriting obligations assumed by the Society from its members. This risk arises from variances in mortality, morbidity, lapse and persistency rates, and other actuarial assumptions used in pricing and reserving insurance contracts. Insurance risk may materialise if the cost of claims and benefits exceeds the premiums and investment returns received, or if lapse and persistency experience diverge materially from expectations. This category also includes concentration risk, pricing risk, and expense risk.</p>	<p>The Society maintains strong processes across product design, pricing, underwriting, and claims management to ensure new business is priced sustainably and in the interests of members. Insurance risks associated with in-force business are continuously monitored against pre-defined thresholds and actuarial assumptions. Concentration risk is monitored by distributor, adviser, and product type. Reinsurance remains a key tool for managing morbidity and persistency risk, helping to stabilise volatility and protect the Society's solvency position. The Society utilises reinsurance which facilitates risk sharing for morbidity and persistency risks.</p>
<p>Conduct Risk: This risk is the potential for the Society's actions or behaviour to harm members, stakeholders, or broader market integrity. It encompasses the ethical, moral, legal, and regulatory standards that govern business conduct. It covers a wide range of behaviours and practices that could lead to negative outcomes.</p>	<p>The Society is committed to drive the right culture, behaviours, and values to deliver the best outcomes for our members and exceed regulatory expectations. This risk is managed through outcome focused policies, processes and ensuring staff are sufficiently skilled to deliver good member outcomes. Conduct risk is monitored through the use of assurance and key indicators and incorporates the requirements of Consumer Duty.</p>
<p>Operational Risk: Operational risk refers to the potential for direct or indirect losses resulting from inadequate or failed internal processes, people, systems, or external events. This includes legal and regulatory risks, third-party and outsourcing risk, resilience risk, data and model risk, and cyber security threats.</p>	<p>The Society has processes and controls in place to minimise the impact and/or likelihood of adverse operational events.</p> <p>The Society conducts regular reviews of operational risks including control adequacy and effectiveness and continues to develop proactive monitoring. This will enable the Society to take preventative action and further reduce operational risk exposures.</p>
<p>Reputational Risk: Reputational risk refers to the potential for actions or events to undermine trust and confidence in the Society's integrity, values, brand, or operations. This may result in loss of members, reduced financial performance, regulatory penalties, or broader stakeholder concern.</p>	<p>The Society manages this risk through strong cultural values, transparent member communications, robust conduct standards, and active monitoring of member, employee, and stakeholder feedback. Reputational considerations form a key component of decision-making, with escalation mechanisms embedded into governance processes to ensure timely detection of issues that may damage stakeholder trust.</p>
<p>Strategic Risk: Strategic risk refers to uncertainty, whether internal or external that could positively or negatively impact the Society's ability to achieve its strategic objectives and goals within the desired timeframe. This includes the risks associated with pursuing strategic opportunities, as well as the potential consequences of failing to act on them.</p>	<p>Mitigating actions for strategic risk are centred on maintaining a disciplined approach to strategic planning, strengthening organisational agility, and ensuring that key decisions are informed by robust analysis. The Society undertakes regular horizon-scanning and risk owner feedback through the Risk and Controls Self Assessment (RCSA) process to identify emerging trends, regulatory developments, and market dynamics that may influence its ability to deliver strategic objectives. Scenario analysis and stress testing are used to assess the resilience of strategic plans. Ongoing monitoring of strategic performance enables timely identification of variances and supports early intervention where required. Governance oversight by the Board and its committees ensures effective challenge, transparency, and accountability in the execution and review of the Society's strategy.</p>

Risk Management Process

The risk management process is a continuous, proactive approach to identifying, assessing, monitoring and mitigating risks while also recognising opportunities to enhance protection and benefits for our members. This process also ensures that both existing and new emerging risks are effectively identified and managed.

The key components of the risk management process include:

- 1. Risk Identification** – Risks are identified proactively across all functions and risk types, with consideration given not only to potential threats but also to opportunities that could enhance member value, improve resilience, or support strategic delivery. Risk owners, in collaboration with the Risk Function, assess changes in the internal and external environment on a periodic basis to capture emerging risks, strategic opportunities, and potential changes to the Society's risk profile.
- 2. Risk Assessment** – All identified risks are assessed using a structured methodology that evaluates both potential adverse impacts (threats) and potential benefits (opportunities). Assessment criteria include consideration to the likelihood of the event occurring, the potential impacts of the event, time horizon, velocity, and the effectiveness of existing controls or enablers. This holistic approach ensures that the Society understands how risks may impede or support its strategic objectives.
- 3. Monitoring and Prioritisation** – Risks are continually monitored to identify changes in exposure, emerging trends, or new opportunities. Risk owners work with the Risk Function to ensure risks remain aligned to the Society's strategic priorities, risk appetite, and capacity for risk-taking. Prioritisation considers the balance between threats requiring mitigation and opportunities that may warrant investment or strategic action.
- 4. Risk Mitigation** – Appropriate responses are developed depending on the nature of the risk. For threats, actions may be taken to seek to mitigate, avoid or transfer risk exposures. Risk acceptance may occur where risks are within the agreed risk appetites. For opportunities, responses may include investment, enhancement of capabilities, or acceleration of strategic initiatives. Action plans clearly articulate ownership, timelines, and success measures to support effective and controlled delivery which is monitored through the embedded processes.

This structured approach ensures a robust risk management framework that supports the Society's strategic objectives and resilience.

Own Risk and Solvency Assessment (ORSA)

The Society, through its Own Risk and Solvency Assessment (ORSA), continuously assesses the adequacy of its solvency requirements specific to the risk profile, risk appetite and tolerance limits and the business strategy which facilitates decision making and strategic analysis. Periodically, the Society uses models to conduct stress testing and undertake scenario analysis to ascertain the current and projected solvency positions under normal and severe, yet plausible scenarios, both individually and aggregated. This allows the Society to fully understand the material risks it faces and consider further mitigating actions.

Whilst it is not possible to foresee all risks, and the combinations in which they could occur, the Society is confident it will continue to exceed requirements under the Solvency UK regime and continue to operate and meet its liabilities as they fall due.

Climate Change

The Society's exposure to financial risks arising from climate change remains limited, reflecting our business model, investment strategy, and operational footprint. Our sustainable investment approach continues to prioritise high-quality assets and issuers with strong Environmental, Social and Governance (ESG) credentials. Working closely with our investment management partners and other stakeholders, we remain committed to promoting sustainability and minimising our environmental impact.

Throughout 2025, our investment holdings consistently maintained an "Above Average" rating against our internal ESG assessment criteria, with a significant proportion of issuers classified as "Leaders."

As a UK-based income protection insurer, with the majority of members residing in the United Kingdom, the Society's exposure to physical climate risks—such as extreme weather events and natural catastrophes is relatively limited. While the longer-term physical impacts of climate change, including potential changes to morbidity, mortality, and longevity, may evolve over time, these factors are actively monitored through the risk management process to assess emerging trends and their potential implications for the Society's insurance risk profile.

The Society has minimal exposure to transition risks due to the sustainability orientation of its investment portfolio and limited holdings in high-carbon or climate-sensitive sectors. Consequently, litigation risks associated with climate-related damages are also inherently low, supported by diversified asset holdings and a prudent investment strategy. Regular reviews of sustainability ratings and adherence to clearly defined investment mandates ensure continued alignment with responsible investment principles.

In addition to managing investment-related climate risks, the Society remains committed to reducing its operational environmental footprint. We continue to implement measures aimed at lowering energy consumption, promoting remote and flexible working, minimising business travel emissions, reducing paper usage, and expanding the use of digital communications. These efforts support our long-term ambition to operate in a more sustainable and environmentally responsible manner.

Board & Board Committees

Board Governance

The Board of Directors is the governing body of the Society's activities. The Board is committed to delivering high standards of corporate governance and as such the Society complies with the requirements of the Senior Managers and Certification Regime (SM&CR) and complies with the Association of Financial Mutuals' (AFM) Corporate Governance Code.

During 2025, the Board of Directors held nine formal meetings alongside scheduled calls and informal meetings between planned Board meetings.

The Board comprises the Chairman, who is an independent Non-Executive Director, four other Non-Executive Directors and two Executive Directors; the Chief Executive Officer and the Chief Risk and Technical Officer.

The Board remains satisfied with the overall independence of the Non-Executive Directors.

The attendance record at meetings during 2025 was as follows:

Name	Board	Risk and Investment Committee	Remuneration and Nomination Committee	Audit and Compliance Committee
Samantha Blackie	9/9	3/3	2/2 C	-
Ian Bullock	9/9	3/3	-	4/4 C
Reeshi Harania*	8/9	-	-	-
Simon Owens	9/9	-	-	-
Stuart Purdy	9/9 C	-	2/2	-
Perry Thomas	9/9	3/3 C	-	4/4
Robin Willison	9/9	-	1/2	4/4

C – denotes Chair of the Board or sub-committee.

*Reeshi Harania resigned from the Society on 31 December 2025

The Board

The Board is responsible for the overall management and direction of the business of the Society to fulfil its strategic objectives in compliance with its Memorandum and Rules, and to oversee and review the Society's financial position and operations. The Chief Executive Officer is responsible for the day-to-day running of the Society and delivery of the strategy. The Board is satisfied that there is a clear division of responsibilities between the roles of the Chief Executive Officer and Chairman.

There are certain decisions that are reserved for the Board. These include:

- Setting the strategic direction of the Society including the investment strategy.
- Approval of changes to the Society's corporate and capital structure.
- Monitoring the performance of the business and the Executive.
- Establishing a framework of systems and controls.
- Agreeing the appointment of members to the Board of Directors.

Our Current Board of Directors



Stuart Purdy | Chair of the Board

Stuart Purdy became Chairman of British Friendly in 2019 and holds several roles in UK financial services businesses. He is the Chair of Assurant Europe Group and is a Board member of Medical Protection Society, a global mutual organisation. He is also the Senior Independent Director and Board Member of International General Insurance (UK).

In his executive career, Stuart was Product and Investment Director of Aviva Europe, CEO of Ireland's largest insurance group and led the launch of Aviva's business in India. His last Executive role was as CEO of RSA's Asia and Middle East Region.

While in India, Stuart established a partnership with Arpana Trust to set up the Aviva Balvatika School in the slum resettlement area of Delhi that has now educated more than 6000 children. He has a strong belief in Corporate Social Responsibility. Stuart is also the Chair of Age Scotland, a charity that supports older people across Scotland. Stuart lives in Edinburgh with his wife and two children.



Robin Willison | Senior Independent Director

Robin Willison has worked for over 40 years in Financial Services, including a series of senior leadership positions in Lloyds Bank and LV=. He is also on the Board of Health Shield Friendly Society as Senior Independent Director and a Trustee of the national debt advice charity CAP UK.

Robin is an active member of his local community and at various times has been a youth club leader, school governor and a trustee of several charities. He's currently supporting a group of local schools as Chair of Members for a Multi Academy Trust.

He has been married to Anna for over 40 years and has four grown up children, with his time increasingly being taken up by proudly supporting nine grandchildren at various activities and events!



Ian Bullock | Non-Executive Director

Ian Bullock joined the Board in June 2019 as Non-Executive Director and Chair of the Audit and Compliance Committee. For 40 years he has held senior roles right across the Financial Services sector. His roles have included chairing two Boards, Managing Director and Board-level responsibility for distribution, marketing, operations, and customer experience. He is a qualified actuary and brings expertise and experience in business, finance, and risk management.

Ian has a real passion for people – both customers and colleagues. His most fulfilling role was as Chief Customer Officer at Yorkshire Building Society where his primary responsibility was to ensure that all customers received excellent value, well-crafted service and top-class overall experience. The Society was sector-leading in each of these aspects. Ian is a sport-loving family man.



Perry Thomas | Non-Executive Director

Perry is an actuary with 35 years in financial services and since 2021 has Chaired the Risk & Investment Committee. In 2025, Perry became the CEO at Flood Re, a specialist flood reinsurer. He has also Chaired the Audit and Risk Committee at Assurant UK, a general insurer, since 2023. He has been CEO of HSBC's UK Life insurer, HSBC Re, HSBC Insurance Ireland, and was founding CEO of RGA UK - a pan-European life reinsurer. He's also been Group Chief Actuary for a global bank and a Group Chief Risk Officer of several large firms, including Scottish Widows and Lloyds Bank's Wealth business, covering stock broking, investment, asset management and wealth advisory. He's held directorships in the UK, Bermuda, Ireland, India, South Africa, Holland, Malta & Luxembourg. In 2017 he was elected for a 3-year term to the Council for the Institute & Faculty of Actuaries. He's been an Associate of the Society of Actuaries in the USA and a Certified Enterprise Risk Analyst (CERA). Perry completed an MBA in 2004 and thoroughly enjoyed it! Perry is dyslexic, which complicated his early school years, but he believes this often allows him to bring a different perspective.



Samantha Blackie | Non-Executive Director

Samantha Blackie joined the Board in June 2019 as a Non-Executive Director and is Chair of the Remuneration and Nomination Committee. She has over 30 years' corporate experience as a Human Resources Director, starting her career in retail followed by several senior positions across the Financial Services sector, including Group People and Corporate Affairs Director at Royal London, the UK's largest Mutual Life Insurance and Pensions company. In addition, Sam has been a trustee of UK and Irish pension schemes, a Trustee of Meningitis Now, as well as a Council member of Aberystwyth University where she also chaired the Governance and Compliance Committee.

Sam is currently a Non-Executive Director, Chair of the Remuneration Committee for the Medical Protection Society and Monmouth Building Society. Through both her executive and non-Executive career, Sam has extensive experience of the operation of governance committees such as the Remuneration and Nominations Committee and now chairs this committee within the Society. Having completed her Masters in Business Psychology, she has a particular interest in leadership development, culture and organisation change. Outside of work, Sam enjoys the outdoor life that living near the Forest of Dean brings and is a keen gardener.



Simon Owens | Chief Executive Officer

Simon Owens joined the Board in June 2020 as the Society's Chief Financial Officer and subsequently became the Society's Chief Executive Officer in June 2021. Simon has over 20 years' experience of working in the Financial Services sector where he has held financial, commercial and operational leadership positions in Life Insurance, Health Insurance, General Insurance, Pensions and Financial Advice businesses including Legal & General and Aviva. Simon's desire to make a difference and commercial acumen has led to key strategic roles delivering transformation and change. Simon also serves as a Board member of the Association of Financial Mutuals. The Association of Financial Mutuals promotes, and supports, the mutual sector for the benefit of customers and members throughout the U.K.

Originally from Cheshire, Simon now lives in Surrey and is married with four children and two dogs. Simon is a qualified youth football, rugby and cricket coach and spends much of his time away from the Society encouraging and developing children's passion for sport. Simon provides further support to his community as a Board member of a Multi Academy Trust incorporating seven local schools.



Reeshi Harania | Chief Risk and Technology Officer

Reeshi joined the Society in 2020 as Head of Risk and progressed to the Executive Management Team in June 2021 as Risk and Compliance Director. He was appointed Chief Risk Officer and joined the Board in January 2023, before assuming the position as Chief Risk & Technology Officer in May 2025 until his resignation on 31 December 2025. In addition to his executive responsibilities, Reeshi served as the Society's Company Secretary and was a director of its consumer credit subsidiary, BFS Member Services Limited. He brought together experience from a range of risk roles across the financial services sector. Within the Society, Reeshi led the regulatory compliance, risk management, and technology functions, ensuring the Society maintained a robust control environment and delivered its strategic objectives in a safe, compliant, and resilient manner.

Committees of the Board

The Board has the power to appoint Committees and to delegate to those Committees any authority of the Board. Committees support the work of the Board by analysing key issues and providing support for the decision-making process. Each Committee has specific terms of reference which are kept under review and each Committee reviews its effectiveness on an annual basis which also forms part of the overarching review of the Board. The responsibilities of the Directors are outlined in the Corporate Governance Section of the report.

The Board has established three Committees to support the Society's Corporate Governance structure and work of the Board.



Audit and Compliance Committee

The Audit and Compliance Committee is usually made up of three Non-Executive Directors. In addition, the meetings are attended by the Society's Chief Executive Officer, Chief Risk Officer, and Chief Actuary.

The role of the Audit and Compliance Committee is to assist the Board on matters of financial reporting and internal controls including regulatory compliance. The Committee members have been selected with the aim of providing a wide range of financial and commercial expertise necessary to fulfil the Committee's duties.

The Non-Executive Directors who served on the Committee during 2025 were:

Ian Bullock: Committee Chair & Non-Executive Director | **Perry Thomas:** Non-Executive Director | **Robin Willison:** Non-Executive Director

Key responsibilities of the Committee are:

The Committee has a broad sphere of interest on audit and compliance matters. Key elements of its terms of reference include responsibilities for:

- Monitoring the performance and effectiveness of the internal and external audit functions
- Reviewing the annual accounts prior to recommending them for approval by the Board
- Ensuring effective governance of the Society's systems of internal controls
- Providing oversight and guidance to the Society on matters of compliance with applicable regulation

Committee deliberations in 2025

March 2025

- Reviewed the schedule of proposed actions from previous reports
- Reviewed the external audit summary
- Reviewed and recommended to the Board approval of the valuation report and 2024 Financial Statements
- Reviewed the internal audit summary report
- Reviewed the compliance monitoring report, complaints report and associated follow up actions
- Reviewed and recommended to the Board approval of the Solvency and Financial Conditions Report 2024

July 2025

- Approved the Financial Crime Policy
- Oversaw a detailed assessment of the Society's retention strategy
- Reviewed progress with regard to the activities in the 2nd & 3rd line oversight plan.

November 2025

- Reviewed the schedule of proposed actions from previous reports
- Reviewed the Internal Audit plan for 2025, in conjunction with the overall plan for Society assurance and oversight.
- Reviewed and recommended to the Board approval of the 2025 year end process timetable
- Presented with a detailed report from an external expert on how effectively the Society is carrying out its activities with regards to Consumer Duty.
- Reviewed the Compliance Monitoring Report, Whistleblowing assessment, complaints analysis, Money Laundering risk assessment and associated actions.

The Committee has maintained a close focus on IT security, employee welfare, regulatory compliance and all aspects of claims management and service delivery.

Risk and Investment Committee

The Risk and Investment Committee comprises three Non-Executive Directors. In addition, the meeting is attended by the Society's Chief Executive Officer and Chief Risk and Technology Officer.

The role of the Committee is to ensure that the Society's Risk Management framework is fit for purpose, embedded, and operating effectively within the Society. The Committee also ensures that the Society's investments are managed according to an appropriate mandate, meets the requirements of members and the Society's Own Funds, and provides oversight of the effectiveness and performance of the investment manager. Given the nature of the Committee's remit some agenda items may be covered directly at Board meetings with all Non-Executive Directors present.

The Non-Executive Directors who served on the Committee during 2025 were:

Perry Thomas: Committee Chair & Non-Executive Director | **Ian Bullock:** Non-Executive Director | **Samantha Blackie:** Non-Executive Director

Key responsibilities of the Committee include:

- Recommending to the Board, the strategy and policy for risk management and overseeing its ongoing implementation.
- Recommending that the Board approves the Society's stated risk appetite and risk tolerances across the full range of risks to which the Society is exposed.
- Reviewing the processes, procedures and controls for ensuring that all risks are properly identified, assessed, mitigated, monitored and reported in a timely, consistent, and effective manner.
- Identifying and assessing emerging risks to which the Society may be exposed.
- Identifying all risk incidents and ensuring that these are documented and through root cause analysis that appropriate lessons are identified and learnt.
- Reviewing the investment strategy of the Society, ensuring asset allocation is appropriate (under actuarial advice), any deviations are flagged and understood, and monitoring performance of these investments and the investment managers.

Committee deliberations in 2025

June 2025

- The Chief Risk and Technology Officer (CRTO) recommended updates to the Risk Management Framework, and the Risk Appetite Framework. The Committee reviewed and supported the recommendation for the Boards approval.
- The CRTO also presented updates to the Risk Appetite Statements and Metrics following the changes to the frameworks. The Committee reviewed and supported the recommendation for the Boards approval.
- These updates were seen as improvements for the Society, and direct results of the Risk Management Maturity assessment that was presented in December 2024.
- Received an update from the Society's Investment partners and reviewed the performance of the Society's investment portfolios.
- Reviewed a Risk report including a risk summary, risk metrics, risk & controls, incidents and emerging risks.
- The committee noted the solvency capital and liquidity positions of the Society and the execution of the plans to put in place reinsurance structures to manage these positions and support new business generation. Given the importance of these arrangements to the strategy of the Society the plans were also shared with the Board.
- The Committee covered the use of AI applications being used and trialled within the Society, particularly for investigation of claims, for social media, and so forth. The need to keep a human involved in the use of these applications was acknowledged and is an adopted practice of the Society.

October 2025

- Received an update from the Society's Investment partners and reviewed the performance of the Society's investment portfolios. The investment managers have performed well over the year in turbulent markets.
- Received an update on the reinsurance positions and needs going forward, and impact on future risk appetite and positioning, noting these were being governed at the Board.
- Approved changes to the Risk Taxonomy, principle and subordinate risks of the Society.
- Approved the ORSA (Own Risk and Solvency Assessment) plan, including the base scenarios and the stress and scenario tests. The ORSA scenarios also considered the impacts of potential new product developments.
- Approved the Operational Resilience Framework and updates over the year.

December 2025

- Received an update from the Society's Investment partners and reviewed the performance of the Society's investment portfolios, which remain on track.
- Reviewed the Risk report including a risk summary, risk metrics, risks, controls, incidents and emerging risks
- Reviewed the outcome of an Intermediary Risk management assessment, which was approved.
- Reviewed the Society's Operational Resilience self assessment, which was a material piece of work for the Society.
- Reviewed an IT Security Review.
- Reviewed and approved an updated ORSA Policy.
- The Solvency UK Systems of Governance Framework was reviewed and some minor updates made that amalgamated certain related policies.
- Approved a Third Party Risk Management policy review.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises of three Non-Executive Directors. In addition, the meeting is attended by the Society's Chief Executive Officer and Chief Risk and Technology Officer to discuss matters as appropriate.

The Non-Executive Directors who served on the Committee during 2025 were:

Samantha Blackie: Chair & Non-Executive Director | **Stuart Purdy:** Chair of the Board | **Robin Willison:** Non-Executive Director

Key responsibilities of the Committee are:

The Committee has a broad sphere of interest in Board nomination and remuneration matters. Key elements of its Terms of Reference include responsibilities for:

- Identifying the mix of skills and level of overall competence required by the Board annually
- Ensuring the continuing relevant personal development of Board members to support the strategic aims of the Society
- Appointing Executive and Non-Executive Directors
- Ensuring the Society has a robust Succession Plan
- Carrying out Board Effectiveness Reviews as required
- Reviewing the ongoing appropriateness and relevance of the Society's Remuneration Policy
- Reviewing the strategic effectiveness of the Remuneration Policy so that the Society can attract and retain the quality of people required to administrate and advance its purpose and objectives
- Setting the ranges of salaries and other benefits for the Executives, Senior Managers and staff with due regard to external benchmarking
- Approving the design and metrics for any performance related pay schemes operated by the Society and approve the total annual payments made under such schemes. Ensuring that the personal performance objectives of the Directors are designed to promote the long-term sustainability of the Society
- Regular review of the impact of new or proposed regulation and legislation

Committee deliberations in 2025

The Committee met twice in 2025. Key items considered were as follows:

- Approach to and quantum of pay and bonus pots as well as sales incentives
- Review of performance prior to the payment of deferred bonus awards
- A review of Non-Executive Director Pay
- A review of the Society's succession plan
- Agreement and completion of the Board appraisal process
- Review of the Non-Executive Directors terms of appointment
- A review of the Non-Executive Directors remuneration
- Ongoing oversight of the allocation of regulatory responsibilities
- Gender pay report
- A review of the Society's Declaration and Conflicts of Interest register
- Compliance update on relevant regulatory developments
- Fitness and Propriety update for all SMF and Certified role holders

Outline of Remuneration Policy

The aim of the Remuneration Policy is to attract and retain personnel of the calibre, skills and values required to deliver the objectives and strategy of the Society. It adopts the following key principles:

- The Policy is to promote fair and transparent remuneration structures and adequately disclosed externally.
- Remuneration is aligned with applicable statutory regulatory requirements.
- Remuneration to promote sound and effective risk management.
- Fixed and variable remuneration to be appropriately balanced with arrangements designed to align the interests of employees with those of members.
- Variable remuneration is based on a combination of the assessment of the individual and the collective performance and overall results of the Society.
- The Society is an inclusive employer and is committed to ensuring that all its people are remunerated fairly. Whilst the Society is not currently obliged to publish any gender pay calculations relating to diversity, it intends to take steps to monitor equality and reduce or eliminate any pay gap where applicable.
- Employees receive more than the minimum remuneration package that they are entitled to in line with statutory legislation.

The Society has chosen, where appropriate, to follow best practice in Corporate Governance and any other relevant regulations including Solvency UK and the FCA guidance on remuneration. There is no code requirement for members to approve the Society's Remuneration Policy.

Remuneration of Executive and Non-Executive Directors

Remuneration of the Chairman and the Executive Directors is determined by the Remuneration Committee, while that of the Non- Executive Directors is assessed by the Chairman and Executive Directors. No individual is involved in a decision regarding their own reward.

The Chairman and Non-Executive Directors received fees, reimbursement of appropriate travel expenses and the benefit of death and accident cover when they are carrying out Society business. They received no other benefits. Executive Directors receive a salary and a package of other benefits, including pension, healthcare and car allowance, where appropriate. In addition, they are eligible for the Society's discretionary bonus scheme.

The funding of the bonus scheme is determined by performance against a balanced scorecard of objectives and measures that assess delivery against the purpose and long-term strategic objectives of the Society.

Individual payments are assessed against a range of qualitative and quantitative objectives including key strategic implementations, conduct and alignment of behaviour with the Society's culture and values.

50% of any bonus earned is deferred for 2 years, to underline the importance of rewarding performance that underpins the long-term sustainability of the Society. All payments made under the scheme are subject to malus and clawback.

Both the design of and payments made under the incentive schemes are subject to scrutiny by the Risk and Investment Committee. Performance objectives for the Chief Risk Officer are designed to effectively manage conflicts of interest.

The strategic effectiveness of all incentive schemes, as a part of overall remuneration, is reviewed annually by the Remuneration Committee with independent external benchmarking being undertaken at least every 3 years.

The overall remuneration paid to both Executive and Non-Executive Directors is externally validated using periodic benchmarking surveys that assess national and local pay and where appropriate refer to remuneration across a peer group of financial Mutuals.

The Executive Directors' terms of engagement allow for termination by either party at six months' written notice, with the exception of a Transfer of Engagements when the notice is increased to twelve months from the Society.

This section of the report sets out details of remuneration paid to Executive and Non-Executive Directors during the financial year ended 31 December 2025.

Name	Fee/Salary 2025 (£000's)	Bonus 2025 (£000's)	Benefits 2025 (£000's)	Total 2025 (£000's)	Total 2024 (£000's)
Stuart Purdy (Chairman)	33.0	-	-	33.0	32.5
Robin Willison (Senior Independent Director)	28.0	-	-	28.0	27.5
Samantha Blackie (Non-Executive Director)	25.5	-	-	25.5	25.0
Ian Bullock (Non-Executive Director)	25.5	-	-	25.5	25.0
Perry Thomas (Non-Executive Director)	25.5	-	-	25.5	25.0
Simon Owens (Chief Executive Officer) Note 1	204.4	87.5	47.7	339.6	320.5
Reeshi Harania* (Chief Risk and Technology Officer)	104.4	-	30.2	134.6	164.2
Total	446.3	87.5	77.9	611.7	619.7

Note 1: Bonus calculated under the Executive Directors bonus scheme. Includes 50% to be paid in 2026 and 50% deferred until 2028 (2024: 50% paid in March 2025 and 50% deferred until 2027).

*Reeshi Harania resigned from the Society on 31 December 2025

Corporate Governance Report

The Board is committed to good corporate governance which is essential to the way the it runs the Society's business. The Board operates in the best interest of its members and applies robust corporate governance practices in accordance with the Association of Financial Mutuals' (AFM) Corporate Governance Code.

Six principles of the AFM Corporate Governance Code:

Purpose and Leadership	<p>The Board is the governing body of the Society and is responsible for providing effective leadership, setting the tone from the top, and promoting the Society's purpose: to be a trusted and relevant provider of financial support in times of need. The Board ensures that the Society's values, strategy, and culture are aligned with this purpose and that mutuality and member interests remain central to decision-making. The Board is accountable for the Society's long-term success and sustainability, and for setting the strategic direction within an appropriate governance and control framework. Acting with integrity, the Board regularly reviews performance against agreed strategic objectives to ensure the Society continues to operate in the best interests of its members.</p>
Board Composition	<p>The Board comprises five Independent Non-Executive Directors, including the Chair, and two Executive Directors. One Independent Non-Executive Director is appointed as Senior Independent Director, providing an alternative point of contact for Directors and members where required. The Board is led by an independent Chair who is responsible for ensuring that the Board operates effectively and that it has an appropriate balance of skills, experience, independence, and diversity. The Chair also leads the evaluation of Board and individual Director performance.</p> <p>The Remuneration and Nomination Committee reviews Board composition, succession planning, and the mix of skills and experience required to support the Society's strategy. In accordance with the Society's Memorandum and Rules, all Directors are subject to re-election by members at the Annual General Meeting (AGM), providing transparency and accountability to the membership. The AGM in 2025 was held virtually and in-person, enabling members to vote on the current Board. The Board has established three committees to support its work, each operating under clear Terms of Reference and reporting to the Board.</p>
Director Responsibilities	<p>The Board is collectively responsible for the long-term success of the Society, while individual Directors are accountable under the Senior Managers and Certification Regime (SM&CR). There is a clear division of responsibilities between the Chair, who leads the Board and ensures its effectiveness; the Independent Non-Executive Directors, who provide constructive challenge and oversight and chair the Board's committees; and the Chief Executive, who is responsible for the day-to-day management of the Society. The Board places strong emphasis on the quality, integrity, and timeliness of information provided to support decision-making and expects Board and Committee papers to facilitate effective challenge, discussion, and informed judgement.</p>
Opportunity and Risk	<p>The Board is responsible for setting the Society's risk appetite and overseeing the framework for identifying, assessing, and managing risk. It agrees the principal risks the Society is willing to accept in pursuit of its strategic objectives and ensures that opportunities for growth, innovation, and development are considered within this context and in the best interests of members. The Board and the Risk and Investment Committee receive regular reporting on risk exposures, control effectiveness, and the operation of the risk management framework. Key risks are formally reviewed through the Risk Management Report, enabling ongoing oversight and informed decision-making.</p>
Remuneration	<p>Through the Remuneration and Nomination Committee, the Society maintains a remuneration structure that supports its long-term sustainable success and reflects its mutual values. Executive remuneration, including that of the Executive Directors, is structured to be fair, proportionate, and aligned with statutory and regulatory requirements, while promoting sound risk management. Variable remuneration is linked to the achievement of Society-wide and individual objectives, with a proportion of any bonus awards deferred for two years and subject to malus and clawback arrangements.</p>
Stakeholder Relationships and Engagement	<p>Effective engagement with members, colleagues, and business partners is fundamental to the Society's commitment to putting members at the heart of all we do and to being easy to do business with. The Society seeks to deliver positive outcomes for all stakeholders, with particular emphasis on members, by considering their needs and characteristics and using feedback to drive continuous improvement. The Board recognises the importance of maintaining regular and meaningful dialogue with stakeholders and ensuring that the Society acts responsibly and supportively, particularly during periods of vulnerability, to deliver fair and good outcomes.</p>

Director's Report

Statutory, Regulatory and Other Information

Responsibilities of the Board: Under the Friendly Societies Act 1992, the Board is required to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period. In preparing the Financial Statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business

Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the Financial Statements comply with the Friendly Societies Act 1992. They are responsible for safeguarding the assets of the Society and henceforth taking reasonable steps for the prevention and protection of fraud and other irregularities

Principal Activities

The principal activity of the Society continued to be the provision of Income Protection insurance cover for its members in times of illness and accident and, for those legacy members with a Century, Holloway or a BA in Work Plan, a capital sum on withdrawal. Servicing of existing loan facilities to legacy members continues, with loans being managed through the subsidiary company BFS Members Services Limited. BFSMS is a firm regulated by the Financial Conduct Authority for consumer credit activities. The Board are satisfied and of the opinion that all activities performed during the year by the Society and its subsidiary have been carried out within their respective powers.

Subsidiary Company

The results of the subsidiary company are disclosed in Note 11 to these Financial Statements. As of 31 December 2025, the Directors were Simon Owens and Reeshi Harania. The company has no employees, and no remuneration was paid to the Directors.

Statement of Disclosure to Auditors

The Directors of the Society have taken reasonable steps to ensure that they are aware of any relevant audit information and that such information has been disclosed to the Society's auditors.

Prudential Risk

The Society has actively reviewed and maintained the required margin of solvency throughout 2025 in accordance with the PRA regulations. The Board has carried out a robust assessment of the principal risks facing the Society, including those that would threaten its business model, future performance, solvency and liquidity. The Society's principal risks are summarised in the Strategic Report. Taking into account the Society's current position, the Board's expectation is that the Society will be able to continue in operation and meet its liabilities as they fall due over the five-year strategy period.

The Society's business activities, together with principal risks and uncertainties are set out in the Strategic Report on pages 9 to 12. In addition, Notes to the Financial Statements include the Society's objectives, policies and processes for managing its capital, its financial Risk Management objectives, details of its financial instruments, and its exposure to credit and liquidity risks. The Board of the Society believes that the Society is well placed to achieve its strategic objectives. As a consequence, the Board believes that the Society is well placed to manage its business risks successfully despite the current uncertain economic outline following recent political and economic events. The Board has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future.

Conduct Risk

The Society places members at the centre of its operations and is committed to delivering consistently positive outcomes for both current and future members. The management of conduct risk is integral to preventing poor outcomes, with the Society's culture, governance, and operating practices designed to act in members' best interests, minimise harm, and ensure products, services, support, and communications meet their needs.

The Society continuously reviews and updates its conduct risk exposure to reflect regulatory developments, including the Consumer Duty, and best practice guidance. This ensures that all members receive fair value, products and services perform as reasonably expected, communications are clear and transparent, and support is appropriate and accessible. Processes are in place to monitor, mitigate, and rectify any risk of member detriment.

The Society is committed to maintaining high standards of integrity and fairness in all dealings with members. All documentation and communications are designed to be clear, accurate, and not misleading, enabling members to make informed decisions.

Structured procedures ensure that any member concerns or complaints are addressed promptly, fairly, and sensitively, with thorough and impartial investigation. Members who remain dissatisfied with the outcome have the right to escalate their complaint to the Financial Ombudsman Service.

Diversity and Inclusion

The Board recognises that a diverse and inclusive culture is critical to effective governance, sound decision-making, and sustainable business success. Diversity of thought, experience, and background strengthens risk management and supports the delivery of high-quality outcomes for our members.

The Board is committed to promoting equality and diversity across a range of characteristics, including nationality, race, age, and professional experience. It actively encourages multiple perspectives and recognises that a diverse workforce fosters innovation and enhances organisational performance. By embedding these principles, the Society ensures that its operations reflect both its values and its commitment to responsible, member-focused governance.

Future Developments

The Directors continue to monitor and respond to the impacts of regulatory developments, as well as economic and geopolitical challenges, and their associated effects on the Society, its members, colleagues, suppliers, and the wider community.

Throughout 2025, the Society's Solvency Capital remained above the regulatory requirements. Management actions were considered and implemented during the year to further strengthen the Society's solvency position. The Board will continue to prioritise the Society's solvency position in 2026, ensuring it remains robust and resilient. The Board remains confident that the Society possesses sufficient resources to maintain operations, deliver on its strategic objectives, and pursue new opportunities in line with its long-term plan.

Auditors

BDO LLP continues to serve as the Society's auditors and the Board are grateful to them for their ongoing service and opinions.

On behalf of the Board of Directors



Stuart Purdy

Chairman of the Society

29th April 2026

Independent Auditor's Report To The Members Of British Friendly Society Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2025 and of the Society's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

We have audited the financial statements of British Friendly Society Limited (the 'Society') for the year ended 31 December 2025 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and Notes to the financial statements except that element of Note 3 which is marked as 'Unaudited', including a summary of significant accounting policies. 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 and Financial Reporting Standard 103 Insurance Contracts ('United Kingdom Generally Accepted Accounting Practice').

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society.

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 Society's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing the Directors' going concern assessment to determine whether the factors assessed are appropriate;
- Checking the clerical accuracy of the information included in the analysis;
- Challenging the nature and amount of the stresses applied to the base case;
- Obtaining and reviewing the Solvency and Financial Condition Report ('SFCR') and the Own Risk and Solvency Assessment ('ORSA') to understand the extent of capital in excess of regulatory requirements under the Base and Stress scenarios; and
- Enquiring of the Directors and reviewing management information, board minutes and regulatory correspondences to identify any factor that may cast significant doubt on the Society's ability to continue as a going concern.

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 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2025	2024
Key audit matters	Valuation of Technical Provisions	✓	✓
Materiality	Financial statements as a whole £894,000 (2024: £800,000) based on 2% (2024: 2%) of Fund for Future Appropriations (2024: Fund for Future Appropriations).		

An Overview of the Scope of our Audit

Our audit approach was developed by obtaining an understanding of the Society's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Society's transactions and balances which were most likely to give risk to a material misstatement.

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, including 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.

Valuation of Technical Provisions £25,191k (2024: £18,170k)

Refer to accounting policy 1.8 on page 31, Critical Accounting Judgements and Estimates on page 33 and note 15 to the financial statements.

We considered the valuation of the Technical Provisions to be a significant risk for our audit of the Society. Specifically, we considered the actuarial assumptions and modelling that were applied to be inherently risky, as these involve complex and significant judgement about future events both internal and external to the business for which small changes can result in a material impact on the valuation of Technical Provisions. Additionally, the valuation process is reliant upon the accuracy and completeness of the data that is used. As such we have split the risk into the following parts:

- Assumptions;
- Modelling; and
- Policyholder Data.

Assumptions

Assumptions are set by management with regard to a range of internal and external factors including past experience, market practice, regulations and expectations of future trends.

The assumptions that we consider to have the most significant impact are lapses, morbidity and expenses.

In order to obtain sufficient and appropriate audit evidence we have, with the support of an independent actuarial expert engaged for their relevant experience, performed the following:

- Understood the design and implementation of key controls over the processes for setting and updating key assumptions;
- Reviewed and challenged the results of experience analyses to assess whether these, and any expert judgement applied, support the adopted assumptions with a focus on the morbidity and lapse assumptions;
- Assessed the expense assumptions with respect to the Board approved budget, having challenged the historic reliability of the budgeting process; and
- Performed procedures to test that the assumptions adopted in the models are consistent with the approved basis.

We concluded that the assumptions are reasonable and that they have been appropriately included within the year end model.

Methodology and Modelling

We consider the appropriateness of the models to be critical to the overall valuation of the Technical Provisions.

In order to obtain sufficient and appropriate audit evidence we have, with the support of an independent actuarial expert engaged for their relevant experience, performed the following:

- Understood and challenged the appropriateness of the methodology and models used in the calculation of the year end long-term business provision balance; and
- Assessed the analysis of change to corroborate that the actual impact of any model change is consistent with that expected when the change was implemented.

We concluded that the models used for the 2025-year end are appropriate.

Policyholder Data	<p>The policyholder data held on the policy administration system is a key input to the valuation process. The valuation of the Technical Provisions is therefore dependent on the accuracy and completeness of the data used.</p>
	<p>To obtain sufficient, appropriate audit evidence to assess the accuracy and completeness of the data used in the valuation process, we performed the following:</p> <ul style="list-style-type: none"> ▪ Gained an understanding of management’s process for data extraction and input into the actuarial model; ▪ Supported by our actuarial expert, we understood the data manipulations that took place during the process; ▪ Tested those manipulations and reperformed key reconciliations to ensure completeness and accuracy of the data; and ▪ On a sample basis tested key data fields to underlying transaction and policyholder information. <p>We concluded that the data used for actuarial model inputs was materially complete and accurate.</p>

Our Application Of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Society Financial Statements	
	2025	2024
Materiality	£894,000	£800,000
Basis for determining materiality	2% of the Fund for Future Appropriations	2% of the Fund for Future Appropriations
Rationale for benchmark applied	We determined the Fund for Future Appropriation to be the most appropriate benchmark as the Society is a mutual as is the FFA a representation of the ability to pay current and future claim liabilities	
Performance materiality	£671,000	£600,000
Basis for determining performance materiality	75% of Materiality	75% of Materiality
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered factors such as our assessment of the Society’s overall control environment, and the expected total value of known and likely misstatements, based on our past experience.	

Reporting Threshold

We agreed with the Audit and Compliance Committee that we would report to them all individual audit differences in excess of £44,700 (2024: £16,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document entitled ‘2025 Report and Financial Statements’, other than the financial statements and our auditor’s report thereon. 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Other Friendly Societies Act 1992 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Friendly Societies Act 1992 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Director's 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 the Friendly Societies Act 1992 and the regulations made under it. <p>In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Friendly Societies Act 1992 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">▪ adequate accounting records have not been kept by the Society; or▪ the Society financial statements are not in agreement with the accounting records; or▪ we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Report, 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 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 Society or to cease operations, or have no realistic alternative but to do so.

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.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and management.

Extent to which the audit was 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Society and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining an understanding of the Society's policies and procedures regarding compliance with laws and regulations; and
- Inspecting Board and Audit and Compliance Committee minutes

We considered the significant laws and regulations to be the Friendly Societies Act 1992, Friendly Societies (Accounts and Related Provisions) Regulations 1994, Financial Reporting Standard 102 applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts.

The Society is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigation. We identified such laws and regulations to be the permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Enquiring of the Directors and other management on instances of non-compliance.

Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiring of management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Society's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Reviewing minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements, including the involvement of forensics specialists in our risk assessment process; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of Technical Provisions and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed with respect to the Technical Provisions).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.


A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit and Compliance Committee, we were appointed by the Board of Directors on 14 November 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 9 years, covering the years ended 31 December 2017 to 31 December 2025. Our audit opinion is consistent with the additional report to the audit and compliance committee.

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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:

6EAAC5E6CA7F492...

Giles Watson
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

Date: 30 April 2026

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Statement of Comprehensive Income

For the year ending 31 December 2025

Technical Account - Long Term Business	Note	Total 2025 £'000	Total 2024 (Restated) £'000
Premium Income		14,669	13,904
Outward Reinsurance Premiums		(1,078)	(290)
Earned Premiums, Net of Reinsurance	5	13,591	13,614
Investment Income	6	745	747
Unrealised Gains on Investments	7	371	-
Other Technical Income		13	26
Total Technical Income		14,720	14,387
Gross Claims Paid		(4,873)	(5,225)
Reinsurers Share		1,921	2,041
Claims Incurred, Net of Reinsurance	8	(2,952)	(3,184)
Change in Long-Term Business Provision	16	7,021	21,536
Net Operating Expenses	9	(10,341)	(12,406)
Investment Expense and Charges		(57)	(75)
Unrealised Losses on Investments	7	-	(881)
Excess Of Income Over Expenditure For The Year		8,391	19,377
Member Withdrawals	15	(4,442)	(6,344)
Net Surplus/ (Deficit) for the Year		3,949	13,033
Transfer (From) / To Fund for Future Appropriations	16	(3,949)	(13,033)
Balance On Technical Account - Long-Term Business		-	-
Other Comprehensive Income		-	-
Revaluation of Property		-	81
Total Other Comprehensive Income		-	81

The above results relate wholly to continuing activities. The Society is a mutual organisation and therefore has no equity shareholders. No statement of changes in equity has been presented as there are no balances to disclose. All surpluses or deficits on the Technical Account - Long-term Business for the year are transferred to the Fund for Future Appropriations. As all business relates to long-term products, no Non-Technical account is presented.

As described in note 1.2, the above represents the Statement of Total Comprehensive Income of the British Friendly Society.

Statement of Financial Position
As at 31 December 2025

		Note	Total 2025 £'000	Total 2024 (Restated) £'000
Assets				
Intangible assets		13	4,443	5,115
Investments	Financial investments	11	18,300	20,874
Debtors		12	81	91
Other assets	Tangible assets	14	1,042	1,272
	Cash at bank and in hand		110	206
			1,152	1,478
Prepayments and accrued income	Accrued investment income		230	234
	Other prepayments		186	210
			416	444
Technical Provisions		15	25,191	18,170
Total Assets			49,583	46,172
Liabilities				
Revaluation Reserve			386	386
Fund for Future Appropriations		16	47,249	43,310
Creditors	Insurance Creditors		629	855
	Finance Lease	19	285	414
	Other creditors including taxation and Social Security		175	256
Total Creditors			1,089	1,525
Deferred Income and Accruals	Deferred and Unearned Income	17	14	12
	Accruals		845	939
Total Deferred Income and Accruals			859	951
Total Liabilities			49,583	46,172

These Financial Statements were approved by the Board at their meeting held on 20th May 2025 and were signed on their behalf by:



Stuart Purdy
Chair of the Board
29th April 2026



Simon Owens
Chief Executive Officer
29th April 2026



Karen Baatz
Company Secretary
29th April 2026

As described in note 1.2, the above represents the Statement of Financial Position of the British Friendly Society.

Notes to the Financial Statements

For the year ending 31 December 2025

1. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

1.1. Basis Of Preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 and Financial Reporting Standard 103 as issued by the Financial Reporting Council and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 ('the Regulations').

In preparing the financial statements of the Society, advantage has been taken of the disclosure exemption available under FRS102. As such, no cash flow statement has been prepared for the Society. In accordance with FRS 103 on Insurance Contracts, the Society has applied existing accounting practices for insurance contracts, modified as appropriate to comply with applicable standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The financial statements are presented in pounds sterling which is also the functional currency of the Society because that is the currency of the primary economic environment in which the Society operates.

After making enquiries, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements. In making this assessment the Directors have considered a wide range of stress scenarios as part of the yearly ORSA process, Society's strategic plans, trading forecasts, managements strategic growth projections and the capital and liquidity requirements of the Society. The Society meets its day to day working capital requirements through its own cash resources. When concluding on the going concern status of Society, the directors have also considered emerging risks and uncertainties. They will continue to monitor the impact and respond accordingly.

The Board published the Solvency and Financial Condition Report in April 2026. This is a key public disclosure document under the Solvency UK regulations and is available on the Society's website.

1.2. Presentation of Financial Statements

In accordance with Regulation 7(3) of the Friendly Societies (Accounts and Related Provisions) Regulations 1994, the Directors present the financial statements of the Society. There are no material differences between the financial statements of the Society and those of the Group of which it is the head and as such the Directors have elected not to present the consolidated financial statements of the Group.

1.3. Accounting For Net Earned Premiums (see note 3.4)

Regular premiums on long-term insurance and participating investment contracts are recognised as income when due for payment. For single premium business, recognition occurs on the date from which the policy is effective. Reinsurance premiums payable are accounted for when due for payment.

1.4. Accounting For Investment Income

Investment income includes dividends, interest from investments at fair value and rental payments due from tenants. Dividends are included when received. Other investment income is included on an accruals basis.

1.5. Accounting For Net Gains/(Losses) On Investments

Realised gains and losses on investments are calculated as the difference between net sales proceeds and their valuation at the last Statement of Financial Position date or, where purchased during the year, the purchase price.

Unrealised gains and losses on investments represent the difference between the valuation of fair value assets at the Statement of Financial Position date and their valuation at the last Statement of Financial Position date or, where purchased during the year, the purchase price.

1.6. Accounting For Other Income

Other income primarily relates to forfeitures where members have withdrawn money or cancelled contracts before their maturity date. It is recognised as charged to members on withdrawal of funds.

1.7. Accounting For Claims And Benefits

Maturity claims and regular annuity payments are accounted for when due for payment. Surrenders are accounted for on the earlier of the date when paid or when the policy ceases to be included within the long-term insurance contract liability.

Death claims and claims for sickness are accounted for when the Society is notified. The value of claims on participating contracts includes bonuses paid or payable. Claims values include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of recoveries. However, it is likely that the final outcome will prove to be different from the original liability established.

Provisions are adjusted at the Statement of Financial Position date to represent an estimate of the expected outcome.

Notes to the Financial Statements

For the year ending 31 December 2025

1.8. Accounting For Long Term Insurance Liabilities

The long-term business provision is determined by the Board on the advice of the Chief Actuary as part of the annual actuarial valuation of the Society's long-term business. The provision is determined in accordance with the Solvency UK basis. It is calculated to be consistent with the PRA Rulebook: Solvency II Reform Instrument 2024. The long term business provision on a Solvency UK basis is calculated as the present value of expected future cashflows (benefit payments and expenses less future premiums) plus a risk margin. The risk margin allows for the cost to a third party of holding Solvency UK capital until all the contracts are settled. The rate of interest used to discount the expected future cashflows is prescribed by regulation and the expected cashflows are calculated using historic Society experience and include reserves for claims which have occurred but not reported and a reserve for claims already in payment. This makes sufficient provision for future expenses of fulfilling the long-term contracts and includes a provision for existing bonuses and bonuses declared as a result of the valuation. Future bonuses are allowed for within the valuation assuming future rates of allocation bonus and final bonuses continue at current rates and that annual bonuses continue to be paid in line with prevailing risk free investment returns.

1.9. Accounting For Mutual Bonuses And Interest

Bonuses to policyholders in the form of interest and bonuses are recognised in the Technical Account Long-Term Business when declared and Terminal Bonuses when paid.

1.10. Accounting For Property, Plant And Equipment (Assumes No Revaluations)

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The residual values and useful lives of tangible fixed assets are reviewed, and adjusted if appropriate, at the end of each reporting period if there are indicators of change. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

For owner occupied land and buildings, no depreciation is provided on the basis that such assets are held at fair value. The directors obtain a formal valuation of owner occupied property on a triennial basis. In the years between formal valuations the directors perform a desktop valuation. Increases in the valuation of owner occupied property are reflected in the Revaluation Reserve.

Depreciation is charged on other assets so as to write off the cost or valuation of assets, over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Fixtures, Fittings and Furniture	Computer Equipment
10%	33.3%

1.11. Accounting For Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful life of up to ten years from the date of being brought into service by the Society. Software in development will be amortised once the asset has been fully implemented.

The assets are reviewed for impairment if any factors come to light that indicate that the carrying value may be impaired.

1.12. Accounting For Financial Instruments - Financial Assets

Financial assets, including debt and equity securities, are initially measured at transaction price (including transaction costs) and subsequently measured at fair value through the profit and loss account.

Financial assets other than investments (including trade and other debtors) are initially measured at transaction prices (including transaction costs) and subsequently held at cost, less any impairment.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Society would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the Financial Statements

For the year ending 31 December 2025

1.13. Accounting For Financial Instruments - Financial Liabilities

Financial liabilities are classified according to the substance of the financial instruments contractual obligations, rather than the financial instruments legal form. Financial liabilities are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

1.14. Accounting For Non Financial Assets

The carrying amounts of the Society's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" (CGU)).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15. Accounting For Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An external independent valuer, having appropriate recognised professional qualifications and current experience of the location and type of property being valued, values the

Society's investment property triennially. Fair values are based on market values. Market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing.

In the years between formal valuations the directors seek desktop reports from the Society's property managers and base their valuations on those reports.

Where current prices cannot be established by reference to an active market, valuations are prepared by considering the aggregate of the estimated net cash flows to be received from renting the property. A yield that recognises the specific risks inherent in the net cash flows is then applied to the net annual rental cash flows to determine the value.

1.16. Accounting For Cash And Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

1.17. Accounting For Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the Society at the lower of the assets fair value at the date of acquisition and the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitment and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

1.18. Accounting For Retirement Benefits

The Society operates a defined contribution pension plan under which the Society pays fixed contributions into a separate entity. The Society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Society's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Notes to the Financial Statements

For the year ending 31 December 2025

1.19. Accounting For Commission

In respect of insurance contracts, acquisition costs comprise all direct and indirect costs incurred in writing new contracts. All costs including commission paid to Intermediaries are expensed in the period in which they are incurred.

1.20. Accounting For Foreign Currencies

Investment assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Purchases and sales of investments denominated in foreign currencies are translated at the rates prevailing at the dates of the transactions. Exchange gains and losses are dealt with in that part of the Statement of Comprehensive Income in which the underlying transaction is reported.

1.21. Accounting for the Fund for Future Appropriations

The Fund for Future Appropriations represents the excess of assets over and above the long-term insurance contract liabilities and other liabilities. It represents amounts that have yet to be formally declared as bonuses for the participating contract policyholders together with the free assets of the Society. Any profit or loss for the year arising through the Statement of Comprehensive Income is transferred to or from the Unallocated divisible surplus.

1.22. Accounting for Reinsurance

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The reinsurers' share of claims incurred in the Statement of Comprehensive Income reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. The balance recognised includes amounts receivable under a reinsurance treaty with Munich Re entered into in December 2024.

2. Critical Accounting Judgements And Estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The more critical areas, where accounting estimates and judgements are made, are set out below.

2.1. Long Term Business Provision (See Also Note 15)

The valuation of liabilities is calculated as the expected present value of expected future cashflows plus a risk margin. The risk margin allows for the cost to a third party of holding capital until all the contracts are settled.

The assumptions used for mortality, morbidity and longevity are based on standard

industry or reinsurers' tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for investment returns, expenses, lapse and surrender rates are based on current market yields, product characteristics, and relevant claims experience.

The assumptions used for investment returns and discount rates are based on current market risk free rates and are prescribed by EIOPA. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty.

One key assumption underlying these techniques is the actuarial assessment of claims payment patterns and whether assumptions regarding the prior years payment patterns continue to apply.

Allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix are also made in arriving at the estimated ultimate cost of claims in order that it represents the most likely outcome, taking account of all the uncertainties involved. To the extent that the ultimate cost is different from the estimate, where experience is better or worse than that assumed, the surplus or deficit will be credited or charged to gross benefits and claims within the Statement of Comprehensive Income in future years.

3. Capital Management

This section details the capital and risk management approach of the Society. The Society seeks to create value for its members by investing in the development of the business while maintaining an appropriate level of capital available.

The risk appetite for each type of principal risk is set based on the amount necessary to meet the PRA's capital requirements.

3.1. Policies And Objectives

The Society's key capital management objectives are:

- i. To ensure the Society's strategy can be implemented and is sustainable;
- ii. To ensure the Society's financial strength and to support the risks it takes on as part of its business;
- iii. To give confidence to policyholders and other stakeholders who have relationships with the Society; and
- iv. To comply with capital requirements imposed by its UK regulator, the PRA.

These objectives are reviewed at least annually, and benchmarks are set by which to judge the adequacy of the Society's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Society.

The assessment depends on various actuarial and other assumptions about potential changes in market prices, future operating experience and the actions management would take in the event of particular adverse changes in market conditions.

Notes to the Financial Statements

For the year ending 31 December 2025

The Solvency Capital requirement is the capital required when a prescribed range of stress tests are applied. As a minimum the Society must hold sufficient capital to meet the PRA's Minimum Capital Requirement.

Management intends to maintain surplus capital in excess of its solvency capital requirement and to maintain an appropriate additional margin over this to absorb changes in both capital and capital requirements.

The Society complied with all externally imposed capital requirements to which it was subject throughout the reporting period.

3.2. Capital Statement [Unaudited]

Life Business UK non-participating	2025 £'000	2024 (Restated) £'000
Total capital resources before deductions	47,249	43,310
Adjustments to assets	(4,071)	(4,779)
Total available capital resources	43,178	38,531

Available Capital Resources are calculated by the BFS appointed actuary and do not fall within the external audit remit.

3.3. Measurement And Monitoring Of Capital

The capital position of the Society is monitored on a regular basis and reviewed formally on a monthly basis by the Senior Management Team. Objectives are reviewed and benchmarks are set and agreed by the Board with which to judge the adequacy of the Society's capital and ensure that sufficient capital is available.

The Society's capital requirements are forecast on a regular basis and compared against the available capital and the Society's minimum internal rate of return. The internal rate of return forecast to be achieved on potential investments is also measured against minimum required benchmarks taking into account the risks associated with the investment.

In the event that sufficient capital is not available, actions would be taken either to reduce the level of profit allocation and bonus paid to members, raise additional capital or to reduce the amount of risk accepted thereby reducing the capital requirement through, for example, reinsurance, reducing business volumes or a change in investment strategy.

3.4. Available Capital – Long-Term Insurance Contracts

All contracts written by the Society are long term insurance contracts. They can be further analysed into those policies which have a contractual entitlement to participate in profit sharing (these are Holloway and Century policies) and those which do not, called Protect policies.

The liabilities in respect of the Society's participating (with-profits) and non-participating business are determined in accordance with the regulations of the PRA.

An allowance is made for actions that management would take in adverse conditions, such as reducing bonus rates. The assets are taken at market value, estimated where required, with an allowance for the future surplus expected to arise on the non-participating business written in the participating fund. The whole of the available capital resources within each participating fund is available to meet the regulatory and other solvency requirements of the fund.

3.5. Sensitivity Of Long-Term Insurance Contract Liabilities

The value of the long-term insurance contract liabilities is sensitive to changes in market conditions and in the demographic assumptions used in the calculation, such as mortality and persistency rates.

Market conditions – Assumptions are made about future investment returns and interest rates when valuing the liabilities, based on current market conditions. These also have an effect on the value placed on the assets held to support the liabilities. An adverse change in market conditions may therefore reduce the level of the available capital resources.

Demographic assumptions – Changes in the mortality, morbidity, expense or persistency experienced by the business may result in the need to change the assumptions used to value the liabilities. This may increase or reduce the value placed on the liabilities. The sensitivity of the liabilities to changes in the assumptions varies according to the type of business. For example, a change in mortality rates has a different impact for annuity liabilities than for term assurance liabilities.

4. Risk Management And Control

Risk Management has a regular place on agendas for the Senior Management Team, Risk and Investment Committee and Board. Details of the Society's risk management framework and methods use to mitigate risks are shown on pages 10 to 12 of the Strategic report.

The Society uses its Own Risk and Solvency Assessment (ORSA), Risk Appetite Statement and Risk Register to monitor current and potential risks that could affect its solvency adversely.

An overall risk tolerance is established which is expressed as a minimum level of solvency above the PRA minimum threshold.

Individual risk appetites are then established for each of the primary risks the Society faces. If these appetite limits are breached then management actions would have to be taken which may include:

- Reducing annual bonuses and/or final bonuses
- Reducing annual interest rate
- Reducing costs
- Raising premiums

Notes to the Financial Statements

For the year ending 31 December 2025

A summary of the primary risks the Society faces along with sensitivity analysis to show impact on capital are as follows:

4.1. Strategic Risks

Strategic risks are those which affect the business model of the Society. They can come through competitive pressures, failure to develop our own proposition and product in line with the market or economic and political changes.

In our modelling we see strategic risks manifesting themselves in the following ways:

Lower growth volumes

The Society allocates resources based on growth assumptions. If these are not met then the income may not support the cost base of the Society.

Higher lapses

Future profits on contracts assume a contract longevity. If lapses increase then that profit may be reduced.

The table presented below demonstrates the sensitivity of available capital to movements in assumptions on strategic risks:

	Change in Variable	Change in Available Capital/FFA £'000
Change in lapse assumptions	+10%	(3,098)

A 10% sensitivity has been used on the basis that it is considered to be a possible outcome.

When lapse rates change, future per policy expenses are likely to change. This has not been reflected in the value of change above. The sensitivity to changing per policy expenses which would occur if projected business volumes were not met are shown within operational risks below.

4.2. Insurance Risk

This is the risk associated with writing contracts of insurance. Each contract has an inherent risk that the claims experience will be higher than estimated. The contracts the Society writes are long term insurance contracts which means once entered into the Society does not have the right to cancel them. This increases the risk in this area. The Society only provides income protection insurance and no other classes. All insured members are resident in the UK when cover is taken out.

Risks arise from morbidity, persistency (lapses) and expense variances. Systems are in place to monitor and mitigate exposure to all of these risks.

Details of the Society's insurance technical provisions are included in notes 16 and 22.

The table presented below demonstrates the sensitivity of available capital to movements in assumptions on insurance risks:

Variable	Change in Variable	Change in Available Capital/FFA £'000
Change in morbidity inceptions/recoveries	+10%	(13,404)
Change in morbidity inceptions/recoveries	-10%	7,698

A 10% sensitivity has been used on the basis that it is considered to be a possible outcome.

4.3. Credit Risk

This is the risk that the Society suffers financial loss as a result of another party's failure to meet their financial obligations in a timely manner.

The table below shows the assets of the Society that are subject to credit risk along with their respective credit ratings:

2025	AAA _m £'000	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	CCC £'000	Unrated £'000	Total £'000
Government Securities	-	-	6,669	-	-	-	-	-	6,669
Corporate Bonds	-	701	1,031	1,123	7,328	-	-	-	10,183
Cash and cash equivalents	1,428	-	-	-	-	-	-	111	1,539
Secured mortgages								-	-
Loan to Subsidiary								19	19
Prepayments and Debtors								267	267
Total Assets	1,428	701	7,700	1,123	7,328	0	0	397	18,677

Notes to the Financial Statements

For the year ending 31 December 2025

2024	AAA £'000	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	CCC £'000	Unrated £'000	Total £'000
Government Securities	-	-	7,722	-	-	-	-	-	7,722
Corporate Bonds	-	707	988	1,579	7,489	-	-	-	10,763
Cash and cash equivalents	304	-	-	-	-	-	-	2,214	2,518
Secured mortgages								7	7
Loan to Subsidiary								70	70
Prepayments and Debtors								301	301
Total Assets	304	707	8,710	1,579	7,489	0	0	2,592	21,381

The Society has managed concentration risk through holding a diversified portfolio, apart from UK Gilts, no more than 5% of the investment portfolio is held with any one counterparty.

No separate sensitivity analysis is carried out for credit risk as this is included within the technical provisions calculation in Note 15.

4.4. Market Risk

As the Society holds significant levels of investments it has exposure to:

- Investment shocks, including movements in property values
- Movements in interest rates

The table presented below demonstrates the sensitivity of the best estimate liability to movements in assumptions on market risks:

	Change in Variable	Change in Available Capital/FFA £'000
Change in interest rates used to discount cashflows	+1%	(2,038)
Change in interest rates used to discount cashflows	-1%	1,626
Interest Rate Up Stress as defined by EIOPA Solvency UK Standard Formula	-	(3,855)

The above sensitivities have been used on the basis that they are considered to be possible outcomes.

When interest rates change, any movement in the available capital/FFA is partially offset by an opposite change in the value of assets.

The Society's Investment Manager conducts Asset/Liability matching to ensure assets and liabilities are matched as closely as possible.

This has not been reflected in the value of change above.

All investment assets are held in GBP denominations.

Notes to the Financial Statements

For the year ending 31 December 2025

The Society does not consider itself exposed to liquidity risk as short term liquidity needs for claims payable are covered by cash and cash equivalents.

The Society has no obligation to repay any principal in its contracts of insurance.

FRS 102.34.22 requires financial instruments held at fair value to be disclosed according to the following fair value measurement hierarchy:

- **Level 1** - Quoted prices (observable market prices for identical assets and liabilities)
- **Level 2** - Inputs other than quoted prices that are observable for the asset or liability, i.e. non quoted prices or values derived from prices
- **Level 3** - Values that are not based on observable market data

The value of Level 1 assets held by the Society is:

	2025 £'000	2024 £'000
Level 1 (including cash based investments held at fair value)	16,852	18,485

The Society holds no level 2 or level 3 financial instruments.

4.5. Operational Risk

Operational risks can occur in many ways and are generally modelled as having an impact on the running costs/expenses of the business.

The table presented below demonstrates the sensitivity of available capital/FFA to movements in assumptions on market risks:

	Change in Variable	Change in Available Capital/FFA £'000
Expense allowances	+10%	(2,233)
Expense allowances	-10%	2,225

A 10% sensitivity has been used on the basis that it is considered to be a possible outcome.

Notes to the Financial Statements

For the year ending 31 December 2025

5. Premium Income	Total 2025 £'000	Total 2024 £'000
Income Protection business - regular premiums	13,008	12,051
Holloway-Style business - regular premiums	1,661	1,853
Outward Reinsurance premiums	(1,078)	(290)
Net earned premium income	13,591	13,614

6. Investment Income	Total 2025 £'000	Total 2024 £'000
Income from land and buildings	15	15
Income from investments at fair value through income:		
Income from loans with subsidiary	2	6
Income from listed investments	672	719
Income from other investments	6	11
Gains / (losses) on the realisation of investments	50	(4)
	745	747

Notes to the Financial Statements

For the year ending 31 December 2025

7a. Unrealised Gain On Investments	Total 2025 £'000	Total 2024 £'000
Investments at fair value through income:		
Debt Securities	371	-
Net gain on investments	371	-

7b. Unrealised Loss On Investments	Total 2025 £'000	Total 2024 £'000
Debt Securities	-	(881)
Net loss on investments	-	(881)

8. Claims Incurred	Total 2025 £'000	Total 2024 £'000
Sickness benefit	4,873	5,225
Reinsurers share	(1,921)	(2,041)
Claims incurred net of reinsurance	2,952	3,184

Notes to the Financial Statements

For the year ending 31 December 2025

9. Operating costs	Total 2025 £'000	Total 2024 £'000
a) Acquisition costs:		
Staff costs	2,324	2,625
System and product development	39	143
Marketing and Promotions	452	559
Underwriting and Medical reports	157	235
Commissions	2,568	3,741
	5,540	7,303
b) Administration costs		
Staff costs	1,597	1,549
Board fees and expenses	156	153
Actuarial Function Holder's fees	169	191
Legal and professional fees	226	321
Depreciation/Amortisation of Tangible/Intangible Assets	1,041	1,026
Maintenance of software and equipment	951	1,133
Audit Fees	209	245
Other administration costs	452	485
	4,801	5,103
Net operating costs	10,341	12,406
Net operating costs include the following:		
Depreciation and amortisation charge for the year	1,041	1,026
Auditors remuneration (exclusive of VAT):		
Audit	129	130
In respect of costs of Reviewing Actuary (engaged by Auditor)	45	50
In respect of other services provided	-	-
Actuaries remuneration (exclusive of VAT)		
Actuarial Function Holder & With Profits Actuary	164	141
Other actuarial fees	92	92

Notes to the Financial Statements

For the year ending 31 December 2025

10. Employee Benefits Expense	Total 2025	Total 2024
The average monthly number of persons employed by the Society in the year was as follows:		
Non-Executive Board members	5	5
Staff - Administration	26	28
Staff - Acquisition	28	31
	59	64

	Total 2025 £'000	Total 2024 £'000
The aggregate staff payroll costs were as follows:		
Wages and salaries	3,405	3,611
Social Security costs	362	340
Other pension costs	310	376
	4,077	4,327

Wages and salaries includes a deferred bonus provision of £66,747 payable in 2028 (2024: £80,762 payable in 2027) in line with the senior management bonus scheme introduced in 2018. See Remuneration of Executive and Non-Executive Directors (page 19).

	Total 2025 £'000	Total 2024 £'000
The aggregate remuneration of key management personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, were as follows:		
Wages and salaries	566	575
Social Security costs	44	43
Other pension costs	46	45
	656	663

Full details of Directors' emoluments are contained in the Directors Remuneration report on page 19.

Key management personnel wages and salaries includes a deferred bonus provision of £43,747 payable in 2028 (2024: £54,012 payable in 2027) in line with the senior management bonus scheme introduced in 2018.

Notes to the Financial Statements

For the year ending 31 December 2025

11. Investments	Total 2025 £	Total 2024 £
a) Subsidiary undertaking		
Shares at cost	100	100

The Society own 100% of shares in BFS Member Services Limited. The subsidiary has the same registered address as the Society and is not included in the consolidation on the grounds it is immaterial.

The financial statements of that company show a loss of £(6,701) for the year to 31 December 2025 (2024 - profit of £nil). The net assets of the subsidiary amounted to £nil at the year end (2024 - £nil).

11. Investments	Total 2025 £'000	Total 2024 £'000
b) Other financial investments		
Dated		
Government Securities	6,669	7,722
Corporate Bonds	10,183	10,763
Undated		
Secured mortgages	-	7
Loan to Subsidiary	19	70
Short term cash investments	1,429	2,312
	18,300	20,874
Total of listed investments included above	16,852	18,485

Loans to subsidiary are currently repayable within a period of 1 to 5 years with an interest charge of 5.15%

Loans amounting to £8,000 fall due after more than 1 year (£37,000 in 2024).

Notes to the Financial Statements

For the year ending 31 December 2025

12. Debtors Arising Out Of Direct Insurance Operations	Total 2025 £'000	Total 2024 £'000
Members	34	28
Commission	47	63
	81	91

13. Intangible Assets	Administration System £'000	Other Computer Software £'000	Total 2025 £'000
Cost			
At 1 January 2025	7,910	3,766	11,676
Additions	104	33	137
Disposals	-	-	-
At 31 December 2025	8,014	3,799	11,813
Depreciation			
At 1 January 2025	2,801	3,760	6,561
Charge for the year	797	12	809
Impairment	-	-	-
At 31 December 2025	3,598	3,772	7,370
Net book value			
At 31 December 2025	4,416	27	4,443
At 31 December 2024	5,109	6	5,115

Notes to the Financial Statements

For the year ending 31 December 2025

14. Tangible Assets	Office Property £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Leased Equipment £'000	Total 2025 £'000
Cost					
At 1 January 2025	831	115	148	648	1,742
Additions		-	2		2
Revaluation					-
Disposals		-	-		-
At 31 December 2025	831	115	150	648	1,744
Depreciation					
At 1 January 2025		98	138	234	470
Charge for the year		8	8	216	232
Disposals		-	-		-
At 31 December 2025	-	106	146	450	702
Net book value					
At 31 December 2025	831	9	4	198	1,042
At 31 December 2024	831	17	10	414	1,272

The owner occupied office property is carried at fair value.

Notes to the Financial Statements

For the year ending 31 December 2025

15. Technical Provisions	Total 2025 £'000	Total 2024 (Restated) £'000
Balance at 1 January	(18,170)	3,366
Expected cashflows over the year	786	(179)
Unwind of discount rate	(556)	802
Model changes	(10,544)	4,994
Assumption changes	5,942	(22,569)
Actual data movements	4,719	584
New business written during the year	(7,876)	(11,099)
Other adjustments	(977)	4,275
Change in Risk Margin	1,485	1,656
Balance at 31 December	(25,191)	(18,170)
Balance at 31 December comprises		
Reinsurers share	6,025	3,427
Long term provision	(31,216)	(21,597)
	(25,191)	(18,170)

As per the Solvency UK regulations, member funds are now included within technical provisions above using a discount factor to reflect the expected future cash flows. Demographic assumptions are recommended by the Society's AFH based on experience analysis and economic assumptions based on prevailing market conditions and Regulation.

In December 2024, the Society entered into a treaty reinsurance arrangement. Under the terms of this treaty the Society received a payment of £1,849,548 (2024: £2,000,000) which has been recorded as a reinsurance recovery in the Statement of Comprehensive Income. The future premiums to be paid to the reinsurer have been included in the best estimate cash flow utilised when computing the Society's Technical Provisions.

Assumptions are updated annually based on emerging experience which is subject to review and approval by the Board.

In the year ended 31 December 2025 the most significant changes to the assumptions were in respect of lapses, morbidity and expenses which would have had an impact on the 2024 best estimate of £4.7m, £1.2m and £1.1m respectively. In addition to changes in assumptions certain refinements to modelling were implemented in the year, the most significant of which related to future surrenders and lapses. This change would have reduced best estimate liabilities by £9.6 million for 2024 year end.

Overall, and taking account of smaller items not included in the above, modelling refinements led to a £10.5 million reduction in the best estimate liability and the assumption changes would have increased the best estimate liability by £5.9 million giving an overall reduction, if reflected in 2024, of £4.6 million in best estimate liabilities.

Notes to the Financial Statements

For the year ending 31 December 2025

The analysis below shows the movement to members balances and their undiscounted value as at 31 December 2025.

	Total 2025 £'000	Total 2024 £'000
Bonuses and rebates		
Interest on members' balances	748	1,067
Apportionment	865	935
Interest and apportionment paid to withdrawn members	97	611
	1,710	2,613
Withdrawals during the year		
Death	715	986
Retirements	1,331	1,933
Resignations and lapses	1,900	2,660
Other withdrawals	483	739
Apportionments forfeited - taken to income	13	26
	4,442	6,344
Net decrease in member funds during the year	(2,732)	(3,731)
Balance at 1 January	37,582	41,313
Balance at 31 December	34,850	37,582

16. Fund For Future Appropriations	Total 2025 £'000	Total 2024 (Restated) £'000
Balance at 1 January	43,310	30,319
Transfer to / (from) technical account		
Long term business	3,949	13,033
Adjustments to FFA	(10)	(42)
Balance at 31 December	47,249	43,310

Notes to the Financial Statements

For the year ending 31 December 2025

17. Deferred And Unearned Income	Total 2025 £'000	Total 2024 £'000
Deferred Income	4	4
Unearned premiums	10	8
	14	12

18. Pension Costs

The Society operates a staff pension scheme based on defined contributions whereby the Society contributes up to 15% of the basic salary of qualifying members.

19. Capital Commitments	Total 2025 £'000	Total 2024 £'000
Future lease payments for capital equipment are due as follows:		
Within one year	158	158
Between one and five years	158	315
More than 5 years	-	-
	316	473

20. Restatement of Comparatives

In preparing the current year financial statements the directors identified that a correction is required in the calculation of the Long-Term Business provision as at 31 December 2024. The resulting correction increases the Long-Term Business Provision and Fund for Future Appropriation by £2m with an associated increase in the Change in Long-Term Business Provision and Net Surplus as reported in Statement of Comprehensive income for the year. The comparatives have been restated per the below. The impacted notes to the financial statements reflect this correction.

Notes to the Financial Statements

For the year ending 31 December 2025

2024 Accounts	As previously reported £'000	Adjustment £'000	As Restated £'000
Change in Long Term Business Provision	19,217	2,319	21,536
Excess of Income over Expenditure for the year	17,058	2,319	19,377
Net Surplus for the year	10,714	2,319	13,033
Transfer from / (to) Fund for Future Appropriation	(10,714)	(2,319)	(13,033)
Long-term Business Provision	15,851	2,319	18,170
Total Assets	43,853	2,319	46,172
Fund for Future Appropriation	40,991	2,319	43,310
Total Liabilities	43,853	2,319	46,172

In addition to the above, the location of the Intangible Assets of £5,115k in the Statement of Financial Position has been amended to align with the requirements of The Friendly Societies - Accounts and Related Provisions - Regulations 1994. This change has no impact on the net surplus for the year ended 31 December 2024 or on the Fund for Future Appropriation as at that date.

21. Board Members' Loans And Transactions

There were no amounts outstanding at either 31 December 2025 or 31 December 2024 in relation to loans to members of the Board and related parties. The register of loans to members of the Board is available for inspection at the registered office of the Society.

22. With-Profits Actuary

Statement in accordance with Rule 9.36 of the Accounts and Statements Rules

The Society has made a request to the With-Profits Actuary to furnish it with the particulars specified in Rule 9.36 of the Accounts and Statements Rules and the particulars furnished pursuant to the request are identified below:

The With-Profits Actuary of the Society for the period was Stephen Dixon FIA, an employee of SDA Associates.

He was not a member of the Society or the subsidiary of the Society at any time during the year.

He had no pecuniary interest in any transactions with the Society subsisting at any time during the period. The only remuneration was the fees for professional services paid for services provided by the company as follows:

SDA Associates professional fees for the year ended 31 December 2025 were £91,923 (2024: £92,044 plus Zenith £40,263) for actuarial function holder and with-profits actuary fees and £164,491 for other related services (2024: £92,044 plus Zenith £70,848) exclusive of VAT.

The With-Profits Actuary did not receive, nor will receive, any other pecuniary benefit.

Notes to the Financial Statements

For the year ending 31 December 2025

23. Long Term Insurance Liability Valuation Assumptions

Long term insurance liability valuation assumptions

The following sets out the assumptions underlying the valuation of the Society's long term insurance liabilities. The section also details the analysis of change in the Society's capital resources over the year. This may be used for the relevant section of the notes to the Report and Accounts. A gross premium method of valuation is used for calculating the Society's liabilities. The principal assumptions used to calculate the Society's insurance liabilities are set out below:

Discount rate of interest

Discount rates are set having regard to risk free rates of return (without volatility adjustment) as specified by the PRA for use as at 31 December 2025.

The same approach was used at the end of 2024.

Expenses

Maintenance expenses have been allowed for in the valuation of the Society's liabilities allowing for new business in accordance with the Society's business plans for the period 2026-2029.

Thereafter expenses are assumed to increase in line with an expense inflation assumption of 3.2% pa (2024: 3.6%).

Morbidity

The Society's sickness experience has been analysed both by the rate of inceptions and by rates of recovery and are split between Holloway style contracts (Holloway and Century) and the Society's pure Income Protection business (Protect and Breathing Space). The inceptions and recoveries are explicitly allowed for in the cash flow methodology. The sickness tables used are based on the industry standard "CMIR12" tables (Holloway style contracts) and "IP11" (Income Protection business).

Persistency

The rates of lapse and withdrawal assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders.

Mortality

The rate of mortality assumed to apply to the Society's business are split between the Holloway and Century non-commuted and commuted policyholders, as well as the Society's Protect and Breathing Space policyholders

Options and guarantees

The Society has no options or guarantees and accordingly holds no reserves for them.

Analysis of Change [unaudited*]

There has been an increase in the Society's available capital resources from 31 December 2024 to 31 December 2025 (see note 3.2).

This is predominantly driven by the increase in new business and assumption changes.

	Change in available capital £'000	Available capital £'000
2024 available capital (restated)		38,531
New business	6,395	
Investment gains	(2,376)	
Model and assumption changes	4,019	
Other	(3,391)	
2025 available capital		43,178

*Analysis of Change is calculated by the BFS appointed actuary and does not fall within the external audit remit.

24. Post Balance Sheet Events

There were no significant post balance sheet events.

General Information

Society Information

As at 31 December 2025

British Friendly Society Limited

Registered Office: 45 Bromham Road, Bedford, MK40 2AA

Telephone: 01234 358344

E-mail: enquiries@britishfriendly.com

Website: www.britishfriendly.com

Independent Advisers And Consultants 2025

Chief Actuary

Stephen Dixon, FIA, of SDA Associates, Global House, 1 Ashley Avenue, Epsom KT18 5AD

Auditors External

BDO LLP, 55 Baker Street, Marylebone, London W1U 7EU

Bankers

NatWest Bank PLC, 81 High Street, Bedford MK40 IYN

Investment Managers

LGT Wealth Management, 14 Cornhill, London EC3V 3NR

Chief Medical Officer

Rob Rosa, 14 High Street, Downton, Salisbury SP5 3PJ



BRITISH FRIENDLY

British Friendly Society Limited

Registered Office:

45 Bromham Road, Bedford MK40 2AA

Telephone:

01234 358344

Email:

enquiries@britishfriendly.com

Web:

www.britishfriendly.com

British Friendly Society Limited is incorporated under the Friendly Societies Act 1992. Registered Office: 45 Bromham Road, Bedford MK40 2AA. Registered No. 392F. It is a member of the Association of Financial Mutuals.