

2024 Report and Financial Statements

for year ending 31 December 2024

**BRITISH
FRIENDLY**

It feels good to be covered

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Stuart Purdy
Chair of the Board



“I’m very proud that the Society’s membership has grown and that we’ve supported over 850 new claims.”

Chair of the Board's Welcome Statement

Introduction

UK inflation levels fell in 2024, but many individuals and businesses alike continue to feel the impact of an increased cost of living. The Bank of England gradually started to reduce interest rates, although they still remain at their highest level since 2008, and the Chancellor's Autumn statement announced an increase to employers' national insurance taxation. Despite these macro-economic conditions your Board remain focussed on delivering good outcomes and value to our members and I am very proud that in 2024 we have supported over 850 new claims.

Financial Performance

An increase in the Society's membership has led to a record level of premium income of £13.6 million (£12.7m in 2023). The volume of new business written in 2024 has delivered a Society excess income over expenditure of £17.1 million (£8.6m in 2023) although interest rates have continued to impact the value of the Society's investment portfolio with an investment capital loss of £0.1 million (£2m investment capital gain in 2023). After accounting for member withdrawals of £6.3 million (£6.1m in 2023), the Fund for Future Appropriations, which is a measure of the long-term value of the Society, has increased by £10.7 million to £41 million (increased by £2.6m in 2023).

Capital Strength

The Board closely monitor, and modify, the capital management strategy of the Society in order to maintain the Society's capital strength. At the end of 2024, the Society had a level of capital which covered the Solvency Capital Requirements prescribed by the Regulator by [unaudited*] 198% (2023: 162%). 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 Solvency UK regulation. The Board continue to monitor capital requirements against prudential requirements and in addition to the risk sharing agreements already in place the Society entered into a financial reinsurance agreement which supports liquidity and 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 are required to consider the longer-term interest of members including future sick pay and other benefits. The Board protect members' longer-term interests by establishing appropriate reserves taking into account the recommendations of the Society's Appointed Actuary. In 2024 the Board agreed that we should continue to pay bonuses on members' capital balances, and we are delighted to announce a significant increase in the Annual Interest Bonus earned on all members' capital balances to 3% (2023: 1.5%). The Apportionment Rate applied to members' capital balances remains as £1.80 for commuted members and was reduced to £0.60 (2023: £1.08) for non-commuted members. Overall, these changes represent a year-on-year increase in the amount of money paid into member's capital accounts. However, following a review of the Holloway Fund and taking into account the recommendations of the Society's Appointed Actuary, 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 ways that the Society looks to provide additional benefit to members is through our Mutual Benefits programme which provides access to resources and support for members and their families at no additional cost. In 2024 the Society continued to offer valuable 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. 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.

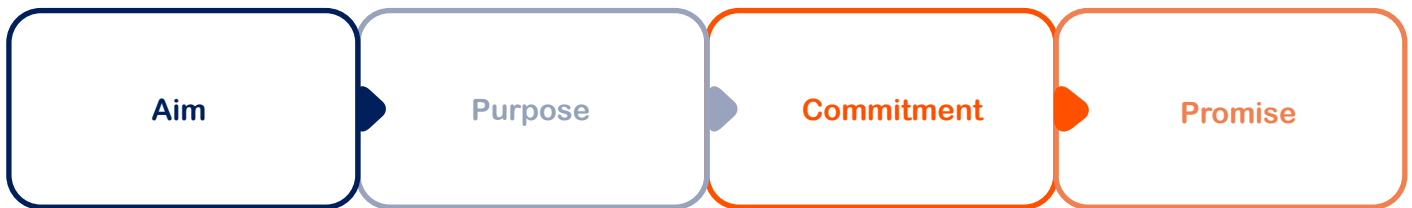
*Solvency Coverage Ratio is calculated by the BFS appointed actuary and does not fall within the external audit remit.

Transformation

In January 2021, the Society successfully migrated all Protect policies to a new policy administration system and simultaneously launched a new quote and apply underwriting platform. These new technologies have provided an excellent platform for the Society to efficiently and effectively service existing members and attract new members. In 2024 the Society utilised the new technology to further improve the new propositions offered including the introduction of Children's Critical Illness cover. Receiving a critical illness diagnosis for a child is devastating, and the only thing that our members should worry about at such a difficult time is caring for their family. Our Children's Critical Illness cover is one of our optional benefits available to add to new Protect or Breathing Space policies and cover ranges from £1,000 to £25,000 so members will only ever pay for the cover that they need. That means that members can worry less about any additional costs that arise from caring for a seriously ill child and focus on the things that really matter to their child and themselves.

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 our work to ensure compliance with the new Consumer Duty rules that came into effect on 31 July 2023 for actively distributed products and on 31 July 2024 for legacy products. The Society met the requirements of the Operational Resilience rules ahead of the March 2025 deadline. Oversight of the approach 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 are adequately conducted and remain suitable.

And Finally

In 2024 the Society has strengthened its capital position, grown in size and provided financial support to many members in their times of need. We have expanded our new business proposition, increased financial resilience, paid increased bonuses into Holloway members' capital accounts, and met the requirements of the new Consumer Duty and Operational Resilience rules.

These achievements would not have been possible without the continued support and loyalty of our members. Your trust in us allows us to keep delivering the benefits and long-term value that you deserve.

Finally, I would like to thank each member of our Board, our incredibly dedicated staff and our intermediary partners for their continued support.

Stuart Purdy
Chair of the Board
20th May 2025

Simon Owens
Chief Executive Officer



“Our purpose-driven business model aims to deliver tangible benefits to our members and the wider society.”

Chief Executive Officer's Report

Overview

The Society was proud to be named Outstanding Income Protection Provider at the 2024 Cover Excellence Awards. This prestigious award comes in a year when we have received record levels of premiums whilst supporting many members through our income protection solutions and BF Care programme. We are delighted to have been recognised for our achievements and to have worked with a record number of intermediaries. Understanding the needs of our partners and our members has allowed us to further develop our proposition which now includes the acclaimed Children's Critical Illness cover, an option which received fantastic industry praise and support.

The macro-economic environment remains challenging for our members and for the Society alike. Your Board remain resolutely committed to mutuality and providing award winning affordable solutions to our members. We support the Government's manifesto commitment to deliver inclusive economic growth and to double the size of the co-operative and mutuals sector. We know that we can deliver growth in a sustainable way which reinvests any profits into the communities that we serve and, as an active member of the Association of Financial Mutuals, we will engage with the Law Commission consultation on reforms to the Friendly Societies Act 1992. We offer our wholehearted support to the newly formed Mutual & Co-operative Business Sector Council.

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 2024.

Strategic Report Strategic Aims

The Society focuses on four strategic aims which are:

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

3 We strive to deliver the best service for our members, 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 with the society.

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.

Business Model

The Society's business model is to take on risk for members to provide them with financial security should they become incapacitated and be unable to work. The Society designs, builds and administers products, so that we 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 not available for new customers and therefore the number of members has been falling for many years. The number of 'Holloway-style' members reduced in 2024 from 5,468 to 4,878 and the number of Protect members increased in 2024 from 27,333 to 28,697 due to the volume of new business.



New Business Sales

The Society's premiums increased to £13.6 million (£12.6m in 2023) as a result of new business written and the increase in the Protect membership. The Society's strategy continues to broaden access to the Income Protection market and be more inclusive for customers that need protection the most. Being named the Outstanding Income Protection Provider demonstrates that the Society is the go-to provider for underserved communities with a personal and tailored service.

Trading Surplus And Own Funds

The Society's technical provisions decreased in 2024 by £19.2 million as a result of writing new business, refinements to assumptions, and the continued run-off of the members holding the 'Holloway-style' products which are closed to new customers. The Society's trading returned a surplus in 2024 of £17.1 million (£6.6m in 2023). With accounting for the capital withdrawals made by members with 'Holloway-style' products the net surplus is £10.7 million (£2.6m surplus in 2023).

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 is [unaudited*] 198% (162% in 2023). The improvement in the coverage ratio represents a series of reviews of the Society's actuarial requirements including the use of advanced modelling techniques and improved data driven decision making. This has allowed more granular and better aligned assumptions for the Society's proposition and underwriting of risk.

The mutual sector relies on attracting continued new Members to provide capital. We identified financial reinsurance as a potential alternative source of funding and implemented a reinsurance arrangement during 2024. The arrangement also allows the Society to manage liquidity and persistency risk through the use of a facility which can convert the balance sheet future profits, or negative technical provision, into a liquid asset. 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. 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, whilst receiving the valuable support that the Society provides.

Expenses And Capital Investment

The Society's 2024 net operating expenses were largely maintained at £12.4 million (£12.3 million in 2023 restated). The Society achieved cost savings by disposing of the M2000 legacy administration platform in 2024 and we will continue our efficiency and effectiveness focus in 2025.

*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. 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 2024. 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 2024 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

Successful execution of the Board's strategic initiatives has delivered a prestigious industry award and another year of sustainable new business growth. Our growth is now supported with financial reinsurance resources which align with the Society's financial resilience. The Board protects members' longer-term interests and the future new business volumes will be maintained at a sustainable level whilst achieving an overall reduction in the cost per policy.

Reducing expenses remains a key focus for the Society as we look to maximise the returns from our resources and deliver value back to our members. Increasing membership and prudent expense management has allowed the Society to successfully deliver our purpose to be a trusted and relevant provider of financial support for our members and increase the annual bonuses earned on members' capital balances.

None of these achievements would be possible without the incredible dedication of my colleagues. We utilise new technologies to support our objectives but our culture remains people led with members at the heart of what we do. Finally, I would like to thank my Board colleagues for their unwavering support and commitment. Our Board members passion for the Society and its members and their invaluable support to myself and my colleagues underpins everything that we achieved.



Simon Owens
Chief Executive Officer
20th May 2025

Reeshi Harania

Chief Risk and Technology Officer



“Our risk management approach reinforces our dedication to ensure long-term stability, fairness, and positive outcomes for our current and future members.”

Chief Risk and Technology Officer's Report

Introduction

Effective risk management is integral to the long-term success and sustainability of the Society. A key element of the Society's business model is the proactive identification, assessment, and management of risks. Risk management is vital to achieving strategic objectives in a responsible, controlled, and sustainable way while also ensuring positive outcomes for our members.

Risk management aims to maximise sustainable value creation across all Society activities by understanding both the potential opportunities and threats presented by risks to its strategic objectives.

As a financial institution, the Society faces a wide range of risks, including financial, operational and conduct. These risks are managed through robust risk management processes that prioritise regulatory compliance, resilience, and good outcomes to members. Through the iterative risk management process, risk management supports the Society continuing to fulfil member obligations, remain compliant with regulation and legislative requirements and supports the achievement of strategic objectives in a responsible and controlled manner.

Risk Appetite

The Society's risk appetite defines the level of risk it is willing to accept in pursuit of its strategic objectives and business initiatives and is agreed by the Society's Board. These qualitative statements are supported by quantitative measures aligned with the Society's principal and key risks, which are linked to the centralised risk register, monitored continuously, and regularly reported to both the Board and the Risk and Investment Committee.

Risk Management Framework

The Society's Risk Management Framework facilitates the identification, assessment, monitoring, and management of risks, supporting the development of a robust and proactive risk management culture. This framework is underpinned by risk management policies and processes.

Key Risks

There are 3 key risks inherent to our business model:

1 Insurance Risks: These encompass the risks associated with the inherent uncertainties surrounding the occurrence, amount, and timing of insurance liabilities. Long-term insurance risk arises from factors such as mortality, morbidity, lapses, pricing, and expense fluctuations.

2 Operational And Business Risks: These include the risk of losses directly or indirectly resulting from inadequate or failed processes or systems, such as models and forecasts, human error, or external events such as changes in the regulatory environment. This also includes risks associated with third parties, achieving our strategic objectives and conduct risk.

3 Financial Risks: These include deviations from expected returns or defaults arising from investments due to market fluctuations and the risk of the asset issuer, reinsurer or distribution partner not being able to make payments when they fall due. This includes liquidity risk and associated risks that could impact the Society's financial position.

The mutual sector relies on attracting continued new Members to provide capital. We identified financial reinsurance as a potential alternative source of funding and implemented a reinsurance arrangement during 2024. Additionally, the arrangement allows the Society to manage liquidity and persistency risk through the use of a draw-down facility which can convert the balance sheet future profits, or negative technical provision, into liquid assets. These two new forms of financial reinsurance successfully complement the existing morbidity re-insurance and further strengthen the Society's sustainability whilst achieving positive outcomes for our members.

Risk Governance

The Society operates a three lines of defence model which ensures accountability, oversight, and transparency in risk management. The Board delegates oversight of risk to the Risk and Investment Committee.

Operational Teams: First line of defence

The first line of defence is comprised of the operational areas such as Claims, Underwriting and Member Services and support functions such as Finance, Information Technology, and Human Resources. 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.

Risk and Compliance: Second line of defence

The second line of defence is made up of Risk and Compliance. These functions are led by the Chief Risk Officer and ensure the first line are appropriately managing risk and conforming with legislative and regulatory requirements. Risk and Compliance also provide oversight through policies, frameworks, tools, and techniques and are responsible for advice and challenge.

Internal Audit: Third line of defence

The third line of defence provides objective and independent assurance to the Board ensuring the first and second lines of defence are effectively managing risk. The outsourced Internal Audit partners review and report on systems of risk management and internal controls to the Audit and Compliance Committee.

Risk Management Process

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

The key components of the risk management process include:

- 1. Risk Identification** – Risks are categorised by function and type, with a structured quarterly review conducted by the risk owners and the risk function.
- 2. Risk Assessment** – Each risk is evaluated based on its potential impact, likelihood, and the effectiveness of key mitigation measures aimed at reducing its severity or probability.
- 3. Ongoing Monitoring and Prioritisation** – The risk owner regularly reviews, challenges, and prioritises risks to assess their implications for the Society's objectives, overall risk profile, and risk appetite.
- 4. Risk Management and Mitigation** – An action plan is developed and implemented to manage the impact and/or likelihood of the risk crystallising.

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

The Society, through its Own Risk and Solvency Assessment (ORSA), continuously assesses the adequacy of its solvency requirements specific to the risk profile, risk 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. 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.

Principal Risks

Throughout 2024, 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: This comprises of credit, counterparty, market, and liquidity risks and can materialise due to adverse movements in the financial markets, downgrading or default of a creditor (including distributors and reinsurance partners), reduced investment income, or the inability to meet financial obligations as they fall due.</p>	<p>The Society manages credit and market risk through clearly defined parameters and trigger points, established via an investment mandate with its investment managers. The performance of the investment portfolio is regularly monitored, with management promptly informed of any deviations.</p> <p>To mitigate investment credit exposure the Society invests in high-quality credit assets while maintaining continuous monitoring and management oversight to support loss mitigation. Counterparty risk is managed by setting financial limits and conducting ongoing assessments using both internal and external data sources.</p> <p>Additionally, the Society undertakes rigorous budgetary planning and cash flow management to ensure sufficient liquidity is available in the short and medium term to meet financial obligations as they arise.</p> <p>During 2024, the Society entered into a financial reinsurance agreement to mitigate the crystallisation of a significant liquidity risk event and supports the writing of new business.</p>
<p>Insurance Risk: This risk relates to the risks transferred to us by our members. Insurance risk considers the uncertainties that arise from mortality, morbidity and persistency and could crystallise if the cost of claims and benefits exceed the amount of premium and investment return received. Included within this risk is concentration and expense risk.</p>	<p>The Society has established processes and controls to assess and manage the risks associated with new business through its product design, pricing, underwriting and claims. Insurance risks related to existing business, such as claims and policy lapses, are continuously monitored against predefined thresholds and assumptions. Risk monitoring by distributor, adviser, and product option to mitigate concentration risk and ensure positive outcomes for our members. 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 has been further developed during 2024, embedding our commitment to Consumer Duty.</p>

<p>Operational Risk: This risk considers direct or indirect loss arising from failures from our people, processes, or systems. Included in this risk are legal, regulatory, third party, resilience, data, models, and cyber risks.</p>	<p>The Society has processes and controls in place to minimise the impact and/or likelihood of adverse operational events. 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>During 2024 the Society has continued in strengthening its operational controls, ensuring resiliency, improving efficiency, and reducing potential harm to members through failure of services. The Society continues to monitor its operational risks and associated exposure whilst managing risks and optimising operational effectiveness and efficiency.</p>
<p>Reputational Risk: This risk relates to actions that could reduce trust or confidence of the Society's integrity, values or operations, resulting in either loss of members and/or financial loss, including regulatory censure.</p>	<p>The Society manages this risk by embedding our values with our people and regularly reviews stakeholder satisfaction. This includes member, third party and satisfaction from our employees. This risk is continuously monitored to understand where the Society's processes can be optimised for effectiveness, efficiency and to identify emerging risks.</p>

Climate Change

Through the Society's business model, strategies and practices, the exposure to financial risk arising from climate change is limited primarily driven by our sustainable approach to investing and investment holdings. Working with our investment management partners and other stakeholders we continue to remain committed to promote sustainability and reduce the impact on the environment. Throughout 2024 our investment holdings maintained an 'Above Average' rating against internal Environmental, Social, and Governance (ESG) sustainability criteria, with a significant proportion of investment asset issuers classified as 'Leaders.'

As a UK-based income protection insurer, with the majority of our members residing in the United Kingdom, the Society's exposure to natural perils, including extreme weather events, is geographically limited. While the physical risks of climate change such as longevity, morbidity, and mortality are not expected to fully materialise for several years, we continuously monitor these factors to assess their long-term implications.

Additionally, the Society has minimal exposure to asset transition risks due to the sustainable nature of its investment portfolio. Consequently, litigation risks associated with climate change related damages are also limited due to the diverse portfolio. We conduct regular reviews of our portfolio's sustainability ratings and adhere to predefined investment mandates to further advance sustainable investing.

The Society remains committed to reducing its operational footprint and environmental impact. We continue to implement measures to decrease energy consumption by promoting remote working, minimising travel-related emissions, reducing paper usage, and encouraging electronic communication.

Board & Board Committees

The Board has three main sub-committees:

- Audit and Compliance
- Risk and Investment
- Remuneration and Nomination

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 2024, the Board of Directors held fourteen formal meetings alongside scheduled calls and informal meetings between planned Board meetings.

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

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

The attendance record at meetings during 2024 was as follows:

Name	Board	Risk and Investment Committee	Remuneration and Nomination Committee	Audit and Compliance Committee
Samantha Blackie	13/14	3/3	2/2 C	-
Ian Bullock	11/14	3/3	-	2/2 C
Reeshi Harania	13/14	-	-	-
Simon Owens	14/14	-	-	-
Stuart Purdy	13/14 C	-	1/2	-
Perry Thomas	14/14	3/3 C	-	2/2
Robin Willison	14/14	-	2/2	2/2

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

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 Chair of the Board.

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 Chair 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 the 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 a Member of 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 Chairs the Risk & Investment Committee. Perry has recently been appointed CEO* at Flood Re, a specialist flood reinsurer, and in addition to this he also Chairs the Audit and Risk Committee at Assurant UK, a general insurer. 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. *subject to regulatory approval



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 and Senior Independent Director for the Medical Protection Society. Through both her executive and non-executive career, Sam has extensive experience of the operation of governance committees such as the Remuneration and Nomination 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 a chocolate labrador. 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 joined the Society's Executive Management team in June 2021 as Risk and Compliance Director. Reeshi was promoted to Chief Risk Officer and appointed as a Board member in January 2023 and now holds the role of Chief Risk and Technology Officer overseeing the Society's Risk, Compliance and IT functions. Reeshi is also the Society's Company Secretary and a director of the Society's consumer credit subsidiary, BFS Member Services Limited. Reeshi has many years' experience and has held numerous risk positions in the financial services sector. His focus within the Society is on regulatory compliance and risk management, ensuring controlled and compliant delivery of the Society's strategic plan. Reeshi lives in Hertfordshire with his wife, young child, two dogs and is a keen motorsport enthusiast.

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

Risk and Investment Committee

Remuneration and Nomination Committee

Audit and Compliance Committee

The Audit and Compliance Committee comprises of three Non-Executive Directors. In addition, the meetings are attended by the Society's Chief Executive Officer and the Chief Risk Officer. The Society's Chief Actuary attends to discuss matters as appropriate. 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 2024 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 2024

March 2024

- 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 2023 Financial Statements.
- Reviewed the internal audit summary report.
- Reviewed the compliance monitoring report, complaints report, the money laundering report and associated follow up actions.
- Reviewed and recommended to the Board approval of the Solvency and Financial Conditions Report 2023.
- Reviewed a detailed report on Society progress with regard to Consumer Duty.
- Approved a new Financial Crime Policy.
- Presented with an overview and outcomes of the Cyber Security review undertaken by external auditors.
- Presented with an overview and outcomes of a New Business Product Pricing review undertaken by an external specialist.

November 2024

- Reviewed the schedule of proposed actions from previous reports.
- Reviewed the Internal Audit plan for 2024 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 on how the Society is meeting all its cyber risks. This report was a follow up from the previous external review.
- Reviewed the Compliance Monitoring Report, Whistleblowing assessment, complaints analysis 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 meetings are attended by the Society's Chief Executive Officer and Chief Risk 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 partners.

The Non-Executive Directors who served on the Committee during 2024 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 2024

April 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 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 they were to be discussed with the Society's Board.

September 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, risks, controls, incidents and emerging risks.
- Approved the ORSA (Own Risk and Solvency Assessment) policy.
- Received a brief update on the reinsurance negotiations, and impact on future risk appetite and positioning, noting these were being governed at the Board.

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, risks, controls, incidents and emerging risks.
- Reviewed the outcome of a Business Continuity Management Systems & Controls internal assessment.
- Reviewed the Society's Operational Resilience and scenario planning reports.

An important exercise this year was to assess the maturity of the Society's risk management framework against industry frameworks and peers in the insurance industry, to assess how the Society has progressed over the four years in embedding its revised risk management framework. The exercise concluded that the Society had progressed from a basic risk management approach in 2020 to a managed approach in 2024 where risk management is proactive and embedded in decision-making processes. Metrics, controls, and performance indicators are used to monitor risk effectively and cross-functional collaboration is established. This was a pleasing result reflecting the work of the Society's management team. The report also identified a few areas to work on to optimise risk management to achieve the highest level. The Committee reviewed and recommended the report to the Board for approval.

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 Officer to discuss matters as appropriate.

The Non-Executive Directors who served on the Committee during 2024 were:

Samantha Blackie: Committee 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.
- 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 2024

The Committee met twice in 2024. 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.
- Review of the Society's succession plan.
- Agreement and completion of the Board appraisal process.
- Review of the effectiveness of the Board.
- Review of the Non-Executive Directors terms of appointment.
- Review of the Non-Executive Directors remuneration.
- Ongoing oversight of the allocation of regulatory responsibilities.
- Gender pay report.
- Culture.
- Review and approval to amend the staff grade holiday allowance.
- Approval of the Remuneration Policy.
- Review of the Society's Declaration and Conflicts of Interest register.
- Compliance update on relevant regulatory developments.
- Fitness and Propriety update for all Senior Management Function 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 Chair of the Board and the Executive Directors is determined by the Remuneration Committee, while that of the Non-Executive Directors is assessed by the Chair of the Board and Executive Directors. No individual is involved in a decision regarding their own reward.

The Chair of the Board and Non-Executive Directors received fees, reimbursement of appropriate travel expenses and the benefit of death and accident cover when they carried 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 Remuneration and Nomination 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 2024.

Name	Fee/Salary 2024 (£000's)	Bonus 2024 (£000's)	Benefits 2024 (£000's)	Total 2024 (£000's)	Total 2023 (£000's)
Stuart Purdy (Chair of the Board)	32.5	-	-	32.5	32.5
Robin Willison (Senior Independent Director)	27.5	-	-	27.5	27.5
Samantha Blackie (Non-Executive Director)	25.0	-	-	25.0	25.0
Ian Bullock (Non-Executive Director)	25.0	-	-	25.0	25.0
Perry Thomas (Non-Executive Director)	25.0	-	-	25.0	25.0
Simon Owens (Chief Executive Officer) Note 1	198.7	75.0	46.8	320.5	324.6
Reeshi Harania (Chief Risk Officer) Note 1	101.8	33.0	29.4	164.2	158.7
Total	435.5	108.0	76.2	619.7	618.3

Note 1: Bonus calculated under the Executive Directors bonus scheme. Includes 50% to be paid in 2025 and 50% deferred until 2027 (2023: 50% paid in March 2024 and 50% deferred until 2026).

Corporate Governance Report

The Board is committed to good corporate governance which is essential to the way the Board 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 which sets the tone from the top and promotes our purpose – ‘to be a trusted and relevant provider of financial support in times of need’, as well as ensuring that our values, strategy, and culture align with this purpose. The Board is responsible for the Society's activities, long term sustainability and sets the strategic direction of the Society. Mutuality and our members remain central to the Society's values and underpin how the Society and Board engages and operates in the best interest of members. The Board acts with integrity and regularly reviews performance against strategic goals to ensure the Society remains on target.</p>
Board Composition	<p>The Board consists of five Independent Non-Executive Directors, including the Chair of the Board and two Executive Directors. One of the Non-Executive Directors is appointed as a Senior Independent Director, who serves as an intermediary for other Directors and members. The Board is led by an independent Chair who ensures the Board is adequately experienced, balanced and diverse. The Chair of the Board is also responsible for assessing the performance of Board members. The Board has a balance of skills, background and knowledge with individual Directors having sufficient capacity to make a valuable contribution. The Remuneration and Nomination Committee review the mix of skills, experience and independence of the Board and ensures appropriate succession planning for both Executive and Non-Executive Directors. Our Memorandum and Rules require that Directors are subject to re-election at the Annual General Meeting (AGM) and provide members with the opportunity to participate in the re-election. The AGM in 2024 was held virtually where members voted in our current Board. The Board has established three Committees under its overall authority. These Committees consider certain matters and conduct duties within their Terms of Reference, and you will see details of the Committees and their deliberations on pages 17-20.</p>
Director Responsibilities	<p>The Board is collectively responsible for the long-term success of the Society and Directors are individually accountable under the Senior Managers and Certification Regime (SM&CR). There is a clear division of responsibilities between the Chair as leader of the Board, the Independent Non-Executive Directors who bring oversight and independence and chair the three sub-Committees, and the Chief Executive Officer who is responsible for the day to day running of the Society. The Board is confident in the integrity and quality of the information provided for Board and Committee meetings in decision making and papers submitted to the Board and Committees are expected to be of high quality to support challenge and discussion appropriate for decision making.</p>
Opportunity and Risk	<p>The Board is responsible for setting the Risk Appetite and establishing oversight for the identification and management of risks. The Board agrees the principal risks and tolerance levels the Society is willing to take in order to identify opportunities that support the Society's strategic goals. Opportunities for development and innovation which contribute to the long-term goals of the Society are robustly reviewed and considered against the risk appetite and in the best interests of our members. The Board and the Risk and Investment Committee receive regular updates on the Society's risk management processes, control effectiveness and risk management enabling effective decision making. The Risk Management Report includes key risks that are presented at least quarterly and monitored by the Risk and Investment Committee.</p>
Remuneration	<p>The Society, through its Remuneration and Nomination Committee, promotes an appropriate remuneration structure for the Executive Management Team, including the Executive Directors, which is fair and linked to the Society's long term sustainable success. Director remuneration is aligned with statutory and regulatory requirements and designed to promote effective risk management. Any bonus payments are determined against agreed Society objectives and underpinned by established personal objectives. A proportion of any bonus awards to the Executive and Executive Management Team are deferred for two years and are subject to malus and clawback.</p>
Stakeholder Relationships and Engagement	<p>Engaging with members, colleagues and business partners is fundamental to our commitment of “putting members at the heart of all we do” and our Aim – “easy to do business with”. The Society is committed to deliver positive outcomes for our stakeholders, especially members, considering the needs and characteristics of all stakeholders and uses stakeholder feedback to continually improve. The Board recognise the importance in maintaining regular contact with our stakeholders, including supporting them through difficult times and deliver 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 to 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, which 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 2024, 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 2024 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 7 to 13. 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 puts members at the heart of what it does and is focussed on delivering good outcomes for current and future members. The Society's approach to conduct risk management is key in preventing poor outcomes for its members whilst the Society's culture, governance and working practices promote acting in the best interests of members and avoiding potential harm through products, services, support and communication. The conduct risk requirements are continuously reviewed and adapted, including taking into account regulatory developments such as Consumer Duty and best practices to ensure that members consistently receive good outcomes, and we have processes in place for mitigating and monitoring member detriment.

The Society is committed to maintaining high standards of integrity and fairness in its dealings with members and ensures that all documentation and literature is clear, fair, and not misleading.

Systems and documented procedures are in place to ensure that, if any member is dissatisfied, such concerns will be handled with due care and sensitivity and will be thoroughly and impartially investigated. A member who feels dissatisfied with the result of such investigation has the right to refer their complaint to the Financial Ombudsman Service.

Diversity and Inclusion

The Board strongly believes that business success, decision making, and risk management are more effective when underpinned by a diverse and inclusive culture.

The Board is committed to encouraging equality and diversity which includes criteria such as nationality, race, age, and experience and encourage multiple points of view and recognises that diversity will drive innovation in our Society. A diverse workforce not only promotes good business practice, but also reflects our principles.

During 2024 the Society continued its membership and involvement in the Women in Finance Charter initiative and has embedded its principles into recruitment practices and remuneration.

Future Developments

The Directors continue to monitor and respond to the impacts of regulatory developments, economic and geopolitical challenges during 2024 and the associated effects on the Society, members, colleagues, suppliers, and the wider population.

Throughout 2024 the Society's Solvency Capital remained above the required level set by our regulators. During the year management actions have been considered and adopted to strengthen the Society's solvency position and the Society's solvency position will continue to be a prime consideration of the Board during 2025. The Board remains confident that the Society has sufficient resources to continue to operate and explore new opportunities as it delivers its strategic 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

Chair of the Board

20th May 2025

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

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2024 and of its result 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 2024 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. Our audit opinion is consistent with the additional report to the audit and compliance committee.

Independence

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 8 years, covering the years ended 31 December 2017 to 31 December 2024. 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 that 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.

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

Overview

		2024	2023
Key audit matters	Valuation of Technical Provisions	✓	✓
Materiality	Financial statements as a whole £800,000 (2023: £519,000) based on 2% (2023: 1.7%) of Funds for Future Appropriations (2023: Funds 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 £15,851k (2023: £-3,366k)

Refer to accounting policy 1.8 on page 32, Critical Accounting Judgements and Estimates 2 on page 34 and note 16 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.

The specific procedures performed to address the risk are set out below.

<p>Assumptions</p> <p>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.</p> <p>The assumptions that we consider to have the most significant impact are lapses, morbidity and expenses.</p>	<p>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:</p> <ul style="list-style-type: none"> ▪ 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. <p>We concluded that the assumptions are reasonable and that they have been appropriately included within the year end model.</p>
<p>Modelling</p> <p>We consider the appropriateness of the models to be critical to the overall valuation of the Technical Provisions.</p> <p>We consider the risk to be increased in the current year due to the model change that took place following the change of Actuarial Function Holder.</p>	<p>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:</p> <ul style="list-style-type: none"> - Reviewed model documentation to understand the methodology applied and controls in operation; - Reviewed back testing of the model versus that used for 2023 and investigated the differences arising; and - For each of the differences identified we challenged the assessment of whether they indicated an error in the current year model, the previous model or a refinement leading to a change in estimate. <p>We concluded that the models used for the 2024 year end are appropriate.</p>

Policyholder Data 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.	To obtain sufficient, appropriate audit evidence to assess the accuracy and completeness of the data used in the valuation process, we performed the following: <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. We concluded that the data used for actuarial model inputs was materially complete and accurate.
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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	
	2024	2023
Materiality	£800,000	£519,000
Basis for determining materiality	2% of the Fund for Future Appropriations	1.7% 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	£600,000	£389,000
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 £16,000 (2023: £10,000). 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 ‘2024 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 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; andthe Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <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 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">proper accounting records have not been kept by the society; orthe Society financial statements are not in agreement with the accounting records and returns; orwe have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Director's 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.

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 and the financial reporting framework.

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 meeting 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;
- discussing amongst the engagement team as to how and where fraud might occur in the financial statements; 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 the potential for 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.

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:

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Giles Watson

(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

20 May 2025

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 2024

Technical Account - Long Term Business	Note	Total 2024 £'000	Total 2023 (Restated) £'000
Premium Income		13,904	12,708
Outward Reinsurance Premiums		(290)	(93)
Earned Premiums, Net of Reinsurance	5	13,614	12,615
Investment Income	6	747	1,133
Unrealised Gains on Investments	7	-	906
Other Technical Income		26	21
Total Technical Income		14,387	14,675
Gross Claims Paid	8	(5,225)	(5,004)
Reinsurers Share		2,041	21
Claims Incurred, Net of Reinsurance		(3,184)	(4,983)
Change in Long-Term Business Provision	16	19,217	11,434
Net Operating Expenses	9	(12,406)	(12,394)
Investment Expense and Charges		(75)	(94)
Unrealised Losses on Investments	7	(881)	-
Excess (Deficit) Of Income Over Expenditure For The Year		17,058	8,638
Member Withdrawals	16	(6,344)	(6,054)
Net Surplus/ (Deficit) for the Year		10,714	2,584
Transfer (From) / To Fund for Future Appropriations	15	(10,714)	(2,584)
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.

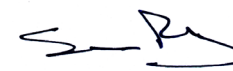
Statement of Financial Position

As at 31 December 2024

		Note	Total 2024 £'000	Total 2023 (Restated) £'000
Assets				
Investments	Other financial investments	11	20,874	28,550
			20,874	28,550
Debtors		12	91	54
Other Assets	Intangible assets	13	5,115	5,709
	Tangible assets	14	1,272	1,425
	Cash at bank and in hand		206	116
Prepayments and accrued income	Accrued investment income		234	319
	Deferred acquisition costs		-	-
	Other prepayments		210	554
Technical Provisions		16	15,851	-
Total Assets			43,853	36,727
Liabilities				
Revaluation Reserve			386	305
Fund for Future Appropriations		15	40,991	30,319
Technical Provisions		16	-	3,366
Deferred Income, Creditors and Accruals	Deferred and Unearned Income	17	12	23
	Insurance Creditors		855	777
	Accruals		939	1,012
	Finance Lease	19	414	486
	Other creditors including taxation and Social Security		256	439
Total Liabilities			43,853	36,727

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

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
20th May 2025



Simon Owens
Chief Executive Officer
20th May 2025



Reeshi Harania
Company Secretary
20th May 2025

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 2024

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 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, management's 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 the Society, the Directors have also considered the 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 2025. 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

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 2023

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 UK Firms Technical Provisions Instrument 2015. 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 seek desktop reports from the Society's property managers and base their valuations on those

reports. 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 2023

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 2024

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 in 2024 includes an amount receivable under a reinsurance treaty 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 16)

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 2024

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	2024 £'000	2023 Restated £'000
Total capital resources before deductions	40,991	30,319
Adjustments to assets	(4,779)	(5,492)
Total available capital resources	36,212	24,827

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 11-13 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 2024

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%	(3,601)

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 23.

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 (%CMIR12) inceptions/recoveries	+10%	(14,875)
Change in morbidity (%CMIR12) inceptions/recoveries	-10%	9,545

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:

2024	AAAm £'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	-	-	-	-	-	-	2,008	2,312
Secured mortgages	-	-	-	-	-	-	-	7	7
Loan to Subsidiary	-	-	-	-	-	-	-	70	70
Prepayments	-	-	-	-	-	-	-	210	210
Total Assets	-	-	-	-	-	-	-	-	21,084

Notes to the Financial Statements

For the year ending 31 December 2024

2023	AAA £'000	AA £'000	AA £'000	A £'000	BBB £'000	BB £'000	CCC £'000	Unrated £'000	Total £'000
Government Securities	-	-	11,878	-	-	-	-	-	11,878
Corporate Bonds	-	954	1,463	2,981	10,728	252	-	-	16,378
Cash and cash equivalents	143	-	-	-	-	-	-	8	151
Secured mortgages	-	-	-	-	-	-	-	12	12
Loan to Subsidiary	-	-	-	-	-	-	-	130	130
Prepayments	-	-	-	-	-	-	-	554	554
Total Assets	-	-	-	-	-	-	-	-	29,103

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 16.

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%	(710)
Change in interest rates used to discount cashflows	-1%	(304)
Interest Rate Up Stress as defined by EIOPA Solvency UK Standard Formula	-	(4,978)

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 2024

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:

	2024 £'000	2023 £'000
Level 1 (including cash based investments held at fair value)	18,485	28,257

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%	(2,299)
Expense allowances	-10%	2,306

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 2024

5. Premium Income	Total 2024 £'000	Total 2023 £'000
Income Protection business - regular premiums	12,051	10,674
Holloway-Style business - regular premiums	1,853	2,034
Outward Reinsurance premiums	(290)	(93)
Net earned premium income	13,614	12,615

6. Investment Income	Total 2024 £'000	Total 2023 £'000
Income from land and buildings	15	34
Income from investments at fair value through income:		
Income from loans with subsidiary	6	13
Income from listed investments	719	1,023
Income from other investments	11	8
Gains / (losses) on the realisation of investments	(4)	14
Gains / (losses) on the disposal of investment properties	-	41
	747	1,133

Notes to the Financial Statements

For the year ending 31 December 2024

7a. Unrealised Gain On Investments	Total 2024 £'000	Total 2023 £'000
Investments at fair value through income:		
Revaluation of Investment Properties	-	-
Debt Securities	-	906
Equity Securities	-	-
Net gain on investments	-	906

7b. Unrealised Loss On Investments	Total 2024 £'000	Total 2023 £'000
Revaluation of Investment Properties	-	-
Debt Securities	(881)	-
Equity Securities	-	-
Net loss on investments	(881)	-

8. Claims Incurred	Total 2024 £'000	Total 2023 £'000
Sickness benefit	5,225	5,004
Reinsurers share	(2,041)	(21)
Claims incurred net of reinsurance	3,184	4,983

Notes to the Financial Statements

For the year ending 31 December 2024

9. Operating costs	Total 2024 £'000	Total 2023 (Restated) £'000
a) Acquisition costs:		
Staff costs	2,625	2,615
System and product development	143	177
Marketing and Promotions	559	539
Underwriting and Medical reports	235	203
Commissions	3,741	3,648
	7,303	7,182
b) Administration costs		
Staff costs	1,549	1,518
Board fees and expenses	153	151
Actuarial Function Holder's fees	191	185
Legal and professional fees	321	341
Depreciation of fixed assets	1,026	808
Maintenance of software and equipment	1,133	1,237
Audit Fees	245	200
Other administration costs	485	772
	5,103	5,212
Net operating costs	12,406	12,394
Net operating costs include the following:		
Depreciation and amortisation charge for the year	1,026	808
Auditors remuneration (exclusive of VAT):		
Audit	130	126
In respect of costs of Reviewing Actuary (engaged by Auditor)	50	40
In respect of other services provided	-	-
Actuaries remuneration (exclusive of VAT)	-	-
Actuarial Function Holder & With Profits Actuary	141	154
Other actuarial fees	92	193

Notes to the Financial Statements

For the year ending 31 December 2024

10. Employee Benefits Expense	Total 2024	Total 2023
The average monthly number of persons employed by the Society in the year was as follows:		
Non-Executive Board members	5	5
Staff - Administration	28	28
Staff - Acquisition	31	33
	64	66

	Total 2024 £'000	Total 2023 £'000
The aggregate staff payroll costs were as follows:		
Wages and salaries	3,611	3,557
Social Security costs	340	345
Other pension costs	376	382
	4,327	4,284

Wages and salaries includes a deferred bonus provision of £80,762 payable in 2027 (2023: £85,625 payable in 2026) in line with the senior management bonus scheme introduced in 2018.

	Total 2024 £'000	Total 2023 £'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	575	561
Social Security costs	43	27
Other pension costs	45	29
	663	617

Full details of Directors' emoluments are contained in the Directors Remuneration report on page 20.

Key management personnel wages and salaries includes a deferred bonus provision of £54,012 payable in 2027 (2023: £58,810 payable in 2026) in line with the senior management bonus scheme introduced in 2018.

Notes to the Financial Statements

For the year ending 31 December 2024

11. Investments	Total 2024 £	Total 2023 £
a) Subsidiary undertaking		
Shares at cost	100	100

The Financial Statements of that company show a profit of £nil for the year to 31 December 2024 (2023 - profit of £nil). The net assets of the subsidiary amounted to £nil at the year end (2023 - £nil). 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.

11. Investments	Total 2024 £'000	Total 2023 £'000
b) Freehold Land and Buildings (Investment Properties)		
Valuation	-	-
At 1 January	-	235
Property Disposals	-	(235)
Revaluation	-	-
At 31 December	-	-

Notes to the Financial Statements

For the year ending 31 December 2024

11. Investments	Total 2024 £'000	Total 2023 £'000
c) Other financial investments		
Dated		
Government Securities	7,722	11,878
Corporate Bonds	10,763	16,379
Undated		
Unit Trusts/ OEICs	-	-
Equities / Property Funds	-	-
Secured mortgages	7	12
Loan to Subsidiary	70	130
Cash and cash equivalents	2,312	151
	20,874	28,550
Total of listed investments included above	18,485	28,257

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

Loans amounting to £37,000 fall due after more than 1 year.

Notes to the Financial Statements

For the year ending 31 December 2024

12. Debtors Arising Out Of Direct Insurance Operations	Total 2024 £'000	Total 2023 £'000	
Members	28	52	
Commission	63	-	
Other debtors	-	2	
	91	54	

13. Intangible Assets	Administration System £'000	Other Computer Software £'000	Total 2024 £'000
Cost			
At 1 January 2024	7,714	3,766	11,480
Additions	196	-	196
Disposals	-	-	-
At 31 December 2024	7,910	3,766	11,676
Depreciation			
At 1 January 2024	2,019	3,752	5,771
Charge for the year	782	8	790
Impairment	-	-	-
At 31 December 2024	2,801	3,760	6,561
Net book value			
At 31 December 2024	5,109	6	5,115
At 31 December 2023	5,695	14	5,709

Notes to the Financial Statements

For the year ending 31 December 2024

14. Tangible Assets	Office Property £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Leased Equipment £'000	Total 2024 £'000
Cost					
At 1 January 2024	750	115	146	648	1,659
Additions	-	-	2	-	2
Revaluation	81	-	-	-	81
Disposals	-	-	-	-	-
At 31 December 2024	831	115	148	648	1,742
Depreciation					
At 1 January 2024	-	89	127	18	234
Charge for the year	-	9	11	216	236
Disposals	-	-	-	-	-
At 31 December 2024	-	98	138	234	470
Net book value					
At 31 December 2024	831	17	10	414	1,272
At 31 December 2023	750	26	19	630	1,425

The owner occupied office property is carried at fair value.

Notes to the Financial Statements

For the year ending 31 December 2024

15. Fund For Future Appropriations	Total 2024 £'000	Note	Total 2023 (Restated) £'000
Balance at 1 January - as originally reported		20	28,055
Prior year adjustment		20	(305)
Balance at 1 January - as restated	30,319	20	27,750
Transfer to / (from) technical account	-	-	-
Long term business	10,714	-	2,584
Adjustments to FFA	(42)	-	(15)
Balance at 31 December	40,991	-	30,319

16. Technical Provisions	Total 2024 £'000	Note	Total 2023 (Restated) £'000
Balance at 1 January - as originally reported		20	17,944
Prior year adjustment		20	(3,144)
Balance at 1 January - as restated	3,366	20	14,800
Expected cashflows over the year	(179)	-	(679)
Unwind of discount rate	802	-	356
Model changes	4,994	-	(149)
Assumption changes	(20,250)	-	1,591
Actual data movements	584	-	(865)
New business written during the year	(11,099)	-	(9,002)
Other adjustments	4,275	-	(1,115)
Change in Risk Margin	1,656	-	(1,571)
Balance at 31 December	(15,851)	-	3,366
Balance at 31 December comprises			
Reinsurers share	3,427	-	(285)
Long term provision	(19,278)	-	3,651
	(15,851)	-	3,366

As per the Solvency UK regulations, members 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 £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.

Notes to the Financial Statements

For the year ending 31 December 2024

The analysis below shows the movement to members balances and their undiscounted value as at 31 December 2024.

	Total 2024 £'000	Total 2023 £'000
Bonuses and rebates		
Interest on members' balances	1,067	592
Apportionment	935	1,275
Interest and apportionment paid to withdrawn members	611	594
	2,613	2,461
Withdrawals during the year		
Death	986	940
Retirements	1,933	1,398
Resignations and lapses	2,660	2,767
Other withdrawals	739	928
Apportionments forfeited - taken to income	26	21
	6,344	6,054
Net decrease in member funds during the year	(3,731)	(3,593)
Balance at 1 January	41,313	44,906
Balance at 31 December	37,582	41,313

17. Deferred And Unearned Income	Total 2024 £'000	Total 2023 £'000
Deferred Income	4	4
Unearned premiums	8	19
	12	23

Notes to the Financial Statements

For the year ending 31 December 2024

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 2024 £'000	Total 2023 £'000
Future lease payments for capital equipment are due as follows:		
Within one year	158	118
Between one and five years	315	473
More than 5 years	-	-
	473	591

20. Restatement of Comparatives

In preparing the current year financial statements the directors reviewed the recognition of deferred acquisition costs and the treatment of property revaluations and identified that an alternative treatment was required. With respect to deferred acquisition costs the resulting correction has an equal and opposite impact on the valuation of technical provisions. With respect to property revaluations the correction results in recognition of these items through 'Other comprehensive income' and the creation of a Revaluation Reserve'. The comparatives have been restated per the below. The adjusting entries have no impact on the net surplus for the year ended 31 December 2023 and no overall impact on the net asset position of the Society as at that date.

2023 Accounts	As previously reported £'000	DAC Adjustment £'000	Revaluation Adjustment £'000	Restated £'000
Deferred Acquisition Costs	4,703	(4,703)	-	-
Technical Provisions	(8,069)	4,703	-	(3,366)
Net Surplus for the year	2,584	-	-	2,584
Net operating expenses	(10,835)	(1,559)	-	(12,394)
Change in Long term business provision	9,875	1,559	-	11,434
Fund for Future Appropriations	30,624	-	(305)	30,319
Revaluation Reserve	-	-	305	305

Notes to the Financial Statements

For the year ending 31 December 2024

21. Board Members' Loans And Transactions

There were no amounts outstanding at either 31 December 2024 or 31 December 2023 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 1 January 2024 to 09 June 2024 was T Bateman FIA, an employee of Zenith actuarial. The With-Profits Actuary of the Society for the period 10 June 2024 to 31 December 2024 was Stephen Dixon FIA, an employee of SDA Associates.

They were not members of the Society or the subsidiary of the Society at any time during the year. They 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:

Zenith Actuarial professional fees for the year ended 31 December 2024 were £70,848 (2023: £153,610) for actuarial function holder and with-profits actuary fees and £92,029 for other related services (2023 - £192,650) exclusive of VAT. SDA Associates professional fees for the year ended 31 December 2024 were £70,833 (2023: nil) for actuarial function holder and with-profits actuary fees and £40,277 for other related services (2023 - £nil) exclusive of VAT.

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

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 2024.

The same approach was used at the end of 2023.

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 2025-2028. Thereafter expenses are assumed to increase in line with an expense inflation assumption of 3.6%pa (2023: 3.4%).

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 policyholders, as well as the Society's Protect and Breathing Space policyholders.

Notes to the Financial Statements

For the year ending 31 December 2024

Mortality

The rate of mortality assumed to apply to the Society's business are split between the Holloway and Century policyholders and the Society's Protect policyholders.

Options and guarantees

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

Analysis of Change

There has been an increase in the Society's available capital resources from 31 December 2023 to 31 December 2024. (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
2023 available capital	-	24,827
New business	9,518	-
Investment gains	(7,760)	-
Trading surplus	0	-
Model and assumption changes	13,001	-
Other	(3,374)	-
2024 available capital	-	36,212

24. Post Balance Sheet Events

There were no significant post balance sheet events.

General Information

Society Information

As at 31 December 2024

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 2024

Chief Actuary

Timothy Bateman, FIA, of Zenith Actuarial, Lester House Business Centre, 21 Broad St, Bury BL9 0DA
(to 9 June 2024)

Stephen Dixon, FIA, of SDA Associates, Global House, 1 Ashley Avenue, Epsom KT18 5AD
(from 10 June 2024)

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

Dr Tarun Gupta, MA (Oxon), MB BS (London), DCP, DOccMed, MRCCGD

British Friendly Society Limited

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**BRITISH
FRIENDLY**

It feels good to be covered

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.