Annual Report and Financial Statements

For the Year Ended 31 December 2024

National Friendly

Contents

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Established 1868
Registered and incorporated Friendly Society no. 369F
Member of the Association of Financial Mutuals.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Chief Executive Officer: Graham Singleton

Secretary: Nicola Moore

Bankers
HSBC,
60 Queen Victoria Street,
London, EC4N 4TR

External Actuaries
Sally Butters FIA (With-Profits Actuary),
SDA LLP,
Global House 1, Ashley Avenue,
Epsom, Surrey, KT18 5AD

Independent Auditor
Ernst & Young LLP,
The Paragon, 32 Counterslip,
Bristol, BS1 6BX

Investment Managers
(Equity and Fixed Income Fund)
Royal London Asset Management Limited,
55 Gracechurch Street,
London, EC3V 0RL

(Unit Linked Fund)
Church House Investments,
York House, 6 Coldharbour,
Sherbourne, Dorset, DT9 4JW

Custodians
Northern Trust,
50 Bank Street, Canary Wharf,
London, E14 5NT

Property Manager
Rapleys LLP
Unit 3A, Incubator One,
Alconbury Weald, Huntingdon,
Cambs, PE28 4XA

Solicitors
DAC Beachcroft LLP,
100 Fetter Lane, London, EC4A 1BN

Thrings LLP,
The Paragon, Counterslip,
Bristol, BS1 6BX

Chair's Review

I am privileged to be writing this review having been invited by the Board to succeed Geoff Brown as Chair at the 2024 AGM. Noting this is my first term as Chair of the Society, I would like to begin by expressing my heartfelt gratitude to Geoff, who stepped down as Chair at the last Annual General Meeting and is retiring from the Board this year after 11 years. His significant contributions to the Society's revitalisation cannot be overstated.

The source of the phrase "may you live in interesting times" is uncertain, but it certainly feels relevant today, as we navigate a landscape rife with surprises affecting the dynamics of the insurance market. We face challenges such as the government's changes to the winter fuel allowance , which directly impacts the affordability for older potential members; the Financial Conduct Authority's well-publicised market study examining various aspects of the protection market; and, most recently, proposals for substantial changes in welfare state provisions notwithstanding the uncertainties relating to the global economic environment.

Despite these external pressures, the fundamental necessity for insurance solutions remains as strong as it was when National Friendly was established in 1868, born from a societal need for peace of mind. At its inception, National Friendly aimed to ensure access to either a dignified burial or private medical care. Today, as we work to rebuild our membership base, we remain committed to this original ethos of providing essential peace of mind and fostering inclusivity—much like the Society in 1868, which had no exclusions as long as members honoured their 'penny' contributions.

Some sceptics question whether Friendly Societies are relics of the past, envisioning a future dominated by a few large insurers. However, two points merit consideration in this conversation:

» According to the recent Law Commission's review paper on Friendly Societies:
"Friendly Societies and other mutual organisations represent a different business strategy and ethos compared to companies run for the financial benefit of their shareholders. This structure allows customers greater choice in terms of products and services. Friendly Societies can offer insurance products tailored to specific needs and play a crucial role in promoting financial inclusion by providing lower-cost options, particularly to those who might otherwise struggle to access protection."

» A significant and growing population could greatly benefit from basic, affordable insurance coverage, which may provide crucial support during unexpected events that could otherwise lead to financial hardship, distress, or anxiety due to delays in accessing necessary medical care. Friendly Societies, such as National Friendly, aim to address this need by offering viable, inclusive, and affordable products alongside effective distribution channels.

As part of our commitment to inclusivity and affordability, we launched our Friendly Shield product in 2024. This product offers extensive short-term income protection benefits and a range of high-value features, including our 24/7 digital GP service. The coverage emphasises everyday risks associated with common accidents rather than rare catastrophic events, which can be costly to insure against. Friendly Shield represents affordable and vital protection for today's members.

The landscape of membership acquisition has transformed significantly over the years. In 1868, our outreach was localised, relying on word-of-mouth within a single parish community. Today, we rely heavily on our network of broker distribution partners, to whom I extend my warmest thanks for their ongoing support. Looking ahead, we are diligently working to expand our distribution channels through closer collaboration with broker networks, independent brokerages, and digital marketing initiatives for select products.

In conclusion, despite the challenging headwinds I mentioned at the beginning, 2024 marked another year of sustained membership growth. I want to express my gratitude to my fellow board members, the executive team and our staff, led by Chief Executive Graham Singleton, for their ongoing efforts in the successful regeneration of the Society's membership.

"Contacted them and got an answer almost right away. Excellent phone manner. Was able to understand my needs and managed to help me find what I needed."

"My experience with National Friendly was a very positive one.
Very straightforward, quick.
They were helpful, respectful and explained everything clearly.
And always there if I had questions, which I had plenty of, after the passing of my husband..
So, thank you National Friendly!

I can recommend them!!"

Above all, we extend our deepest thanks to you, our members, for your unwavering support. I end with two recent quotes from members that perfectly encapsulate why National Friendly has a bright future:

Caring

"Kindness and empathy is at the heart of what we do. We work with authenticity and compassion, acting as advocates for all those who need our support."

Chief Executive's Review

As highlighted in the Chair's summary, 2024 was another challenging year. Economic pressures led many consumers to delay decisions around purchasing insurance, particularly in the second half of the year due to affordability concerns.

Despite this, we successfully grew our membership by 7,340 and increased our gross written premiums by 49%, reaching £45.7 million—a testament to the value and resilience of our offering.

Continued Product Evolution and Enhancement

Throughout 2024, we made significant investments in enhancing our underwriting capabilities—a vital step towards relaunching our comprehensive income protection solution.

Our competitive advantage lies in three key areas:

- A highly efficient, modern underwriting platform
- A progressive approach to underwriting, including consideration of health conditions often excluded by others in the industry
- Immediate access to our underwriting team for expert support and tailored cover solutions

Our core product philosophy remains rooted in affordability and inclusivity. We're incredibly proud that Friendly Shield, our new flagship product designed around these principles, received a Highly Commended award in the Best New Product/Enhancement category at the 2024 Protection Review.

Operational Capability

In 2024, we completed a comprehensive overhaul of our technology infrastructure, transitioning fully to modern, cloud-based applications. This transformation enhances both our operational efficiency and the service experience for our members and business partners.

While we remain committed to personal, human-centred customer support, we also recognise the growing demand for digital interaction. Our upgraded systems lay the foundation for the future launch of digital services that will complement our traditional service model.

We were also delighted to see our underwriting and claims teams receive a Highly Commended award for excellence at the 2024 Protection Review Awards - for the second time. Our Net Promoter Score remains consistently high, reflecting the continued strength of our service delivery and customer trust.

Claims

Claims paid increased by circa 17% year-on-year, reaching £26.8 million. In 2024, 1 in every 14 members made a claim—demonstrating the tangible value and peace of mind our products provide.

CHAIR'S REVIEW
CHIEF EXECUTIVE'S REVIEW
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RISK MANAGEMENT REPORT
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We have seen a sharp rise in private healthcare claims costs in recent years, significantly outpacing general inflation. These increases are unfortunately reflected in our annual premium reviews. However, we continue to work closely with medical service partners to minimise the impact of medical claims inflation wherever possible.
In 2024, we also launched a redesigned website, which now includes a comprehensive and user-friendly claims portal to simplify and streamline the claims registration process for our members.

Member Engagement

Our next Annual General Meeting will be held on 12 September 2025. Over the past two years, we've offered a hybrid attendance format—online or in-person/proxy at our head office—but online participation has been extremely low. While we will continue to offer both options in 2025, we may consider reverting to in-person and proxy attendance only in the future unless online engagement improves significantly.

We operate for the benefit of our members and actively welcome feedback and questions to help shape and improve our services and products.

Concluding Remarks

Now more than ever, the societal need for the types of insurance we provide is clear and growing. Our core mission remains to offer peace of mind when the unexpected occurs.

I would like to take this opportunity of saying a big 'thank you' to everyone working for National Friendly, without your support and dedication we would not be enjoying the growth and success we are enjoying.

Our success depends on the contributions of many: independent distributors, creative marketing specialists, technology partners, our dedicated team, our experienced and independent non-executive directors, and most importantly, you—our members—who continue to place your trust in us.

We do not take your support for granted.

Thank you all.

Agile

"We are resilient, flexible and creative, embracing and adapting to change. In an evolving world, we continue to challenge the status quo. Our history helps us shape our future."

Strategic Report

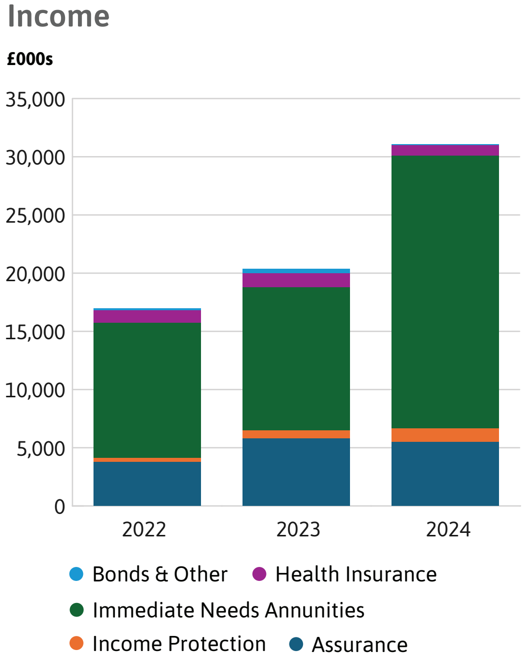
The Society's principal activity is the provision of insurance to its members, covering a range of life and health related contingencies. The Society, along with its subsidiaries, designs, manufactures, sells and services the resulting insurance policies. The Society sells most of its policies through third parties, and third parties are also involved in some of the servicing of customers and claims, and in other support activities.

Each September the Board meets to review strategic performance and strategy with a view to learning from past events and adapting the Society's transformation and growth strategy accordingly.

2024 was a very busy year for the Society and core key performance indicators show strong positive trends, as illustrated by the charts below.

Performance Review - Highlights

Gross New Written Premiums



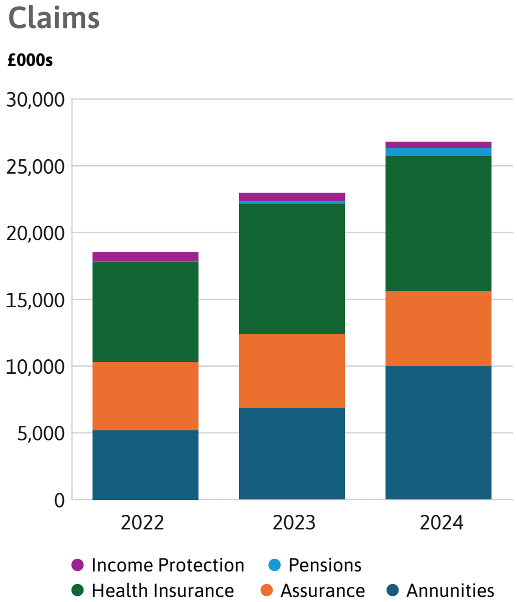
2024 saw strong continued growth in immediate needs annuities and income protection.

We are one of only 4 writers of the specialist immediate needs annuities.

Our Over 50s life assurance plan sales reduced slightly reflecting the broader market trend in the second half of the year.

£000s	2022	2023	2024
Assurance	3,762	5,791	5,486
Income Protection	381	710	1,164
Immediate Needs Annuities	11,581	12,262	23,433
Health Insurance	1,084	1,211	910
Bonds and Other	178	401	87
	16,986	**20,375**	**31,080**

Gross Claims Paid



Our core purpose is to look after the health and protection needs of our members in their time of need.

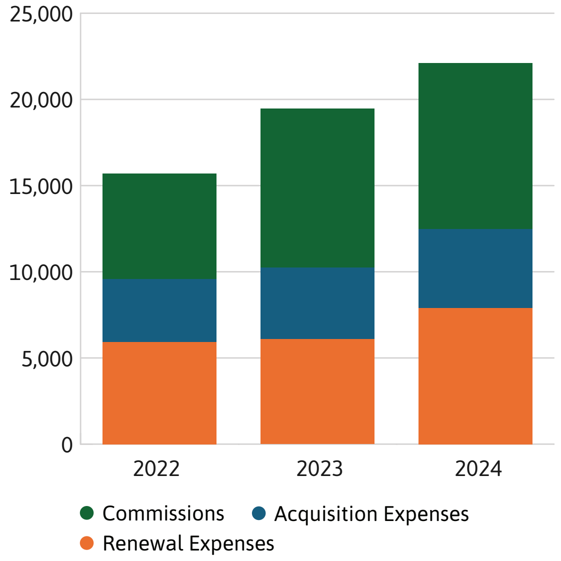
The sustained growth in gross claims paid is illustrative of us achieving this in practice.

£000s	2022	2023	2024
Annuities	5,199	6,853	9,969
Assurance	5,107	5,512	5,628
Health Insurance	7,504	9,805	10,105
Income Protection	71	217	605
Pensions	679	581	518
	18,560	**22,968**	**26,825**

Operating Expenses

Operating Expenses

£000s



We have worked hard to limit the growth in the society's core operating expenses, in particular overhead costs, over the last 3 years.

We have however similarly invested in the Society's new business development & acquisition capability – marketing and business development support in particular.

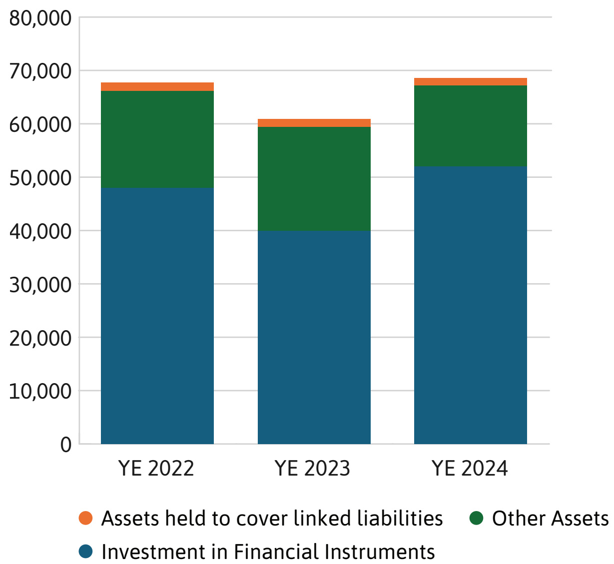
The growth in commission payments reflects the underlying new business growth.

£000s	**2022**	**2023**	**2024**
Aquisition Expenses	5,930	6,078	7.901
Renewal Expenses	3,645	4,175	4,576
Commissions	6,124	9,216	9,624
	15,699	**19,469**	**22,101**

Consolidated Balance Sheet

Consolidated Balance Sheet (Total Assets)

£000s



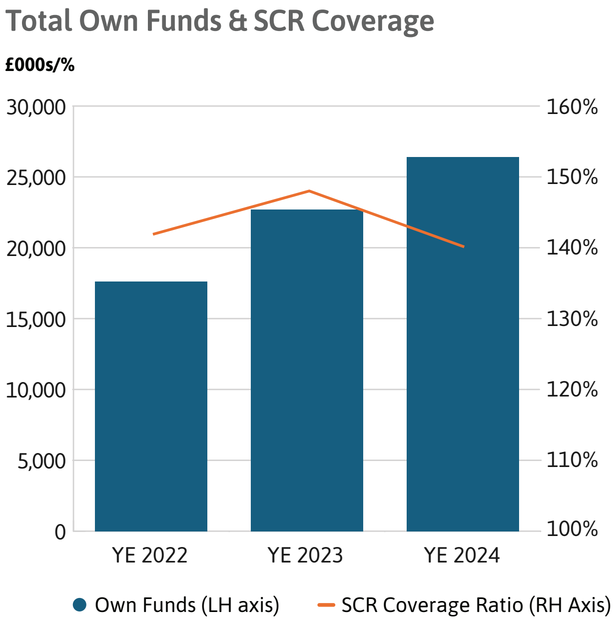
Strong immediate needs annuity sales coupled with the Society issuing a number of annuity contracts to the pension scheme drove the small increase in absolute fund levels between 2023 and 2024.

£000s	**YE 2022**	**YE 2023*** ***Restated***	**YE 2024**
Investment in Financial Instruments	47,951	39,949	52,006
Assets held to cover linked liabilities	1,513	1,563	1,379
Other Assets	18,235	19,426	15,197
	67,699	**60,938***	**68,582**

** See balance sheet page for details of the restatement. The net impact is nil. See note 28 for the summary of the restatement.*

Strategic Report (Continued)

Total Own Funds & SCR Coverage Ratio

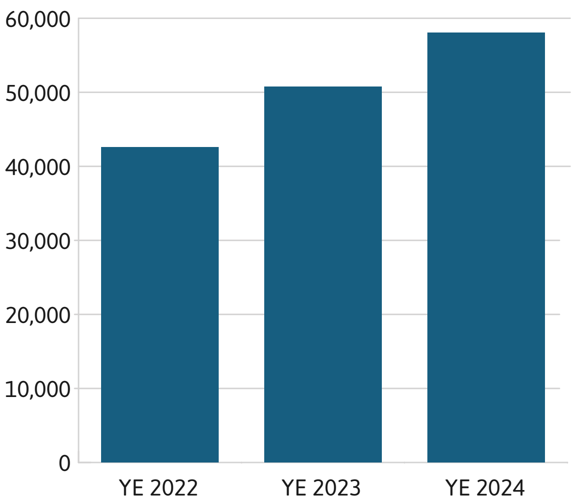


The increase in the level of Own Funds is a measure of the value created for members one year to the next. Solvency Coverage Ratio (SCR) is a measure of the amount by which Own Funds exceeds the minimum amount of regulatory capital the Society has to hold.

In 2024 there was further strong generation of Own Funds, through the sale of new business; however this also brought with it increased SCR, leading to a slight drop in the overall coverage ratio.

£000s	YE 2022	YE 2023	YE 2024
Own Funds (LH axis)	17,615	22,700	26,403
	%	%	%
SCR coverage ratio (RH axis)	142	148	140

Number of Members

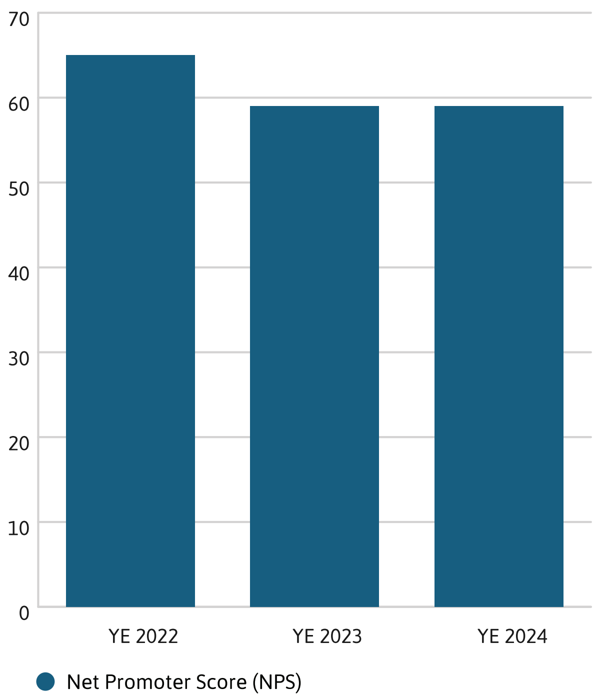


A cornerstone of the transformation strategy is increasing the Society's membership numbers to ensure sufficient scale to merit investment in our service proposition which is people led, and or product portfolio, ensuring that our products continually deliver what our members want.

Very pleasingly 2024 saw a further increase in the Society's core membership.

	YE 2022	YE 2023	YE 2024
Number of members	42,553	50,722	58,062

Net Promoter Score



The Society measures and monitors the quality of customer service using a Net Promoter Scoring system, which was introduced late in 2022.

The scores achieved are consistent with excellent service and a high level of advocacy.

Year	NPS
2022	65
2023	59
2024	59

Viability Statement

Throughout 2024, the Society maintained capital reserves in excess of its SCR and MCR.

The Directors confirm that they have a reasonable expectation that the Society is well placed to manage its risks and will continue to meet its liabilities as they fall due. Financial projections for the next five years are incorporated into the Society's ORSA, and these confirm the Directors' expectation that the Society will continue in operation over this period with Own Funds and financial resilience progressively increasing over time. The Directors' assessment has been made with reference to the Society's current position and prospects, the Society's strategy, risk appetite, and principal risks and how these are managed, as detailed below.

The strategy and associated principal risks underpin the Society's approval of the scenario testing, which the Directors review at least annually and form an integral part of the ORSA process. The central projection, the Directors' best estimate of future experience, makes certain assumptions about the level of business, economic and demographic risks, insurance risks including morbidity, lapses and future expense assumptions. The Society makes extensive use of reinsurance to mitigate the new business strain arising from writing increasing levels of new business. The product pricing allows for the economic cost of such financing which is transitionary whilst the in-force portfolio grows to a level where new business strain becomes self-funding.

The ORSA central projection is stress tested in downside scenarios including stresses for worsening economic and demographic conditions, lapses and expenses over and above the central assumptions. Under these stress tests, the projections demonstrate that the Society continues to meet all its liabilities as they fall due, executing pre-planned management actions where necessary to enable this. The Board recognises that such future assessments are subject to a level of uncertainty that increases with time and therefore, future outcomes cannot be guaranteed or predicted with absolute certainty.

Risk Management Report

Risk Management Framework

Risk management is a central part of the Society's business strategy. It is a continuous and developing process whereby the Society methodically identifies, assesses and responds to the risks attached to its activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities, past, present and in particular, future.

The objective of risk management is to add maximum sustainable value to all the activities of the Society, understanding of the potential upside and downside of all those risk factors which can affect its overall objectives.

The Board approved risk strategy, appetite, culture, and risk management framework articulate the approach to managing current and emerging risks to our objectives.

In our day-to-day business activities, we are exposed to a variety of risks. Looking forward, these risks may be magnified or dampened by current and emerging external trends which may impact upon our profitability and viability. This includes the risk of failing to adapt our business model to take advantage of these trends. The table of principal risks and uncertainties in this section describes these risks, and trends, and how these are managed.

Risk Appetite and Framework

The Society faces a broad range of risks reflecting its responsibilities as a financial institution. These risks include those resulting from its responsibilities in the areas of capital management, and financial stability as well as its day-to-day operational activities.

The risks arising from the Society's responsibilities can be significant. These risks are managed through detailed processes that emphasise the importance of integrity, maintaining high quality staff, and regulatory accountability.

The business strategy has been converted into key strategic risk appetite measures. In order to establish parameters within which risk should be managed, the Society has developed statements of 'Risk Appetite' and 'Risk Tolerance' and associated measures / triggers for action.

Definitions

Risk Appetite	The level of risk that the Society is willing to take in pursuit of meeting its strategic objectives.
Risk Tolerance	The stated amount of risk the Society is willing or able to take in executing its strategy in the pursuit of its strategic objectives.

Executive management and the risk management function are responsible for managing and updating the risk appetite. The Board Risk & Compliance Committee reviews the risk appetite at least annually and a process has been documented for achieving this before it is submitted to the Board for approval confirming where the Society should take risks. The Board determines the risk appetite, taking into consideration recommendations from the Risk & Compliance Committee and senior management.

Risk Governance

While the Board retains overall responsibility for the risk management framework, it has delegated oversight to the Risk & Compliance Committee, with the Executive Risk Committee having oversight of operational matters.

National Friendly operates a three lines of defence model for risk management. The first line comprises management and colleagues in the business and shared functions who are responsible for identifying, managing and reporting risks in their areas.

The second line consist of the Risk and Compliance teams who advise, challenge, monitor and support the first line on dealing with their risk exposures. The second line produces independent reports on its opinions for the Board and Executive which includes close challenge and oversight of business plans and strategic initiatives.

The third line is the Head of Internal Audit who provides reasonable assurance as to the effectiveness of control frameworks operated by both first and second lines of defence.

ORSA (Own Risk and Solvency Assessment)

The ORSA is an ongoing assessment of the risks to which National Friendly is exposed and an evaluation of the sufficiency of capital resources and risk mitigation strategies to support delivery of the business strategy over the plan horizon.

The ORSA assesses:

» The quantity and quality of the risks which we seek to assume or to which we are exposed

» The level of capital required to support those risks

» The mitigation actions we will take to achieve and maintain the desired levels of risk, and also the actions required to ensure capital levels remain adequate.

The assessment considers both the current position and the positions that may arise during the planning period (typically the next five years) and beyond. It covers the whole of the business written, considering both the expected outcome as per the business plan and the result of applying a range of stress and scenario tests, which explore conditions where the plan assumptions may not materialise as expected.

The ORSA process supports the Board in considering the impact of business plans on its financial strength, and risk profile, over the medium term. The assessment of how much risk to accept and how much capital to hold are inextricably linked. In some situations, it may be desirable to increase the amount of risk taken or retained to make the most efficient use of capital available. In other situations, if the risks borne are not expected to generate sufficient return or could, in aggregate, give rise to a capital requirement greater than the capital available to support those risks, it may be necessary either to reduce the risk exposure or to take other capital management actions.

Key Business Risks

Long term sustainability through capital management remains a priority for the Society and writing new contracts of insurance in sufficient volume is integral in achieving this.

The Board has identified key threats to business strategy and mitigation plans have been put in place to ensure that the Society can remain sustainable and continue to operate in the best interests of its members. These risks are summarised in the table on the next page.

Anne-Marie Love and Heidi Sword at SOLLA Later Life Conference.

Credible

“Our strength lies in being robust and reliable. We uphold trust, integrity, and inclusivity in all our actions, making everyone feel welcome.”

Risk Management Report (Continued)

Risk	Impact	Mitigating Activities
Solvency Risk The Society is unable to meet its regulatory solvency capital requirements.	Regulatory intervention. Run off or Transfer of engagements.	Close monitoring of capital management at Board level. Includes scenario analyses and key sensitivities such as morbidity, lapse and expense assumptions. Quarterly valuations to provide updated Solvency Coverage, allowing for updated market conditions and change in in-force book. Monthly roll forward estimates of the solvency position. Constant review of expenses including organisation restructuring to ensure right cost base. Management actions to reduce capital requirements including how assets are invested.
Strategic Risks		
Strategic Risk The risk of failing to deliver the Society's Business Plan.	Financial loss. Reduced Solvency coverage. Reputational damage.	A detailed strategic Business Plan is in place and is shared with colleagues.
Distribution Risk There is a risk that the Society fails to distribute its products and services in line with its targets.	Failure to deliver the distribution strategy Products do not meet member demand (even if they fulfil a member need). Poor sales processes and/or service will result in member's cancelling their policies and challenge from the regulators (FCA) in terms of meeting core Consumer Duty obligations. Reduced volumes.	Detailed distribution strategy development. Business growth through tied agreements, consistent with the Business Plan. Secure new strategic partnerships with brokers and Networks. Review / renegotiate commission terms. Close monitoring of early termination rates by specific advisers and the reasons for subsequent termination by members. Deploying across the portfolio best practice solutions to encourage member retention. From a potential commission clawback liability perspective strategically promoting non-indemnity commission payment terms or a hybrid of the two. Focus on expanding the Society's direct and digital market share. Enhanced monitoring capabilities in place for new and existing intermediaries via Reg Tech.
Diversification Risk The risk that the Society Fails to diversify its product range and becomes too dependent on one product type.	Failure to meet diversification strategy. Failure to grow in the market.	The Society has a sustainable business model to ensure we are not too dependent on one type of product. Regular review of products and pricing / terms. Close monitoring business volumes of each product type. Significant marketing resources deployed to promote the Society's non-GLAP products, beginning with accident only and full income protection, progressing in turn to medical insurance. Conducting consumer and member research to ensure that the Society's products meet fundamental needs.

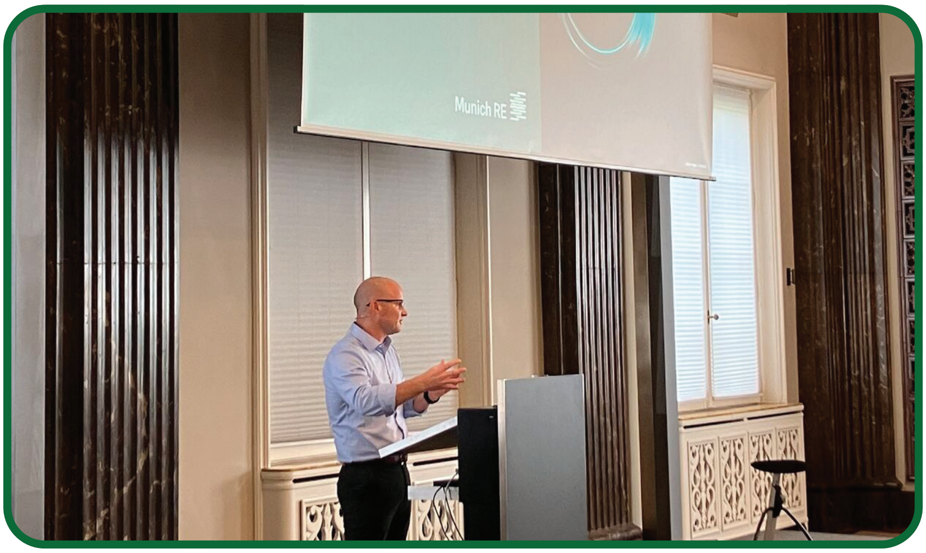
Risk	Impact	Mitigating Activities
Mass Lapse Risk Risk that the Society's Mass Lapse reinsurance will not renew which would trigger an immediate and significant reduction in solvency ratio coverage.	Regulatory intervention.	Building good relationships with existing reinsurers. Monitor market for maturity and other options. Secure longer-term reinsurance as opposed to 1-year terms.
Climate Change Risk The Society fails to analyse the impact it has on climate change, or that climate change has on the Society and fails to make the relevant disclosures.	Higher claims as a result of climate change. Negative impact on the environment if risks are not identified and managed.	The Society assesses the risks and opportunities from climate change on an ongoing basis and will have individual mitigations for each risk identified. Continuous monitoring and review of claims to identify any trends. Plan has been put together to manage our impact and monitor progress.
Subsidiary Risk The Society's subsidiary, National Friendly Financial Solutions, does not generate a profit.	The subsidiary does not provide a positive financial contribution to the Society, resulting in an increase in expense reserves resulting from lower recharges.	NFFS has its own business plan in place and performance is closely monitored. Profit and loss of the subsidiary is reviewed on a regular basis.
Operational Resilience The Society fails to comply with operational resilience requirements by being unable to deliver important business services within impact tolerances.	Potential poor outcomes for members. Financial loss. Regulatory action.	Regular testing will be conducted to ensure the Society can operate within impact tolerance of important business services. Ensuring agreed actions are followed up on to improve resilience and stay within impact tolerances.
Transformation Risk The Society fails to adapt its strategy, structure, processes, products or technologies.	Reduced sales volumes. Irrelevance in the marketplace.	A business plan is in place and is shared with colleagues. Work with front end sales team and members to understand market need.
Operational Risks		
Outsourcing & Third-Party Risk Failure of third parties to perform the service required by the Society, and not able to keep pace with its growth / change programmes.	Failure to deliver service of a high level. Reputational damage.	Undertake formal reviews of services to assess the ability to bring in house. Continuous review of service level agreements with each third party.
IT and Cyber Risks Unplanned and negative outcomes involving the critical failure or misuse of IT systems or arising from a cyber-attack.	The Society suffers a malicious cyber incident. Financial loss. Reputational damage.	Agreements with third parties in place to assist with IT and Cyber development. Email filtering in place to protect staff. Backup Strategy in place in the event of a loss of data. Continuous cycle of improvement for IT technology solutions.
Compliance Risk The Society faces regulatory actions due to a breach of regulation, or is unable to react to regulatory change.	Financial loss. Reputational damage.	Ongoing monitoring of regulations and the Society's conduct. Challenge from the Board. Horizon scanning in place to monitor planned reviews and changes which feeds into the project plans.
System Risk The Society does not keep pace with its growth and development plans, and does not have the adequate skill sets to manage system changes.	Failure to deliver service of a high level. Reputational damage. Financial loss.	Project plans align with the annual business plan.

Risk Management Report (Continued)

Risk	Impact	Mitigating Activities
Key Person Dependency A risk that reliance on key people throughout the business leads to staff burnout, fatigue, and inadequate upskilling.	Insufficient resource. Reduced productivity. Financial loss.	Upskilling in place across the Society to ensure gaps in knowledge are filled. Succession planning undertaken for key roles to ensure continuity.
Market Risks		
Interest Rate Risk An increase or decrease in interest rates adversely affecting the Society's SCR coverage.	Increased value of long-term liabilities reduces SCR coverage.	Daily monitoring of interest rates is in place, in addition to quarterly valuations being undertaken. Regular asset-liability matching exercises are undertaken.
Gilt Spread Increase or decrease in the spread between the gilt yield and the PRA risk free yield cause fluctuations in the capital value of the gilt portfolio, not matched by changes in liabilities.	Financial loss.	The Society has investment managers to provide advice. An investment policy is in place to set out the limits for bond holdings.
Insurance Risks		
Adverse Morbidity Risk Risk that claims costs for medical or health benefits are higher than expected due to a higher incidence of claims and/or larger claim amounts.	Financial loss.	Close monitoring claim payments of each product type. Reinsurance is obtained for certain products to lessen the risk to the Society. Regular reviews of the underwriting and claims philosophies are undertaken.
Adverse Mortality Risk Members dying, on average, sooner than expected resulting in the Society paying out benefits on death earlier than anticipated.	Financial loss.	Close monitoring of claims. Quarterly valuations and experience analysis is carried out to monitor the risks we are exposed to and review against actual experience.
Longevity Risk Where insurance contracts pay out benefits that are dependent on survival or which lead to higher claims costs with increased longevity, the Society is exposed to the risk that members die, on average, later than expected.	Financial loss.	Reinsurance is obtained for certain products to lessen the risk to the Society.
Liquidity Risks		
Short Term Liquidity The risk of the Society being unable to meet its short-term financial commitments due to insufficient liquid assets, or being unable to finance commission payments.	Financial loss.	Cashflow is monitored on a weekly basis Focus on annuity business to increase cashflow to pay commission. Negotiating the lowest commission feasible to secure access to the new business source and/or all or some of the commission payable on a non-indemnity basis. Securing additional liquidity financing through a traditional financial reassurance treaty.

Risk	Impact	Mitigating Activities
Credit Risks		
Broker Commission Risk Financial loss due to over-gearing or non-re-payments of commission clawbacks.	Financial loss.	Initial and ongoing due diligence is carried out on brokers to reduce the risk of working with brokers who may cause detriment, where concerns are identified, additional monitoring will be carried out. Repayment plans are agreed with the broker to increase the likelihood of debt being repaid. Non-indemnity commission is offered as an alternative to intermediaries. Enhanced oversight to monitor broker credit risk.
Corporate Bond Risk Spread risk arises on corporate bond assets and represents the reduction in market value of a bond asset due to the widening of credit spreads following a downgraded assessment of asset quality.	Financial loss / impact on SCR coverage.	Asset manager monitoring and choosing which bonds to invest in. Quarterly valuations are conducted. Regular review of investment policy, particularly investments in higher ratings only.
Conduct Risk		
Conduct Risk The Society taking an action which results in member detriment and leading to poor outcomes for the member.	Financial loss. Reputational damage. Regulatory action.	We have a product governance framework in place to ensure products we bring to market are appropriate to member's demand and needs. Staff are continuously developed and cross trained to understand the impact of any keying errors on both the member and the business.

The Society is committed to meeting its obligations through the integrated management of all aspects of governance and risk.



John Fotheringham presenting at the Munich Re Digital Solutions Customer Conference in Germany

Risk Management Report (Continued)

Environment and Climate Change

The Society recognises that, like any organisation, the activities it undertakes will have an impact on the environment around us. Its strategy is therefore to ensure a safe, clean, healthy and sustainable working environment for our colleagues as standard. But will also aim to:

- Reduce energy consumption by 5% over 3 years through energy efficient practices. In 2024 we had a new air source heat pump installed into our head office to replace our inefficient gas boiler.
- Reduce and eliminate waste where practicable and use safe, professional, and ethical disposal methods.
- Make use of recycled, recyclable or low carbon materials.
- Work with suppliers who adopt sustainable procurement options and certification of Fairtrade labelled products.
- Allow hybrid working and encourage low emission methods of commuting to work for staff. We also conducted a travel to work survey to gain a better understanding of how our colleagues commute to the office.
- Aim to be a NetZero Society by 2035.
- Refurbish our IT equipment and donate the old equipment to local charities when it is no longer needed.

For Scope 1 emissions there has been a slight increase due to increased levels of gas usage during the first 3 quarters of 2024. This is expected to reduce in 2025 due to the installation of a heat pump.

Scope 2 in 2024 is comprised solely of our electricity use which was 138,523.5 kWh which equates to 31.22 tonnes of CO2. The slight decrease in scope 2 emissions is as a result of lower electricity usage as from September 2024 which ties up with the installation of the new heat pump.

For Scope 3 Investments contribution, the underlying holdings data is as at the end of their financial reporting year (31 December 2024). The emissions without investments have seen an overall reduction which is as a result of reduced staff business travel.

	Emissions in Tonnes (CO2)		
	2023	2024	Difference
Scope 1	18.72	18.78	+0.06
Scope 2	31.39	31.22	-0.17
Scope 3	26.89* (10,164)	21.72* (10,383)	-5.17 (+219)

**This figure does not include emissions from investments.*

The Society recognises its responsibility to consider the implications of climate change upon our members and community by reducing the usage of paper. One specific initiative is to increasingly make use of electronic communications wherever possible – from initial issuance of policy literature to routine administration tasks such as communication of renewal premiums or bonus notices. As well as being more environmentally friendly, there is also the additional advantage of much improved speed and reliability in communications.

Overarching responsibility for the oversight of the impact of climate change upon the Society is held by the Board. This has been delegated to the Head of Risk and Strategic Projects as the senior manager responsible. The Society's physical and transitional risks have been identified and in 2024 we began to implement the Society's climate plan by embedding our scope 1 and 2 emissions reporting.

In 2025, the Society will continue to develop and embed its climate risk management process, target setting, and measurement.

Caring:
Kindness and empathy are at the heart of what we do. We work with authenticity and compassion, acting as advocates for all those who need our support.

Agile:
We are resilient, flexible and creative, embracing and adapting to change. In an evolving world, we continue to challenge the status quo. Our history helps us shape our future.

Credible:
Our strength lies in being robust and reliable. We uphold trust, integrity, and inclusivity in all our actions, making everyone feel welcome.

Dedicated:
At our core is a quality service with a focus on security and peace of mind. In everything we do we exhibit pride and commitment founded on our knowledge and experience.

Corporate Social Responsibility ('CSR')

Working with the local community is how the Society started and grew its name and reputation over 150 years ago. Its approach to CSR is a practical one; we look at ways in which we can make a fundamental difference to our people, the community and environment. We continue to educate the importance of health & protection to our members, brokers, and the public to improve the health, safety, and well-being of those within our community.

The CSR Committee meets regularly to discuss new initiatives and drive the strategic vision, which is to:

» Develop two-way community involvement with the business

» Improve the health, safety, and wellbeing of our people

» Operate ethical employment practices

» Achieve high standards in the environmental management of the business

The Society can point proudly to a track record of supporting Bristol charities large and small. Past initiatives have included: projects to help ward off loneliness amongst the elderly, funding of Long Covid and other medical research, and the sponsorship of The Bristol Hippodrome's Creative Learning Programme and Matinee Mingle.

In 2024 we donated refurbished laptops to two local organisations, the first of which was Avonmouth Community Centre, who will use the laptops to assist local people with job applications, studying, and accessing digital services. The second Charity was Caring in Bristol, an organisation which supports young people at risk of homelessness, the laptops will be used at their new youth shelter to assist young people in looking for work, completing coursework and accessing local services such as GP's.

Charity of the Year

Our colleagues nominate and choose our charity of the year annually, and in 2024 the Alzheimer's Society was selected. The Alzheimer's Society provides support, advice and guidance to those suffering with Dementia as well as their families and helps fund research to find better treatments and hopefully one day a cure for Alzheimer's. The Alzheimer's Society also offer a Dementia Support Line, open 7 days week which offers support and advice to anyone worried about Dementia.

Throughout 2024 we have put on events to raise money including bake sales, fun days, sweepstakes, a memory walk, and a quiz. In total, we have raised over £5,000. We also invited the charity to come in and speak to colleagues about their aims and activities and this was well attended.

Awards

National Friendly was shortlisted for several awards in 2024 from a variety of providers including the Cover Excellence Awards, the Cover Customer Care Awards, The Health Protection Awards and Moneyfacts Awards. It was an honour to be nominated across so many categories.

We were Highly Commended for Best New Product at the Protection Review Awards and our Marketing Manager, Lucia Jarvis received highly commended in the Young Achiever category, highlighting the effort we put into our products and the dedication of our people.

Martyn Love, Chair of the CSR Committee, hands laptops over to the team at Avonmouth Community Centre.

Our Colleagues

Our colleagues continue to be the life blood of the Society's ongoing success, and over the course of 2024 we have continued to focus on mental health and wellbeing.

Investment in Colleagues

All colleagues are encouraged to undertake training and development. In 2025 a review of all member facing services will be undertaken following implementation of a new phone system which has enhanced services we can offer.

New managers were enrolled on our tailored management training course and follow up sessions were held with the management team following their attendance in 2023 which were extremely well received by those who attended.

Socially

Our Social Club put on several events throughout 2024. The Society held a Summer party at the Clifton Observatory but unfortunately the weather did not co-operate and the spectacular views were not seen and a Darts evening in November which was completely embraced.

Gemma Price, Neil Thompson and Titus Keate, took part in the Bristol Memory Walk to raise money for Alzheimer's Society.

Corporate Governance Report

Corporate Governance Review

The Board is of the view that good corporate governance is fundamental to the Society's operations. To comply with best practice in corporate governance it aims to adhere to the principles of the Association of Financial Mutuals Corporate Governance Code published in January 2019 ("AFM Code"). The AFM Code provides a high-level approach to corporate governance, based on six key principles, whilst providing flexibility for the Society to explain the application and relevance of its corporate governance arrangements.

The Society has applied the AFM Code and provided statements to explain how it has followed each key principle in the way that is most appropriate to its business model and objectives.

The AFM Corporate Governance Code

Principle	Applied	How the principle has been applied
Purpose and Leadership An effective Board promotes the purpose of an organisation and ensures its values, strategy and culture align with that purpose.	✔	The Board formally reviews the Society's purpose and goals, at least annually, against the latest circumstances and market factors in order to guide the ongoing strategy, decisions and culture. The Board sets key targets and objectives, which it monitors on a regular basis throughout the year. These targets change in line with the Society's objectives and priorities. For 2024, the Board has maintained its focus on developing and launching products in line with the Society's strategy whilst managing capital to achieve long-term sustainability.
Board Composition Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the organisation.	✔	The Society's Board composition is on pages 24 to 27. The appointment and re-election of Directors is considered by the Nominations Committee which makes recommendations to the Board. The Society seeks to have broad experience and diversity on the Board. All Directors are subject to election by members at the AGM following their appointment and re-election at least every three years. Any Non-Executive Director who has served the Society for longer than nine years or has attained age 70 are subject to annual re-election. All Executives and Non-Executives who hold a Senior Management function are subject to approval from the Prudential Regulation Authority (PRA) and/or the Financial Conduct Authority (FCA) under the Senior Managers & Certification Regime (SM&CR). The composition of the Board was reviewed in 2024 to ensure the right balance of technical skills and diversity and fed directly into the recruitment criteria for one new independent non-executive director and one executive director.

Principle	Applied	How the principle has been applied
Directors Responsibilities The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.	✔	Board members have a clear understanding of their accountability and responsibilities. The SM&CR provides a regulatory framework for the standards of fitness and propriety, conduct and accountability to be applied to individuals in positions of responsibility at insurers. All Directors, including Non-Executive Directors not formally approved by the regulator are subject to the regulators' Conduct Rules. The Directors, Committee members and the wider management team complete annual declarations on Code of Ethics and Conduct, confirming that they have behaved in accordance with the Society's expected behaviours and values. In addition, each director declares any potential conflicts of interests. Appropriate safeguards are implemented where there could be any potential conflicts. These are collated by Head of Legal Compliance and reported to the Board as appropriate. The Board Committees' delegated authorities are defined in documented Terms of Reference and are accessible via the Society's website.
Opportunity & Risk A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	✔	The Board considers long-term strategy and opportunities each year as part of the annual planning process. Informed decisions on the future strategy and opportunities are based on financial projections for the next five years that make certain assumptions about the level of new business, economic and demographic risks, insurance risks including morbidity, lapses and future expense assumptions. The overall objective remains to achieve a sustainable and growing business in order to enhance member value through improved levels of Own Funds and excess assets. The Board Risk & Compliance Committee ensures the establishment, development and maintenance of an effective and well-integrated risk management process. The effectiveness of the process is monitored by the Risk Team, the independent Head of Internal Audit and the Risk & Compliance Committee.
Remuneration A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.	✔	The Remuneration Committee has clear terms of reference and is responsible for making recommendations to the Board concerning the remuneration strategy, framework and benefits for Executive Directors and key function holders. In doing so, the Committee can take advice from external consultants on best market practices and remuneration benchmarking. The Board has established a clear remuneration policy that outlines the key remuneration principles and framework for the Society. The Society's approach to remuneration is an integral part of the Business strategy and the policy is designed to attract, retain and motivate competent, experienced and skilled staff. This policy covers all Directors and employees of the Society.
Stakeholders Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	✔	The Board is committed to maintaining good communications with members. In order to fulfil this commitment, the Society launched email feedback for members who contact our Customer Service and Claims departments. The Board has embraced in the Society's day to day operations the principles of Consumer Duty. The Society holds an Annual General Meeting for members to vote for or against the Annual Report and Financial Statements and other issues. The meeting can from the 2022 AGM onwards be attended in person or remotely. Communication with staff is undertaken through regular dialogue, bi monthly meetings via Teams and twice a year off site with all staff in attendance to provide business updates from various departments. An annual employee engagement survey is carried out. The Society worked with all staff to develop the new values and associated behaviours in 2023. A Whistleblowing Policy is in place, which sets out the way in which individuals may raise concerns.

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Corporate Governance Report (Continued)

The Board

Mark Searles
(Chair)

Mark has held senior executive and Board positions within the Financial Services and Technology sectors in the UK, Europe and Australasia. He most recently spent 9 years in Australia, as Group CEO & Managing Director of AUB Group Ltd, Australasia's largest, listed, equity-based Risk Management group. Prior to moving to Australia, Mark held senior management positions with Zurich; LloydsTSB; HSBC; Sage and American Express.

Having decided to retire from his executive career and return to the UK, Mark was appointed a Non-Executive Director of NDFS in June 2020 and also a Director of a Haberdashers Education Academy Trust (Chairing the Audit & Risk Committee) in addition to holding various advisory roles. From May 2021 to November 2024 he held the position of Senior Independent Director and was appointed Board Chair in November 2024 as well as Chair of National Friendly Financial Solutions Ltd.

Graham Singleton
(Chief Executive Officer)

Graham is a qualified Actuary with over 35 years of experience in the financial services industry. He spent most of his career in Life and Pensions. He held Chief Actuary and Chief Financial Officer roles in various companies before latterly becoming CEO of the Phoenix Resolution Life Companies and Swiss Re's UK insurer Reassure Limited, and its Life and Pensions Outsourcing business Admin Re Limited. He has performed non-executive and consulting work covering a variety of financial services disciplines and is currently a non-executive director of a specialist life company called AULA.

Graham was appointed CEO in February 2021.

Julian Ellacott
(Chief Actuary)

Julian joined the Society in July 2020 to lead the internal Actuarial Function. He qualified as a Fellow of the Institute of Actuaries in 2003 and has over 20 years' experience working in the life insurance sector. He spent nearly 10 years working for the international consultancy Watson Wyatt (now part of Willis Towers Watson), advising all types of insurers, from friendly societies to multinationals. For the 11 years immediately prior to joining to the Society he worked for Just Retirement (now Just Group), in a variety of actuarial roles spanning risk and capital management, pricing and corporate development.

Julian was appointed to the Board as an Executive Director in May 2021, and also asked to act as Chief Actuary for the Society. Julian took the role of Chief Finance Officer in July 2024. He also leads the Society's Diversity & Inclusion Strategy on behalf of the Board.

Oliver Jones
(Commercial Director)

Oliver joined the Society in August 2017 as Commercial Development Manager to develop and increase the Sales and Marketing Distribution and Sales & Distribution Director in May 2022. He has spent the past 20 years in the health and protection industry working closely with clients and intermediaries. Previously to joining National Friendly he was Head of Intermediaries overseeing the distribution of Private Healthcare and Short Term Income Protection through a network of specialist brokers.

Oliver continues to implement the Society's long term strategy of growing a sustainable business model and in recognition of his work, he was appointed to the Board in January 2024 (subject to regulatory approval).

Corporate Governance Report (Continued)

The Board (Continued)

Simon Thomas
(Senior Independent Director)

Simon is a Member of the Institute of Chartered Accountants in England & Wales having trained with Price Waterhouse. He has over 30 years' experience in Financial Services, with most of his career in Life & Pensions. He retired from his most recent Executive role as Group Chief Financial Officer of Provident Financial Group PLC in March 2020. Prior to that, he was the Group Chief Financial Officer of Just Group PLC, a FTSE 250 Financial Services Company, for approximately 12 years. He was also the Finance & Customer Services Director at Canada Life (UK) and spent 10 years at Nationwide Building Society, where he started work in the Financial Systems area and ultimately became their Group Financial Controller.

Simon is currently a Non-Executive Director of the Melton Building Society and joined the National Friendly Board as a Non-Executive Director in September 2023 and acts as Chair of the Investment and Audit Committee and was appointed Senior Independent Director in November 2024.

Rebecca Hall
(Non Executive Director)

Rebecca has been an actuarial consultant for much of her career, initially with Deloitte and more recently working independently through her own company. Rebecca has specialised in supporting companies going through strategic change and has worked with many other mutual firms, both as a consultant and as Capital and Actuarial Officer at Marine and General Mutual. Her first non-executive director role was for Hodge Life which she supported through the sale to RGA and transfer of business to Omnilife, she was chair of risk and audit committee while it was part of Omnilife.

She is currently a Non-executive director and the with-profits advisory arrangement for Metfriendly, where she previously chaired the risk committee. She is also an independent member of Royal London With-Profits committee. Rebecca joined the National Friendly Board as a Non-Executive Director on 1 December 2024.

Geoff Brown
(Non Executive Director)

Geoff is a qualified Actuary who has held a variety of director and senior management roles in the Life and General insurance industry. He spent most of his career in the health and care sector including 20 years with international healthcare company, Bupa, where he had a number of executive roles and responsibilities.

He was Chief Risk Officer of the Bupa Group but prior to this he was Director of Compliance and Chief Actuary of the UK division. He served as Director of Bupa Health Assurance Limited, Bupa Insurance Limited, Bupa Insurance Services Limited and The Coventry & Warwickshire Hospital Saturday Fund.

Geoff is also currently a Non-Executive Director of Medicover Forsakrings AB (publ.) and Chair of its Compliance and Risk Committee. Medicover is a Swedish insurer that provides healthcare insurance propositions for individuals and companies in Poland, Romania and Hungary.

Geoff joined the National Friendly Board as a Non-Executive Director in June 2014; he was appointed Chair in May 2021. He has made the decision to leave National Friendly at the 2025 AGM, and the Board of Directors would like to take this opportunity of thanking him for all his dedication to the Society over the past 11 years.

The Executive Committee

The Society also has an executive management committee, the Executive Committee. The Committee was established to support the Chief Executive Officer, to consider various matters for recommendation to the Board and to deal with any day to day matters within the authority granted by the Board. There is a clear division of responsibilities between the Board Chair, as leader of the Board, the independent Non-Executive Directors who bring independence and oversight, the Chief Executive Officer and Executive Directors who are responsible for the day-to-day management of the business. The Executive Committee assists the Chief Executive Officer in the performance of their duties. Its Terms of Reference are approved by the Board and include:

» The development and implementation of strategy, operational plans, policies, procedures and budgets

» The monitoring of operational and financial performance

» The identification, assessment and control of risk

» Monitoring compliance with legal and regulatory obligations

» The priority and allocation of resources

» Monitoring and reacting appropriately to competing forces in each area of operation.

Corporate Governance Report (Continued)

The Executive Committee (Continued)

The Committee meets weekly with formal Governance meetings taking place monthly and at other times as business circumstances may dictate. Its work is supported by sub-committees which focus their attention on key issues such as operational improvement and development, consumer duty, information security and counter-fraud measures.

The Executive Committee members are:

Graham Singleton:
Chief Executive Officer

Julian Ellacott:
Chief Actuary & Chief Financial Officer

Oliver Jones:
Commercial Director

Martyn Love:
Head of Risk & Strategic Projects

Andy Jeffree:
Head of Internal Audit

Liz Thompson:
Head of Legal & Compliance

The Executive Committee regularly attend the Board and Sub-Committee meetings.

The Board met 10 times during 2024. To ensure the effective governance of the Society, the Board delegates oversight of various matters to a number of sub-committees which are each chaired by a non-executive director as noted below and in all instances a majority of independent directors being required to ensure that a meeting is quorate.

Committee	Chair
Audit Committee	Simon Thomas
Risk & Compliance Committee	Geoff Brown
Investment Committee	Simon Thomas
Nominations Committee	Mark Searles
Remuneration Committee [1]	Mark Searles
With Profit Advisory Committee	Geoff Brown

1. Retained Chair until recruitment completed

Dedicated

"At our core is a quality service with a focus on security and peace of mind. In everything we do we exhibit pride and commitment founded on our knowledge and experience."

There is a formal calendar of events agreed at least annually to ensure that the Board and its sub-committees consider all relevant matters during the annual Board and Committee Cycle. Formal reports are provided to the Board and Committees in advance of the meetings and the Director's attendance at Board and Committee meetings is as noted in the table below.

	Board		Investment Committee		Risk & Compliance Committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
Non-Executive						
Geoff Brown	10	10	4	4	4	4
Mark Searles	10	10	4	4	4	4
Simon Thomas	10	10	4	4	4	4
Vicki Wentworth	3	4	1	2	1	2
Rebecca Hall	1	1	1	1	1	1
Executive						
Graham Singleton	10	10	4	4	4	4
Julian Ellacott	10	10	4	4	4	4
Oliver Jones	8	8	4	4	4	4

	Audit Committee		With Profit Advisory Arrangement		Nominations Committee		Remuneration Committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
Non-Executive								
Geoff Brown	6	6	4	4	1	1	4	4
Mark Searles	6	6	4	4	1	1	4	4
Simon Thomas	6	6	4	4	1	1	4	4
Vicki Wentworth	3	4	3	3	0	0	2	3
Rebecca Hall	1	1	1	1	0	0	1	1
Executive								
Graham Singleton	-	-	-	-	1	1	-	-

The current Terms of Reference for the Board and Board Committees can be found on the Society's website.

Given the size of the Board, the policy to date, is that all non-executive directors attend all committee meetings. The work carried out by the Audit, Risk & Compliance, Investment, Nominations and With Profit Advisory Arrangement in discharging their responsibilities is summarised below. The work carried out by the Remuneration Committee is described within the Director's Remuneration Report on page 36.

The individual Committee reports follow:

Individual Committee Reports

Audit Committee

Key Responsibilities

The primary responsibilities of the Audit Committee are the following:

1. Review the annual financial statements and regulatory returns including the UK Solvency & Financial Condition Report, focusing particularly on major judgemental areas and compliance with the relevant accounting standards and legal requirements, including the PRA Rulebook.

2. Independently evaluate assurance from management, internal audit and external audit regarding the financial statements, governance and systems of internal control.

3. Assess the effectiveness of internal audit and the external auditors and manage the process for any internal or external audit tenders.

4. Oversee compliance with the Friendly Societies Act, the Financial Services and Markets Act 2000, the Financial Services Act 2012 and other relevant legislation

Our vision

"To provide peace of mind to members in times of need."

Committee Membership and Attendance

The Committee comprises all Non-Executive Directors. The qualifications of each member of the committee are as detailed in their biographies on pages 24 to 27 and at least one member has recent and relevant financial experience.

The Chair of the Board is also a member of the Audit Committee. Whilst this is not in compliance with the AFM Governance Code, the Board decided that it was particularly important that the Audit Committee could benefit from the Chair's experience of the Society.

The executive directors attend committee meetings as appropriate. The committee also meets with the internal and external auditors in the absence of management, after every committee meeting.

Significant matters considered by the Committee

2024 Annual report and financial Statements

The table below highlights the significant matters in relation to the 2024 financial statements considered by the Committee during the year-end and how they were addressed.

Significant Matters Considered	How the matter was addressed by the committee
Technical provision valuation methods and assumptions for the 2024 Annual Report and Financial Statements	The Committee reviewed key areas of expert judgement within the 2024 Annual Report and Financial Statements including mortality, morbidity and expense provisioning. To aid its deliberations, the Committee considered: - Reports from the Chief Actuary and the independent external auditors, and - Responses to questions posed to both management and the external auditors. Key considerations included the reliability and accuracy of the valuation results, the assumptions being made (and the credibility of the data underlying them) and the degree to which assumptions should allow for uncertain factors, such as the continued aftermath of the COVID-19 pandemic, stresses within the NHS and economic volatility. After due enquiry the Committee concluded that the technical provisions were appropriate and recommended them to the Board.
Going Concern Assessment and the adoption of the 'going concern assumption'	The Chief Executive in conjunction with the Chief Actuary presented a detailed paper to the Committee supporting the rationale for adopting a going concern assumption for the preparation of the 2024 Financial Statements. The assessment covered the period up to 30 June 2026 and covered various stress scenarios. The assessment complemented the 2024 ORSA (completed in January 2025) and provided a clear view that the Society would remain solvent and liquid over the period. The Committee assessed as reasonable the underlying assumptions and stresses applied.
Approval of the 2023 Annual Report and Financial Statements	In June 2025 the Committee reviewed and approved the 2024 Annual Report and Financial Statements for the Group and the Society and the Financial Statements for the Society's subsidiaries. This included reviewing key accounting judgements, the technical actuarial provisions and going concern assumption as noted above. The Committee ensured that the Annual Report and Financial Statements were fair, balanced and understandable before recommending them to the Board for approval.

External Audit

In addition to the activities outlined above, the Committee monitors and seeks confirmation of the independence and objectivity of the external auditors. In line with the revised FRC Ethical Standards 2019, the external auditors did not provide any non-audit services in 2024 or the prior years.

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Individual Committee Reports (Continued)

Internal Audit

During 2024 the internal audit function continued to be fulfilled by a dedicated full time experienced in-house internal audit professional.

The risk-based internal audit plan is agreed by the Committee annually, and progress against the plan is regularly reviewed. The Committee reviewed a number of reports on the effectiveness of the Society's internal control systems, the adequacy of management's responses and the timeliness of the resolution of matters highlighted. The Committee was provided with assurance over the effectiveness of the internal controls reviewed.

Whistleblowing

The Committee is responsible for reviewing the adequacy and security of the Society's whistleblowing arrangements for its employees and contractors to raise concerns, in confidence, about potential wrongdoing in financial reporting or other matters. There were no whistle blowing incidents during 2024 or the prior year.

Investment Committee

Key Responsibilities

In addition to the activities outlined above, the Committee monitors and seeks confirmation of the independence and objectivity of the external auditors. In line with the revised FRC Ethical Standards 2019, the external auditors did not provide any non-audit services in 2024 or the prior years.

1. Set the Investment & Liquidity Policy in compliance with regulatory requirements (including the Prudent Person Principle), the terms of the Principles & Practices of Financial Management ("PPFM" - in relation to the with-profits fund, which is the portfolio of assets allocated to back the Society's with-profits business) and considerations relating to the non-profit business.

2. Oversee the application of the Investment & Liquidity Policy.

3. Periodically review the Investment & Liquidity Policy particularly in the context of the Business Plan, capital requirements, overall market conditions and environmental, social and governance considerations.

4. Develop and review the appropriateness of key risk indicators and tolerances relating to the investment portfolio.

5. Appoint and monitor the performance of the Society's external investment and property managers, and custodian.

6. Receive regular reports from the external investment managers analysing the matching of assets and liabilities.

Committee Membership and Attendance

The Committee comprises all members of the Board. Senior representatives from the external investment and property managers routinely attend meetings and provide a comprehensive performance update.

Significant matters considered by the Committee

The Committee's key areas of focus during 2024 were:

» Overseeing the duration matching of the Group's assets and liabilities, and considering ways in which this could be optimised further.

» Considering the investment and liquidity implications of the transaction whereby the Society issued contracts to a number of the pensioners within the legacy staff pension scheme.

» Authorising one property sale in the year, and reinvestment of some of the proceeds into equities, to maintain the required asset backing for with-profit liabilities.

Risk & Compliance Committee

Key Responsibilities

The Risk and Compliance Committee assists the Board in its leadership and oversight of risk, they do this by:

1. Reviewing, monitoring and challenging the Society's risk management framework in respect of all areas of risk, including strategic, financial, regulatory and operational risks, and ensuring these align with our strategic objectives and statutory obligations.

2. Making recommendations concerning the Society's overall risk appetite, tolerances and strategy.

3. Review the Society's procedures for the prevention and detection of bribery and corruption; oversee anti-money laundering and financial crime systems and controls.

The Committee reviews the whole risk management framework at least annually and receives regular reports from the Executive Risk Working Group.

Committee Membership and Attendance

The Committee comprises all members of the Board. In addition regular attendees include the Society's Chief Compliance Officer, Chief Risk Officer and Head of Internal Audit.

Significant matters considered by the Committee

The Committee's key areas of focus during 2024 were:

» Review and refreshing the Society's risk management framework, including risk appetite statement, reporting and policies & procedures.

» Ongoing review of the implementation and embedding of the Consumer Duty within the Society and its subsidiary.

» Assisting with further development of the Society's third-party oversight framework, covering all external partnerships including critical outsourcers, other outsourced relationships, key supplier's, intermediaries and IFAs.

» Reviewing the Anti-money laundering, financial crime, anti fraud and sanctions checking oversight.

» Identifying and reviewing new emerging risks, focusing on cyber risks and the impact that AI could have on the society, to coincide with the ongoing IT transformation project.

» Reviewing the Society's operational resilience scenario test and self-assessment which was undertaken in 2024 and ensuring that recommendations to improve operational resilience are implemented.

» Developing a plan to manage climate risk within the Society to improve our reporting and understanding of the impacts of climate change both on the Society and its members.

» Receiving the Society's Annual Risk Management Report, Annual Compliance Report, Anti-Money Laundering/Financial Crime Report and Annual Whistleblowing Report.

CHAIR'S REVIEW
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With-Profits Advisory Arrangement

Key Responsibilities

The primary responsibilities of the With-Profits Advisory Arrangement ("WPAA") are the following:

1. Monitor and bring independent oversight to the Society's compliance with the requirements contained within the FCA Handbook relating to the management and governance of With-Profits business.
2. Review compliance with the Principles & Practices of Financial Management ("PPFM") and recommending to the Board any changes to the PPFM.
3. Guard the rights, interests and expectations of different classes and generations of With-Profits policyholders.
4. Identify surplus within the with-profits fund (the portfolio of assets allocated to back the Society's with-profits business), the merits of its distribution or retention and the proposed distribution policy
.
5. Review proposals from the With-Profits Actuary in respect of bonus rates, smoothing, surrender values, market value adjustments and projection assumptions in respect of With-Profits policies, and recommending these to the Board for approval.
6. Monitor any significant changes to the risk or investment profile of the With-Profits fund including the management of material illiquid investments and the Society's obligations in relation to strategic investments.
7. Advise the Board in relation to the way in which the Society exercises discretion in the conduct of the With-Profits business.

Committee Membership and Attendance

The WPAA comprises all Non-Executive Directors, and its meetings are attended by the With-Profits Actuary, as well as Executive Directors and other managers, as appropriate. It met four times during the year.

Significant matters considered by the Committee

The Committee's key areas of focus during 2024 were:

» Receiving the annual With-Profits Report from the With-Profits Actuary and advising the Board on the discretionary allocation of surplus.

» Receiving the PPFM Compliance Report and other annual reviews undertaken by the With-Profits Actuary, and recommending their approval to the Board.

» Reviewing compliance with COBS20 in relation to the with-profits business being written.

Joel Brown and Stuart Jones at the AMII Summit 2024 in London.

Nominations Committee

The Nomination Committee meets as appropriate to review the structure, size and composition of the Board (including the necessary balance of skills, experience and diversity) and to make recommendations to the Board with regard to any adjustments that are deemed necessary. Nominations for appointment to the Board are considered for approval by the full Board.

Independent executive recruitment consultants can be and are consulted to ensure that an extensive and robust search is undertaken to identify suitable candidates for non-executive Board vacancies.

All members of the Nominations Committee are Non-Executive Directors. However, membership of the Committee may be altered as appropriate in particular to address circumstances where one of its members is being considered for re-appointment.

During the year, the Committee oversaw the selection process leading to the appointment in October of Rebecca Hall as Non-Executive Director and a separate process commenced in December for the replacement of Geoff Brown, Non-Executive Director and Chair who is retiring in 2024. The Committee also had oversight/recommendation to the Board of the election process of Directors and appointment of the Chair and Senior Independent Director in addition to providing recommendations to the Board pertaining to Committee composition.

At all times, the Committee has ensured best practice has been followed in the recommendation of new Board Director appointments and has taken responsibility for managing the processes necessary in ensuring the relevant outcomes have been achieved on behalf of members.

Individual Committee Reports (Continued)

Remuneration Committee

Key Responsibilities

The primary responsibilities of the Remuneration Committee are the following:

1. Has oversight of the Remuneration Policy and remuneration structures within the Society, ensuring that they are competitive and will attract and retain competent, experienced and skilled colleagues. Design the Chief Executive's remuneration package and review the Chief Executive's remuneration recommendations for fellow executive directors and members of the broader executive management team, ensuring compliance with the Society's Remuneration Policy.

2. Review the achievement or otherwise of the corporate objectives set to support that year's business plan within the agreed performance management remuneration framework, and the Chief Executive's recommended annual adjustment to base salaries.

Committee Membership and Attendance

The Committee comprises all Non-Executive Directors. The Chief Executive attends meetings as required to facilitate remuneration discussions but is not present for any discussions relating to his own remuneration.

Significant matters considered by the Committee

The committee reviewed the Society's performance against the agreed corporate objectives for the purposes of the 2024 variable pay scheme, the Chief Executive's executive pay recommendations and the remuneration of the Executives in respect of 2023 and 2024. The details of the remuneration for all Directors in 2024 and 2023 are set out in the Directors' remuneration report on pages 37 to 39.

The Committee also debated and approved the introduction of a Long Term Incentive Scheme, detailed further below.

Remuneration Policy

The Society's Remuneration Policy rewards both corporate and individual performance as well as providing a competitive package to attract and retain high calibre individuals. The policy complies with all relevant regulatory obligations, the relevant principles of the AFM Code and seeks to embrace best corporate governance practice.

Base salaries

Executive base salary levels are set commensurate with that of similar sized businesses in our sector, and to reflect the skills and experience of the individual.

Base salaries are normally reviewed annually in April. Pay rises are not guaranteed, but the review will take into consideration any increase in cost of living and other external market factors (where appropriate). The Committee may consult with external advisors as appropriate.

Variable pay: Short Term Incentive Scheme

In 2021 the Society introduced a performance management remuneration framework. For all non-sales staff a variable pay component may be payable if approved at the March Remuneration Committee meeting. This would typically follow finalisation of the Society's annual valuation for the previous financial year, and would determine whether the conditions for a discretionary bonus to be payable have been met.

The variable pay scheme consists of two component parts:

» A personal/behavioural component which reflects an individual's performance against agreed individual objectives and fulfilment of the Society's Values

» A corporate component which reflects achievement or otherwise of primary aspects of the corporate business plan for the year as measured by a corporate balanced score card.

For our most junior colleagues any variable pay award is dominated by the personal component, the corporate component increasing with seniority until at the executive level the corporate component dominates. This reflects the principle that the more senior someone is the more they can ultimately influence achievement or otherwise of the business plan for the year.

Variable pay: Long Term Incentive Scheme

From January 2024 a Long Term Incentive Plan ("LTIP") scheme was introduced, for all staff. This takes into account the Society's performance in terms of growth in Excess Own Funds over a 3 year time horizon, aligning the interests of staff with the interests of members, and promoting good management of risk.

Senior Executive Remuneration – 2024

Salary

The Remuneration Committee is keen to ensure our Executives are remunerated at a level commensurate with their experience and job role, and are competitive in relation to similar organisations. In line with the Society's Remuneration Policy salaries were reviewed and the salaries of both the Chief Executive and Chief Actuary were noted as out of kilter with the market and were increased accordingly.

Performance Bonus

The same corporate scorecard structure as has applied for 2022 and 2023 was continued for 2024. Key areas of performance which were incentivised were the delivery of:

» sustained sales growth in line with the Society's adopted business plan

» the continued transformation agenda & associated projects

» strong capital management, ensuring optimum utilisation of members funds, and

» strong corporate governance, particularly risk and compliance management.

For 2024 the potential reward component for driving increased sustained sales growth given the strategic importance of achieving critical mass was marginally increased and the transformation agenda and associated projects reduced. Out of a maximum potential score of 100%, the weighted corporate score card performance for 2023 was 70%, and for 2024 it was 65%.

The combined personal and corporate bonuses payable were recommended by the Committee to the Board for approval.

Recognising best practice a proportion, 30%, of the executive bonus payments are deferred for 2 years to underpin the importance of rewarding performance that underpins the long-term sustainability of the Society. Also (with the exception of retirement) if an executive leaves before the deferred bonus payment due date, the deferred bonus is forfeited.

Individual Committee Reports (Continued)

Retirement and Related Benefits

The Executive Directors are members of a defined contribution pension scheme which is available to all employees. The Society contributes up to a maximum of 12% of base salary per Director, dependent upon personal contribution levels. The Chief Executive receives an allowance in lieu of a contribution to a defined contribution pension scheme, the cost to the Society is the same as a 12% contribution to a pension scheme.

Other Benefits

Executive Directors are entitled to death in service benefit of four times basic salary, a cash car allowance, and (in common with all other colleagues) private medical insurance.

Directors' Contract

The Executive Directors have service agreements which incorporate their terms and conditions of employment. Executive Directors are employed on contracts subject to no more than twelve months' notice in accordance with corporate governance best practice.

Non-Executive Directors

Fees for Non-Executive Directors are determined by the Executive Directors and are subject to approval of the Board as a whole. The fees were reviewed in 2024, having been frozen during 2022 and 2023.

The fees are based on current market rates and set to attract individuals with the necessary skills and experience to contribute to the sound governance of the Society. No element of the Non-Executive Directors' remuneration is performance related nor pensionable.

Directors' Emoluments

The following table shows the breakdown of total remuneration for Directors in 2024 and 2023. The total remuneration shown relates to the amount declared in respect of each accounting year. Note that the Performance Related Pay component is paid out in the subsequent accounting year to that which it relates.

**Performance Related Pay for 2023 has been restated to disclose the amount declared in respect of that accounting year. In the 2023 financial statements the amounts shown for 2023 were the amounts declared in respect of the prior accounting year, i.e. 2022, and paid in 2023. As a result of this restatement the total emolument shown for 2023 has increased by £7,000 to £905,000. The individual figures have changed as follows: Graham Singleton £29,000 increase; Ceri Gooder £26,000 decrease; Julian Ellacott £4,000 increase. See note 28 of the financial statements in the full 2024 Annual Report.*

	2024					2023				
£000s	Salaries & Fees	Performance Related Pay[1]	Other Benefits[2]	Payment in Lieu of Notice	Total	Salaries & Fees	Performance Related Pay*[1] *Restated*	Other Benefits[2]	Payment in Lieu of Notice	Total
Executive Directors										
Julian Ellacott	149	67	28	-	244	142	67	27	-	236
Ceri Gooder[3]	-	-	-	-	-	83	-	15	-	98
Oliver Jones[4]	135	56	23	-	214	-	-	-	-	-
Graham Singleton	209	150	34	-	393	193	153	32	-	378
	493	**273**	**85**	**-**	**851**	**418**	**220***	**74**	**-**	**712**
Non-Executive Directors										
Geoff Brown	58	-	-	-	58	57	-	-	-	57
Mary Gavigan[5]	-	-	-	-	-	28	-	-	-	28
Rebecca Hall[6]	3	-	-	-	3	-	-	-	-	-
Mike Hughes[7]	-	-	-	-	-	39	-	-	11	50
Mark Searles	51	-	-	-	51	47	-	-	-	47
Simon Thomas[8]	46	-	-	-	46	8	-	-	-	8
Victoria Wentworth[9]	27	-	-	-	27	3	-	-	-	3
	185	-	-	-	185	182	-	-	11	193
Total	**678**	**273**	**85**	**-**	**1,036**	**600**	**220***	**74**	**11**	**905**

[1] *Performance related pay for Executive Directors includes any deferred component, which is payable if the Director is still employed by the Society at the end of the deferment period. The performance related pay shown is the amount earned and accrued in respect of the year shown.*

[2] *Other benefits include pension scheme contributions, car benefits and allowances, medical and other benefits in kind or equivalent monetary value.*

[3] *Ceri Gooder was appointed to the Board on 28 October 2022, and the remuneration disclosed in the table above relates solely to the period in which she served as a Director. She resigned on 31 August 2023.*

[4] *Oliver Jones was appointed as an Executive Director on 1 January 2024.*

[5] *Mary Gavigan resigned as a Non-Executive Director on 31 August 2023.*

[6] *Rebecca Hall was appointed as a Non-Executive Director on 1 December 2024.*

[7] *Mike Hughes resigned as a Non-Executive Director on 30 November 2023.*

[8] *Simon Thomas was appointed as a Non-Executive Director on 1 October 2023.*

[9] *Victoria Wentworth was appointed as a Non-Executive Director on 1 December 2023 and resigned on 4 September 2024.*

Audit Committee (Continued)

Directors' Report

Statement of Responsibilities of the Directors

The Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the results for that year. In preparing these 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 where applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

» Prepare the statements on a going concern basis, unless it is inappropriate to assume that the Society will continue in business.

» Prepare the financial statements in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994 and in accordance with the applicable accounting standards in the United Kingdom.

In following the Friendly Societies (Accounts and Related Provisions) Regulations 1994, this includes the updates to this regulation: the Friendly Societies (Accounts and Related Provisions) (Amendment) Regulations 2005.

The Directors confirm that the financial statements comply with the above.

The Directors are responsible for keeping appropriate accounting records which disclose with reasonable accuracy, at any time, the financial position of the Society and to enable it to ensure that the financial statements comply with the Friendly Societies Act 1992. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the performance, business model and strategy of the Society and the Group.

The maintenance and integrity of the National Deposit Friendly Society Limited and Group website is also the responsibility of the Directors.

Disclosure of Information to Auditors

The Directors that held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Society's auditors are unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information. Mike Joyce joined as Non-Executive Director as of 1 May 2025.

Going Concern

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report for the year. The financial position of the Society, its cash flows, liquidity position and borrowing facilities have also been considered by the Board. The Society's policies and processes for managing capital are highlighted in Note 2 to the financial statements. The Society has adequate financial resources, supported by long-term relationships with its policyholders and suppliers. Therefore, the Directors believe that the Society is well placed to manage its business risks in respect of liquidity and cash flows. After making enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for a period to 30 June 2026. Accordingly, the financial statements have been prepared on a going concern basis.

Annual General Meeting

The 2024 Annual General Meeting was held both in person in Bristol and online on 13 September 2024 and was attended by Board Members and Officers of the Society.

A number of resolutions were voted on including:

- The Annual Accounts;
- The Board Report; and;
- The Auditor's Report for the year ended 31 December 2023. These form part of the Annual Report and Financial Statements
- To approve the Directors' Remuneration Report
- Re-appointment of Ernst & Young LLP as Auditors
- To re-elect Geoff Brown as a Non-Executive Director
- To re-elect Graham Singleton as Executive Director
- To re-elect Julian Ellacott as Executive Director
- To elect Simon Thomas as Non-Executive Director
- To elect Vicki Wentworth as Non- Executive Director (this was withdrawn following resignation)
- To elect Oliver Jones as a Executive Director

The response from members submitting their postal/proxy forms was 2.67% of members eligible to vote electing to do so.

In 2025, the AGM is planned to be held virtually and in person with members invited to attend the event.

Neil Thompson presenting the cheque to the Alzheimer's Society.

Members will also be able to submit questions ahead of the date and during the meeting.

Charitable Donations

The Society made charitable donations of £11,192 (2023: £10,560). There were no political donations (2023: £nil).

Re-appointment of Auditors

A resolution to re-appoint Ernst & Young LLP ('EY') as the Society's external auditors will be proposed at the forthcoming AGM.

Approved by Order of the Board

Graham Singleton
Chief Executive

27 June 2025

Independent Auditor's Report

Independent Auditor's Report To The Members of National Deposit Friendly Society Limited

Opinion

In our opinion:

» National Deposit Friendly Society Limited's Group and Society's financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2024 and of the Group's and Society's income and expenditure for the year then ended;

» the Group and Society's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

» the financial statements have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

We have audited the financial statements of National Deposit Friendly Society Limited (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise:

Group	Society
Consolidated balance sheet as at 31 December 2024	Balance sheet as at 31 December 2024
Consolidated income statement for the year then ended	Income statement for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of comprehensive income for the year then ended
Related notes 1 to 28 (except for note 2 which is marked as unaudited) to the financial statements, including a summary of significant accounting policies	Related notes 1 to 28 (except for note 2 which is marked as unaudited) to the financial statements, including a summary of significant accounting policies

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

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

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Society's ability to continue to adopt the going concern basis of accounting included:

» obtaining and reviewing management's going concern assessment paper which assesses the liquidity, future cashflows and solvency position for a period through to 30 June 2026;

» corroborating the information in the assessment where relevant to support our opinion;

» obtaining and reviewing the latest Board approved Own Risk and Solvency Assessment (ORSA), assessing the consistency of this with management's going concern assessment;

» assessing the plausibility of available management actions to mitigate the impact of the key risks by comparing them to our understanding of the Group and Society;

» performing inquiries of management and those charged with governance to identify risks or events that may impact the Group and Society's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees; and

» assessing the appropriateness of the going concern disclosures and ensuring they are consistent with management's assessment and in compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and Society's ability to continue as a going concern for the period of 12 months to 30 June 2026, being at least 12 months from the date 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	» We performed an audit of the complete financial information of the Society and audit procedures on specific balances for the two subsidiaries of the Society, National Friendly Financial Solutions Limited and National Friendly Software Solutions Limited. » These three components, where we performed full or specific audit procedures, accounted for 100% of the Gross Written Premium and 100% of Total assets and liabilities.
Key audit matters	» Valuation of long term business provision, comprising the following risk areas; • Inappropriate actuarial demographic assumptions for morbidity, mortality, longevity and persistency • Inappropriate actuarial expense assumptions
Materiality	» Overall Group materiality of £532k which represents 2% of Fund for Future Appropriations.

An overview of the scope of the Society and group audits

Tailoring the scope

In the current year our audit scoping reflects the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the applicable financial framework, the group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that the Group audit team would perform the audit procedures on all three components of the Group, being the Society and its two subsidiaries for all audit areas.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the group significant financial statement account balance.

We then considered whether the remaining group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the three components selected, we designed and performed audit procedures on the entire financial information of one component ("full scope component") being the Society. For the remaining two components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components").

Independent Auditor's Report (Continued)

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate Change

Stakeholders are increasingly interested on the impact climate change will have on companies. The Group and Society has determined that the most significant future impacts from climate change on its operations will be from physical and transitional risks. These are explained on page 15 in the principal risks and uncertainties section within the Strategic report. They have also explained their climate commitments on page 18 within the Strategic report. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's and Society's business and any consequential material impact on its financial statements.

The Group and Society has explained in its Basis of Preparation note how the impact of climate change has been considered for their financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, including physical and transitional risk and the resulting conclusion that there was no material impact from climate change and the adequacy of the Group's disclosures on page 54 of the financial statements which explain the rationale.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the Long term Business Provision (2024: £11,405,000; 2023: £21,339,000)

Refer to the Audit Committee Report (pages 30 to 32); Accounting policies (page 56); and Note 20 of the Consolidated Financial Statements (page 86)

We considered the valuation of the long-term business provision to be a significant and fraud risk for the Group and Society. Specifically, we considered the actuarial assumptions that are applied, as these involve complex and significant judgments about future events, both internal and external to the business, for which small changes can result in a material impact to the resultant valuation.

We have identified two components of the significant risk relating to the valuation of the long-term business provision being:

» Risk of inappropriate actuarial demographic assumptions for morbidity, mortality, longevity and persistency;

» Risk of inappropriate actuarial expense assumptions

The specific audit procedures performed to address the significant risk are set out below. In addition, we assessed management's analysis of movements in the long-term business provision.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inappropriate actuarial demographic assumptions for morbidity, mortality, longevity and persistency The assumptions underpinning the valuation of the long-term business provision as at 31 December 2024 are disclosed in note 20 to the financial statements. The valuation of the long–term liabilities the Society holds is inherently uncertain due to the dependency on a number of key demographic assumptions, being morbidity, mortality, longevity and persistency and the risk resides around these assumptions being inappropriate. Given the size of the Long Term Business Provision, small changes in these assumptions can have a material impact on the Group's Fund for Future Appropriations Demographic assumptions are set based on internal and market experience, overlaid with the application of judgement in particular around expectations of future trends and external factors. Due to the inherent judgement required to determine the demographic assumptions we also consider the assumptions to be susceptible to management bias.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, we engaged our actuaries as part of our audit team and performed the following procedures: We obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating the demographic actuarial assumptions. We tested that the policy records data used in the process for setting and updating demographic assumptions was complete and accurate by agreeing back to the policy administration system. We assessed the results of management's experience analysis to assess whether this justified the adopted assumptions. We also checked that the assumptions used are consistent with (a) the experience analysis and reviewed the judgements made (such as the weight put on recent years' experience and the exclusion of any data due to the pandemic), and (b) the explanations provided by management as to why experience had changed, to ensure they were reasonable. Critically assessed managements rationale for the assumptions determined and challenged the expert judgement applied by considering the reasonableness of management's assertions against our understanding of the business, the products and our wider market experience. Benchmarked management's assumptions to available market data and challenged the rationale for deviations from these. We concluded on whether the final assumptions were within a reasonable range based on our expert judgement, management's internal experience analysis and benchmarking to peers.	We determined that the demographic assumptions for morbidity, mortality, longevity and persistency, are within a reasonable range in aggregate based on the analysis of experience to date, industry practice and the financial reporting and regulatory requirements.
Inappropriate actuarial expense assumptions The assumptions underpinning the valuation of the long term business provision as at 31 December 2024 are disclosed in note 20 to the financial statements. Whilst less significant than the demographic assumptions referred to as part of the key audit matter above, we consider the expense assumptions, determined on a per policy basis, to be a key part of the actuarial valuation. Expense assumptions are set based on the anticipated costs associated with administering the business, including expenses inflation as well as the split between acquisition / maintenance and between different classes of business. The per policy expense assumptions is then derived by making assumptions as to future policy volumes.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, we engaged our actuaries as part of our audit team and performed the following procedures: We obtained an understanding and tested the design and operating effectiveness of key controls over management's process and governance for setting expense assumptions. We tested the budgeted expenses included in the model including by reference to board approved forecasts and prior year actuals. We tested the reasonableness of split between maintenance and acquisition expenses, and the allocation of expenses between various product by testing the methodology of the splits. We assessed the judgements around new business volumes and potential growth in policy counts impacting the allocation of overheads. We considered the appropriateness of the methodology to derive the expense inflation assumptions and considered the reasonableness of the resulting assumptions. We concluded on whether the final assumptions were within a reasonable range based on our work and expert judgement.	We determined that the expense assumptions are within a reasonable range in the context of the business and the board approved forecasts.

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Independent Auditor's Report (Continued)

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Society to be £532,000 (2023: £695,000), which is 2% of the Fund for Future Appropriations (2023: 1% of Gross Long term Business Provision (LTBP)). This has been a change from Gross Long term Business Provision used in previous years so as to align with the other entities in the industry which widely use net assets (FFA) for setting materiality.

Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group and Society's overall control environment, our judgement was that performance materiality was 75% (2023: 50%) of our planning materiality, namely £400,000 (2023: £348,000). We have set performance materiality at this percentage based on our assessment of the risk of misstatement.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £70,000 to £400,000 (2023: £70,000 to £348,000).

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £27,000 (2025: £35,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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.

Opinion on other matters prescribed by the Friendly Societies Act 1992

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Board of Management for the financial year for which the annual accounts are prepared is consistent with the annual accounts and this report has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Society and its environment obtained in the course of the audit, 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:

» adequate accounting records have not been kept; or

» the annual accounts are not in agreement with the accounting records; or

» we have not received all the information, explanations and access to documents we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

» We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Society determined that the most significant are direct laws and regulations related to elements of the Friendly Societies Act 1992 and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect, as well as industry specific laws/regulations on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

» We understood how the Group and Society is complying with those frameworks by making enquiries of senior management and those charged with governance for their awareness of any non-compliance with laws or regulations. We also reviewed correspondence between the Society and its subsidiaries and UK regulatory bodies; reviewed minutes of the Board and its committees; and gained an understanding of the Group's approach to governance.

Independent Auditor's Report (Continued)

- We assessed the susceptibility of the Group and Society's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group and Society has established to address risks identified by the Group and Society, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the procedures over the demographic and expense assumptions noted under the key audit matters section above. With regard to revenue recognition fraud risk we tied back all but an immaterial amount of the gross premium income to cash received during the year and additional procedures included testing a sample of manual journals. In addition we tested reconciliations performed by the Customer Services and Finance Teams with regards to collection of gross premium income via direct debit. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. For both direct and other laws and regulations, our procedures involved: making enquiry of senior management and the Audit Committee for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Group and Society's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA and reviewing minutes of the Board and its committees and the complaints log.

The Group and Society operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were re-appointed by the Society on 4 August 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is 8 years, covering the years ending 31 December 2017 to 31 December 2024.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society and we remain independent of the Group and Society in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Part VI of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Bell

(Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor London

27 June 2025

Consolidated Income Statement

For the year ended 31 December 2024

£000s		Group				Society			
Technical Account - Long Term Business	Note	2024		2023		2024		2023	
Gross premiums written and payments to deposit	4	45,742		30,753		45,742		30,753	
Outward reinsurance premiums		(11,007)		(7,583)		(11,007)		(7,853)	
Earned premiums net of reinsurance			34,735		22,900		34,735		22,900
Investment income	5		2,318		920		2,318		920
Other technical income	6		505		510		19		29
Total technical income			**37,558**		**24,330**		**37,072**		**23,849**
Gross claims paid		26,825		22,968		26,825		22,968	
Reinsurers' share		(11,325)		(7,703)		(11,325)		(7,703)	
Net claims paid			15,500		15,265		15,500		15,265
Change in provision for claims			(511)		(101)		(511)		(101)
Change in long term funds									
Long term business provision – gross amount		(9,934)		(19,550)		(9,934)		(19,550)	
Movement in reinsurers' share		3,321		3,338		3,321		3,338	
Long term business provision – net of reinsurance amount			(6,613)		(16,212)		(6,613)		(16,212)
Provision for linked liabilities – insurance contracts	22		(227)		45		(227)		45
Provision for linked liabilities – investment contracts	22		(102)		28		(102)		28
Bonuses and rebates			1		(9)		1		(9)
Net operating expenses	7								
Acquisition costs		17,525		15,046		16,984		14,530	
Administrative expenses		4,576		4,423		4,577		4,423	
			22,101		19,469		21,561		18,953
- other			411		63		411		54
Investment expenses	8		221		496		221		496
Unrealised (gains)losses on investments	5		3,341		(886)		3.341		(886)
Loss on investment in subsidiary	26		-		-		54		12
Tax attributable to long term business	11		-		-		-		-
Transfer to the fund for future appropriations			3,436		6,172		3,436		6,204
Total technical expenditure			**37,558**		**24,330**		**37,072**		**23,849**
Balance on the technical account - long-term business			-		-		-		-

The information on pages 54 to 95 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

£000s		Group		Society	
	Note	2024	2023	2024	2023
Actuarial loss on pension scheme	21	(209)	(676)	(209)	(676)
Revaluation of occupied land and buildings	12	75	(225)	75	(225)
Total comprehensive income		**(134)**	**(901)**	**(134)**	**(901)**
Transfer from the fund for future appropriations		(134)	(901)	(134)	(901)
Total comprehensive income after transfer		-	-	-	-

The information on pages 54 to 95 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2024

£000s		Group				Society			
ASSETS	Note	2024		2023* *Restated*		2024		2023* *Restated*	
Intangible assets	17		3,290		2,853		50		229
Investments Land and buildings**	12	5,210		6,650**		5,210		6,650**	
Investment in subsidiaries	26	-		-		476		530	
Other financial investments	13	52,006		39,949		52,006		39,949	
			57,216		**46,599**		**57,692**		**47,129**
Assets held to cover linked liabilities	16		1,379		1,563		1,379		1,563
Reinsurers' share of technical provisions – claims outstanding*			1,269		1,287		1,269		1,287
Debtors – Loans and receivables Debtors arising from direct insurance operations	3	405		604		361		564	
Debtors arising out of reinsurance operations*		47		60		47		60	
Other debtors	3	1,185		1,238		1,185		1,238	
			1,637		**1,902**		**1,593**		**1,862**
Other assets Tangible assets**	18	603		278**		603		278**	
Cash and cash equivalents	14	2,380		3,851		2,277		3,723	
Net pension asset	21	-		1,673		-		1,673	
			2,983		**5,802**		**2,880**		**5,674**
Prepayments and accrued income – Loans and Receivables Accrued interest and rent		648		664		648		664	
Other prepayments and accrued income		160		268		2,532		2,657	
			808		**932**		**3,180**		**3,321**
			68,582		**60,938**		**68,043**		**61,065**

**The reinsurer's share of technical provisions reported as a net liability of £5,266,000 in 2023 has been split to asset and liability in the balance sheet. The net total remains unchanged. See note 28 for the summary of the restatement*

***Land and Buildings held for own use have been reclassified from Tangible assets to Land and Buildings in the opening balance sheet for 2023. See note 12 for more details and note 28 for the summary of the restatement.*

The information on pages 54 to 95 form an integral part of these financial statements.

As at 31 December 2024

£000s		**Group**				**Society**			
LIABILITIES	Note	**2024**		**2023* *Restated***		**2024**		**2023* *Restated***	
Fund for future appropriations	27		26,639		23,337		26,639		23,337
Technical provisions Long term business provision	20	11,405		21,339		11,405		21,339	
Claims outstanding		2,919		3,430		2,919		3,430	
Provision for bonuses and rebates		29		27		29		27	
			14,353		**24,796**		**14,353**		**24,796**
Technical provision for linked liabilities – insurance contracts	22		967		1,194		967		1,194
Technical provision for linked liabilities – investment contracts	22		221		323		221		323
Reinsurers' share of technical provisions			9,856		6,553		9,856		6,553
Provision for liabilities Net pension	21		6,935		-		6,935		-
Creditors									
Financing liability	15	5,855		1,998		5,855		1,998	
Creditors arising out of reinsurance operations		16		270		16		270	
Other creditors including taxation and social security		848		475		840		462	
			6,719		2,743		6,711		2,730
Accruals and deferred income*			2,892		1,992*		2,361		2,132*
			68,582		**60,938**		**68,043**		**61,065**

Net creditors arising from insurance operations of £210,000 included in the accruals and deferred income in 2023 has been reclassified into debtors and creditors arising from reinsurance operations in the balance sheet. Accruals and deferred income decreased from £2,202,000 to £1,992,000 (Society: £2,342,000 to £2,132,000). See note 28 for the summary of the restatement.

The information on pages 54 to 95 form an integral part of these financial statements.

These accounts were approved by the Board on 27 June 2025.

Graham Singleton
Chief Executive

Nicola Moore
Company Secretary

Notes to the Financial Statements

For the year ended 31 December 2024

01. Accounting Policies

These accounting policies have been applied consistently in the preparation of the financial statements.

General Information

The Society is a registered friendly society incorporated and domiciled in the United Kingdom. The address of its registered office is 11-12 Queen Square, Bristol. BS1 4NT.

Statement of Compliance

The Group and Society financial statements of National Deposit Friendly Society Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"), the Friendly Societies Act 1992 and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (the Regulations).

Basis of Preparation

The financial statements have been prepared on a going concern basis. The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the first paragraph of the Strategic Report for the year. The Board has also considered the Society's financial position, its cash flows, liquidity position and capital position. The Society's policies and processes for managing capital are highlighted in Note 2 to the financial statements. The Society has adequate financial resources, supported by long-term relationships with its policyholders and suppliers.

The Directors believe that the Society is well placed to manage its business risks in respect of liquidity and cash flows, have considered stresses to the solvency and liquidity of the entity to 30 June 2026 and are satisfied that these appropriately demonstrate the resilience of the business after considering the stresses and any mitigating actions to manage such risks to 30 June 2026. The Society makes extensive use of reassurance to mitigate the impact of various business risks and from June 2023 this has included financial reassurance to mitigate the new business strain arising from writing increasing levels of new business. The product pricing allows for the economic cost of such financing which is transitionary whilst the in force portfolio grows to a level where new business strain becomes self-funded. The Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for a period to 30 June 2026. Accordingly, the Society continues to adopt the going concern basis in preparing the annual report and financial statements.

The financial statements have been prepared under the historical cost convention modified for fair value and in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994, The Insurance Contracts (FRS 103), the Friendly Societies Act 1992 and United Kingdom Generally Accepted Accounting Practice, specifically FRS 102 and FRS 103.

In preparing these financial statements the directors have considered the impact of the physical and transition risks of climate change and identified this as a principal risk as set out on pages 15 to 18, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2024. The Group and Society assets are reported at fair value under FRS102 except for deposits with credit institutions and mortgages reported at amortised costs (as set out in note 13) and therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change upon these investments. Insurance liabilities are determined based upon experience of past insurable events, overlaid with judgement as to future trends, on which climate change is one influence. Future valuations of assets may differ as the market responds to any impact or assesses the impact of current requirements differently and the frequency and magnitude of future insurable events linked to the effect of climate risks could change. We further recognise that government and societal responses to climate change risks are still developing, and may partially mitigate, fully mitigate or even overcompensate for the primary effects.

Basis of Consolidation

The Group financial statements comprise the assets, liabilities and income and expenditure account transactions of the Society and its subsidiaries National

Friendly Financial Solutions Limited ("NFFS") and National Friendly Software Solutions Limited ("NFSS"). The net results are included in the fund for future appropriations for the Group. The activities of the Society and Group are accounted for in the income statement and statement of comprehensive income.

Premiums

Premiums are accounted for when due for payment.

Insurance commission

Insurance commission represents the value of commission receivable to the Society's subsidiary, NFFS, recognised on the effective commencement or renewal date of the policy, with a small amount within the Society relating to an annual rebate on a reinsurance treaty. All commission received relates to insurance business transacted in the United Kingdom.

Reinsurance Contracts

The Society cedes reinsurance in the normal course of business. The cost of reinsurance is recognised in the income statement at the date of issue. Premiums ceded and claims reimbursed are presented on a gross basis in the income statement and balance sheet as appropriate. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance contract liabilities. Reinsurance assets are measured in line with the best estimate approach used in the Long Term Business Provisions.

If the technical provisions on policies with a quota share reinsurance treaty are negative then the reinsurer's share of these provisions can be a liability. Reinsurance liabilities represent future premiums and/or fees which will be ceded to reinsurers, in excess of future receipts from the reinsurer.

Realised and unrealised gains and losses

Realised investment gains and losses represent the difference between the sale proceeds and carrying value at the date of disposal. Unrealised investment gains and losses represent the net movement in the market value of investments during the year after allowing for realised gains and losses recognised in the income statement.

Investment Return

Investment return comprises the investment income and fair value gains and losses derived from assets held at fair value through profit and loss, rental income and fair value gains and losses derived from investment property and interest income derived from cash and cash equivalents.

Investment income derived from assets held at fair value through profit and loss includes dividends and interest income. Dividends are accounted for on the date the shares become quoted ex-dividend. UK dividends are shown excluding their irrecoverable associated tax credit. Interest income is recognised based on the coupon rate of the securities. Income from rents and securities is taken into account on an accruals basis. Bank interest is accrued in the period in which it arises.

Claims

Maturity claims and annuities are charged against income when due for payment. Claim payments whose beneficiaries cannot be traced are held in a suspense liability for an appropriate period of time, depending on the age of the customer and the nature of the policy, and then released if still unclaimed. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long-term business provision. Death claims and all other claims are accounted for when notified.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

01. Accounting Policies (Continued)

Long term business provision

The Long Term Business Provision is determined by the Society's Board and is calculated on a Solvency UK basis. It is calculated to be consistent with the PRA Rulebook.

The Solvency UK Technical Provisions, on which the Long Term Business Provision is based, are defined as the sum of the Best Estimate of Liabilities ("BEL") and the Risk Margin ("RM"). The BEL and RM are calculated separately. The BEL is calculated on a policy by policy basis for all contracts accepted on risk at the valuation date using a cash flow approach and generally accepted actuarial practices, plus allowance for related liabilities which are calculated in aggregate across all policies. The calculations generate probability weighted cash flows for each monthly time period within a policy's contract boundary. The cash flows are discounted using the PRA's risk-free yield curve and thus make allowances for the time value of money. The BEL can be either an overall liability or asset, depending on the underlying cashflows that underpin its calculation. In the instance where the net present value of premiums is greater than the net present value of claims and per policy expenses the BEL would be an overall asset. The BEL presented in the balance sheet reflects the overall net position and does not separate the positive and negative cashflows associated with different product types.

The RM is calculated as the sum of the present values of the cost of capital rate applied to the Solvency Capital Requirement ("SCR") of a reference undertaking willing to take on the Society's insurance portfolio, in each future year until the obligations are extinguished and there is no remaining SCR. The Long Term Business Provision reported in the Financial Statements does not take account of any transitional measures approved by the PRA in respect of the transition from Solvency I to Solvency II.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with a maturity of less than 3 months.

Bonuses

Bonuses charged to the long-term business technical account in a given year comprise new reversionary bonuses declared in respect of that year which are provided within the calculation of the long term business provision.

Claims outstanding

The outstanding claims reserve provides for all the estimated (based on actuarial calculations) claims payable as at 31 December on medical and income protection policies, and represents the estimated ultimate cost of settling all claims which have occurred up to the balance sheet date.

Depreciation

Other tangible fixed assets

Tangible fixed assets other than land and buildings are held at cost less accumulated depreciation.

Depreciation has been provided at the following rates calculated to write off each asset over its estimated useful life:

- » Computer equipment is depreciated at 25% per annum on a straight line basis;
- » Office equipment is depreciated at 12.5% per annum on a straight line basis; and
- » Motor vehicles are depreciated at 33.33% per annum on a straight line basis.

Intangible assets

Costs are capitalised as intangible assets, where the outcome is assessed to be reasonably certain as regards viability and feasibility and they meet the criteria laid out in Section 18 "Intangible Assets other than Goodwill" of FRS 102. Amortisation is charged once the economic benefits of the project start to be realised.

Intangible assets represent the intellectual property rights for computer software and a customer book acquired from a third party from which future revenue is expected. Intangible assets are held at cost less accumulated amortisation.

Computer Software is amortised on the straight line basis over its remaining useful economic life, which is 8 years.

Software under Construction is not amortised until completed, but is reviewed for impairment at least annually.

The customer book is amortised on the straight line basis over its useful economic life, which is 10 years.

The website is amortised on the straight line basis over its useful economic life, which is 3 years.

Land and buildings

The owner occupied floors of 11-12 Queen Square, Bristol used by the Group and Society as a head office are held as land and buildings in the financial statements. The property is held at fair value at the balance sheet date with revaluation gains recognised through other comprehensive income.

Land and buildings are not depreciated as the opinion of the directors is that the depreciation is not material and the property is revalued annually on a fair value basis.

Acquisition costs

Acquisition costs represent commission payable and other related expense of acquiring insurance policies written during the financial year.

Operating leases

The Group leases office machinery and equipment under contracts of operating leases. The lease expenses are accounted for as an operating expense as incurred.

Project costs

Project costs comprise expenditure on business process improvements which are intended to deliver future financial benefits to the Group through reducing operating costs and/or creating operational efficiencies.

Pension costs

The Society operates a defined benefit pension scheme. This scheme closed to new entrants and future accrual on 31 May 2009. A pension asset or liability is calculated as the recoverable amount of the scheme's assets less the present value of the scheme's liabilities in accordance with the principles set out in the Section 28 "Employee Benefits" of FRS 102. The Society is currently making contributions to the scheme at the level agreed with the trustees with the objective of having sufficient assets to meet its liabilities. A deficit is recognised due to the annuity policies purchased from the Society covering 59 pensioners and dependent members in the year.

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme. Current service cost is the actuarial calculated present value of the benefits earned by the active employees in each year. Past service costs relating to employee service in prior years arising in the current year as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss account on a straight-line basis over the year in which the increase in benefits vest.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of comprehensive income for the year to the extent they are attributable to members. The attributable deferred taxation is shown separately in the statement of comprehensive income. Payments made to the defined contribution scheme for current employees are charged as an expense as they fall due.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. It is calculated at rates expected to be applicable when the asset or liability crystallises on a non-discounted basis. Deferred tax assets are recognised only to the extent that there will be sufficient foreseeable future taxable profits from which the future reversal of timing differences can be deducted.

Investment in subsidiaries

Investments in subsidiary companies are held at fair value. The change in fair value through the year is recognised through "gain or loss on investment in subsidiary" in the income statement.

Fund for Future Appropriations

The fund for future appropriations incorporates amounts which have yet to be allocated to participating policyholders. Any surplus or deficit arising in the income statement or statement of comprehensive income is transferred to or from the fund on an annual basis. When circumstances are deemed to justify the distribution of surplus, surpluses are allocated by the directors to participating policyholders by way of bonuses. Any unallocated surplus is carried forward in the fund for future appropriations.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

01. Accounting Policies (Continued)

Contract Classification

The Society classifies its products for accounting purposes as insurance, investment or investment with discretionary participation features. Insurance contracts are those contracts that transfer significant insurance risk. Contracts that do not transfer significant insurance risk are investment contracts.

A discretionary participation feature is a contractual right held by a policyholder to receive additional payments as a supplement to guaranteed benefits:

» that are likely to be a significant proportion of the total contractual payments; and

» whose amount or timing is contractually at the discretion of the issuer and that are contractually based on:

» the performance of a specified pool of contracts, or a specified type of contract, or

» realised and/or unrealised investment returns on a specified type of contract, or

» the profit or loss of the company that issues the contracts.

Such contracts are more commonly known as "with-profits" or as "participating contracts".

Insurance contracts and participating investment contracts

The insurance and participating investment contract liabilities are determined annually in accordance with regulatory requirements.

The participating liabilities include an assessment of any future options and guarantees included in this business and are measured on a fair value basis.

The estimation techniques and assumptions are periodically reviewed, with any changes in estimates reflected in the income statement as they occur.

The Long Term Business Provision is calculated by the Society's Chief Actuary, having due regard to the actuarial principles laid down in the PRA Rulebook, and is approved by the Board.

Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are accounted for using deposit accounting. Premiums and claims are not recognised in the income statement in respect of these policies. The investment gain or loss on these policies is shown through the movement in the investment contract liabilities on the income statement and measured on a fair value basis.

Financial Assets

The financial assets are initially recognised at transaction price, net of directly attributable transaction costs. These are classified as financial assets as fair value through the profit and loss or as loans and receivables. Assets held at fair value through the profit and loss are measured at fair value based on the active market price with gains and losses recognised in the Income Statement, whilst loans and receivables are held at amortised cost. This is in line with International Accounting Standard 39 "Financial Instruments" as allowed under Section 11 "Basic Financial Instruments" in FRS102. Financial assets are derecognised when the rights to receive future cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership. All financial assets are held at fair value through profit and loss other than mortgages, debtors arising from insurance operations, other debtors and accrued interest and rent which are measured at amortised cost using the effective interest method.

Financial liabilities

The Society recognised initially financial liabilities at fair value, net of directly attributable transaction costs. The liabilities are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs. It is classified as the financial liability in the Balance Sheet and the interests due are in the income statement.

Subsequently, the advance claims are recognised at amortised cost which is the amount at which financial liability is measured at initial recognition, minus the principal repayments, and minus any adjustments to the liability as agreed with the reinsurer. The interests accruing on the liability due are charged to the income statement at the effective interest rate and added to the outstanding liability.

Investments

Listed securities are shown in the financial statements at bid price. Properties are shown in the financial statements at fair value.

Mortgages and loans are valued at amortised cost which is not materially different from the fair value of its future cash flows.

Cash flow statement

The Society, being a mutual life assurance company, is exempt from the requirement under Section 7 "Statement of Cash Flows" of FRS102 to produce a cash flow statement.

Key estimates and judgements

a) Technical Provisions - Valuation of investment and long-term insurance contracts

Technical provisions are calculated using policy data held on the Society's administration systems and assumptions set using internal and external data as inputs to actuarial valuation models. The Society calculates its technical provisions on the basis of best estimate liabilities plus a risk margin, using the regulatory solvency (Solvency UK) basis. Solvency UK requires a best estimates provision, adjusted for a risk margin to reflect the uncertainty of cashflows.

The assessment of the appropriate value of the technical provisions requires the Society to make significant judgements when determining the underlying assumptions. The principal assumptions where material judgement is relied upon are in relation to per policy expenses, mortality, morbidity and lapses. Non-economic assumptions are set based on the Society's own experience; wherever possible other reference points, such as industry statistics, are also used in the setting of assumptions. Economic assumptions are based on observed market conditions wherever possible.

Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty. Further details on specific assumptions are provided in note 20 to these Financial Statements. Note 2 contains the results of sensitivities on key risks (which also include those assumptions where estimates have been made), showing the financial impact if outcomes differ from the assumptions being made.

b) Valuation of Investment Properties

The Society owns two investment properties which are held for long-term rental yield and capital growth. These properties are valued annually on a fair value basis by chartered surveyors appointed by the Society. The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation – Professional Standards effective from 6th January 2014. In preparing these valuations, data and information available concerning rental yields, lease terms, voids and floor areas and enquiries within local market places have been used as contributing factors to each individual property's valuation. The most significant inputs into these valuations are the rental income and yield assumptions. Further information is provided in note 12.

c) Defined Benefit Pension Schemes

In determining the pension cost and the defined benefit obligation of the Society's defined benefit pension schemes, a number of assumptions are used. These assumptions include an appropriate discount rate, the level of salary escalation, price inflation and mortality rates. Further details are contained in note 21.

d) Valuation of Investment in Subsidiaries

Investment subsidiaries are held at fair value. The change in fair value through the year is recognised through the income statement. Judgement is required in assessing the fair values of the subsidiary companies which are not considered to be materially different from the net asset values in the respective subsidiary accounts.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

02. Capital Management

The regulatory capital requirement for the Society is determined by the solvency regime set out in the PRA Rulebook. This is a risk-based approach to the assessment of capital requirements whereby Technical Provisions are calculated as the sum of the best estimate liabilities plus a risk margin. The SCR is the additional capital the Society is required to hold to withstand a set of adverse events (covering market, underwriting, counterparty and operational risks) with a 99.5% level of confidence. The Society aims to manage its capital to ensure that there is an appropriate level of surplus over the SCR, in line with its Solvency Risk Appetite. This is monitored formally through the Board and Risk & Compliance Committee on a quarterly basis and on an ongoing basis by the Actuarial Function.

The Society calculates its SCR in accordance with the Standard Formula. The liabilities are discounted using risk free discount rates prescribed by the PRA. These rates do not necessarily reflect the rates earned on the financial assets held by the Society.

The Society maintains a single long term business fund. The available capital for the fund is represented by the fund for future appropriations which represents the difference between the assets and liabilities of the Society and Group. For regulatory solvency purposes certain assets are deemed inadmissible for meeting the capital requirements. At the balance sheet date £0.05m (2023: £0.3m) of intangible assets could not be included for regulatory capital purposes.

In addition, for statutory purposes under FRS 102/103, the Society calculates its FRS 102/103 liabilities on the same basis as for the regulatory solvency. The Society is eligible to use a Transitional Measure on the risk-free Interest Rate (TMIR) for its regulatory solvency reporting to the PRA. The TMIR applies only to policies in force prior to 01/01/2016 and amortises over a 16-year period. At the balance sheet date, the TMIR adjustment is zero (2023: zero).

Assumptions used in the valuation of the Technical Provisions

The assumptions used in the valuation of the Technical Provisions, including those used to value options and guarantees, are determined by conducting an analysis of the Society's past experience and overlaying this with expert judgement. Further details are included in Note 20.

Capital resource sensitivities

The Society's capital position is sensitive to changes in economic conditions and demographic assumptions, due to both changes in the value of the assets and the value of the liabilities. The main sensitivities arise from:

Market risk:

The Society is exposed to reductions in the value of its assets.

The risk is reduced by matching fixed interest assets to the expected profile of the liabilities so that the assets and liabilities move in the same way under a fixed interest market stress scenario.

For with-profits business, the risk to available capital is further reduced by the fact that asset shares will reduce in a market risk scenario. This reduces exposure under the equity and property stresses in particular.

Lapse risk:

The Society is exposed to the risk that lapses are higher or lower than expected. Whether this increases or reduces available capital varies by product. The highest impact Standard Formula lapse risk is the risk of a mass lapse scenario.

This risk is partly mitigated by using mass lapse reinsurance for the Guaranteed Partially Underwritten Life Assurance/Over 50s and income protection business, but the Society is still exposed to residual mass lapse risk on this product, and on other products.

In the event of an adverse lapse scenario, management actions can be taken on some legacy health contracts to increase the available capital. These are premium increases, increases to "own share" percentages (the proportion of claims that are paid by the members deposit account) and reduction to asset shares under market stresses.

New health contracts have annually reviewable premiums to reduce exposure to underwriting risks.

Longevity risk:

The Society is exposed to the risk that mortality rates reduce, particularly on annuity business. This risk is largely mitigated using reinsurance for the Immediate Needs Annuity business, but the Society is exposed to residual longevity risk on this product, and on other products.

Expense risk:

The Society is exposed to the risk that expenses are higher than expected. This could materialise by lower than expected volumes of new business meaning the per policy expenses are increased.

The management actions as described under the lapse risk section can equally be applied in an expense risk scenario to increase the available capital.

In addition, an expense stress in relation to with-profits business can be charged to asset shares, further reducing the impact.

Morbidity risk:

The Society is exposed to the risk that there are more morbidity claims than expected, or that they are of higher value.

This risk is partly mitigated by Quota Share and Excess of Loss reinsurance arrangements on some health products, but the Society is exposed to residual morbidity risk on these and other products.

The management actions as described under the lapse risk section can equally be applied in a morbidity risk scenario to increase the available capital.

Mortality risk:

The Society is exposed to the risk that mortality increases. The Society's exposure to mortality risk is expected to increase as we continue to sell Over 50s contracts.

The following table shows the sensitivity of the Society's available Own Funds to changes in assumptions. The assumption changes shown are those as per the Solvency UK Standard Formula. The Total Own Funds & SCR Coverage Ratio are set out in page 10 of the financial statements.

£000s	**Society** **Impact (Unaudited)**
Baseline Own Funds	**26,403**
Property risk *Decrease in property values of 25%*	**(218)**
Interest rate risk *Increase in risk free yield curve as specified by the PRA (average +1%)* *Decrease in risk free yield curve as specified by the PRA (average -1%**)*	(2,451) 241
Equity risk *Decrease in equity values of 42%*	(378)
Credit spread risk *Decrease in corporate bond values of 4.3%*	(154)
Lapse risk *** *Increase in lapse rates of 50%* *Decrease in lapse rates of 50%* *Mass lapse of 40%*	(6,828) (440) (14,278)
Longevity risk *Decrease in mortality rates of 20%*	(1,109)
Expense risk *Increase in per policy expenses of 10% and expense inflation of 1% p.a.*	(2,606)
Morbidity risk *Increase in morbidity rates of 5% and claim inflation of 1% p.a.*	(2,539)
Mortality risk *Increase in mortality rates of 15%*	(6,779)

** *For a 10-year term, which is the approximate average duration of the Society's liabilities*

*** *The PRA Rulebook requires that the lapse stresses are applied only to lines of business where the stress would result in a decrease in Own Funds. As such, all of the lapse stresses reduce the available Own Funds.*

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

03. Risk Management

The key risks that the Society and Group are exposed to and the way the Society and Group manage them is set out as follows:

Insurance risk

Insurance risk is the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Long term insurance risk arises from morbidity, persistency, mortality and expense variances. Systems are in place to measure, monitor and mitigate exposure to all these risks.

The valuation assumptions have been recommended by the Chief Actuary and approved by the Board. See note 20 for details of assumptions used in the calculation of the long-term business provision.

The Society does not consider that there are material concentrations of insurance risk in its portfolio, given the nature of its products (i.e. individual policies, with very few group policies) and the breadth of its distribution network.

Financial risk

The Society is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (including interest rate risk, inflation risk, exchange rate risk and equity price risk), credit risk and liquidity risk. The Society also faces financial risks in respect of property valuations, concentration of investments and counter-party exposures.

Each of the exposures to risk are analysed regularly to assess their likely impact and probability.

i) Market risk

Market risk is the risk that as a result of market movements, the Society may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets. Sources of general market risk include movements in interest rates, equities, exchange rates and real estate prices.

The Society has a low appetite for market risks and this is reflected in its investment strategy. The investment strategy is kept under regular review as part of the capital management plan.

a) Interest rate risk

Changes in interest rates impact the value of the Society's assets and liabilities. The risk to the Fund for Future Appropriation from changes in interest rates is reduced by close matching of assets to liabilities.

b) Inflation risk

The Society is exposed to increasing inflation through the inflation linked pension benefits payable through the Staff Superannuation Fund, through its own expense base and through Income Protection contracts which have inflation linked benefits. This risk is managed through a combination of holding some inflation linked assets, and the ability to vary premiums on some contracts (including policy fees) in line with inflation.

c) Exchange rate risk

The Society no longer holds any fixed interest investments in foreign currencies.

d) Equity price risk

Holdings in equities are by their nature subject to market movement. In order to mitigate this risk, the Society has engaged an external investment portfolio manager and the Investment Committee regularly reviews the level of equities notionally allocated to with profit life business to ensure the level of risk remains appropriate.

ii) Credit risk

Credit risk is the risk of loss incurred whenever a counterparty fails to perform its contractual obligations including failure to perform them in a timely manner.

The Society has a low appetite for credit risk on cash and cash is spread over a number of highly rated banks with a maximum limit on the exposure to any one financial institution.

The terms of the investment funds require an appropriate spread of holdings within specified parameters, with the majority of assets being 'A' rated bonds or higher. There are also limits on the maximum exposure to any single counterparty and on the level of exposure to lower rated bonds.

This results in a relatively modest exposure to lower rated and possibly riskier assets within the investment funds. However, the Society considers regular reviews from the fund manager so that the risk within the funds remains appropriate relative to the Society's appetite for credit risk.

The Society currently has a low level of exposure to re-assurer security, due to the nature of the reinsurance arrangements in place. Therefore, there are no specific actions envisaged to manage the risks in this section.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

03. Risk Management (Continued)

The assets bearing credit risk are summarised and analysed by credit rating below:	Group		Society	
£000s	2024	2023* Restated	2024	2023* Restated
Listed fixed interest securities*	31,205	36,436*	31,205	36,436*
Own fund investments	16,077	844	16,077	844
Loans and receivables (Note 14)	7,627	8,858*	7,480	8,730*
Deposits with credit institutions	1,646	1,106	1,646	1,106
Cash and cash equivalents	2,380	3,851	2,277	3,723
	58,935	**51,095**	**58,685**	**50,839**

AAA	48	50	48	50
AA	23,035	27,458	22,921	27,328
A	26,501	12,534	26,501	12,534
BBB	1,003	2,199	1,003	2,199
Not rated	8,358	8,854*	8,212	8,728*
	58,935	**51,095**	**58,685**	**50,839**

**Valuation of the fixed income securities for 2023 has been restated to correct an error. See note 13 for details of the restatement. Loans and Receivables have been restated for the changes to the allocation of the total financial assets for 2023 between the designated upon initial recognition and the loans and receivables. This also affected the financial assets Not Rated See note 14 for the restatement.*

See note 28 for the summary of the restatement.

iii) Liquidity Risk

Liquidity risk is the risk that the Society either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. For example, liquidity risk can arise from mismatching between expected asset and liability cash flows or from the inability to sell assets quickly.

The Society has a low appetite for liquidity risk and the risk is controlled by maintaining a prudent cash holding and primarily investing in liquid assets. The Society will continue to monitor its emerging cash flow requirements.

Financial assets held over five years are long-term assets aiming to match the duration of liabilities. It is not possible to invest in fixed income investments with no maturity date. However, the Society carries out regular checks so that assets and liabilities are well matched by duration.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

03. Risk Management (Continued)

Financial and insurance liabilities at 31/12/24	**Group**				
£000s	**No maturity date**	**Within 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Long term business provision	-	715	947	9,743	**11,405**
Claims outstanding	-	2,919	-	-	**2,919**
Provision for bonuses and rebates	-	-	-	29	**29**
Technical provision for linked liabilities – insurance contracts	-	967	-	-	**967**
Technical provision for linked liabilities – investment contracts	-	221	-	-	**221**
Reinsurers' share of technical provisions – long term business provision	-	-	9,850	6	**9,856**
Financing liability	-	5,855	-	-	**5,855**
Creditors arising out of reinsurance operations	-	16	-	-	**16**
Other creditors including taxation and social security	-	848	-	-	**848**
Total financial and insurance liabilities	**-**	**11,541**	**10,797**	**9,778**	**32,116**

Financial and insurance liabilities at 31/12/23	**Group**				
£000s	**No maturity date**	**Within 1 year**	**1 - 5 years**	**Over 5 years**	**Total* *Restated***
Long term business provision	-	1,048	616	19,675	**21,339**
Claims outstanding	-	3,430	-	-	**3,430**
Provision for bonuses and rebates	-	-	-	27	**27**
Technical provision for linked liabilities – insurance contracts	-	1,194	-	-	**1,194**
Technical provision for linked liabilities – investment contracts	-	323	-	-	**323**
Reinsurers' share of technical provisions - long term business provision*	-	-	6,546*	7	**6,553***
Financing Liability	-	1,998	-	-	**1,998**
Creditors arising out of reinsurance operations*	-	270*	-	-	**270***
Other creditors including taxation and social security	-	475	-	-	**475**
Total financial and insurance liabilities	**-**	**8,738**	**7,162**	**19,709**	**35,609***

** See balance sheet page for details of the restatement. The net impact is nil. See note 28 for the summary of the restatement.*

Financial assets at 31/12/24	Group				
£000s	No maturity date	Within 1 year	1 - 5 years	Over 5 years	Total
Equity investments	3,031	-	-	-	**3,031**
Fixed interest securities	-	828	9,356	21,021	**31,205**
Own fund investments	-	16,077	-	-	**16,077**
Deposits with credit institutions	-	1,646	-	-	**1,646**
Mortgages	47	-	-	-	**47**
Assets held to cover linked liabilities	1,379	-	-	-	**1,379**
Reinsurers' share of technical provisions – claims outstanding	-	1,269	-	-	**1,269**
Debtors arising from direct insurance operations	-	405	-	-	**405**
Debtors arising out of reinsurance operations	-	47	-	-	**47**
Other debtors	-	1,185	-	-	**1,185**
Cash and cash equivalents	2,380	-	-	-	**2,380**
Accrued interest and rent	-	648	-	-	**648**
Total financial assets	**6,837**	**22,105**	**9,356**	**21,021**	**59,319**

Financial assets at 31/12/23	Group				
£000s	No maturity date	Within 1 year	1 - 5 years	Over 5 years	Total* *Restated*
Equity investments	1,515	-	-	-	**1,515**
Fixed interest securities	-	1,335	9,212	25,889	**36,436**
Own fund investments	-	844	-	-	**844**
Deposits with credit institutions	-	1,106	-	-	**1,106**
Mortgages	48	-	-	-	**48**
Assets held to cover linked liabilities	1,563	-	-	-	**1,563**
Reinsurers' share of technical provisions*	-	1,287*	-	-	**1,287***
Debtors arising from direct insurance operations	-	604	-	-	**604**
Debtors arising out of reinsurance operations - claims outstanding*	-	60*	-	-	**60***
Other debtors	-	1,238	-	-	**1,238**
Cash and Cash Equivalents	3,851	-	-	-	**3,851**
Accrued interest and rent	-	664	-	-	**664**
Total financial assets	**6,977**	**7,138***	**9,212**	**25,889**	**49,216**

** See balance sheet page for details of the restatement. The net impact is nil. See note 28 for the summary of the restatement.*

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

03. Risk Management (Continued)

Financial and insurance liabilities at 31/12/24	Society				
£000s	No maturity date	Within 1 year	1 - 5 years	Over 5 years	Total
Long term business provision	-	715	947	9,743	**11,405**
Claims outstanding	-	2,919	-	-	**2,919**
Provision for bonuses and rebates	-	-	-	29	**29**
Technical provision for linked liabilities – insurance contracts	-	967	-	-	**967**
Technical provision for linked liabilities – investment contracts	-	221	-	-	**221**
Reinsurers' share of technical provisions - long term business provision	-	-	9,850	6	**9,856**
Financing liability	-	5,855	-	-	**5,855**
Creditors arising out of reinsurance operations	-	16	-	-	**16**
Other creditors including taxation and social security	-	840	-	-	**840**
Total financial and insurance liabilities	**-**	**11,533**	**10,797**	**9,778**	**32,108**

Financial and insurance liabilities at 31/12/23	Society				
£000s	No maturity date	Within 1 year	1 - 5 years	Over 5 years	Total* *Restated*
Long term business provision	-	1,048	616	19,675	**21,339**
Claims outstanding	-	3,430	-	-	**3,430**
Provision for bonuses and rebates	-	-	-	27	**27**
Technical provision for linked liabilities – insurance contracts	-	1,194	-	-	**1,194**
Technical provision for linked liabilities – investment contracts	-	323	-	-	**323**
Reinsurers' share of technical provisions – long term business provision*	-	-	6,546*	7	**6,553***
Financing liability	-	1,998	-	-	**1,998**
Creditors arising out of reinsurance operations*	-	270*	-	-	**270***
Other creditors including taxation and social security	-	462	-	-	462
Total financial and insurance liabilities	**-**	**8,725**	**7,162***	**19,709**	**35,596***

** See balance sheet page for details of the restatement. The net impact is nil. See note 28 for the summary of the restatement.*

Financial assets at 31/12/24	Society				
£000s	No maturity date	Within 1 year	1 - 5 years	Over 5 years	Total
Equity investments	3,031	-	-	-	**3,031**
Fixed interest securities	-	828	9,356	21,021	**31,205**
Own fund investments	-	16,077	-	-	**16,077**
Deposits with credit institutions	-	1,646	-	-	**1,646**
Mortgages	47	-	-	-	**47**
Assets held to cover linked liabilities	1,379	-	-	-	**1,379**
Reinsurers' share of technical provisions - claims outstanding	-	1,269	-	-	**1,269**
Debtors arising from direct insurance operations	-	361	-	-	**361**
Debtors arising out of reinsurance operations	-	47	-	-	**47**
Other debtors	-	1,185	-	-	**1,185**
Cash and cash equivalents	2,277	-	-	-	**2,277**
Accrued interest and rent	-	648	-	-	**648**
Total financial assets	**6,734**	**22,061**	**9,356**	**21,021**	**59,172**

Financial assets at 31/12/23	Society				
£000s	No maturity date	Within 1 year	1 - 5 years	Over 5 years	Total
Equity investments	1,515	-	-	-	**1,515**
Fixed interest securities	-	1,335	9,212	25,889	**36,436**
Own fund investments	-	844	-	-	**844**
Deposits with credit institutions	-	1,106	-	-	**1,106**
Mortgages	48	-	-	-	**48**
Assets held to cover linked liabilities	1,563	-	-	-	**1,563**
Reinsurers' share of technical provisions - claims outstanding *	-	1,287*	-	-	**1,287***
Debtors arising from direct insurance operations	-	564	-	-	**564**
Debtors arising out of reinsurance operations*	-	60*	-	-	**60***
Other debtors	-	1,238	-	-	**1,238**
Cash and cash equivalents	3,723	-	-	-	**3,723**
Accrued interest and rent	-	664	-	-	**664**
Total financial assets	**6,849**	**7,098**	**9,212**	**25,889**	**49,048**

** See balance sheet page for details of the restatement. The net impact is nil. See note 28 for the summary of the restatement.*

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

03. Risk Management (Continued)

Fair value estimation

The basis for determining the fair value hierarchy is as follows:

Level 1 – Valued using unadjusted quoted price in active markets for identical financial instruments.
Level 2 – Valued using techniques based significantly on observed market data.
Level 3 – Valued using techniques incorporating information other than observable market data.

Equity Investments

The Society invests in equity instruments which are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1. The value is determined with reference to the latest available market price at the valuation point.

Fixed Interest Securities

Fixed interest securities are made up of debt securities issued by sovereign governments ("gilts") and debt securities issued by corporate entities ("corporate bonds"). Gilts are highly liquid and traded in active markets resulting in a Level 1 classification. Their value is determined with reference to the latest available market price prevailing at the valuation point. Corporate bonds are Level 2 instruments as there is not sufficient third party trading data to justify Level 1 classification. Their value is determined with reference, where possible, to at least two external third party price quotations. This ensures the price used is independent and verifiable.

Assets held to cover linked liabilities

Assets held to cover linked liabilities consist of equity instruments held in funds which are measured based on their published net asset value they are classified as Level 2.

Financial assets hierarchy

The principal financial assets held at 31 December 2024, analysed by their fair value hierarchies are:

Assets 2024:
Financial assets at fair value through the profit and loss

£000s	Level 1	Level 2	Level 3	Total
- Equity investments	3,031	-	-	3,031
- Fixed interest securities	22,298	8,907	-	31,205
- Own fund investments*	-	16,077	-	16,077
- Assets held to cover linked liabilities	-	1,379	-	1,379
Total assets	25,329	26,363	-	51,692

* Own fund investments relate to short term money market securities whose values are derived from the prices of the underlying assets in active markets.

The principal financial assets held at 31 December 2023, analysed by their fair value hierarchies were:

Assets 2023:
Financial assets at fair value through the profit and loss

£000s	Level 1	Level 2	Level 3	Total
- Equity investments	1,515	-	-	1,515
- Fixed interest securities	26,880	9,556	-	36,436
- Own fund investments	-	844	-	844
- Assets held to cover linked liabilities	-	1,563	-	1,563
Total assets	28,395	11,963	-	40,358

The principal financial liabilities held at 31 December 2024, analysed by their fair value hierarchies are:

Liabilities 2024:
Financial liabilities at fair value through the profit and loss

£000s	Level 1	Level 2	Level 3	Total
- Investment contracts on linked liability fund	-	221	-	221
Total liabilities	-	221	-	221

The principal financial liabilities held at 31 December 2023, analysed by their fair value hierarchies are:

Liabilities 2023:
Financial liabilities at fair value through the profit and loss

£000s	Level 1	Level 2	Level 3	Total
- Investment contracts on linked liability fund	-	323	-	323
Total liabilities	-	323	-	323

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

04. Gross premiums written and payments to deposit

£000s	Group & Society					
	2024 Periodic	2024 Single	2024 Total	2023 Periodic	2023 Single	2023 Total
Assurance	12,347	-	12,347	9,368	-	9,368
Income Protection	1,164	-	1,164	604	-	604
Immediate needs annuities	-	23,560	23,560	-	12,262	12,262
Health insurance	8,271	-	8,271	7,856	-	7,856
Bonds and other	-	87	87	-	401	401
Payments to deposit	292	-	292	239	-	239
Unit linked	21	-	21	23	-	23
	22,095	23,647	45,742	18,090	12,663	30,753
Outward reinsurance premiums			(11,007)			(7,853)
			34,735			22,900

All business is direct insurance

The gross new premiums written in the year are detailed below:

£000s	Group & Society					
	2024 Periodic	2024 Single	2024 Total	2023 Periodic	2023 Single	2023 Total
Assurance	5,486	-	5,486	5,791	-	5,791
Income Protection	1,164	-	1,164	710	-	710
Immediate needs annuities	-	23,433	23,433	-	12,262	12,262
Health insurance	910	-	910	1,211	-	1,211
Bonds and other single premiums	-	87	87	-	401	401
	7,560	23,520	31,080	7,712	12,663	20,375

Gross new business premiums consist of the annual amount due for regular premium policies, regardless of whether such amounts relate in part or in whole to the next financial year, and the total amount due for single premium policies.

The Society only transacts long term business within the United Kingdom.

05. Investment Income

£000s	Group		Society	
	2024	2023	2024	2023
Income from land and buildings	**406**	**1,033**	**406**	**1,033**
Fixed interest stocks	845	918	845	918
Ordinary shares	78	27	78	27
Income from investments at fair value through profit and loss	**923**	**945**	**923**	**945**
Bank interest	164	158	164	158
Mortgages	1	2	1	2
Income from other investments	**165**	**160**	**165**	**160**
Income from investments	**1,494**	**2,138**	**1,494**	**2,138**
Net gain/(losses) realisation of land and buildings	626	(529)	626	(529)
Net gain/(losses) realisation of investments at fair value through profit and loss	198	(689)	198	(689)
Net gains/(losses) on realisation of investments	**824**	**(1,218)**	**824**	**(1,218)**
Investment income/(losses)	**2,318**	**920**	**2,318**	**920**
Net unrealised gains/(losses) on investments				
- Land and buildings	(165)	(529)	(165)	(529)
- Investments at fair value through profit and loss	(3,141)	1,280	(3,141)	1,280
- Assets held to cover linked liabilities at fair value through profit and loss	(35)	136	(35)	136
	(3,341)	**887**	**(3,341)**	**887**
Total investment return	**(1,023)**	**1,806**	**(1,023)**	**1,806**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

06. Other technical income

£000s	Group		Society	
	2024	2023	2024	2023
Insurance commission	487	482	1	1
Other income	18	28	18	28
	505	**510**	**19**	**29**

07. Net operating expenses

£000s	Group		Society	
Included in operating expenses are:	2024	2023	2024	2023
Fees payable to external auditors:				
- Audit of the Group and Society financial statements	331	313	336	313
Fees payable to internal auditors in respect of:				
- Internal audit*	10	45	10	45
- Actuarial fees	20	12	20	12
Depreciation of tangible assets	116	74	116	74
Amortisation of intangible assets	342	337	-	-

** Internal audit is an in house function; these fees relate to licence fees for audit management software and fees payable to medical claims service provider to facilitate auditing of their activity.*

08. Investment expenses

£000s	Group		Society	
	2024	2023	2024	2023
Investment management expenses	168	182	168	182
Investment property direct costs	53	314	53	314
	221	**496**	**221**	**496**

09. Staff information

Average monthly number of employees:	Group 2024	Group 2023	Society 2024	Society 2023
Administration	51	43	51	43
Distribution	42	38	38	30
	93	**81**	**89**	**73**

The average full-time equivalent is 88 (2023: 78) for the Group and 84 (2023: 60) for the Society. This excludes Non-Executive Directors of 4 (2023: 4).

£000s	Group 2024	Group 2023	Society 2024	Society 2023
Wages and salaries (inc. commission)	5,424	4,714	5,139	4,459
Social security costs	665	530	641	502
Pension costs	324	299	306	283
	6,413	**5,543**	**6,086**	**5,244**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

10. Directors' Emoluments

There are no retirement benefits accruing for Executive Directors as at 31 December 2024 (2023: none) under a defined benefit scheme. The aggregate amount of pension contribution made by the Society to a defined contribution scheme was £31,000 (2023: £27,000).

£000s	Group & Society	
Highest paid Director	**2024**	**2023*** ***Restated***
Total emoluments	393	378*
Defined benefit scheme: Pension accrued during the year	-	-
Defined contribution scheme: Contributions made by the Society	-	-

The table shows the Directors' emoluments totalling £1,036,000 (2023: 905,000*).

£000s	Group & Society	
	2024	**2023*** ***Restated***
Aggregate emoluments	1,036	905*

**Highest Paid Director and Aggregate Emoluments for 2023 have been restated in line with the Directors' emoluments report on page 39 of the financial statements. See note 28 for the summary of the restatement.*

11. Taxation

£000s	Group		Society	
(a) Tax attributable to long term business	**2024**	**2023**	**2024**	**2023**
Tax (credited)/charged in the long-term business technical account comprises: **Current tax**				
UK corporation tax	-	-	-	-
Prior year adjustments	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	-	-	-	-
Total deferred tax	**-**	**-**	**-**	**-**
Total tax credited in the long-term business technical account	**-**	**-**	**-**	**-**

(b) Factors that may affect future tax charges

£000s	Group		Society	
	2024	2023	2024	2023
The deferred tax assets which have not been recognised due to the uncertainty of their recoverability in the foreseeable future comprise:				
Realised and unrealised capital losses	178	228	178	228
Expenses deductible in future years	1,637	788	1,637	788
Trade losses	1,565	1,567	-	-
Short term timing differences	2	3	-	-
Deferred tax asset not recognised	**3,382**	**2,586**	**1,815**	**1,016**

The tax charge for the Society which pays tax on its Basic Life Assurance and General Annuity Business (BLAGAB) is provided at a rate of 20% (2023: 20%) computed in accordance with the legislation applicable to mutual life assurance companies whereby no tax is charged on pension business profits or permanent health insurance business profits. There is no tax on exempt Friendly Society business.

For subsidiaries of the Group, tax is provided at a rate of 25% (2023: 23.5%). The main rate of corporation tax was increased from 19% to 25% from 1 April 2023 and deferred taxes have been measured at 25%.

The tax expense for the subsidiaries is affected by current tax and the non-recognition of current year tax losses, as well as other timing differences. A reconciliation of the total tax expense can be found in the individual statutory accounts in each of National Deposit Friendly Society's subsidiaries where material differences between accounting and taxable profits arise.

Unrecognised deferred tax assets may be realised, and therefore reduce future tax payable, when net gains chargeable to corporation tax are realised or when there is sufficient taxable income with which to offset carried forward expenses and/or losses. This will therefore depend substantially upon future movements in the stock market and on future taxable income which cannot be predicted with certainty. There are unused gross capital losses of £1,133,542 (2023: £1,960,460).

Expenses deductible in the Society in future periods are primarily driven by excess management expenses carried forward of £4,223,492 (2023: £3,877,452) and loan relationship deficits carried forward of £1,222,898 (2023: £547,412). The Pension Scheme deficit gives rise to £2,742,961 of potential future tax deductions (2023: £477,765 of potential future taxable profit). Trade losses not recognised are made up of £6,257,096 (2023: £6,265,205) of trading losses incurred in the subsidiaries.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

11. Taxation (Continued)

£000s	Group		Society	
(c) Balance sheet The deferred tax balance included within other assets comprises:	2024	2023	2024	2023
Realised capital losses	76	164	76	164
Excess management expenses	4	101	4	101
Unrealised capital gains	(76)	(164)	(76)	(164)
Pension scheme surplus and short term timing differences	(4)	(101)	(4)	(101)
Trade losses	-	-		-
Deferred tax asset balance	**-**	**-**	**-**	**-**

12. Land and Buildings

£000s	Group & Society		
Freehold investment properties	**2024 Investment property**	**2024* Held for own use *Restated***	**2024**
At 1 January*	3,475	2,325*	5,800
Disposal	(1,350)	-	(1,350)
Net (losses)/gains on revaluation	(125)	75	(50)
At 31 December	**2,000**	**2,400**	**4,400**
Long leasehold properties			
At 1 January	850	-	850
Net (losses)/gains on revaluation	(40)	-	(40)
At 31 December	**810**	**-**	**810**
Total freehold and long leasehold land and buildings:			
At 31 December	**2,810**	**2,400**	**5,210**
At 1 January	**4,325**	**2,325**	**6,650**

** The opening balance of Land and Buildings for 2023 has been restated to include the Land and Buildings held for own use. This reclassifies £2,325,000 opening amount for the Land and Building held for own use from Tangible Assets to Land and Buildings. See note 28 of the financial statements.*

The historical cost of the land and buildings is £2,592,000 (2023: 2,592,000) including £1,533,000 (2023: £1,333,000) in respect of land and buildings held for own use.

The Society's land and buildings are included at fair value. The land and buildings are valued by Mellersh and Harding LLP as at 31st December 2024 in accordance with the requirements of the Royal Institution of Chartered Surveyors' Valuation - Professional Standards effective from 6th January 2014. The critical assumptions made relating to the valuations are set out below:

	2024	2023
Yields	7.25% - 8.0%	7.0%-7.5%
Inflation rate	2.50%	4%
Long term vacancy rate	9.40%	7.80%

Under the fair value measurement hierarchy, land and buildings are classed as level 3 as they are valued using techniques incorporating information other than observable data.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

13. Other financial investments

£000s	Group & Society			
	2024 Cost	2024 Valuation	2023 Cost	2023* Valuation *Restated*
Fixed interest securities*	33,960	31,205	35,641	36,436*
Own fund investments	15,933	16,077	833	844
Listed shares	2,652	3,031	1,413	1,515
Deposits with credit institutions	1,646	1,646	1,106	1,106
Mortgages	47	47	48	48
	54,238	**52,006**	**39,041**	**39,949**

**The valuation of the fixed income securities for 2023 has been restated to correct an error in the disclosure note. An adjustment of £843,000, representing the own fund investments value, has been added to the valuation figure of £35,593,000 reported in 2023. The revised figure is £36,436,000. The error only impacted this note and not the reported value in the balance sheet. See note 28 for the summary of the restatement.*

Of the fixed interest securities £6,516,995 (2023: £5,824,000) relates to fixed interest securities by foreign issuers (denominated in GBP), with the remainder relating to UK fixed interest securities.

Of the listed shares £1,558,422 (2023: £771,000) relates to overseas equity issuers (denominated in GBP), with the remainder relating to UK entities.

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14. Financial assets

£000s	Group			
Financial assets at fair value through profit and loss	**2024 Cost**	**2024 Valuation**	**2023 Cost**	**2023* Valuation *Restated***
Designated upon initial recognition*	53,274	51,692	38,738	40,358*
	53,274	**51,692**	**38,738**	**40,358**
Loans and receivables	7,627	7,627	8,858	8,858*
Total financial assets	**60,901**	**59,319**	**47,596**	**49,216***
Included in the balance sheet as:				
Listed fixed interest securities	33,960	31,205	35,641	36,436*
Own fund investments	15,933	16,077	833	844
Listed shares	2,652	3,031	1,413	1,515
Deposits with credit institutions	1,646	1,646	1,106	1,106
Mortgages	47	47	48	48
Other financial investments (Note 13)	**54,238**	**52,006**	**39,041**	**39,949***
Assets held to cover linked liabilities (Note 16)	729	1,379	851	1,563
Reinsurers' share of technical provisions – claims outstanding*	1,269	1,269	1,287*	1,287*
Debtors arising from direct insurance operations	405	405	604	604
Debtors arising out of reinsurance operations*	47	47	60*	60*
Other debtors	1,185	1,185	1,238	1,238
Cash and cash equivalents	2,380	2,380	3,851	3,851
Accrued interest and rent	648	648	664	664
Total financial assets	**60,901**	**59,319**	**47,596**	**49,216***

** The valuation of the fixed income securities for 2023 has been restated to correct an error. This also affected the allocation of the total financial assets for 2023 between the designated upon initial recognition and the loans and receivables. Deposit with credit institutions and cash at bank and in hand reclassified as loans and receivables. The changes are summarised in the table below. See note 13 for details and note 28 for the summary of the restatement.*

£000s	Group		Society	
	2023 Cost	**2023 Valuation**	**2023 Valuation**	**2023 Valuation**
Designated upon initial recognition 2023	**43,695**	**44,472**	**43,567**	**45,188**
Designated upon initial recognition 2023 restated	**38,738**	**40,358**	**38,738**	**40,358**
Loans and receivables 2023	**2,554**	**2,554**	**2,514**	**2,514**
Loans and receivables 2023 restated	**8,858**	**8,858**	**8,730**	**8,730**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

14. Financial assets (Continued)

£000s	Society			
Financial assets at fair value through profit and loss	**2024 Cost**	**2024 Valuation**	**2023 Cost**	**2023* Valuation *Restated***
Designated upon initial recognition*	53,274	51,692	38,738	40,358*
	53,274	**51,692**	**38,738**	**40,358**
Loans and receivables	7,480	7,480	8,730	8,730*
Total financial assets*	**60,754**	**59,172**	**47,468**	**49,088***
Included in the balance sheet as:				
Listed fixed interest securities	33,960	31,205	35,641	36,436
Own fund investments	15,933	16,077	833	844
Listed shares	2,652	3,031	1,413	1,515
Deposits with credit institutions	1,646	1,646	1,106	1,106
Mortgages	47	47	48	48
Other financial investments (Note 13)	**54,238**	**52,006**	**39,041**	**39,949**
Assets held to cover linked liabilities (Note 16)	729	1,379	851	1,563
Reinsurers' share of technical provisions – claims outstanding*	1,269	1,269	1,287*	1,287*
Debtors arising from direct insurance operations	361	361	604	604
Debtors arising out of reinsurance operations*	47	47	60*	60*
Other debtors	1,185	1,185	1,238	1,238
Cash and cash equivalents	2,277	2,277	3,723	3,723
Accrued interest and rent	648	648	664	664
Total financial assets	**60,754**	**59,172**	**47,468**	**49,088**

**The valuation of the fixed income securities for 2023 has been restated to correct an error. This also affected the allocation of the total financial assets for 2023 between the designated upon initial recognition and the loans and receivables. Deposit with credit institutions and cash at bank and in hand reclassified as loans and receivables. See note 13 for details and note 28 for the summary of the restatement.*

15. Financial Liabilities

£000s	Group			
Financial assets at fair value through profit and loss	**2024 Cost**	**2024 Valuation**	**2023 Cost**	**2023 Valuation**
Other financial liabilities at amortised cost	6,924	6,924	2,796	2,796
Total financial liabilities	**6,924**	**6,924**	**2,796**	**2,796**
Included in the balance sheet as:				
Investment contract liabilities on linked liability fund	221	221	323	323
Other creditors including taxation and social security	848	848	475	475
Financing liability	5,855	5,855	1,998	1,998
Total financial liabilities	**6,924**	**6,924**	**2,796**	**2,796**

£000s	Society			
Financial liabilities at fair value through profit and loss	**2024 Cost**	**2024 Valuation**	**2023 Cost**	**2023 Valuation**
Other financial liabilities at amortised cost	6,916	6,916	2,783	2,783
Total financial liabilities	**6,916**	**6,916**	**2,783**	**2,783**
Included in the balance sheet as:				
Investment contract liabilities on linked liability fund	221	221	323	323
Other creditors including taxation and social security	840	840	462	462
Financing liability	5,855	5,855	1,998	1,998
Total financial liabilities	**6,916**	**6,916**	**2,783**	**2,783**

Financing liabilities includes the liability from the financing reinsurance treaty which is carried in the balance sheet at amortised cost. Their fair values are not materially different from the values shown above.

The financial liability is recognised at the initial funding received, net of the associated fees payable. The advance claim is recognised as a liability in the Balance Sheet and the interests due are in the income statement.

Subsequently, the advance claims are recognised at amortised cost which is the amount at which financial liability is measured at initial recognition, minus the principal repayments, and minus any adjustments to the liability as agreed with the reinsurer. The interests accruing on the reinsurance liability due charged to income statement at the effective interest rate and added to the outstanding liability.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

16. Assets held to cover linked liabilities

£000s	Group & Society			
	2024 Cost	2024 Valuation	2023 Cost	2023 Valuation
Assets held to cover unit linked insurance contracts	574	1,085	670	1,230
Assets held to cover unit linked investment contracts	155	294	181	333
	729	**1,379**	**851**	**1,563**

Included within assets held to cover linked liabilities is £167,710 (2023: £29,336) representing units not yet purchased by policyholders.

An analysis of total financial assets, including assets held to cover linked liabilities is provided in Note 14 'Financial assets'.

17. Intangible Assets

£000s	Group				
At 31 December 2023	Software under Construction	Customer Book	Website	Computer Software	Total
Cost/Valuation	229	429	4	4,450	**5,112**
Accumulated depreciation and impairment	-	(205)	(4)	(2,050)	**(2,259)**
Carrying amount	**229**	**224**	**-**	**2,400**	**2,853**
Year ended 31 December 2024					
Opening net book value	229	224	-	2,400	**2,853**
Additions	779	-	-	-	**779**
Amortisation	-	(42)	-	(300)	**(342)**
Transfer	(958)	-	-	958	**-**
Carrying amount	**50**	**182**	**-**	**3,058**	**3,290**
At 31 December 2024					
Cost/Valuation	50	429	4	5,408	**5,891**
Accumulated depreciation and impairment	-	(247)	(4)	(2,350)	**(2,601)**
Carrying amount	**50**	**182**	**-**	**3,058**	**3,290**

£000s	Society	
At 31 December 2023	**Software under Construction**	**Total**
Cost/Valuation	229	**229**
Carrying amount	**229**	**229**
Year ended 31 December 2024		
Opening net book value	229	**229**
Additions	779	779
Transfer	(958)	(958)
Carrying amount	**50**	**50**
At 31 December 2024		
Cost/Valuation	50	**50**
Carrying amount	**50**	**50**

18. Tangible Assets

£000s	Group and Society			
At 31 December 2023	**Computer Equipment**	**Office Equipment**	**Motor Vehicle**	**Total** ***Restated****
Cost/Valuation	690	389	23	**1,102***
Accumulated depreciation and impairment	(582)	(219)	(23)	**(824)**
Net book amount	**108**	**170**	**-**	**278***
Year ended 31 December 2024				
Opening net book value	108	170	-	**278***
Additions	204	237	-	**441**
Depreciation	(80)	(36)	-	**(116)**
Revaluation	-	-	-	**-**
Closing net book amount	**232**	**371**	**-**	**603**
At 31 December 2024				
Cost/Valuation	894	626	23	**1,543**
Accumulated depreciation and impairment	(662)	(255)	(23)	**(940)**
Net book amount	**232**	**371**	**-**	**603**

**Land and Buildings costs held for own use disclosed for 2023 total opening balance has been reclassified to Land and Buildings, Note 12. See note 28 for the summary of the restatement.*

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

19. Capital Commitments

Amounts authorised and contracted for at 31 December 2024 are £nil (2023: £nil)

20. Long term business provision

The long term business provision has been calculated on the basis of the following principal assumptions. Unless otherwise prescribed, these are all based on best estimates, informed by the Society's actual experience and industry data, as appropriate:

Rates of interest	
All contracts	Based on rates prescribed by the PRA

Rates of mortality	
Life assurance	184%/193% (2023: 184%/193%) AMN00/AFN00, with variations according to factors including product type, age, smoker status and policy duration.
Care annuities	Individual assumptions based on individual underwriting
Other in payment annuities	100%-115% (2023: 113.1% - 115%) PNMA00/PNFA00
Deferred annuities	58.2% -71% (2023: 58.2% -71%) PNMA00/PNFA00

Rates of lapse	
All contracts	Lapse assumptions are bespoke to each product based upon the Society's actual experience, and vary according to factors including product sub-category, type of distributor and policy duration.

Rates of morbidity	
Health contracts	Morbidity assumptions are bespoke to each product based upon the Society's actual experience, and vary according to factors including product type and age.
Income protection contracts	45%-100% (2023: N/A) IP11

Future morbidity claims cost inflation	
Health contracts	Morbidity claims cost inflation assumptions are based upon the Society's actual experience and expert judgement.

Expenses	
Death Benefits Only (DBO) contracts	£3.25 (2023: £3.25) per annum
Non-DBO Old Deposit contracts	£26.50 (2023: £24.00) per annum
Health contracts excluding Optimum combined	£42.50 (2023: £62.00) per annum
Optimum combined contracts	£28.50 (2023: £28.50) per annum
All life assurance and pension policies	£18.00 (2023: £16.00) per annum
Immediate Needs Annuity contracts	£26.50 (2023: £24.00) per annum
Income Protection contracts	£22.75 (2023: £16.00) per annum
Per policy Expense Inflation	A vector of rates varying by duration from the valuation date, starting at 2.55% (2023: 4.20%) in year 1, and reducing to 2.25% (2023: 2.40%) from year 10 onwards.
Tax relief on per policy expenses for taxable business	0%
Offset for with profits life assurance policies	The value of expenses detailed in the terms and conditions for that particular policy.

£000s	Group & Society	
	2024	2023
Best Estimate Liability (BEL) – product classes with negative net present value of cashflows	76,144	68,169
Best Estimate Liability (BEL) – product classes with positive net present value of cashflows	(68,318)	(49,796)
Risk Margin (RM)	3,579	2,966
Long Term Business Provision (LTBP)	**11,405**	**21,339**

The Best Estimate Liability can be either an overall liability or asset, depending on the underlying cashflows that underpin its calculation. For product classes with a negative net present value of cashflows, the net present value of premiums is less than the net present value of claims and per policy expenses. Conversely, for product classes with a positive net present value of cash flows, the net present value of premiums exceeds that of the claims and per policy expenses.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

21. Pensions

National Deposit Staff Superannuation Fund

Nature of the Fund

The Staff Superannuation Fund operated by the Society is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary.

The Fund was closed to the future accrual of benefits with effect from 31 May 2009. All remaining active members were treated as having left pensionable service with effect from that date. These members receive increases in deferment equal to the higher of the increase in their pensionable salary and statutory deferred revaluation while they remain in employment with the Society.

Funding Policy

Following the cessation of accrual of benefits with effect from 31 May 2009, regular contributions to the Fund are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation. The funding method employed to calculate the value of previously accrued benefits is the Projected Unit Method. The Trustees determine the level of contributions payable to the Fund following agreement from the Society and advice of the Fund's Actuary.

Valuations

The most recent triennial valuation of the Fund's liabilities for funding purposes, carried out as at 31 December 2022, indicated that the Fund's liabilities exceeded the assets, giving rise a shortfall on this basis. To eliminate the shortfall, the Society (as the employer) paid contributions of £20,000 each month in 2024 and then £18,000 per month from January 2025 until April 2027 (inclusive).

The valuation of the Fund's liabilities carried out under FRS102 as at 31 December 2024 for the purposes of these accounts results in a value which is higher than the value of the Fund's assets, giving rise to a deficit on this basis.

Transaction with the Society

During 2024 the Society completed a buy-in transaction in respect of most (by value) of the Scheme's pensions in payment. To achieve this, the Fund purchased individual annuity policies from the Society covering 59 pensioners and dependant members. The total premium of £8.6m for these policies was paid by the Fund to the Society on 15 December 2024. The benefit payments covered by the annuity policies remain liabilities of the Fund. However, the annuity policies themselves have not been valued as an asset of the Fund, in accordance with Section 28 of FRS102. The result of the transaction is that the Fund's valuation is £8.6m lower than it would otherwise be, resulting in the Fund reporting a deficit. At the consolidated group level this is offset by an additional £8.6m of assets within the Society. The net effect is nil.

The amounts recognised in the balance sheet are as follows:

£000s	Group & Society	
	2024	**2023**
Fair value of fund assets	5,591	15,652
Present value of funded obligations	(12,526)	(13,979)
Net over/(under)funding in Fund	**(6,935)**	**1,673**
(Liability)/Asset recognised on the balance sheet	(6,935)	1,673
Net Defined Benefit (Liability)/Asset	(6,935)	1,673

The amounts recognised in income statement are as follows:

£000s	**Group & Society**	
	2024	**2023**
Net Interest expense	(81)	(106)
Expense recognised in the Income Statement	**(81)**	**(106)**

£000s	**Group & Society**	
	2024	**2023**
Interest on obligation	603	650
Interest on assets	(684)	(756)
Net Interest expense	**(81)**	**(106)**

The amounts recognised as Remeasurements in the Statement of Comprehensive Income are as follows:

£000s	**Group & Society**	
	2024	**2023* *Restated***
Return on assets (not included in interest)	(1,126)	(143)
Actuarial (Losses)/Gains on obligation	917	(533)*
Total Remeasurements recognised in Other Comprehensive Income	**(209)**	**(676)**
Cumulative amount of Remeasurements recognised in Other Comprehensive Income	**(2,597)**	**(2,388)**
Actual return on Fund assets	**(442)**	**614**

**Actuarial losses on obligation for 2023 has been restated to correct an error. It was reported as £910,000 loss, now decreased by £377,000 to £533,000. A similar impact is recorded in the Changes in the present value of the Fund's Defined Benefit Obligation table. See note 28 for the summary of the restatement.*

The following other costs are included in the relevant sections of the accounts.

£000s	**Group & Society**	
Administration expenses paid from Fund	129	143
Other Items	**129**	**143**

The Society contributed £240,000 to the Fund over the year to 31 December 2024 (2023: £450,000). No contributions were paid by members of the Fund over the period.

The Society expects to contribute £480,000 to the Fund over the year from 1 January 2025 to 31 December 2025. No contributions are expected by members of the Fund over the next year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

21. Pensions (Continued)

Changes in the present value of the Fund's Defined Benefit Obligation are as follows:

£000s	Group & Society	
	2024	**2023 *Restated****
Opening defined benefit obligation	13,979	13,753*
Benefits paid	(1,140)	(957)
Interest on obligation	603	650
Experience losses/(gains)	324	336
(Gains)/losses from changes in assumptions	(1,241)	196*
Closing defined benefit obligation	**12,525**	**13,979**

** Opening Defined Benefit Obligation and Losses from Changes in Assumptions for 2023 has been restated to correct an error. They were reported as £13,376,000 and 574,000 respectively. Opening Defined Benefit Obligation has increased by £377,000 to £13,753,000 and Losses from Changes in Assumptions decreased by £377,000 to £196,000. The impact on the Closing Defined Benefit Obligation is nil. See note 28 for the summary of the restatement.*

The weighted average duration of the liabilities of the Fund was 9 years as at 31 December 2024

Changes in the fair value of the Fund assets are as follows:

£000s	Group & Society	
	2024	**2023**
Opening fair value of fund assets	15,653	15,689
Interest on assets	684	757
Return on assets (not included in interest)	(1,126)	(143)
Contributions by employer	240	450
Benefits paid	(1,140)	(957)
Administration expenses	(129)	(143)
Closing fair value of fund assets before Buy-in	**14,182**	**15,653**
Insurance premium paid	(8,591)	-
Closing fair value of fund assets after Buy-in	**5,591**	**15,653**

The major categories of fund assets as a percentage of the total are as follows:

	%	%
Gilts	**90**	**44**
Corporate bonds	**0**	**37**
Cash	**10**	**19**

All of the Fund's assets are classed as level 2 under the fair value hierarchy, as they are valued using techniques based on observed market data. The Fund holds no financial instruments issued by the Company (other than incidentally through investment in pooled funds), nor does it hold any property or other assets used by the Company.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages (where applicable)).

	Group & Society	
	2024 %pa	**2023 %pa**
Discount rate at 31 December	5.6	4.5
Discount rate at 1 January	4.5	4.9
Inflation (Retail Price Index)	2.9	2.8
Rate of increase in pensionable salaries	3.5	3.5
Rate of increase in deferred pensions	2.4	2.3
Rate of increase in pensions in payment – service pre 06/04/2005	2.9	2.8
Rate of increase in pensions in payment – service post 06/04/2005	2.1	2.0

Mortality assumptions

The mortality assumptions are based on standard mortality tables, which allow for future mortality improvements.

The assumptions are that a member aged 65 will live on average until age 86 if they are male and until age 89 if female.

For a member currently aged 50 the assumptions are that if they attain age 65 they will live on average until age 87 if they are male and until age 90 if female.

Defined contribution scheme

The contributions to the defined contribution scheme made by the Society in the year amounted to £306,311 (2023: £283,000), and contributions made by the Group amounted to £324,111 (2023: £299,000).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

22. Technical provisions for linked liabilities

£000s	Group & Society					
	Insurance contracts		Investment contracts		Total	
	2024	2023	2024	2023	2024	2023
At 1 January	1,194	1,149	323	295	1,517	1,444
Payments made to policy holders of investment contracts	-	-	-	-	-	-
Change in technical provision as shown in the income statement	(227)	45	(102)	28	(329)	73
At 31 December	**967**	**1,194**	**221**	**323**	**1,188**	**1,517**

All movements in unit-linked insurance contracts including premium receipts and claims payments, are recorded in the Income Statement.

23. Assets attributable to the long term business fund

All assets shown on the Balance Sheet on page 52 are attributable to the long term business fund.

24. Operating lease commitments

The Society leases various office equipment under cancellable operating lease agreements. The lease terms are for up to five years, with penalty for early cancellation.

£000s	Group & Society	
Total future minimum lease payments: plant & machinery	2024	2023
Within one year	23	23
Between one and five years	1	7
After five years	-	-
Total	**24**	**30**

25. Related party transactions

National Friendly Financial Solutions Limited incurred charges of £390,000 (2023: £353,000) from the Society in respect of service charges for management, property, technology and shared support functions.

The Society paid National Friendly Financial Solutions Limited commission of £657,000 (2023: £495,000) for the sale of National Friendly products.

During the year the Society paid licence fees of £300,000 (2023: £300,000) to National Friendly Software Solutions Limited for the policy administration system. On 20 December 2022 National Friendly Software Solutions Limited acquired £300,000 of the Intellectual Property of Phase 3b of the policy administration system which the Society had developed. The Society will re-licence this software from National Friendly Software Solutions Limited over eight years.

As at 31 December 2024, the Society owed National Friendly Financial Solutions Limited £50,000 (2023: £44,000) and the Society owed National Friendly Software Solutions Limited £857,000 (2023: £101,000).

Key management personnel

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total key management personnel compensation is £1,036,000 *(2023 Restated: £905,000*)*. Director's remuneration is disclosed in the directors' remuneration report on page 39.

In addition, the directors of the Society may from time to time purchase insurance or investment products marketed by the Society in the ordinary course of business on the same terms as those prevailing at the time for comparable transactions with other persons. In 2024 and 2023, such transactions with the Society's directors were not deemed to be significant both by virtue of their size and in context with the directors' financial position. All of these transactions are on normal commercial terms.

**Key Management Personnel Compensation for 2023 has been restated in line with the Directors' emoluments report on page 39 of the financial statements. See note 28 for the summary of the restatement*

26. Subsidiary undertakings

The Society has two wholly owned subsidiary companies incorporated in the United Kingdom: National Friendly Financial Solutions Limited and National Friendly Software Solutions Limited.

National Friendly Financial Solutions Limited operates a call centre giving financial advice, it is authorised and regulated by the Financial Conduct Authority. National Friendly Financial Solutions Limited is held by the Society at a fair value of £371,000 (2023: £394,000) after a revaluation loss of £54,000 (2023: £12,000). During the year, a capital contribution of nil (2023: £120,000) was made.

National Friendly Software Solutions Limited licences a policy administration system to its customers and is held by the Society at a fair value of £105,000 (2023: £105,000) after a revaluation loss of £nil (2023: £nil).

The results of all subsidiaries for the year ended 31 December 2024 have been consolidated into the Group financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2024

26. Subsidiary undertakings (Continued)

£000s	Group & Society	
	2024	2023
Fair value of investment in subsidiaries at 1 January	530	422
Capital contribution provided in the year	-	120
Unrealised loss in value of subsidiaries	(54)	(12)
Fair value of investment in subsidiaries at 31 December	**476**	**530**

27. Fund for Future Appropriations

£000s	Group		Society	
	2024	2023	2024	2023
As at 1 January	23,337	18,031	23,337	18,031
Transfer to the Fund for Future Appropriations from income statement	3,436	6,172	3,436	6,204
Transfer from the Fund for Future Appropriations from statement of comprehensive income	(134)	(866)	(134)	(898)
As at 31 December	26,639	23,337	**26,639**	**23,337**

The Fund for Future Appropriations represents the estimated accumulated surplus in the funds that has not been allocated and is available to meet regulatory and other solvency requirements.

28. Restatements in the financial statements

Land and buildings

Land and Buildings have been disclosed as a separate note in 2024 which comprises Investment Properties and Land and buildings held for own use. The balance brought forward from 2023 has been restated to appropriately include the land and buildings held for own use.

This reclassifies £2,325,000 representing Land and Buildings held for own use from Note 18 Tangible Assets to Note 12 of the financial statements.

Fixed interest securities

The valuation of the fixed income securities for the financial year 2023 has been restated to correct a typographic error in the disclosure note. An adjustment for £844,000 representing the own fund investments value, has been added to the valuation figure of £35,593,000 reported in 2023. The revised figure is £36,436,000. The typographic error impacted notes 13 and 14, the risk rating disclosure and the maturity analysis in the credit risk.

The Balance Sheet was unchanged.

Reinsurance assets and liabilities

In 2023, reinsurance debtors and creditors were presented as a net balance within Accruals and Deferred Income. A reclassification has been made to reduce Accruals and Deferred Income by £210,000. Accruals and Deferred income decreased from £2,202,000 to £,1,992,000 (Society: £2,342,000 to £2,132,000).

This amount is now disclosed in Debtors Arising Out of Reinsurance Operations £60,000 and Creditors Arising Out of Reinsurance Operations £270,000 in the Balance Sheet. The net impact is nil.

Reinsurance share of technical provision

Reinsurer's share of technical provisions was reported as a net liability of £5,266,000 in 2023. This has been represented as a separate asset and liability in the balance sheet.

On the balance sheet, the 2023 Reinsurers' Share of Technical Provisions – claims outstanding is £1,287,000 (asset) and the reinsurers' share of technical provisions – long term business provision is £6,553,000. The net impact is nil.

Actuarial losses on obligation

Actuarial losses on obligation for 2023 reported as £910,000 has been restated as £533,000 loss to correct an error. A similar impact is recorded in the Changes in the Present Value of the Fund's Defined Benefit Obligation table – Opening Defined Benefit Obligation reported as £13,376,000 increased by £377,000 to £13,753,000 and Losses from Changes in Assumptions reported as £574,000 decreased to £196,000. The impact on the Closing Defined Benefit Obligation is nil.

Directors' emoluments

Performance Related Pay for 2023 has been restated to disclose the amount declared and paid in respect of the same accounting year. The total remuneration for both years now relates to the amount declared and paid in respect of each accounting year.

The 2023 total emolument has increased by £7,000 to £905,000. The individual figures have changed as follows: Graham Singleton - £29,000 increase; Ceri Gooder - £26,000 decrease; Julian Ellacott - £4,000 increase.

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