Metropolitan Police Friendly Society Limited

Annual Report and Accounts for the year ended 31 December 2024

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Chair's Report

As I write my third of these reports, I cannot help but reflect on the fact that the world does not stand still and, as a business, we must face up to a continuing set of challenges. At the heart of many of these challenges are those faced by our Members - whether that is concern over their working environment, the continuing cost of living challenges or broader concerns about the state of the world. We cannot manage or remove these challenges for you, our Members, but we can do our part to mitigate some of them, and I believe we have tried to do so in 2024.

We continue to strive to get better at what we do. Our operations continue to get more efficient without losing the personal touch that our fantastic team provide. We finalised the move of our fund management and are already seeing the benefits of that. Crucially, returns to Members have been positive, and we are gradually eliminating the market value reductions that were implemented following the market turmoil in 2022. We constantly strive to improve returns, and this remains an important focus.

During the year, we provided objective input into police pay discussions based on what is now recognised across policing, by political officials and other influential stakeholders as a key submission, namely, our Police Family Finance Index. As you would expect, our part in the process is to provide genuinely objective input. I am delighted that so many different parties have understood and appreciated that this is what we are doing. This is just one area where we demonstrate that we are more than just an insurance company.

We continue our efforts to help Members and prospective Members address some of their challenges, whether around their pension queries or more basic financial education. This is an area we want to develop, and we hope it provides real value to our Members.

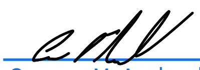
Our benevolent activities continue and focus on policing across the UK. Once again, I was privileged to attend the National Police Memorial Day, held in my favourite city, Glasgow. In our view, this is an important event with which we feel proud to be associated.

Another benevolent activity I want to note is the work we have done with the Met Federation to provide Officers access to PSA testing. This work has helped several Officers identify potential problems early and, hopefully, ensure they receive the appropriate treatment. Sir Chris Hoy's story, which I am sure everyone is now aware of, has brought to the forefront the importance of such testing, and I am delighted we have been able to play a small part in helping.

2024 saw a year of stability amongst the members of your Board. In the latter part of the year, I was delighted to welcome Katherine Jones to join the Board as a non-executive director. Katherine is an experienced financial services accountant who will bring a great deal to our Board. She was selected through a robust process from a range of excellent candidates that I believe is testament to how positively your Society is viewed. Katherine's appointment is part of a considered succession plan we have for the non-executive directors on our Board. Ensuring that we refresh our independent non-executive directors whilst maintaining stability is a key element of good governance. I thank my Board colleagues for all they do in ensuring your Society is managed in a manner that focusses on the interests of our Members.

I also want to record my thanks to the fantastic team we have at Metfriendly. They are committed to doing the right thing for Members. This approach from our team is based on the belief that what we do to support Members, their families and the wider Police Family is vital.

Finally, my thanks go to all our Members who continue to support what we do and the many of you who help us with research and feedback. It is helpful for us to hear from Members so we can be proactive and become an even better business.



Graeme McAusland (Apr 4, 2025 15:54 GMT+1)

Graeme McAusland - BSc BA FFA

Non-Executive, Society Chair

4 April 2025

Chief Executive's Report

2024 saw a period of stabilisation across many financial markets, and our Members have benefitted from that increase in stability. While there continues to be rapid growth in some sectors and dramatic falls in others, Metfriendly's approach of investing our Members' money across a wide range of gilts, bonds and equities meant that we minimised the impact of the volatility and delivered 6.5% growth in our Members' funds.

The critical illness plan we designed specifically for Police Officers remains popular, especially with New Recruits, and more of the Police Family are taking advantage of the savings products we offer to suit both new and established savers.

I recently read a report that said what savers most want from their investments is a stable return over a longer period; some exposure to risk to take advantage of possible higher returns without being vulnerable to too much of a fall; and guarantees that protect the investment. This ethos drives Metfriendly's investment decisions and product design.

We are extremely proud of the work we do to support the Police Family, especially as we are now the only UK mutual focused entirely on providing protection, savings and wider support to the Police Family. We take our responsibilities to our Members seriously and have supported many initiatives to improve the lives of the Police and the wider Police Family, in addition to the Police Family Finance Index. At the end of 2024, I shared those initiatives with many of our Members in our weekly email, but we are so proud of them, I want to repeat them here:

Helping Members with their finances and financial wellbeing

- 1,200 Members bought their first home with the help of a Metfriendly Lifetime ISA.
- Expert fund managers, Schroders, appointed to manage £270m of our investment portfolio and deliver growth on Members' investments.
- Over 10,000 Police Staff and Officers attended our financial education events and webinars.
- The 10,500+ UK-wide responses to our Police Family Finance Index survey will be fed directly into NPCC, Home Office and PRRB submissions and discussions related to Police remuneration.

Helping those who protect us through difficult times

- We match-funded over 700 PSA (prostate-specific antigen) tests for Police Officers.
- We teamed up with the Police Federation of England & Wales for World Menopause Day to help raise awareness of the impact of the menopause and support needed.
- We gave forces a boost during tricky times - like our friends at Humberside Police impacted by rioting and unrest in Hull in the summer, by stocking their welfare van with drinks and snacks.

Helping to support the UK Police Family at work and play

- We supported the British Police Symphony Orchestra with their excellent Yorkshire concert in May to raise money for Police Treatment Centres.
- We continue to support the Met Police Choir and recognise the fantastic work they do, not only during performances but also in supporting each other to address personal issues that affect us all in our daily lives.
- After forging our partnership with the team back in 2019, we're proud to continue our Metropolitan Police Rugby Football Club (MPRFC) sponsorship.
- The name behind the Metfriendly London Police League, and shirt sponsors for Wrexham Police FC.
- We fund the production and printing of the annual calendars sold, for which the proceeds go directly to the London Retired Police Dog Trust and the Association of Retired Police Dog Charities.

Helping to remember those who have made the ultimate sacrifice

- Our involvement and support for National Police Memorial Day was recognised with an award from the Police Remembrance Trust.
- We sponsor the UK Police Unity Tour Bike Ride which, this year, raised over £228,000 for COPS, the Care of Police Survivors Charity.

Our unique Police Family Finance Index continues to be a vital source of information for leaders in policing and is recognised by several politicians and media outlets. It is used for Police Remuneration Review Body submissions by several forces and to support wider reviews of Police pay. The 2024 survey attracted over 10,000 responses from across UK policing. At a local level, the Police Family Finance Index helps us make sure our products continue to deliver the outcomes our Members are looking for by identifying areas of financial concern, and helps us identify pockets where our benevolent activity might be directed.

Last year, I reported that we had delivered the project to replace our infrastructure on budget. We agreed with the Board that, while some of the spend corrected previous under-investment, we needed to ensure the forward-looking element of the investment made by our Members benefitted our Members, and I am delighted to report that a quarter of those costs have already been repaid in savings.

You will recall I also informed you that we were carrying out a review of our investment strategy and managers. As a result of this review, we asked Schroders to manage the bulk of our Members' money, and £270m of funds were transferred to Schroders mid-way through 2024. This new relationship is an exciting one for Metfriendly and has already seen us deliver better returns to our Members. We have retained some of our Members' funds with AEW and Columbia Threadneedle, as these are invested in specialist property funds.

Assets Under Management have grown in the year to £309m (2023: £295m), reflecting strong investment income and gains of £17.6m (2023: £22.9m) and a net cash inflow from Members. This investment income has enabled us to increase final bonuses on policies held over the year, as well as maintaining 2024 declared annual bonuses in line with 2023 (see Report to Members with With-Profits Policies on pages 29 to 31).

The strong returns delivered in 2023 and 2024 demonstrate the strength of our With-Profits investments model, which aims to deliver better-than-cash returns over any medium to long investment term. The model also seeks to smooth the worst of the peaks and troughs on investment markets by pooling Members' investment power, investing across a broad mix of assets, and holding back some of the gains in good years to balance tougher investment years (such as 2022) that can, and do, arise.

The Market Value Reductions (MVR), which we needed to introduce in 2022 for a small proportion of Members who wished to withdraw their investments earlier in their investment term, continue to work out of the book and affect fewer Members over time as assets remaining in the fund accrue benefits for longer. MVRs protect our remaining Members' assets and ensure all Members are treated fairly when there are sharp falls in asset values. The strong returns delivered in 2023 and 2024 mean there are now fewer than 100 Members with MVRs whose investments are worth less than they invested.

We carefully monitor the amount of money we hold above our liabilities relative to the amount our regulators require us to hold (our Solvency Capital Requirement Coverage Ratio). Throughout 2024 and at the end of the year this remains well within our acceptable risk appetite range, meaning we remain strong enough to withstand significant ups and downs in the economy and financial markets.

After reporting last year that Metfriendly's Board were satisfied that our current products all meet the customer outcomes required under the new Consumer Duty regulatory requirement, we completed the review of our legacy products in 2024 and were able to satisfy the Board that they also meet the Consumer Duty outcomes. We continue to support this new regulatory approach from the FCA as it demands focus on good customer outcomes – something we keep at the heart of how we serve our Members.

Once again, I must thank the Metfriendly team for their commitment to our Members and the wider Police Family. My team have maintained our excellent Member service standards while delivering great investment returns, growing your Society, and changing our investment manager and our external auditors. I remain very grateful to them.

Metfriendly's approach to environmental, social and governance issues also continued to develop in 2024.

Environmental

We have been working with our new fund manager to understand the environmental impacts of our investments while ensuring we deliver the great investment returns our Members rightly expect. We are pleased to report this in a much clearer way, which you will see on pages 20 to 22.

Three clear drivers for Metfriendly are that we deliver good investment returns for our Members; we positively impact the lives of the Police family; and we use our position to be a force for good in wider society. We will continue to develop our plans for this in 2025 and will report this to you as we do.

Governance

We hold ourselves to a high standard for both our conduct and governance procedures, overseen by our regulators, the Financial Conduct Authority and Prudential Regulatory Authority.

Additionally, we are committed to a culture dedicated to ethical business behaviour and responsible activity wherever we operate. We act with integrity and transparency across all our activities and expect the partners we work with to have the same high standards. We actively seek feedback and challenge and, as a result, continually evolve our operations and reporting.

To ensure our governance always links to the Police Family, we commit to having Police Family representation on our Board of Directors. The Board is responsible for overseeing Metfriendly's activities, how we invest Members' money, and how we spend any income over expenses. Two of our current Board members are former Police Officers. One of these directors chairs our Member Committee, and the other chairs our Remuneration, Nominations & Governance Committee. These committees oversee all aspects of how we deal with Members and how the Society meets its governance requirements.

Further, Metfriendly's Honorary President is currently Sir Mark Rowley, Commissioner of Police of the Metropolis. We have committed to always source our honorary presidents from within the Police Family. We have always been proud of our historic links to the Metropolitan Police, but we are also keen to explore representation at this important level from the wider Police Family, which we will do in 2025.

Metfriendly remains owned by you, our Members, and we will continue to manage your Society and your investments in the same careful way that you have entrusted us to do since 1893. We are very proud to serve you, just as you serve us.

Annette Petchey (Apr 4, 2025 15:45 GMT+1)

Annette Petchey
Chief Executive Officer

4 April 2025

Strategic Report

Business Model and Principal Activities

Metfriendly is a Friendly Society registered under the Friendly Society Act 1992. Our principal activities are providing medium and long-term savings, investment and life insurance products to meet the needs of current and former members of the Police Service and their families.

We aim to provide good value returns at an acceptable level of risk. We achieve this through a diversified approach to investment allocation, careful monitoring of our expenses, and by maintaining an appropriate level of capital surplus. This ensures we have sufficient reserves to withstand adverse economic and investment conditions and invest in the Society's continuing success. In particular, we recognise that we need economies of scale to spread the expenses of our business. Consequently, we aim to generate good levels of new business and recognise the strategic importance of recruiting new Members if this is to continue in the long term.

As a mutual, we exist solely for the benefit of our Members, and we do not have to make dividend payments to shareholders. This enables the profits we make to be used to deliver better returns for Members and invest in the Society to continue to serve our Members well in the future.

Business Strategy

Our long-term strategy is defined by our Vision and Mission, which are underpinned by our Values. Our Vision, Mission and Values really mean something to all our stakeholders and are something that all of us at Metfriendly believe in. Putting our Members at the heart of everything we do is embedded in our strategy.

Our Vision: To be the trusted provider of financial solutions relevant to the Police Family.

Our Vision is about our aspiration, where we want to be. It is enduring, inclusive and idealistic. Over time, the way in which we deliver it will change as we seek to remain relevant in the future. The Vision is underpinned by our Values, which describe how we go about our work and what is important to the Society.

Our Mission: To be a commercially strong, modern mutual society that has the financial security of the Police Family at its heart.

Our Mission is about how we want to achieve our Vision. It is forward-looking and puts the Police at the heart of how we will work.

Our Values:

- We treat our Members, team and other stakeholders with courtesy, respect, and professionalism.
- We recognise the unique profession of policing and proudly place Members at the heart of our Society.
- We understand the need to continually improve to meet our Members' current and future needs.
- We strive to get things right first time and, where we don't, we say so and put things right.
- We always act with honesty and integrity.

These phrases encompass the values we uphold and are how we should behave and work. They permeate throughout the Society, from the Board to Staff, and form the cornerstone of how we make decisions.

Strategic Objectives and Opportunities

Our strategic focus for several years has been growth, primarily through increased market penetration. Each year, we set objectives so we can monitor our progress. During 2024, we continued to deliver greater efficiency. This is good to do in all organisations, but it has stood us in good stead and protected Member assets, particularly in the last 24 months of higher costs and inflation and difficult investment markets.

There remain many opportunities for Metfriendly to expand its business with the Police Family across the UK. This will be a focus for us for many years, along with ensuring we position ourselves as a relentless ally of the Police Family.

Business Review

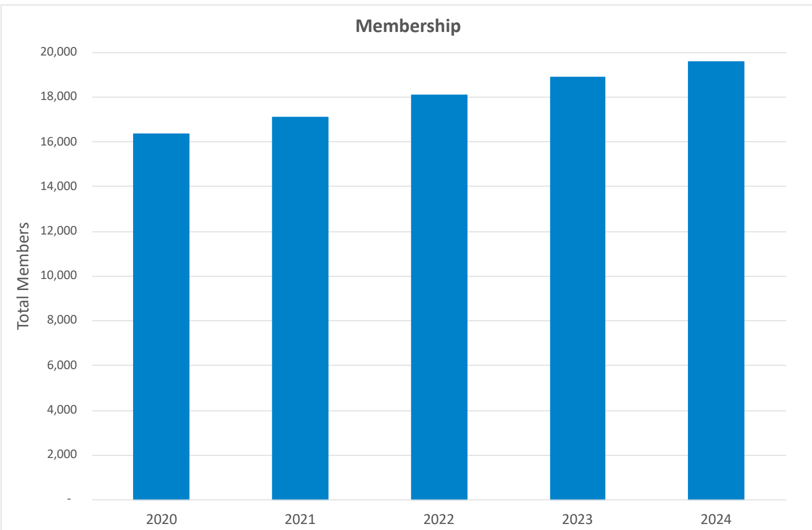
1. *Growth of your Society*

2024 was another year of growth for Metfriendly. New and existing Members continued to trust the Society with their investments and protection needs and this enabled it to grow.

For the first time in the Society's history, Assets Under Management[1] ("AuM") grew to over £300m (£309m) at the end of the year (2023: £295m) as shown in the graph below.

The £14m increase in AuM in the year (2023: £18m) reflects higher premiums received from Members of £36m (2023: £32m) - these are reported as £26m of Gross Premiums Written (2023: £30m) and £9m of Contributions to Investment Contracts (2023: £2m) - driven by more lump sum new business and another year of positive investment performance that delivered £18m of Investment Income and Gains (2023: £23m). This is partly offset by higher Claims Incurred of £35m (2023: £31m) as more Members realised the benefits of their investments and slightly lower Net Operating Expenses of £5.7m incurred in running the Society (2023: £5.8m).

We also grew our membership from 18,916 at the end of 2023 to 19,594 at the end of 2024. We have been able to grow our membership through the Met and beyond. The graph below shows how total membership numbers have steadily increased over the last five years.



[1] Assets Under Management is a Key Performance Measure for the scale of the Society's business and is calculated as total assets, less deferred tax assets and reinsurers' share of technical provisions.

As well as AuM and the number of Members, we measure New Business activity using Annual Premium Equivalent (APE), which reflects the relative value of different product sales, as a Key Performance Measure.

APE includes new lump sum investments, new regular and recurrent savings plans, and new protection plans as:

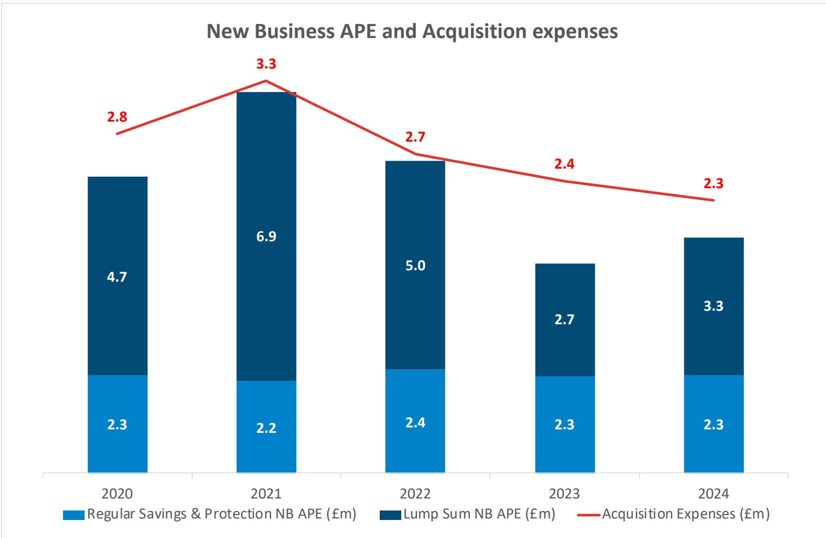
- for Lump Sum investments, including the Guaranteed Fixed Rate Five Year Bond ("G5YB"): 15% of the premiums received
- for Regular and Recurrent savings: 12 times the initial monthly premium received
- for the Guaranteed Five Year Savings Plans ("G5YSP"): 6 times the monthly premium
- for Regular Premium Protection: 12 times the contractual monthly premium amount.

New Business APE was £5.6m in 2024 compared to £5.0m in 2023 (£7.4m in 2022), with the increase mainly due to stronger lump sum investments and in particular the Guaranteed Five Year Fixed-Rate Bond (G5YB) - illustrating that some Members were happy to swap the potential higher returns over the medium to long term from With-Profits investments for a certain return over a shorter, fixed period. The Society achieved this growth whilst also further reducing acquisition expenses incurred to achieve this New Business.

Despite the ongoing financial challenges experienced by many of the Police Family, we were delighted to maintain New Business APE from regular savings and protection business at the same level as 2023.

New Business APE from regular savings grew marginally at £2.2m, with more of the Police Family committing to pursuing and developing positive savings habits. We were particularly pleased with the positive reactions of Members to our Autumn campaign that encouraged them to start saving or increase the amount they saved to help them to achieve their investment goals faster and/or improve their financial resilience. Protection sales also continued at a similar level to 2023, with more than 1,300 Members taking out a new critical illness product in 2024, despite various challenges experienced in Police recruitment.

The following graph illustrates the changes in Lump Sum NB APE, Regular Savings and Protection NB APE, and the Acquisition expenses incurred to achieve that new business over 2020-2024.



2. Develop a culture of continuous change

Following the replacement of our administration system over 2022 and 2023, it was important that we built on that successful delivery by continuing to drive change that delivers great outcomes for our Members.

In addition to a myriad of small changes, often driven by Metfriendly's staff, in 2024 we changed our investment managers, simplified our approach to some of our actuarial work, appointed new external auditors, made various enhancements to certain products, improved straight-through processing rates and modernised our Member annual statements to reflect your feedback.

3. Deliver platforms for growth and lower the cost of acquiring and retaining members

There are two themes that consistently come out of our Members' feedback: "we love that it's a real person who answers the telephone to us" and "send less paper to us". We are committed to keeping the first and have dramatically reduced the second. Some of our Members prefer to be contacted in paper form and we will continue to do that for them; many others prefer electronic communication, so we have reduced the number of times we post letters and send most of our annual statements by email. Altogether, we sent approximately 31,000 fewer annual statements, AGM packs and administrative letters in 2024 than in 2023. This is on top of the reduction in paperwork we delivered from 2022 to 2023.

Some of our Members faced personal financial challenges in 2024, so we were proud to be contactable when they needed information to help them make important decisions. Our Members know they will not be kept on hold for ages before we answer the phone. In 2024, we answered 96% of Members' calls within 10 seconds.

As shown in the chart on the previous page, in 2024 we increased our NB APE by 12% while also reducing our acquisition expenses. Also, by changing our investment managers, we have reduced our investment expenses by more than £250,000 per year, as well as achieving further savings by agreeing a simpler actuarial valuation modelling approach and completing a tender exercise to appoint a new auditor. The reduction in sending communications by post has also delivered additional savings.

4. Metfriendly remains a great place to work

We know that people who are happy at work and understand how they contribute to delivery of the Society's goals tend to be better at doing so, stay longer and fuel the high satisfaction levels reported by our Members. In our 2024 staff survey, an overwhelming majority said they understood how what they do impacts on the overall Society, and a phenomenal 95% said they were given the tools and support they need to carry out their role to the best of their ability. Of course, there were elements for us to work on, too, which either have been, or are being acted upon.

We trialled a new Employee Forum for our staff to help deliver this and – my goodness – they rose to the challenge! From volunteering in our local community, to fundraising, to quizzes and nights out, they have delivered lots for their colleagues.

5. Be a relentless ally for the UK Police Family, especially in delivering financial peace of mind

This is a part of our DNA and drives all the activities undertaken in 2024 and listed in my CEO report on page 4. We have increased our activity across the UK and will continue to do so - this strategic priority is a constant for us.

6. Develop a business plan for 2025-2027.

The Society's 2022-24 three-year business plan promised growth for the Society, investment in our infrastructure, greater control on our expense base, and a platform for delivering future growth. The Society's Leadership Team is delighted that our team has delivered on these; they have brought us to a place from which we can build on the firm foundations they have laid.

Our plan for the next three years is to continue our growth journey and to offer across the UK the great support, products and services our Members have enjoyed for so long. We will also evolve our digital offering to those who would prefer to engage with us online and, increasingly, while on-the-move.

All this requires investment, but the work we have done to ensure we are well capitalised and financially strong means we can do this without jeopardising your Society. After significant challenge to ensure this is the case, the Board approved our business plan for 2025-2027 when it was presented in December 2024.

Returning value to Members

Investment Performance

The Board is pleased to report that in 2024 the Society delivered another year of positive investment performance and completed the transfer of management of its £270m portfolio of public market investments to Schroders Investment Management UK Limited, with JP Morgan Chase Bank as the Society's custodian.

The transfer was the culmination of the comprehensive investment strategy review, manager benchmarking and tender initiated in 2023, and is expected to deliver long-term benefits to the Society. The new arrangements enable the Society to better tailor its portfolio to balance Members' expectations on returns and appetite for risk, allows it to leverage the investment expertise and wider support provided by Schroders, and deliver investment expense savings of over £250,000 per year that will directly benefit With-Profits policy returns.

The Society has also retained holdings in three, externally managed UK commercial property funds. One UK commercial property fund and four fixed income and multi-asset funds managed by two investment managers were divested as part of the investment transfer during 2024.

The Society's Investment Committee continues to provide oversight of the Society's investments and the performance of its investment managers on behalf of the Board. The Investment Committee met at least quarterly to oversee completion of the investment transfer, review the performance and positioning of our investments and fund managers, assess the potential risks and the outlook for the portfolio, and consider if any action was required. The Board is satisfied that the current investment mix and managers remain fit for purpose and are delivering what is expected from them, given their mandates.

In terms of investment performance, global investment markets were significantly impacted in 2024 by political change, concerns over sticky inflation and uncertainty over the pace at which major central banks would ease interest rates and navigate a path between recession, growth, and reinflation. This resulted in a divergence in returns across asset classes (e.g. equities, corporate and government bonds) and regions (US, UK, Europe, RoW).

This is exactly the type of environment where the Society's diversified investment portfolio works well, and the Society's With-Profits Fund delivered a 6.5% return (net of investment management expenses) over 2024.

The Society's diversified investment portfolio allowed it to participate in areas of positive performance, while moderating the impact of areas of weaker performance and providing a cushion against market volatility. The fund benefited as global equity markets gained 7% in the year, with US equities being standout performers (S&P 500 up 27% in GBP) and UK equities performing well (FTSE 100 up 10%), while continental equities lagged (FTSE Europe ex-UK up 3% in GBP). However, fixed income holdings are a significant component of any diversified portfolio and while global corporate bonds gained around 3%, UK government bonds underperformed (UK Gilts lost 4%) with pressure from government borrowing, tax rises, inflation concerns and a slowing economy.

Market volatility is expected to remain a notable feature of financial investing in 2025. Therefore, the Society continues to maintain sufficient financial resources to withstand significant shocks, declare annual bonuses, and remain invested to benefit from any further uplift in market values.

Returns to Members

Most of our Members hold With-Profits plans. These earn returns in two ways: annual bonuses added each year and final bonuses paid when funds are paid out.

Annual Bonuses

Annual bonuses are awarded each year and are guaranteed on death or maturity.

In managing the With-Profits business during 2024, the Society has taken account of its financial strength, past and expected future With-Profits Fund investment performance, current and projected levels of Final Bonuses, and the cost of providing guarantees.

After careful consideration, the Board has agreed to maintain annual bonus rates for 2024 in line with those for 2023 (see Directors' Report to Members with With-Profits Policies on pages 29 to 31).

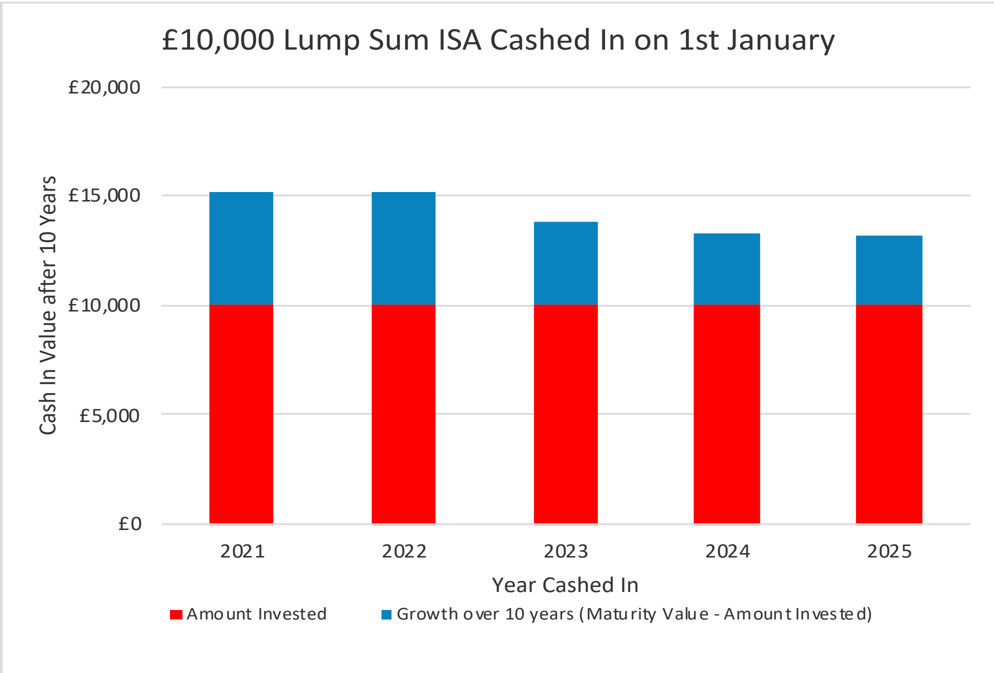
Final Bonuses

Final bonuses are usually awarded when a policy is cashed in. Actual investment performance of the With-Profits Fund during the time the policy was held determine the value of final bonuses paid out. Final bonus rates on ISA and With Profit Bond business are normally reviewed and updated at each quarter end to reflect recent changes in investment performance.

Returns to Members may be illustrated by considering the performance under our most popular plan - the Lump Sum ISA.

A Lump Sum ISA with £10,000 paid in on 1 January 2015 had a cash-in value of £13,166 on 1 January 2025, which represents an average annual growth rate of 2.8% p.a. Over this 10-year period, money invested in an NS&I Direct Cash ISA would have returned an average of 1.2% p.a.[1]

The graph below shows the amounts that would have been paid out on a Lump Sum ISA cashed in on 1 January in each of the last five years (2021 – 2025) after £10,000 had been invested for 10 years.



The overall return on these Lump Sum ISA plans cashed in on 1 January 2021 and 2022 remained relatively stable despite market volatility during the COVID-19 pandemic. The overall return on Lump Sum ISA plans cashed in on 1 January 2023, 2024, and 2025 remains well above average UK Cash ISA rates[2], but is lower than 2021 and 2022 following the market volatility and significant interest rate rises experienced in 2022.

[1] Calculated using historical rates for NS&I Direct ISA on www.nsandi.com/historical-interest-rates
[2] Source: Analysis conducted by finder.com

Business Environment and Future Developments

Last year, we said that 2023 presented fewer political and economic shocks than 2022. The global economy continues to ebb and flow somewhat, but 2024 was a significant year politically, across the globe. This meant economic challenges continued during 2024, and yet again, we were reminded of the value of our With Profits approach to investments that smooths out the peaks and troughs of investment markets.

With our strong financial position and continued good controls, the Society will continue to serve Members superbly and efficiently while continuing to deliver the fair value we, and the FCA's Consumer Duty, expect of us.

Your Society is well placed to support the Police Family and, with their continued support, will maintain our growth and prosperity.

Technological

Across the globe, incidences of cyber-attacks continue to increase in volume, scale and complexity, with activity rising alongside the war in Ukraine. Metfriendly has maintained the Cyber Essentials Plus accreditation it first achieved in 2022 for another year, and I am pleased to report that there has been no breach of our security. However, we remain conscious of the risks we face, like other organisations, and continue to seek to manage these cyber-related risks.

Legal and Regulatory

The Financial Conduct Authority (FCA) published its 2024/25 business plan in March 2024. Among the commitments for the FCA is continuing to put consumers' needs first.

This is an area of focus that we welcome. It is at the core of all that we do in supporting the financial wellbeing for our Members through our products, our financial education, and our wider support to the Police Family. The cost-of-living crisis continues to affect the Police Family and we are proud to deliver products, services and support that help our Members to save for and to protect themselves and their loved ones.

We completed our initial review of our legacy products (those no longer open to new business) against the Consumer Duty requirements in 2024. This followed the completion of our live product (those where we are accepting new business) reviews in 2023.

The Board also approved our first Consumer Duty report in 2024, and we are confident that we are continuing to service our Members well with products and service that add value.

Activities

Management confirms that no activities were carried out by the Society during the year that we believe were outside the Society's powers.

Margin of Solvency

Details of the Society's margin of solvency can be found under Risk Appetite in the section "Principal Risks and Uncertainties" on page 14.

Principal Risks and Uncertainties

Risk Appetite

Metfriendly has a low risk appetite, which is based on solvency capital requirement coverage ratio. The acceptable range for risk appetite is Own Funds being between 150% and 300% of the solvency capital requirement calculated on the basis of Solvency II as incorporated in the PRA Rulebook ("Solvency UK"). The range recognises that coverage reflects market conditions and therefore fluctuates. The case for distribution of capital is considered if the upper limit is reached and a forward-looking assessment shows that the upper limit is expected to continue to be exceeded.

Sustainability

The Society places great emphasis on sustainability, which encompasses our financial standing, operational capabilities and reputation (which we greatly pride ourselves on) and the environment. All activity undertaken by our Board directors and staff will always focus on maintaining a viable business and the Society's long-term sustainability.

New and Emerging Risks

New and emerging risks are identified by regular horizon-scanning, which is carried out by the Chief Risk Officer and the Compliance Officer. These risks are escalated to the Leadership Team for further review and mitigation. This may result in further work being carried out to assess these risks, with monitoring of risks being undertaken and/or controls being put in place to manage new risks.

Risk Categories

The risk categories that the Society considers are shown below.

Risk Category	Description
Strategic Risks	Risk that the Society is unable to meet its objectives through the inappropriate selection or implementation of strategic plans. This includes the ability to achieve and maintain sufficient membership and offer attractive products and services that deliver good outcomes for Members on a cost-effective basis and within appropriate risk appetite.
Conduct, Legal and Compliance Risk	Conduct risk is the risk that the Society's behaviour will result in poor Member outcomes or that our people fail to behave with integrity. Legal and compliance risk is the risk of regulatory enforcement and sanction, material financial loss, or loss of reputation the Society might suffer as a result of its failure to identify and comply with applicable laws, regulations, codes of conduct and standards of good practice.
Market and Investment Performance Risk	Market risk is the risk that the Society's assets are not suited to the nature and duration of the Society's liabilities, the guarantees under Members' contracts, or expose the Society to inappropriate levels of risk of loss in adverse market conditions. These risks arise mainly from changes in interest rates, changes in equity, corporate bond and property investment values, and changes in foreign exchange rates. Investment performance risk is the risk that there are fluctuations in the value of the Society's investments or in the associated income arising from market movements and the Society is unable to meet Members' expectations for returns or has materially reduced solvency capital.

Risk Category (continued)	Description
Insurance Risk	The risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing, underwriting assessment and provisioning assumptions, or as a result of actual experience against assumptions that is outside a normal range of expectation. Such assumptions may include sales volumes, expenses, mortality, morbidity and persistency.
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems failures, or from external events that may affect our strategy and reputation.

Key Risks

Key risks are monitored by the Board and are assigned to the Audit, Risk & Compliance (ARC) Committee. The Board recognises that certain risks are naturally large, and those risks also require due consideration at Board level. These risks are managed operationally by the Executive Team and reviewed by the Board at Board meetings as required and are reported in the Risk Register. The key risks that are monitored by the Board and the controls we use to mitigate them are set out in the following table.

Risk	Mitigation steps and actions
Strategic Risk – Membership The relationship with our affinity group, the Police Family, is key to the viability of the Society at both a corporate and individual level.	The Member Committee was established to continue to put the needs of our Members at the heart of what we do. The Society’s membership has continued to increase and includes rising numbers of Members from different Police forces. We also continue to work alongside Police groups whose purpose is to provide support to the Police Family. We monitor member satisfaction levels and continually review our communication channels to ensure we keep Members informed on both their products and wider areas of interest.
Conduct Risk – Conduct of Sales and Service The risk is that we fail to treat Members fairly by failing to uphold our values or deliver the outcomes our Members or stakeholders expect. As a result, our reputation is damaged and new business volumes are adversely impacted, or we receive regulatory intervention.	The Compliance Officer undertakes ’horizon-scanning’ for changes to regulation. We are a member of the Association of Financial Mutuals Regulation and Governance Committee. When major regulatory projects need to be managed, a cross-department project team is established. In 2023-24, we ran a project to ensure we complied with the new Consumer Duty Regulations, which included a review of our current and legacy products. Emma Richards has continued as our Consumer Duty Champion and chairs our Member Committee, where the Duty is central to discussions and outcomes. The compliance function signs off all communications and produces and manages a Compliance Assurance Plan, which is monitored by the Audit, Risk and Compliance Committee and is overseen by the Chief Risk Officer.

Risk (continued)	Mitigation steps and actions
Market Risk – Investment selection The risk is that investment assets are not suited to the nature and duration of the Society's liabilities and the guarantees under Members' contracts, or inconsistent with Members' expectations and regulatory requirements. Unsuitable assets could lead to our Own Funds falling too much in adverse market conditions. Such losses could also result in reputational and regulatory risk.	The Society's Investment Policy is reviewed at least annually by the Board and its implementation is overseen by the Investment Committee. The Investment Policy defines what the Society invests in and requires the Society to hold sufficient fixed income assets of appropriate quality and duration to match its principal liabilities, with the remaining assets invested in line with an agreed target asset mix to provide an appropriate, diversified mix of investments consistent with Members' expectations and within agreed capital constraints. Asset-liability matching and asset mix relative to target levels are monitored by the Chief Finance Officer at least every six months and reported in management information to the Investment Committee.
Market Risk – Investment Performance Risk The risk is that due to market movements, the value of or associated income from the Society's investments is lower than expected or required, such that the Society is unable to meet Members' expectations for policy returns or other policy benefits. There is potential reputational risk if the Society's investments materially underperform our peers, and the Society's Solvency Capital Coverage Ratio could be reduced. Investment performance risk includes equity, property, credit, currency and other price risks arising from the Society's investments and primarily relates to assets backing With-Profits asset shares. Inflation risk is not considered to be a significant investment performance risk for the Society due to the nature of its mainly With-Profits liabilities and the diversified portfolio of investment assets that it holds. The potential impact of inflation on expenses is considered under insurance risk - expense risk.	Investment management is undertaken by externally appointed managers who operate to an agreed investment mandate and report regularly to the Society on performance, asset allocation, and risk profile, as well as climate and sustainability metrics. These reports are reviewed quarterly by the Investment Committee. Limits are placed on cash holdings with any single counterparty, exposure to individual property funds and aggregate exposure to property and other illiquid assets. These limits, and any new funds, are approved by the Investment Committee. Asset mix is essentially derived from our asset-liability matching policy and overall investment strategy, with consideration given to regulatory capital requirements and the reasonable expectations of Members holding With-Profits contracts. We use pooled funds operated by external managers to gain exposure to a diversified portfolio of underlying investments that are held predominantly in Sterling-priced funds, or non-Sterling priced funds that are effectively hedged to Sterling.

Key Risk (continued)	Mitigation steps and actions
Insurance Risk – Expense Risk The risk is that expenses are not fully recovered from margins charged to Asset Shares on With-Profits business and included in the pricing of Non-Profit business, including if margins or business levels are insufficient to cover the Society's expenses or future expense inflation increases the Society's expenses. There is also a risk that we would not recover all our expenses from policy charges if we considered it unfair or counterproductive to levy a higher charge to recover the total expenses incurred in running the Society.	Annual budgets and strategic plans assessing future business levels and expenses of the Society are prepared by the Executive and approved by the Board. Expense and wider business performance is monitored against the approved budget in monthly management information. Future maintenance expenses, inflation, expense risk and the associated solvency capital requirements are considered when determining and reporting on our Own Funds and Solvency Capital Requirement. Expense risk, including the impact of different business levels, is considered within the Society's Forward-Looking Assessment of Own Risk.
Operational Risk – Cyber Security & Data Loss Risk and Business Continuity The risk is that a malicious or accidental internal or external event occurs. For example, data, including member data, may be lost or stolen on an unencrypted laptop or USB stick, through external hacking or third-party error. The business continuity risk would materialise if a material event were to occur that impacts the ability for the Society to continue to operate normally and serve our Members.	We have IT policies covering both security and staff usage. Both policies consider theft. An incident plan has been developed, which can be invoked in the event of a security breach. Staff are trained regularly in data security and IT usage. External targeted penetration tests are carried out annually. External providers provide a proactive threat notification service and bespoke advice through an IT support contract. We continually work to enhance our cyber defences and have received our annual reaccreditation of Cyber Essentials Plus, which reflects our continued work in this area. Our business continuity plan is tested to ensure we can operate in a range of circumstances and to understand how we return to normal operations.

Committee of Management

The Friendly Societies Act 1992 requires every Friendly Society to have a committee of management and that the committee reports on the society's activities. For Metfriendly, the Board of Directors acts as the committee of management and the narrative reports in the front half of the Annual Report and Accounts through to page 45 provide the required disclosures on the Society's activities.

The names of all individuals that served as directors of the Society during 2024 are listed on pages 23 to 25.

Annette Petchey (Apr 4, 2025 15:45 GMT+1)

Annette Petchey
Chief Executive Officer

4 April 2025

Corporate Social Responsibility

Metfriendly was founded for a social purpose in 1893 by volunteers from the Metropolitan Police Service. This purpose was to provide financial help to widows and retiring Police Officers.

Today, Metfriendly continues to provide financial help to Members of the UK Police Family through the provision of relevant information, education and engagement activities focused on financial wellbeing, and the provision of products designed to meet our Members' savings, investment and protection needs.

We seek to avoid activity that could have a significant adverse impact on the environment, and to act in the best interests of our Members, Staff, the Police Family and society as a whole.

Providing Support for the Police Service

Along with the financial products we offer, Metfriendly is committed to providing practical help and support to the broader UK Police Family through sponsorships and other initiatives. We strive to be side by side with all members of the UK Police Family throughout their career and beyond. Where possible and practical, we also support initiatives suggested by Officers that will have a positive impact on the wider Police Family.

Some of the areas that we were pleased to support during 2024 were:

The Memorial Flame at Hendon Regional Learning Centre

Since 2016, we have supported the original installation of the memorial flame - a modern holographic Book of Remembrance with an eternal flame, which takes pride of place in the main foyer area of Hendon Regional Learning Centre. The interactive touch screen allows you to search for every Officer who has lost their life whilst serving the people of London and includes the date and circumstance of their death.

The Metropolitan Police Choir

During 2024, we maintained our support to the choir and were pleased to see them at many of the events we attended, supporting the Police Family.

The Metropolitan Police Rugby Football Club

Since September 2018, we have been the main shirt sponsor of the Metropolitan Police Rugby Football Club. The Club was established in 1923 and, since its formation, has been made up of serving and former Police Officers and their close relatives.

London Retired Police Dogs Trust

Metfriendly continues to sponsor this charity, established to support retired Police dogs. Our 2025 calendar reflects our commitment to Police dogs across London and beyond as some of the funds generated will support the National Association of Retired Police Dogs Charities.

Metfriendly London Police Football League

Metfriendly continues to sponsor this popular league.

Police Symphony Orchestra

Metfriendly supported the Police Symphony Orchestra at their concert at Ripon Cathedral in May to raise money for the Police Treatment Centres.

Police Federation Regional Awards

During 2024 we were proud to sponsor recognition and bravery awards and hear the amazing stories of courage, bravery and professionalism from all the nominees. Events sponsored included the Surrey Federation Recognition Awards, the Essex Police Federation Bravery Awards, the Thames Valley Police Federation Bravery Awards and the South Yorkshire Police Federation Bravery Awards.

The Police Remembrance Trust

Metfriendly supports this important initiative through a donation linked to the number of online votes we receive at our AGM. Metfriendly will continue to support the family, friends, and colleagues of fallen Police Officers and Staff wherever we can.

Police Care UK

Metfriendly supports the important work that Police Care UK do for serving and veteran Police Officers and Staff, volunteers, and their families who have suffered any physical or psychological harm as a result of policing

Wrexham Police Football Club

Metfriendly sponsored the football club's change strip which is worn in their charity matches.

UK Police Unity Bike tour

We funded stewards' T-shirts and lanyards for this important annual event that remembers fallen Officers and raises funds for COPS (Care of Police Survivors).

Climate-related activity

We continue to witness world and national events that can be traced back to the impact of a changing global climate.

These changes could not only affect our Society but also impact our Members both personally and professionally. Police Officers are at the forefront of managing the emotion and physical expression of climate change.

The Board is mindful of this dual impact when we consider our approach to addressing the issues that arise from climate change. In considering our approach to the management of climate change we look at matters through four key lenses:

- governance
- strategy
- risk management
- metrics

On governance, the overall responsibility for our approach to managing the risks arising from climate change lies with the Board, which utilises the expertise of the Audit Risk & Compliance Committee and Investment Committee as necessary. In terms of oversight of the impact of the various risks arising from climate change, we have again included a Climate Change Scenario in our Forward-Looking Assessment of Own Risks and are satisfied the impact is minimal, subject to the strategic issues we have identified being managed appropriately.

From a strategy perspective climate change poses several key challenges - most notably ensuring that we manage the issues that arise from a transition to a net zero environment, which may be done by choice or will be forced on us by the regulatory environment. Key to this will be ensuring that we reduce or eliminate the risk in our investment portfolio from "stranded" assets and / or businesses that have a business model that is no longer sustainable in the emerging environment.

Management of Investment-related climate risks

Management of this will largely be through working with our investment managers, principally Schroders.

We are working with Schroders to build a detailed understanding of our portfolio metrics to track and report on the carbon intensity and warming potential of our investment assets. In turn, this will inform the development of future investment strategies that maintain acceptable returns to our Members.

Carbon Emissions

Carbon Emissions are widely recognised as a measure of climate impact. These emissions are broken down into three groups known as Scopes. These are-

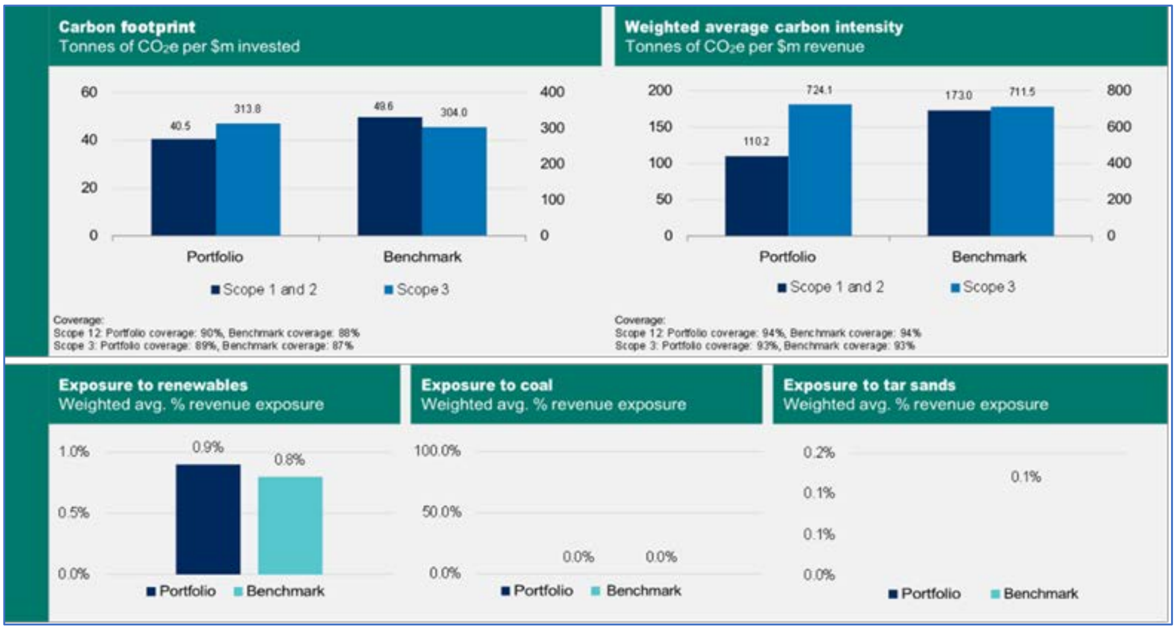
Scope 1 - The emissions that a company makes directly - for example operating vehicles.

Scope 2 - Emissions that a company makes indirectly, such as purchased electricity.

Scope 3- Emissions from a company's value chain for which it is indirectly responsible. These are areas such as products we buy, and investments we make. This is typically the largest area for many firms.

Since our move to Schroders, we now have a focused view on Scope 1, 2 and 3 carbon emissions from covering over 90% of our investment portfolio and can track those emissions against benchmarks that utilise calculation methodologies in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The charts below show a snapshot of our investments against wider industry benchmarks. Although our funds are not explicitly focused on sustainability measures, climate and sustainability information and risks are considered as part of Schroders' investment decisions. Overall, we are pleased that our portfolio performs well against the benchmarks in a number of areas.



Further details about Schroders' sustainability approach and policies can be viewed at - schroders.com/en-gb/uk/individual/about-us/sustainability/

Operational climate risks

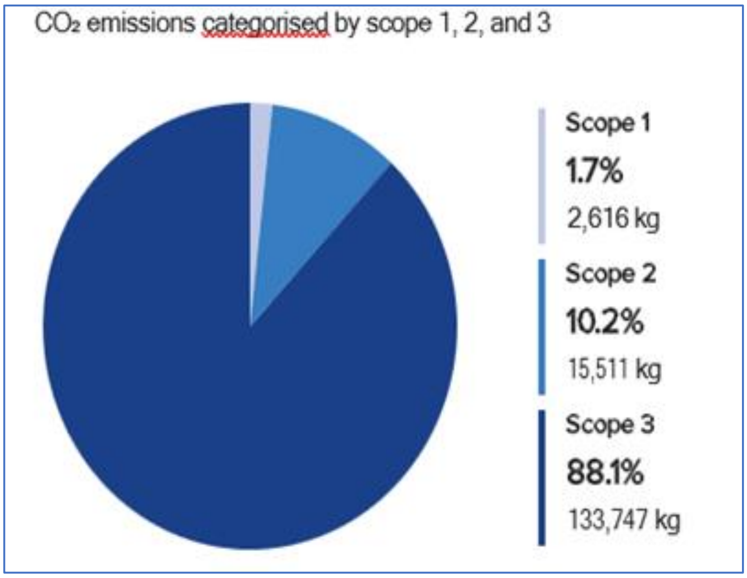
In addition to investment-related issues, we must ensure that our operations are commensurate with the ever-increasing requirements and expectations to manage our business in a sustainable manner. These requirements come from regulations and the various partners with whom we work. This includes, for example, reducing our own carbon impact and ensuring that our suppliers are also suitably compliant.

As a commercial operation we are consumers of energy and printed material, users of public transport and, of course, general travel. All of these normal activities contribute to our own carbon footprint.

We partnered with an independent firm to measure our footprint as a baseline for us to review and focus on areas of improvement.

This baseline report showed that in 2023 the Society's activities resulted in 151,000 Kg of CO_2 emissions - equivalent to approximately 17 people's annual impact on the environment.

Most of our emissions arose within Scope 3. These related to travel (21%) from commuting to and for normal engagement with our affinity group. We have also identified opportunities to reduce our printed products, which accounted for 39.5% of our emissions. Both areas are a focus as we progress our digitalisation and use of technology across the business and encourage more environmentally friendly travel methods.



We have chosen not to pay for offsetting our commercial CO_2 emissions footprint but will instead focus on the real-world reduction of our emissions. We are working with our paper and print suppliers and our property landlord to find better, less impactful ways of operating while maintaining a realistic and proportionate use of Members' money.

Board of Directors 2024

Graeme McAusland - BSc BA FFA

Board Chair, Non-Executive Director, member of Remuneration, Nomination & Governance Committee and Investment Committee

Graeme was appointed chair of the Society from 1 January 2023. He was appointed to the Board in August 2016 and has previously chaired the Society's Audit, Risk & Compliance Committee and acted as the Society's With-Profits Advisory Arrangement. Graeme qualified as an actuary in 1991 and has spent most of his working life in the life assurance industry. He has held various senior roles, including chief executive of a mutual insurer and UK group finance director of another insurer. He is chair of the Audit and Risk Committee of The Medical Defence Union and is chair of the Trustees of a funeral plan trust. In his spare time, Graeme plays the cornet in a brass band, for which he is also the concert secretary, plays golf and watches all sorts of sports, particularly football and cricket.

Annette Petchey

Chief Executive Officer, Remuneration, Nomination & Governance Committee

Annette has been Metfriendly's CEO since 2021. She has a proven track record of effective leadership and making a positive difference for Metfriendly Members.

She trained as a life and disability underwriter and has worked in many different areas of financial services in her career. Annette has deep board experience across the financial sector and other organisations, both as an executive and non-executive director. She also has experience in delivering transformation across several commercial and not-for-profit businesses, including social enterprises that invest all profits into member and user services. Delivering through successful partnerships has underpinned Annette's career, making her well-placed to understand the importance of Metfriendly's partnerships with the Police Family.

On a personal note, she is the daughter of a former Police Officer and was a JP for several years, so has first-hand knowledge of the important role the Police undertake in our society. She is married and has two school-aged children.

Martin Bellingham - MBA, MSc, BA (Hons), MMRS

Executive Director, Membership Support Director, Member Committee

Martin joined Metfriendly in 2019 as sales and marketing director and moved into the role of Membership Support Director in 2022, reflecting his additional responsibility for the Member Services Team. He has spent most of his working life in financial services, having held senior roles at Nationwide, The Children's Mutual and AXA. Prior to moving into financial services, Martin worked at Boots in various strategic marketing roles. Martin is a member of the Market Research Society and sits on an advisory board for the Office for National Statistics.

Robert Dagg - FICA, PgDipGRC

Executive Director, Risk & Operations Director and Company Secretary

Rob joined Metfriendly in 2019 and has 37 years' experience in financial services, having held a number of senior roles in both customer-facing and support functions at major financial institutions. He brings a wealth of risk knowledge and is a Fellow of the International Compliance Association. He leads the Risk, Compliance and Operations teams and is our company secretary. He holds the senior manager function of risk for Metfriendly and joined the Board as an executive director on 1 January 2023. In his spare time, he is a keen swimmer.

Paul Grimshare – BSc, FCA

Executive Director, Chief Financial Officer, Investment Committee

Paul joined the Society as CFO in June 2022. He is a qualified Chartered Accountant (Institute of Chartered Accountants in England and Wales) and has worked for over 20 years in the life and pensions, general insurance and asset management sectors in the UK and internationally. Paul qualified with a Big Four firm and has since focused on delivering effective financial management and providing strategic financial insights to drive business growth and development. Paul is also an experienced non-executive director. He previously served on the Board of a major UK pension scheme and is a non-executive director of a business delivering low-carbon energy and sustainable development in his local borough. Away from work, Paul is a husband and father of two boys, with a keen interest in sport, fitness and travel - ideally combining all three.

Rebecca Hall - FIA

Non-Executive Director, With Profits Advisory Arrangement, Member Committee, Audit, Risk & Compliance Committee

Rebecca was appointed to the Board in February 2021. She has been an actuarial consultant for much of her career, initially with Deloitte and more recently working independently through her own company. Rebecca has focused on supporting companies going through strategic change, including transfers to a third party and re-structuring of With-Profits business.

Rebecca has a focus on member outcomes. She applies her actuarial knowledge to development of solutions focused on Members' needs, taking time to ensure communications are accurate, clear and make sense to Members. Her work as a consultant, together with a role in the executive team at Marine & General Mutual, has given her a breadth of experience across the life insurance industry. She specialises in annuity and With-Profits business and has worked with many other mutual firms. Rebecca is also an independent member of the Royal London With-Profits Committee and non-executive director for National Friendly. Rebecca is a keen cellist and has two young children.

Craig Haslam - DL FGPT

Non-Executive Director, Chair of Remuneration, Nomination & Governance Committee, member of Investment Committee.

Craig was appointed to the Board on 1 January 2019, having retired from the Metropolitan Police Service the previous month. He spent 32 years with the Metropolitan Police Service, joining as a cadet and finishing as the OCU Commander for the Taskforce. He had a varied career in challenging boroughs and in training while specialising in the arena of public order.

Craig is proud of the support, help and advice he has given to friends and colleagues over the years, in both their professional and personal lives, and did much to promote the financial security and wellbeing of others. Craig has been a member of Metfriendly since joining the Police, making his move onto the Board a natural progression. Craig is a professional toastmaster and master of ceremonies, and keeps busy while officiating at weddings, awards ceremonies and charity events. In 2022, Craig was commissioned as one of His Majesty's Deputy Lieutenants, representing the King and building bridges in communities across Greater London.

Nicola Hayes - MA(Hons) St.A

Non-Executive Director, Chair of the Investment Committee, member of Remuneration Nomination & Governance Committee.

Nicola has had a wide-ranging career covering everything from pedigree dogs to universities to trade associations, with the majority spent in financial services at Invesco Perpetual and Baring Asset Management. When she left Barings in 2016, she was Global Head of Client Service & Relationship Management and a non-executive director of eight listed fund management companies in four countries. She is now a corporate governance consultant and sits on the board of the Sue Ryder charity, where she is chair of the Finance, Investment & Commercial Committee. In 2024 she was appointed as a criminal magistrate, sitting in East Kent.

Katherine Jones - ACA, BA (Hons)

Non-Executive Director, member of Audit, Risk & Compliance Committee

Katherine was appointed to the Board on 1st October 2024. She is an experienced executive leader with almost 25 years in the Financial Services industry. She originally qualified as a Chartered Accountant at KPMG with experience in both audit and transaction services, after graduating from Sheffield University with a BA (Hons) in German and Business.

In her executive career, Katherine is currently group chief financial officer of a UK-based, listed wealth manager, having previously held senior finance positions including group finance director of one of the UK's largest savings and retirement businesses and group head of financial performance at a global insurer. She has also previously held positions as director of investor relations at two listed savings and retirement companies, where she was responsible for leading investor relations activity and the interaction with the market.

Katherine brings to the Board relevant financial expertise and deep experience of complex organisations at various stages of growth and maturity. Outside of work, she enjoys running and spending time with her husband and three sport-obsessed children.

Emma Richards

Non-Executive Director, Chair of Member Committee, member of Audit, Risk & Compliance Committee, Consumer Duty Champion

Emma was appointed to the Board in April 2022. She retired from the Metropolitan Police in October 2022, having served for 34 years. She was a uniformed Officer all her career, specialising in firearms and public order, and was a counter terrorism security co-ordinator. Emma retired as a superintendent on the Taskforce within the MPS and was appointed as the national gender lead for the Police Superintendents Association in 2018. She brought up two children as a single parent and worked part time for many years. Emma is the third generation of Metropolitan and City of London Police Officers; her niece currently works for the City of London Police.

Lee Schopp - CDir, ACA

Non-Executive Director, Senior Independent Director, Chair of Audit, Risk & Compliance Committee, member of Investment Committee.

Appointed to the Board in August 2016, Lee is a Chartered Accountant, Chartered Director, and former interim CEO of a mutual insurer, British Friendly Society Limited. Lee brings considerable strategic planning and execution experience gained over the past 20 years. He is an active member of the Association of Financial Mutuals and a Fellow of the Institute of Directors. In addition to these roles, Lee also built his own house, founded and sold a successful micro-brewery in Bedfordshire, and acts as a consultant to small and medium-sized businesses, helping owners maximise their potential.

Report of the Board of Directors

The Board of Directors is pleased to present its Report and Accounts for the year ended 31 December 2024, which have been prepared in accordance with the requirements of the Friendly Societies Act 1992 and the regulations made under the Act.

The Board is responsible for preparing the accounts and considers that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable, and provide the information necessary for Members to assess the Society's performance, business model and strategy. In determining the technical provisions, the Board has been advised by Chief Actuary and With-Profits Actuary, Lindsay Unwin.

The Board is responsible for overseeing the strategic direction of the Society, ensuring that the appropriate resources, including key staff, are in place to deliver its business objectives.

It is also responsible for ensuring that business and operational risks are identified and addressed in an appropriate manner. Where appropriate, responsibilities are delegated to its committees, who report and make recommendations to the Board.

Day-to-day management and leadership of the Society is delegated to the Chief Executive Officer, who is responsible for delivering the business objectives of the Society and for ensuring the Board is adequately briefed on all matters brought before it.

The Board is consulted on all major appointments, extraordinary items of expenditure, major product developments, bonus decisions and investment strategy. The Society employs 39 members of staff (including executive directors), and Central Court in Orpington remains the head office of the Society.

The Society's Leadership Team is led by CEO Annette Petchey and comprises Chief Financial Officer Paul Grimshare, Risk & Operations Director and Company Secretary Robert Dagg, Membership Support Director Martin Bellingham and Wouter Keyser, Change and Technology Director.

The Society is an incorporated friendly society that serves members of the Police Service within the Metropolitan Police, City Police and all other regional Forces during and after their service, and their families. We are a long-term insurance firm and confine our business to investment, savings, and protection products. Most of our assets are held to meet our liabilities to our With-Profits Members, who effectively own the Society.

Membership of the Society stood at 19,594 as at 31 December 2024 (2023: 18,916).

Risk Management

The management of risks across the Society is overseen by the Board and two committees. The Audit, Risk & Compliance (ARC) Committee takes responsibility for oversight of general risk management. The Investment Committee oversees our investments.

RSM - Risk Assurance LLP acted as our internal auditors under the oversight of the Risk & Operations Director and the ARC Committee. RSM conducted audits on Member Services Outcome, IT Governance & Operational Resilience, Capital Planning, ISA Regulation Management and Financial Crime & Whistleblowing. The ARC Committee reviewed the results and reported them to the Board.

Throughout 2024, the Investment Committee monitored our investments, which are core to driving the returns to our Members, and oversaw the process to review our investment strategy and fund managers. The ARC Committee had responsibility for our risk register, which provides information about the main risks facing the Society and the controls we have put in place to reduce their likely frequency or impact.

The Board maintained its risk policy. The policy elaborates on the basis of risk measurement, and risk appetite is addressed in a quantitative manner. The principal risks are reviewed periodically by the Board and ARC Committee. Controls are tested by the second line compliance team and their findings are reported to the CRO and the ARC Committee.

The Board continues to monitor proposed new legislation and assesses its potential impact on the business model. This work is undertaken by the Risk & Operations Director and his team.

The Society has appointed a health and safety manager, fire wardens and first aiders at work to comply with statutory requirements and current good practice. We also hold appropriate insurance, including Directors' and Officers’ cover.

Donations

The Society continues to recognise the value of Police groups that provide support and wellbeing to the wider Police Family as shown on page 4. We are proud to continue to support these groups in various ways.

In addition, the major charitable donations paid by the Society during the year were: £10,442 (2023: £11,039) to produce the calendars for sales by the London Retired Police Dog Trust; £915 (2023: £1,564) to the National Police Memorial Day in connection with votes at the Society’s AGM. £5,000 (2023: £5,000) to The Police Remembrance Trust and £7,730 (2023: £5,000) to Police Care UK (Sponsorship and December Sales Initiative).

No political donations were paid by the Society (2023: £Nil).

Statement of Solvency

The Society is required to maintain the prescribed margin of solvency in respect of its long-term business. The Society met this requirement throughout 2024.

Going Concern

The Society’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Society should be able to operate within the level of current resources over a period of at least 12 months from the date of approval of these financial statements. After making enquiries, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis on preparing financial statements.

The directors have considered the potential continued financial impact of higher inflation, changing interest rates and the uncertain economic outlook on the Society’s financial resources and business plans, the impact of further stresses on the Society’s financial resources and whether the Society can continue to manage its business risks despite the ongoing uncertain economic outlook and geo-political impacts. The directors have a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

Viability Statement

The Own Risk Solvency Assessment (ORSA) process reports the assumptions that the Society has made in assessing how the business will develop and results in an annual report available to our regulators.

The Board approved a three-year strategic plan and the 2025 Annual Budget in December 2024. In 2024, the Society also produced a Forward-Looking Assessment of Own Risk (FLAOR) based on a three-year projection of the Society’s business plans. The FLAOR looks at solvency and capital requirements under several new business scenarios, including successful growth in new business and reduced new business volumes.

As a result of this work, the Society has a reasonable expectation that it will continue to operate and meet its liabilities as they fall due for at least three years. The key assumption supporting this expectation is the continuing availability of appropriate resources.

Appointment of Auditors

Mazars LLP acted as auditors to the Society from 2011 to 2023. They resigned as auditors in July 2024 following a commercial decision not to continue as auditors of firms similar to the Society.

Following Mazars resignation we undertook an extensive tender process to identify and appoint a new external audit firm. This was overseen by the Audit Risk & Compliance Committee and approved by the Board.

We are pleased to have appointed MHA as our new external audit firm[1] and look forward to growing our relationship with the team.

Robert Dagg
Company Secretary

4 April 2025

[1] MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542).

Directors' Report to Members with With-Profits Policies

The Society manages its With-Profits business in accordance with the Principles and Practices of Financial Management (PPFM), which are published on the Society's website, along with a member guide – "How we manage the With-Profits Fund". These documents are available to Members on request, free of charge.

The Board exercises its discretion in managing the business, considering the terms under which business is issued, the constraints of the PPFM, and regulatory requirements. In doing so, the Board is advised by the With-Profits Actuary (WPA) and the With-Profits Advisory Arrangement (WPAA). Rebecca Hall was appointed as WPAA on 1 January 2023 and has served as WPAA throughout 2024. The WPAA terms of reference were last reviewed and updated in April 2023.

The Board reviewed the Principles and Practices in the PPFM in March and December 2024, with minor changes approved as part of the March review.

The PPFM was last updated on 6 April 2024 to reflect minor enhancements made to the returns on new Lifetime ISA, Monthly Savings ISA and Junior ISA policies; recognise that no surrender charges apply to future qualifying house purchase withdrawals from a Lifetime ISA; and make minor changes to improve the clarity and presentation of the document. Further explanation of these changes is provided on the Society's website – see Principles and Practices of Financial Management.

The Board's discretion relates principally to setting investment strategy, determining asset shares, setting annual and final bonuses and fair surrender values, and regularly assessing whether it should make any special distribution from the Society's capital. In setting final bonuses, the objective is to ensure that payouts are fair and close to the asset shares that have built up from Members' premiums (after allowing for the investment return on the With-Profits Fund, expenses, the costs of providing guarantees and, where applicable, special distributions, taxation and life cover).

In managing the With-Profits business during 2024, the Society has taken account of the continued financial strength of the Society, the investment performance of the With-Profits Fund and the cost of providing and increasing guaranteed benefits on policies.

2024 saw further positive investment returns that, together with 2023 returns, have largely unwound the impact of investment losses experienced following interest rate rises in 2022. Economic uncertainty and a level of market volatility also remain a notable consideration for current investment activity, although higher interest rates continue to make it less expensive to add to guaranteed policy benefits than prior to 2022.

The financial strength of the Society, as measured by the Solvency Capital Requirement (SCR) Coverage Ratio, remained within the Society's acceptable range for risk appetite of between 150% and 300% and moved from 229% at the start of the year to 252% at the end of the year. This movement is in line with expectations based on the movements in interest rates, investment values, new business levels and expenses over this period.

After careful consideration, the Board approved the proposal to maintain annual bonus rates for 2024 at the level declared for 2023.

The Board considers that the volumes and terms of business written in 2024, and those planned for 2025, are within the Society's risk appetite, particularly with respect to capital resources and administrative capabilities.

The Society will normally levy a charge on asset shares towards meeting the cost of providing guarantees. There has been no change to the annual guarantee charges applied during 2024, or with effect from 1 January 2025. The Society also takes charges from asset shares to cover the costs of running the business. These expense charges have not changed during 2024, or with effect from 1 January 2025.

It is the directors' opinion that the business has been managed throughout 2024 in accordance with the PPFM and that they have exercised their discretion appropriately, considering the reasonable expectations of Members, and maintaining fairness between differing types of business.

Changes to the PPFM

There were no material changes to the PPFM or Member Guide during 2024. The Society's website provides details about its With-Profits business at: www.metfriendly.org.uk/member-resources/your-society/with-profits/

Bonuses

Annual Bonuses

The Board set the rates of annual bonus added to With-Profits contracts for 2024 at those shown in the tables below. The interim rates for claims to be paid in 2025 were set at the same rates as those for 2024.

Table 1 below shows the declared 2023 and 2024 annual bonus rates for policies where bonus rates are applied on a calendar year basis. Annual bonus rates for the 2025 calendar year will not be decided until the end of the year. Interim calendar year annual bonus rates to be paid on claims in 2025 are also shown.

Table 1: Annual Bonus Rates applied on a Calendar Year Basis

Product	Tables	2023 Declared Rate	2024 Declared Rate	2025 Interim Rate
Tax-Exempt Fully Paid Plans, Lump Sum ISA, Lump Sum Junior ISA, Regular Premium ISAs prior to 2016	11E, 24, 25, 28	1.50%	1.50%	1.50%
Standard Fully Paid Plans, With-Profit Bonds, With-Profit Income Bonds, and Flexible Savings Plans	12E, 19, 26, 27	1.20%	1.20%	1.20%
Tax-Exempt Savings Plans	8, 10, 11, 21, 22	0.75%	0.75%	0.75%
Standard Savings Plans	12, 15, 16	0.60%	0.60%	0.60%

Table 2 below shows the annual bonus rates for policies where bonus rates are applied on a tax-year basis, which starts on 6th of April each year and ends on the 5th of April the following year. Annual bonus rates for the 2025/26 tax year will not be decided until the end of 2025 and the rates shown are interim annual bonus rates to be paid on claims in 2025. These apply to Monthly Savings ISA and Lifetime ISA policies.

Monthly Savings ISA policies issued between 6 April 2015 and 5 April 2020 receive only an annual bonus. The annual bonus for these policies is usually expected to be higher than the annual bonus for other ISA policies, but given the market volatility witnessed in recent years and with market value reductions until recently applied to these policies by the Society, the margin has been maintained at 0% for 2024/25.

Table 2: Annual Bonus Rates for Monthly Savings ISA and Lifetime ISA Policies

Product	Tables	2023/24 Bonus Rate	2024/25 Bonus Rate*	2025/26 Interim Rate
Lifetime ISAs	31	1.50%	1.50%	1.50%
Monthly Savings ISA and Junior ISA policies issued between 06/04/15 and 05/04/2020	29, 30	1.50%	1.50%	1.50%
Monthly Savings ISA and Junior ISA policies issued from 06/04/20	32, 33	1.50%	1.50%	1.50%

** The bonus rate for the 2024/25 tax year will be applied from 6 April 2024 to 5 April 2025. The Society reserves the right to reduce the annual bonus rates prior to 5 April 2025 should market movements mean that this is appropriate to maintain fairness for all policyholders.*

The guaranteed reversionary bonus rate for the Monthly Savings ISA (MSISA), Junior ISA and Lifetime ISA (LISA) for the 2024/25 tax year is 1.5%. This applies to all new MSISA plans starting between 6 April 2024 and 5 April 2025, and to all recurrent premiums and lump sums paid into Lifetime ISA plans between 6 April 2024 and 5 April 2025.

Final Bonus Rates

Final bonus rates, where applicable, are determined according to the duration that a contract has been in force and are normally reviewed annually for endowment savings contracts and quarterly for contracts without a fixed duration. Final bonus rates for contracts without a fixed duration continued to be reviewed and updated quarterly during 2024. Examples are given on the Society's website.

Surrender Values

The Society has maintained its practices for surrender values throughout 2024.

The number of members affected by Market Value Reduction (MVR) the Society imposed from July 2022 following significant investment market value falls has continued to decrease with positive investment performance over 2024. At the end of 2024, there were fewer than 200 members whose investments with Metfriendly were worth less than they had invested.

From 1 January 2025, an MVR applies on surrenders from contracts without a fixed duration taken out between 1 January 2020 and 30 June 2022. The scope and amount of MVRs applied will continue to be monitored regularly and are normally updated each calendar quarter.

Annette Petchey (Apr 4, 2025 15:45 GMT+1)

Annette Petchey
Chief Executive Officer

On behalf of the Board

4 April 2025

Report of the With-Profits Actuary

As the With-Profits Actuary to the Society, it is my responsibility to advise the Board on the management of the Society's With-Profits business, and to report annually to With-Profits policyholders on the exercise of discretion in relation to that business. I have considered the annual report from the directors of the Society to With-Profits policyholders on pages 29 to 31.

In my opinion:

- The report is a fair reflection of how the With-Profits business has been managed during the year.
- The discretion exercised by the Society's Board in respect of 2024 may be regarded as having taken the interests of all With-Profits policyholders into account in a reasonable and proportionate manner.
- The new business written during 2024 has been written on appropriate terms, consistent with the previous generations of comparable products, and the volumes of new business written during 2024 were appropriate.

In reaching this opinion, I have taken into account the information and explanations provided to me by the Society, relevant rules and guidance issued by the PRA and FCA and applicable standards issued by the Financial Reporting Council and the Institute and Faculty of Actuaries.

Lindsay Unwin BSc FIA

4 April 2025

Corporate Governance Report

Metfriendly has continued to use the 2019 edition of the Association of Financial Mutual's Corporate Governance Code (the full text is available at www.financialmutuals.org/governance/ourgovernance-code/) as a benchmark to demonstrate good governance. This Code was effective from 1 January 2019, and we adopted it from that date and continue to report against its principles for this financial year.

The Code has six principles:

- purpose and leadership
- Board composition
- director responsibilities
- opportunity and risk
- remuneration
- stakeholder relationships and engagement

each of which is broken down into more detailed provisions. The following section explains how Metfriendly applies these provisions and where, in this Annual Report or elsewhere, compliance with those provisions is evidenced.

The Board believes the Society has complied with the AFM Corporate Governance Code (2019) throughout the year ended 31 December 2024. The Society has applied all the principles set out in the Code and explained how these principles have been applied, as set out below.

Principle One - Purpose and Leadership

"An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose" – AFM Corporate Governance Code

Purpose

As expressed in our "Vision Statement", the purpose of Metfriendly is to be the trusted provider of financial solutions relevant to the Police Family.

Values

Our values shape every aspect of how we operate as a Society, to ensure we treat everyone equally and fairly, whether as employees, Members, regulators, or third-party or partner organisations.

Our values are that:

- We treat our Members, team and other stakeholders with courtesy, respect, and professionalism
- We recognise the unique profession of policing and proudly place Members at the heart of our Society
- We understand the need to continually improve to meet our Members' current and future needs
- We strive to get things right first time and, where we don't, we say so and put things right
- We always act with honesty and integrity.

We always put our Members and the protection of their interests at the centre of everything we do.

The Board is ever mindful of the dilemma of mutuality; the interests of existing Members may differ from the needs of the business to generate a surplus sufficient to enable investment, for example, in new technology and skills, and growth of the business. Capital investment and growth benefit future Members but are made possible using the funds provided largely by past and existing Members. This means we must be very clear about the benefits to Members we expect from our strategic decisions to balance these needs over time.

The Board considers that these values are well aligned to the requirements of the Consumer Duty.

Culture

A healthy culture is critical to the success of any company, but especially for a friendly society.

The Board continues to monitor indicators of a healthy culture throughout the year, including staff turnover and training. Our staff engagement survey had good levels of response each year. This provides the CEO and her team with a plan of work to address the areas that really matter to all our colleagues.

Adherence to our values is an integral part of the regular staff appraisals carried out half-yearly for all staff and is discussed at the monthly meetings between individuals and their line managers.

Our HR team conduct voluntary exit interviews for every employee who has chosen to leave the business.

Strategy

The Board promotes a clear and collective vision through engagement with employees throughout the year by disseminating Board decisions through the Leadership Team to all employees at regular staff meetings. Our strategy, objectives and performance indicators are found in the Strategic Report, starting on page 7.

Principle Two - 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." – AFM Corporate Governance Code

The function of our Board is to oversee, support and challenge the management of the Society and exercise the powers of the Society as expressed in its Rules and under the provisions of its Terms of Reference.

The primary objectives of the Board are to:

- collectively express the aspirations of the Society's membership
- set the overall values and principles of the organisation
- ensure the strategic vision and decisions taken by the Board in relation to membership relationships with the Police Service, and product/service provision and development uphold the Society's reputation.

What follows describes how Metfriendly exercises this responsibility.

The Board must meet at least three times a year. During 2024 the Board met six times, which it decided was sufficient to carry out all its tasks effectively. In addition, the Board had a strategy day when it focused on wider issues that affect the business, considered whether its current plans remain appropriate, and explored potential areas of strategic focus for the medium term.

The Board works to a Schedule of Matters Reserved for Board Decision, which is reviewed and approved each year. All meetings are formally minuted. The main focus of the Board is on the following areas:

- strategy and management, which includes approving long-term objectives and monitoring the Society's performance against the objectives
- governance and culture, which includes assessing the composition and competency of the Board following the recommendation of the Remuneration, Nomination & Governance Committee and the policies that guide the Society
- stewardship of Members' funds, which includes selecting investment managers and strategies through the recommendation of the Investment Committee
- financial reporting and controls, which includes approval of the annual report and financial statements following recommendation from the Audit, Risk and Compliance Committee
- communication and reputation, which includes engagement with Members and ensuring policies are in place to deliver high quality service and products through the oversight of the Member Committee
- remuneration, including following the recommendation of the Remuneration, Nomination & Governance Committee in determining the salary budget for the whole Society and remuneration of directors. Director remuneration is presented at the Annual General Meeting (AGM) for a non-binding vote by Members

- delegation of authority, which includes the Society-wide scheme of delegation and terms of reference for committees following recommendation by the Remuneration, Nomination & Governance Committee.

Chair

The Board directors for 2024 are listed on pages 23 to 25. Metfriendly has a separate chair and chief executive to ensure the balance of responsibilities and accountabilities are effectively maintained. Chair Graeme McAusland (in his role as Chair of the Board) had responsibility for the effectiveness of the Board during 2024.

Balance and Diversity

The Board is mindful of the need to ensure the right balance of skills, experience and background in its recruitment of directors. We recognise that diversity in gender and ethnic backgrounds would benefit the Society. However, competence relevant to the needs of our business remains our overarching recruitment criterion.

Size and Structure

A trade-off exists between a Board that is large enough to meet the requirements of governance and strategic oversight, but small enough for agile and effective decision-making. The Remuneration, Nomination & Governance Committee keeps the structure of the Board under review to ensure sufficient diversity and expertise and manages this in line with the Rules of our Society.

All non-executive directors must be able to effectively challenge the executives; therefore, they must be independent in character and judgement. We have seven current non-executive directors, all of whom have served less than nine years on the Board and are regarded as independent in both respects.

All directors are subject to annual re-election at each Annual General Meeting. The chair rigorously evaluates all non-executive directors to ensure they remain able to operate independently and are fit and proper people to undertake the role.

The Board monitors succession planning in the business directly and through the Remuneration, Nomination & Governance Committee. Succession plans covering senior management function holders are in place.

Effectiveness

The chair evaluates all Board directors through individual appraisals. The chair is also reviewed each year by the senior independent director, with input taken from all Board directors.

To encourage openness and a free exchange of views, some Board meetings comprise a section without the executives.

New Board directors take part in an induction programme when joining and all Board directors participate in a programme of training and development each year.

The Board conducts an annual self-assessment of its effectiveness and a three-yearly external Board effectiveness review, which was last undertaken in 2024. We are pleased with the observations that reflected the ongoing work we have to ensure our Board operates with a culture of constructive challenge and openness.

The Rules set out the support the Society makes available to directors to enable them to fulfil their responsibilities. This includes the services of a Society secretary who is appointed by the Board.

Any director who is also a member of the Society is required to declare their membership of the Society and for this to be entered into a log maintained and reviewed on an annual basis by the Society secretary. This would facilitate the investigation of any allegation of conflict of interest. In addition, any possible conflict of interest anticipated from the agenda and papers is required to be disclosed at the commencement of every Board and committee meeting and is recorded in the minutes of that meeting.

Principle Three - Director 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." – AFM Corporate Governance Code

Accountability

The Society's Memorandum and Rules, Terms of Reference, and Management Responsibility Map clearly express and explain corporate governance practices and lines of accountability. Directors declare their interests at least annually and any potential conflicts of interest are openly documented and managed by the company secretary and chairperson.

The Society continues to operate within the Senior Managers and Certification Regime (SM&CR). The purpose of the regime is to encourage staff to take personal responsibility for their actions, improve conduct in financial services at all levels, and make sure firms and staff clearly understand and can demonstrate who does what.

Committees

The Board operates four committees; refer to pages 39 to 43 for more information on the committees.

Integrity of Information

The Board receives regular and timely information on all key aspects of the business including financial performance, strategy, operations, risks, market conditions, Human Resources, KPIs, compliance and data protection aspects.

The integrity of the Society's financial information is audited annually by our external auditors and our data and information-related processes are periodically reviewed by our internal auditors.

Principle Four - Opportunity and 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" – AFM Corporate Governance Code

Opportunity and Risk

The Strategic Report, starting on page 7, sets out the opportunities currently presented to Metfriendly and how Metfriendly is addressing them.

Metfriendly formally conducts its Own Risks and Solvency Assessment (ORSA) regularly. We prepare an ORSA report, which we send to the Prudential Regulatory Authority. The purpose of the ORSA is to provide the Board and the regulators with evidence that the Society frequently and systematically assesses the risks it faces in respect of maintaining solvency capital and achieving its objectives over a rolling three-year horizon.

Responsibility

The Board, via the Audit, Risk & Compliance Committee, ensures the risks that the business faces are managed in an appropriate manner. The Society operates a comprehensive risk management framework through which it identifies, monitors, reports and manages its principal risks within risk appetite and ensures that adequate capital is held against them. The key tools to enable this to happen are the Risk Register and the ORSA.

The Risk and Operations Director and his team meet regularly to review existing risks and controls, and horizon-scan for new and emerging risks that may affect the Society. The results of this are reported, where appropriate, to the Leadership Team and the Audit, Risk & Compliance Committee.

See the Report of the Audit, Risk & Compliance Committee, starting at page 40, for more information on risks and risk management and control.

Principle Five – 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." – AFM Corporate Governance Code

To deliver value and service to Members, the Society must have credible leaders with professional expertise in financial services. Technical proficiency alone is not enough; our colleagues are also chosen for their personal values and how closely these align with Metfriendly's values.

Therefore, the remuneration offered by the Society should be competitive within the financial services sector, commensurate with the complexity of the role, and reasonable and responsible considering our commitment to mutuality to attract and retain skilled and expert senior people. Refer to the Remuneration Report on pages 44 and 45, for further details on remuneration.

Principle Six - Stakeholder Relationships and Engagement

"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" – AFM Corporate Governance Code

Members

Wherever possible, we try to add value to our relationships with our Members and enhance our dealings with them. We are active members in the mutual movement, including Association of Financial Mutuals (AFM) and Investment and Life Assurance Group (ILAG). The Board has a sub-committee, the Member Committee, the purpose of which is to put the Members and the wider Police Family at the heart of Metfriendly in line with our vision, mission and values.

Two of our non-executive directors are former or serving Police Officers. This enables our Board to have relevant communication and engagement with our Member base. Emma Richards, ex Met Police Officer, chaired our Member Committee during 2024 and serves as our Consumer Duty Champion. In addition, several of our Executive and staff are retired Police Officers or have family members who are serving or retired Police Officers or Staff.

Our directors and members of our staff attend events for New Recruits, award recipients and retirees. We often use virtual technology to meet Members and prospects remotely in a way that is more convenient for them.

During 2024, we continued to arrange sessions with Members acting as small focus groups. Those meetings generated several key messages to us about the benefits and facilities offered to Members, which would not otherwise be known to us through routine financial communications.

Employees

Our people are particularly important to us. The number of people engaged in the business as at 31 December 2024 was as follows:

	Male	Female	Total
Executive directors	3	1	4
Non-executive directors	3	4	7
All other staff	11	24	35
Total	**17**	**29**	**46**

We celebrate our diversity and inclusiveness through all strands of our work, and this is reflected throughout all levels of the Society. We have a policy of being as flexible as possible with working arrangements to ensure we fulfil member expectations and to help us maximise opportunities for our staff.

We support our staff to work non-typical hours when needed, which enables them to balance work with other commitments and maintain their career aspirations. During 2024, we continued hybrid working, where staff have worked partly from home and partly in the office in ways designed to maximise engagement levels while maintaining a high level of member service.

Suppliers

Metfriendly engages with a variety of third-party suppliers in the course of its normal business activity to ensure that we continue to serve Members and provide resilience to our operational functions.

Our relationship with suppliers is governed by the contracts we hold with them. The Audit, Risk & Compliance Committee is responsible for overseeing our material supplier relationships. Our processes incorporate due diligence on third-party suppliers prior to engagement. Throughout the relationship, we regularly review services, and standards are discussed and agreed.

Community and the Environment

The Police Family is at the heart of everything we do. This affinity group is the reason the Society exists, and we strive to be a responsible member of the communities in which we operate.

We have continued to support staff in giving time to charities local to our offices, as well as supporting many charities related to the Police Family. Please see the Corporate Social Responsibility Report for more information on our community engagement.

Robert Dagg
Company Secretary

4 April 2025

Reports of the Committees

Terms of Reference for all Board committees are published within the Your Society/Boards-and-Committees/Committees section of the Society's website, www.metfriendly.org.uk. The Terms of Reference for all committees are regularly reviewed by each committee and the Board. Paper copies of the Terms of Reference are available upon request to the Society secretary.

The key purposes, duties and responsibilities assigned to each Board committee have not been the subject of significant revision during the year.

The members of all committees are appointed according to their skills and experience to ensure that the committee has a suitable range of financial and commercial expertise to discharge its duties and responsibilities as documented within the respective committee's Terms of Reference.

Directors' attendance at Board, relevant committee and With-Profits Working Group meetings in 2024 was as follows:

Director	Board of Directors (6)	Audit, Risk and Compliance Committee (7)	Member Committee (4)	Remuneration, Nomination & Governance Committee (4)	Investment (4)	WPWG (4)
G. McAusland	6/6	(3/7)	(1/4)	4/4	4/4	4/4
L. Schopp	6/6	7/7	-	-	3/4	(1/4)
C. Haslam	5/6	-	-	4/4	4/4	-
N. Hayes	6/6	-	-	4/4	4/4	-
R. Hall*	4/6	4/7	3/4	-	-	4/4
E. Richards	6/6	7/7	4/4	-	-	-
A. Petchey	6/6	(1/7)	(4/4)	4/4	(4/4)	(3/4)
M. Bellingham	6/6	-	4/4	-	-	(3/4)
P. Grimshare	6/6	(7/7)	-	-	4/4	4/4
R. Dagg	6/6	(7/7)	(4/4)	(4/4)	(3/4)	(4/4)
K. Jones**	2/6	(2/7)	(1/4)	-	-	-

(Brackets indicate where a director, who is not a member of the Committee, attended a meeting)
* Rebecca Hall was on maternity leave from 12 February 2024 until 1 May 2024
** Katherine Jones joined the Board of Directors on 1 October 2024

Summaries of the purposes, duties and responsibilities, and key activities of each of the Society's Board committees during 2024, together with membership details during 2024, are set out on the following pages.

Reporting

All committees, through their chair, submit regular reports to the Board on their activities after each committee meeting. Minutes of all committee meetings are prepared and once approved by the committee's chair, are circulated to all members of the Society's Board.

Duties and Responsibilities

All of the committees' main duties and responsibilities are set out within the Committee's Terms of Reference, which can be found within the Your Society/Boards-and-Committees/Committees section of the Society's website, www.metfriendly.org.uk.

Audit, Risk & Compliance Committee

Membership

The committee's membership during the year comprised:

- Lee Schöpp (Chair)
- Rebecca Hall
- Emma Richards

The committee's members have been appointed according to their skills and experience to ensure that the committee has a suitable range of financial and commercial expertise to discharge its duties and responsibilities as documented within its Terms of Reference. The Society's chair has a right to attend meetings. In addition, committee meetings are attended, upon invitation, by the external auditor, its outsourced internal auditor and the chief actuary.

The Society's company secretary and chief risk officer, who also acts as co-ordinator with the Society's internal audit function, support the committee by assisting its chair with the planning of the committee's work and by ensuring that it receives adequate, accurate and timely information.

Purposes

The committee's main purposes are to:

- provide an independent oversight of the Society's systems of risk and compliance management
- oversee the Society's statutory reporting and systems of internal control
- ensure its compliance with legislation, prevailing regulation and best practice
- review quality and effectiveness of the Society's external auditor and internal audit function
- enable the Society's compliance procedures to be reviewed in greater detail than at regular Board meetings.

The Board has delegated authority to the committee in relation to its duties and responsibilities. In respect of these delegated authorities, the committee is authorised to make decisions on behalf of the Board. The committee is able at any time to escalate any issue to the Board for consideration and approval.

Activities during the Year

During 2024 the committee provided oversight of the tender process to identify our new external auditor. The tender was led by our CFO who provided regular updates and decision points to the committee. The process considered detailed proposals from a range of auditors. Upon the conclusion of the tender process the committee members made a recommendation to the Board for the appointment of our new auditors MHA.

The committee's other key activities during 2024 included, but were not limited to review of:

- the Society's 2023 Annual Report and Accounts and the external auditor's report upon that document
- the 2023 Solvency & Financial Condition Report (SFCR) and Technical Provisions
- the 2023 External Audit strategy, fee proposal and outcome of the interim audit work undertaken by external auditors
- Internal Audit Plans, Progress Reports and Internal Audit reports received, together with management responses
- The Society's Compliance Monitoring Plans, Progress Reports, Complaints and Compliance reports prepared, together with management responses
- The Society's Policy documents including those relating to compliance and anti-money laundering
- the Society's risk management processes, risk register, appetite levels and emerging risks
- reviewing the draft Own Risk & Solvency Assessment ahead of Board approval
- the resources dedicated to the management and oversight of compliance and control

- the Consumer Duty annual report draft and oversight of legacy product reviews
- internal assurance reporting
- money laundering reporting officer’s annual report
- whistleblowing annual report
- the gifts and hospitality register
- conflicts of interest register
- regulatory updates
- business continuity policy
- outsourced arrangements
- reinsurance arrangements.

Remuneration, Nomination & Governance Committee

Membership

The committee’s membership during the year comprised:

- Craig Haslam (Chair)
- Nicola Hayes
- Graeme McAusland
- Annette Petchey

The Society’s secretary supports the committee by assisting its chair with the planning of the committee’s work and by ensuring that it receives adequate, accurate and timely information.

Purposes

The committee’s primary purpose is as follows:

- to oversee the Society’s senior management arrangements and to recommend to the Board matters relating to the appointment of executive and non-executive directors and individuals performing senior management function roles, whilst keeping the Board’s governance arrangements under review and making appropriate recommendations to ensure their consistency with appropriate and proportionate governance practices
- to oversee and to recommend to the Society’s Board matters relating to the remuneration of executive and non-executive directors.

Activities during the Year

The committee’s key activities during 2024 have included, but were not limited to:

- periodic review of Society’s Governance Map/Responsibilities Map required by the regulatory Senior Managers and Certification Regime
- recommendation to Board of a new Executive remuneration plan based on Member centric values
- considering and recommending NEDs for appointment to the Board
- considering and recommending directors standing for election/re-election
- considering and recommending committee structure and memberships
- succession plans and Board development plans including NED succession plans
- lead on externally provided Board effectiveness review
- review of the Board appraisal process
- approval of authority mandate
- board training schedule
- NED and staff recruitment policy
- Remuneration Report and Remuneration Policy Statement
- non-executive director remuneration
- managers and staff pay review and bonus outcome
- 2024 executive remuneration proposals

- oversight of staff benefits package proposals.

Member Committee

Membership

The committee's membership during the year comprised:

- Emma Richards (Chair)
- Martin Bellingham
- Rebecca Hall

Purpose

The purpose of the Member Committee is to put Members and the wider Police Family at the heart of Metfriendly in line with our vision, mission and values.

The committee has a strong focus on listening to our Members through a variety of means to ensure our activities are driven by Officers, Staff and their families. The committee takes every opportunity to improve the trust Members have in our Society and make it easier for them to do business with us. The financial health and wider wellbeing of our Members is paramount, and the committee supports work to deliver tangible support to those who protect our communities.

The Member Committee continues to build on the proud 131-year history and heritage of the Society by supporting the Police Family, and this remains at the core of the committee's activities.

Activities during the Year

The committee's key activities during 2024 have included, but were not limited to:

- review of focus group findings and surveys
- review of the Society PPFM from a member perspective
- review of sponsorship and support for Police groups
- action tracker to capture and monitor voice of the Member and Member panel feedback and ideas
- stakeholder engagement
- affinity group feedback
- review and delivery of Consumer Duty requirements
- deep dive review of member engagement and complaints
- strategic project changes and the Member experience.

Investment Committee

Membership

The committee's membership in 2024 was:

- Nicola Hayes (Chair)
- Paul Grimshare
- Craig Haslam
- Graeme McAusland
- Lee Schöpp

Purpose

The purpose of the Investment Committee is to provide independent oversight of the Society's investment strategy and ongoing management of assets.

Activities during the year

During 2024, the Investment Committee devoted significant time to the oversight of and involvement in the transfer of management of the Society's listed and public investments to Schroders UK, and the design and establishment of appropriate procedures, controls and governance to appropriately manage and oversee this relationship. This activity was led by the CFO, supported by an external investment consultancy, legal, and tax specialists and with input from the Society's Chief Actuary.

In addition, the committee's key activities included, but were not limited to:

- review and approval of investment strategy, strategic asset allocation, and investment allocation targets and limits
- review and approval of changes to the non-Asset Share investment fund allocations
- oversight of asset liability matching process, results and actions
- oversight of investment manager performance including sustainability
- investment performance monitoring and market reviews
- consideration of fund manager reports and presentations.

Remuneration Report

This report is provided to give Members a full explanation of the remuneration policy and explains how the Society has applied 'The AFM Corporate Governance Code' as published in January 2019 with respect to directors' remuneration.

Remuneration, Nomination & Governance Committee

The list of non-executive directors who sit on the Remuneration, Nomination & Governance Committee is shown on page 41. The Chief Executive Officer is a member of the committee but is excluded from detailed discussions relating to their own remuneration.

Remuneration Policy

The Society's approach to remuneration is an integral part of its strategy. The policy aims to attract, motivate, support and retain high-quality, diverse talent with the necessary skills to achieve the Society's strategic objectives, meet regulatory requirements and support the short-, medium- and long-term interests of Members.

Remuneration is considered within the financial services sector for the geographical location the Society occupies, and business affordability. The policy is to provide an industry-competitive salary level, achieved through regular salary benchmarking exercises and a good working environment. Salaries are reviewed annually, and all staff are entitled to join a defined contribution pension scheme.

Remuneration Policy for Executive Directors

The Remuneration Policy of the executive directors comprises basic salary, a contributory pension and other benefits. The remuneration is approved by the Board based upon recommendation by the Remuneration, Nomination & Governance Committee, and includes all salary amendments.

The Society offered the same reward scheme throughout 2024 as in 2023. To ensure appropriate behaviour and good long-term stewardship by executives, the criteria are based on total overall performance against Society-wide objectives, individual objectives and living the values of the Society. The design and operation of the scheme was reviewed by the Remuneration, Nomination & Governance Committee, which considered it appropriate for the scheme to continue.

The employment contracts of the executive directors require a contractual notice period of six months by either party. The Remuneration, Nomination & Governance Committee will carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of their early termination.

Remuneration Policy for Non-Executive Directors

Non-executive directors (NEDs) are elected for up to three years by delegates at the Annual General Meeting. This appointment can be extended for two further three-year periods, at which point the non-executive director normally has to stand down in accordance with the Society's Rules. The Board will determine any notice period that is convenient to both the Society and the director under other circumstances. However, the initial or overall term may be amended to align with the needs of the Board.

The remuneration of all NEDs, including the chair, is reviewed on an annual basis by the Remuneration, Nomination & Governance Committee using advice and guidance from both internal and external sources. A recommendation is made to the Board, which then puts a proposition to the delegates at the Annual General Meeting to receive any remuneration changes. The NEDs are only entitled to fees and expenses, and do not participate in any performance-related pay schemes or receive any pension arrangements or other benefits.

During 2024, the remuneration paid to NEDs comprised a fixed amount in accordance with the roles they held.

Directors' Pension Benefits

Executive directors are invited to join the Society's Group Personal Pension Scheme, a defined contribution stakeholder pension scheme. The Society makes enhanced contributions when directors or staff contribute via salary sacrifice and those contributions are included in the remuneration table below.

Non-Executive Directors do not receive any pensionable benefits from the Society.

Directors' Remuneration

The following remuneration was payable to directors for their services to the Society during 2024:

Name	Fee/Salary 2024	Bonus 2024	Pension 2024	Benefits 2024	**Total 2024**	Total 2023
Executive Directors						
Annette Petchey	£205,694	£23,627	£19,460	£1,148	**£249,929**	£240,374
Martin Bellingham	£143,325	£13,899	£14,004	£1,016	**£172,244**	£162,920
Robert Dagg	£146,055	£17,066	£13,310	£934	**£177,365**	£166,947
Paul Grimshare	£146,055	£17,066	£13,146	£682	**£176,949**	£171,014
Total Executive Directors	**£641,129**	**£71,658**	**£59,920**	**£3,780**	**£776,487**	£741,255
Non-Executive Directors						
Graeme McAusland (Chair)	£52,887	-	-	-	**£52,887**	£50,369
Rebecca Hall	£30,267	-	-	-	**£30,267**	£28,825
Craig Haslam	£30,871	-	-	-	**£30,871**	£29,400
Nicola Hayes	£30,871	-	-	-	**£30,871**	£29,400
Katherine Jones[1]	£6,810	-	-	-	**£6,810**	-
Emma Richards	£32,446	-	-	-	**£32,446**	£30,900
Lee Schöpp	£33,899	-		-	**£33,899**	£32,283
Marcus Barnett[2]	-	-		-	**-**	£13,370
Total Non-Executive Directors	**£218,051**	**-**	**-**	**-**	**£218,051**	£214,547
Grand Total	**£859,180**	**£71,658**	**£59,920**	**£3,780**	**£994,538**	£955,802

1. Joined the Board on 1 October 2024
2. Resigned from the Board in July 2023

Statement of Directors' Responsibilities

The Friendly Societies Act 1992 and the regulations made under the Act require the Board of Directors to prepare accounts for each financial year that give a true and fair view of the state of the affairs of the Society and of the results of the Society for that period.

The financial statements of the Society have been prepared in accordance with United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103), and the special provisions relating to friendly societies as set out in The Friendly Societies (Accounts and Related Provisions) Regulations 1994, as amended.

In preparing those accounts, the directors are required to:

- select suitable accounting policies, then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Society will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the accounts comply with the Friendly Societies Act 1992 and the regulations made under the Act. 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 Board of Directors confirms that, in its view, it has complied with the above requirements in preparing the accounts for 2024.

Annette Petchey (Apr 4, 2025 15:45 GMT+1)

Annette Petchey

Chief Executive Officer

On behalf of the Board

4 April 2025

Independent auditor’s report to the members of Metropolitan Police Friendly Society Limited

For the purpose of this report, the terms “we” and “our” denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Metropolitan Police Friendly Society Limited. For the purposes of the table on page 49 that sets out the key audit matters and how our audit addressed the key audit matters, the terms “we” and “our” refer to MHA. The “Society” is defined as Metropolitan Police Friendly Society Limited. The relevant legislation governing the Society is the Friendly Societies Act 1992.

Opinion

We have audited the financial statements of Metropolitan Police Friendly Society Limited for the year ended 31 December 2024.

The financial statements that we have audited comprise:

- the Income and Expenditure Account
- the Balance Sheet
- Notes 1 to 17 to the consolidated financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Society’s financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Society’s affairs as at 31 December 2024 and the Society’s surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

Our opinion is consistent with our reporting to the Audit, Risk and Compliance Committee.

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 Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with those 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 Society's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Society's operations and specifically their business model for the provision of insurance policies and savings plans.
- The evaluation of how those risks might impact on the available financial resources.
- The consideration of multiple scenarios, including one where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors' when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of cash flow projections.
- Solvency considerations including review of technical provisions as at the year-end.
- Viability assessments, including consideration of budgets, forecasts and business plans.
- The review of the Solvency returns submitted during the year and at the year-end to ensure the basis of preparation and consistency of disclosure with the accounts, and in order to assist with conclusions on Going Concern position.
- The review for reasonableness of the Society's assessment of stress and scenario testing for the 2024 Own Risk and Solvency Assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Society and its environment, including the Society's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.		
Materiality:	**2024**	**2023**	
Society	£432,900	£450,000	1.5% (2023: 1.5%) of funds for future appropriations
Key audit matters:			
Recurring	Estimates of Technical Provisions		

Key Audit Matters

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

Estimates of Technical Provisions	
Key audit matter description	As described in accounting policies, provisions are made at the year-end for the estimated costs of claims incurred, but not settled, at the balance sheet date. As this assessment requires judgements, it is considered a key area of focus for the audit due to the material value of the provision. These judgements relate to the assumptions and methodology used in the actuarial models which determine the technical provisions.
How the scope of our audit responded to the key audit matter	Our work included the following procedures: • Our procedures included an assessment of the methodologies used to calculate the Technical Provisions at the year end. • We reviewed the work of the Society's Chief Risk Officer and Chief Actuary, which included a review of the methodologies adopted, verification of the accuracy of the data inputs into the calculations, and consideration of the resultant Technical Provisions to determine if they were in line with our expectations. • We engaged an independent Reviewing Actuary as auditor's expert to confirm to us that the methodologies, assumptions and calculations used by the Chief Actuary were materially appropriate and to provide conclusions and recommendations concerning the Society's compliance with Solvency II requirements in calculating the Technical Provisions and Solvency Capital Requirement. • We considered the experience and suitability of the Reviewing Actuary to assist our audit conclusions, determined that their work followed both Technical Actuarial Standards and Actuarial Professional Standards, and challenged their approach and conclusions arrived at by the Reviewing Actuary were appropriate. • The accounting policy and disclosures for the Technical Provisions were checked to financial reporting standards where necessary and were confirmed to be appropriate.
Key observations communicated to the Society's Audit Committee	Based on the procedures performed, nothing has come to our attention that indicates the Technical Provisions are materially misstated, inappropriately recorded or classified or non-compliant with applicable financial reporting standards.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Society was set at £432,900 (2023: £450,000) which was determined on the basis of 1.5% (2023: 1.5%) of the Society's funds for future appropriations. Funds for future appropriation was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements with which the users of the financial statements are principally concerned and it is deemed to be a key performance indicator for the Society.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Society was set at £303,030 (2023: £315,000) which represents 70% (2023: 70%) of the above materiality levels. The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £19,580 (2023: £13,000) to the Board of Directors and the Audit, Risk and Compliance committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The control environment

We evaluated the design and implementation of those internal controls of the Society, which are relevant to our audit, such as those relating to the financial reporting cycle.

Climate-related risks

In planning our audit and gaining an understanding of the Society, we considered the potential impact of climate-related risks on the business and its financial statements.

We have completed an assessment on the climate-related risks and concluded that they are not material to these financial statements, including with regards to the portfolio of investments held. Owing to a number of factors, including the fact the Society has not issued a net zero target, the lack of regulatory involvement from the PRA and no challenges being received from stakeholders, the risk is considered low.

Reporting on 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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report, which include the report on a friendly society's affairs by the committee of management, prepared for the purposes of the Friendly Society Act 1992, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report which include the report on a friendly society's affairs by the committee of management, have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Society and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report which include the report on a friendly society's affairs by the committee of management.

Matters on which we are required to report by exception

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 by the Society; or
- the Society financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations and the access to documents, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which 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 material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies and the Society's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the Directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Society focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of and regulations issued under the Friendly Society Act 1992, Financial Reporting Council and Prudential Regulation Authority or those others that had a fundamental effect on the operations of the Society.
- We enquired about the existence of, and investigated the findings of, any communication with regulators that had occurred during the year.
- Legal and professional expenditures were reviewed for any instances of any legal or regulatory communication or payments which had not been disclosed.
- We enquired of the Directors and management including the Audit, Risk & Compliance Committee concerning the Society's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates particularly in determining expected insurance claim losses and provisions.
- The engagement team shared this risk assessment with the component auditors of significant subsidiaries so that they could include appropriate audit procedures in response to such risks in their work.

Audit response to risks identified

In respect of the above procedures:

- We corroborated the results of our enquiries through our review of the minutes of the Society's Board of Directors, and Audit, Risk & Compliance Committee meetings, inspection of legal and regulatory correspondence and correspondences from the regulators the PRA and the FCA;
- Audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;

- evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
- enquiry of management around actual and potential litigation and claims;
- challenging the assumptions and judgements made by management and the experts engaged in assisting in its significant accounting estimates; and
- obtaining confirmations from third parties to confirm existence of a sample of balances.

* The Society operate in a highly regulated insurance industry. 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; and
* We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and the component auditors and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other requirements

We were appointed by the Directors on 24 January 2025. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Society, and we remain independent of the Society in conducting our audit.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sudhir Singh FCA
(Senior Statutory Auditor)
For and on behalf of MHA, Statutory Auditor
London, United Kingdom

9 April 2025

MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542)

Income and Expenditure Account

METROPOLITAN POLICE FRIENDLY SOCIEY LIMITED	Notes	2024 (£'000)	2023 (£'000)
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER			
EARNED PREMIUMS			
- CONTINUING OPERATIONS			
Gross Premiums Written	2a	26,490	30,204
Less: Reinsurance Premiums	2b	(328)	(293)
Earned Premiums, net of Reinsurance		26,162	29,911
Investment Income	3, 7	8,159	9,500
Realised Gains/(Losses)	3	1,499	5
Unrealised Investment Gains/(Losses)		7,969	13,406
TOTAL TECHNICAL INCOME		43,789	52,822
CLAIMS INCURRED			
Claims Paid			
- Gross Amount		34,954	31,408
- Less: Reinsurers' Share	2b	(329)	(276)
Change in the provision for claims			
- Gross Amount		185	(293)
- Reinsurers' Share	2b	202	(164)
Claims incurred, net of reinsurance		35,012	30,675
OTHER CHANGES IN TECHNICAL PROVISIONS			
Long-Term Business Provision			
- Gross Amount	11	2,261	13,001
- Reinsurers' Share	2b	39	7
Other Technical Provision	11	85	75
Other changes in Technical Provisions, net of reinsurance		2,385	13,083
OTHER CHARGES			
Net Operating Expenses	4	5,657	5,860
Tax Attributable to Long-Term Business	8	-	-
		5,657	5,860
TRANSFER TO THE FUND FOR FUTURE APPROPRIATIONS	14	735	3,204
TOTAL TECHNICAL CHARGES		43,789	52,822
BALANCE ON THE TECHNICAL ACCOUNT – LONG-TERM BUSINESS		-	-

The notes on pages 56 to 71 form part of these financial statements.

Balance Sheet

METROPOLITAN POLICE FRIENDLY SOCIETY LIMITED			
BALANCE SHEET AS AT 31 DECEMBER	**Notes**	**2024 (£'000)**	**2023 (£'000) Restated**
ASSETS:			
INTANGIBLE ASSETS	9	1,672	1,792
FINANCIAL INVESTMENTS	10	297,116	278,080
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Long-Term Business Provision – Reinsurers' share	11	1,028	1,067
Claims Outstanding – Reinsurers' share	11	87	289
REINSURERS' SHARE OF TECHNICAL PROVISIONS		1,115	1,356
DEBTORS			
Debtors arising from Direct Insurance Operations - Policyholders		101	454
Other Debtors	12	539	569
TOTAL DEBTORS		640	1,023
OTHER ASSETS			
Tangible Assets	13	45	55
Cash At Bank and In Hand		8,979	11,922
TOTAL OTHER ASSETS		9,024	11,977
PREPAYMENTS AND ACCRUED INCOME		481	2,193
TOTAL ASSETS		310,048	296,421
LIABILITIES:			
FUND FOR FUTURE APPROPRIATIONS	14	28,860	28,125
TECHNICAL PROVISIONS			
Long-Term Business Provision - Gross Amount	11	264,886	262,625
Other Technical Provision - Gross Amount	11	11,533	2,091
Claims Outstanding - Gross Amount	11	2,197	2,012
TOTAL TECHNICAL PROVISIONS		278,616	266,728
PROVISION FOR OTHER RISKS AND CHARGES			
Derivative Liability	10	1,331	-
Deferred Tax Liability	15	-	-
TOTAL PROVISION FOR OTHER RISKS AND CHARGES		1,331	-
CREDITORS			
Creditors including Taxation and other Social Security	16	385	664
TOTAL CREDITORS		385	664
ACCRUALS AND DEFERRED INCOME		856	904
TOTAL LIABILITIES		310,048	296,421

Approved by the Board of Management on 4 April 2025 and signed on its behalf by:

Graeme McAusland (Apr 4, 2025 15:54 GMT+1)

Annette Petchey (Apr 4, 2025 15:45 GMT+1)

Graeme McAusland – Chair

Annette Petchey – Chief Executive Officer

The notes on pages 56 to 71 form part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

Basis of Preparation

Metropolitan Police Friendly Society Limited is a Friendly Society registered in the United Kingdom. The registered office is Central Court, 1B Knoll Rise, Orpington, Kent, BR6 0JA.

The accounts are prepared on the basis of the accounting policies set out below. The accounts 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 Republic of Ireland” (FRS 102), Financial Reporting Standard 103, “Insurance Contracts” (FRS 103), and the special provisions relating to friendly societies as set out in The Friendly Societies (Accounts and Related Provisions) Regulations 1994, as amended. In implementing these requirements, the Society has adopted a Statutory Solvency basis for determining technical provisions. The Society’s functional currency and presentational currency is GBP, rounded to the nearest £000’s.

Under FRS 102, the Society as a mutual life assurance company is not required prepare a cash flow statement.

The comparative figure for Reinsurance creditors as at 31 December 2023 of £95k has been reclassified from Accruals and deferred income to Creditors including Taxation and other Social Security in note 16.

After making enquiries and considering the Society’s financial resources and business plans, the directors have assessed whether they have a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future, including at least twelve months from the date when the financial statements are authorised for issue. The directors’ assessment included consideration of the continued financial impact of global political uncertainty and conflicts, higher interest rates, and the uncertain economic outlook on the Society’s financial resources and business plans, the impact of further stresses on the Society’s financial resources and whether the Society can continue to manage its business risks despite the ongoing uncertain economic outlook. The directors have concluded that they have reasonable expectations that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

The Society was the sole shareholder of the £1 Ordinary share capital of Metfriends Limited from its incorporation on 26 May 2020 until its dissolution on 18 April 2023. Metfriends Limited did not trade. Consolidated accounts have not been prepared as the subsidiary was not material.

Contract Classification

The Society issues contracts to policyholders that transfer insurance risk and financial risk. Contracts that are classified as an insurance contract or as an investment contract will continue to be treated as such until all rights and obligations under the contract expire.

Insurance contracts are those contracts that transfer significant insurance risk by committing the Society to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Society defines significant insurance risk as the possibility of having to pay benefits on the occurrence of the insured event that are at least 10% more than the benefits payable if the insured event did not occur. The Society’s participating contracts are classified as insurance contracts, but also transfer financial risk and, absent the insured event, provide an investment return for the policyholder.

The Society’s Guaranteed Fixed Rate Bonds are not considered to transfer significant insurance risk and are classified as Investment Contracts at inception. Investment Contracts create a financial liability that is measured at fair value through profit and loss.

Premiums

Premiums are recognised when they become due. Reinsurance premiums are charged when they become payable. Premiums on Insurance Contracts are credited to the Income and Expenditure Account, while premium contributions relating to Investment Contracts are recorded as part of net contributions to Other Technical Provisions in the Statement of Financial Position.

In classifying new business premiums, the following bases of recognition have been adopted: incremental increases are included in new business premiums; single premiums constitute all contracts for which there is no expectation of continuing premiums being paid. All other contracts are included in regular premiums.

Claims

Death claims are recorded based on notifications received and include the value of interest that accrues on outstanding claims between the date of death and date of payment. Surrenders are recorded upon payment or removal from the technical provision (if earlier). Maturities are recorded when due.

Claims on Insurance Contracts are charged to the Income and Expenditure Account, while claims relating to Investment Contracts are recorded as part of net claims paid from Other Technical Provisions in the Statement of Financial Position. Reinsurance recoveries are credited to match the relevant gross claims amounts.

Acquisition costs

These are reflected within net operating expenses in the technical account for long-term business and include direct and indirect costs such as advertising and the administrative expenses connected with the processing of such policies. Acquisition costs are expensed as incurred.

Leases

Leasing agreements that transfer substantially all the benefits and risks of ownership of an asset to the Society are classified as Finance Leases, with asset treated as if it had been purchased outright and depreciated over the shorter of its useful economic life and the lease term. Other leasing agreements are deemed to be Operating Leases, with payments charged as expenses in the period to which they relate. Appropriate provisions are held when operating leases are considered to be onerous contracts (as defined under section 20 of FRS 102).

Cash at bank and in hand

This includes bank balances and deposits payable on demand, or with maturities of three months or less from inception.

Investments

The Society classifies its investments, including Variable yield securities and units in unit trusts and other pooled investments, Listed debt and other fixed-income securities, Deposits with credit institutions and Derivatives, at fair value through profit and loss in accordance with FRS 102. These investments are classified as at fair value through profit and loss at inception because they form part of a portfolio that is managed and whose performance is evaluated by the Society's key management personnel on a fair value basis. The classification of investments is determined at initial recognition.

Derivative financial instruments are initially recognised at fair value within investments on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value.

The fair value of investments is based on the quoted prices (unadjusted) for identical assets or liabilities in an active market where available, based on market inputs other than quoted prices, or based on an estimate being made of the fair value using a valuation technique as described in note 10 (c). Units in unit trusts and other pooled funds are included at published bid prices or single prices for single-priced funds on the balance sheet date or the last trading day before this date, except for Property funds that are valued at net asset value.

The investment cost is the cash cost of the individual investment holdings and, for income paying pooled funds, less that part of the first dividend notified to be a return of capital. Each individual investment purchase is recorded a separate lot and holdings that have been subject to part disposal are reported at a carried-forward cost that reflects the earliest acquired lots being sold first and any part sold lot disposed on a pro-rata basis.

Investment Income and Gains/(Losses)

Investment income includes dividends, distributions and interest receivable. Dividends, distributions and interest on fixed income securities are included as income when the right to receive payment is established. Bank deposit interest is included as income on an accruals basis.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original cost (if purchased in the current year), or net sales proceeds and prior year-end carrying value (if purchased in a prior year), and included in investment income.

Net unrealised gains or losses arising from changes in the fair value of investments, including derivatives, are calculated as the difference between current year-end carrying value and the original cost (if purchased in the current year), or current and prior year-end carrying values (if purchased in a prior year), and included as Net unrealised gains and losses in the Income and Expenditure Account for the year.

Investment Expenses and Charges

Certain investment management fees are not charged directly to the Society but are deducted by the respective fund managers from the pooled funds in which the Society invests. These fees are not included in net operating expenses or investment expenses and charges but are reflected in the market value of the Society's investments. Other investment management fees and expenses invoiced directly to the Society are accounted for on an accruals basis and deducted from investment income. These amounts are disclosed in note 7.

Current and Deferred Taxation

Current tax is the amount of tax payable (or recoverable) in respect of the taxable profit for the year or prior years. Deferred tax arises from timing differences that are differences between taxable profits and the technical account as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax are measured using tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference. Deferred tax recognised excludes the effect of the timing of tax relief where assumed expenses exceed attributable income recognised within the long-term business provision.

Fixed Assets

Tangible assets are stated at purchase cost, including any incidental costs of acquisition, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on tangible fixed assets at the following rates and methods to write off the cost of such assets over their estimated useful lives.

Leasehold improvements:	over the period of the lease on a straight-line basis
Computer equipment:	33.33% on a straight-line basis
Office fixtures, fittings, equipment:	20% on a straight-line basis

Intangible Assets

Intangible assets consist of internally generated software recognised in accordance with the criteria in section 18 of FRS 102 and are stated at cost, based on directly attributable development expenditure, less accumulated amortisation and accumulated impairment losses. Amortisation is charged when the intangible asset is available for use. The economic lives of these assets are determined by considering relevant factors such as usage of the asset, typical lifecycles, potential obsolescence, maintenance costs and the period of control of assets. Intangible software assets are amortised over 15 years using the straight-line method from the date the asset is available for use. Intangible assets are reviewed for impairment by considering if any factors indicate that the carrying amount may be impaired and, in this case, the recoverable amount will be assessed and the fixed asset written down to this value.

Long-Term Business Provision

The long-term business provision is determined by the Board of Directors, with the assistance of the chief actuary, adopting the mathematical reserves following her annual investigation of the long-term business. The provision is determined in accordance with Solvency UK and is equal to the sum of the best estimate liabilities ('BEL') and the risk margin ('RM').

Other Technical Provisions

The Other Technical Provision for Guaranteed Fixed Rate Bonds is initially measured at fair value, being the premium contribution received. Subsequent measurement is at fair value and this is determined, with the assistance of the chief actuary, in accordance with Solvency UK and equal to the best estimate liability for the Guaranteed Fixed Rate Bond.

Fund for Future Appropriations

The fund for future appropriations represents all funds, the allocation of which to policyholders had not yet been determined by the end of the financial year. Any surplus or deficit on the technical account is transferred to or from the fund on an annual basis.

Critical Judgements and Estimates

The Society considers that critical judgements and estimates are confined to the determination of technical provisions and, in particular, the quantification of future guarantee costs and the charges for guarantees. These are dependent on a number of items, such as investment returns on asset shares over the year, the level of underlying market volatility, the mix of assets backing With-Profits assets shares (in particular, the volatility of future returns on those assets), and the expected investment returns on assets backing asset shares (as informed by the prevailing risk-free interest rates). The cost of guarantees is calculated using the Black Scholes closed form approach. As at 31 December 2024, the present value of charges for guarantees at the current rate significantly exceeds the cost of guarantees and, as the Society would not operate with charges significantly exceeding the cost of guarantees on an ongoing basis, the value of charges recognised has been reduced so that the net of future guarantee costs less the charges for guarantees is nil.

2. PREMIUM INCOME AND REINSURANCE

a) Premiums Written	**2024 (£'000)**			**2023 (£'000)**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Life Assurance Business						
Non-participating Contracts						
- Periodic Premiums	5,292	328	**4,964**	5,390	293	**5,097**
Participating Contracts						
- Periodic Premiums	8,286	-	**8,286**	8,311	-	**8,311**
- Single Premiums	12,912	-	**12,912**	16,503	-	**16,503**
TOTAL PREMIUMS WRITTEN	26,490	328	**26,162**	30,204	293	**29,911**

	2024 (£'000)			**2023 (£'000)**		
Gross New Premiums	Regular Premium	Single Premium	**Total**	Regular Premium	Single Premium	**Total**
Total Gross New Premiums resulting from contracts concluded by the Society	1,505	12,912	**14,417**	1,522	16,503	**18,025**

Premiums written and Gross New Premiums included in the table above exclude premium receipts of £9,357k in 2024 (2023: £2,016k) relating to single premium, non-participating investment contracts that are not recognised as income in the Income & Expenditure Technical Account but instead recorded as Contributions to Other Technical Provisions in the Statement of Financial Position and disclosed in note 11 Technical Provisions. Total Premium receipts (Gross) and Gross New Premiums including this business are £35,847k (2023: £31,927k) and £23,774k (2023: £20,041k) respectively.

All business is written in the UK in respect of continuing operations and is direct business relating exclusively to individual policyholders.

b) Net Impact of Reinsurance	**2024 (£'000)**	**2023 (£'000)**
Reinsurance Premiums	328	293
Reinsurers' Share of Claims Incurred	(127)	(440)
	201	(147)
Reinsurers' Share of Change in Long-Term Business Provision	39	7
Net (income) / expenditure on reinsurance	240	(140)

The effect of reinsurance was to reduce the transfer to the Fund for Future Appropriations by £240k for the year ended 31 December 2024 (2023: an increase in the transfer to FFA of £140k).

3. INVESTMENT INCOME AND REALISED GAINS

	2024 (£'000)	**2023 (£'000)**
Income from investments	8,159	9,500
Net gains on the realisation of investments	1,499	5
Investment income and realised net gains	9,658	9,505

Income from investments and Net gains on the realisation of investments include £Nil (2023: £Nil) from listed investments. The income and gains arise from financial assets held at fair value through the Income and Expenditure Account. Details of investment expenses and charges deducted from investment income are disclosed in Note 7.

4. NET OPERATING EXPENSES

	2024 (£'000)	**2023 (£'000)**
Acquisition Costs	2,273	2,427
Administrative Costs	3,384	3,433
Net Operating Expenses	5,657	5,860

External audit fees of £132,600 for the audit of the Society’s 2024 annual accounts are included in 2024 Net Operating Expenses. 2023 external audit fees were £178,200 and are included in 2023 Net Operating Expenses The Solvency & Financial Condition Report was exempt from audit and there were no other audit-related services. Fees payable to the external auditors for other services, pursuant to legislation, amounted to £Nil (2023: £Nil).

The Society’s Chief Actuary and With-Profits Actuary is Lindsay Unwin, BSc FIA of Milliman LLP. The Society has confirmed that neither Ms Unwin nor any member of her family were members of the Society, nor did they have any financial or pecuniary interests in the Society, apart from fees payable to Milliman LLP, which amounted to £420,501 for 2024 (2023: £329,000).

Net Operating Expenses includes £97,385 (2023: £97,385) payable for non-cancellable leases in respect of office space.

5. STAFF COSTS

	2024 (£'000)	2023 (£'000)
Wages and Salaries	2,625	2,717
Social Security Costs	288	259
Other Pension Costs	197	187
	3,110	3,163

All staff costs are included in Net operating expenses.

The Society contributes to a defined contribution pension scheme administered by a separate entity, whereby it pays fixed contributions based on employee's remuneration and has no further payment obligations. Pension contributions are charged to the Income & Expenditure Account when due and amounts not paid are included in Trade Creditors. The expense for the scheme in the year was £197k (2023: £187k).

The average number of employees, including executives, during the year comprised:

	2024	2023
Executive directors	4	4
Non-executive directors	6	7
All other staff	35	38
	45	49

6. BOARD MEMBERS' EMOLUMENTS

During 2024, the chair received emoluments of £52,887 (2023: £50,369). Six other non-executive directors received emoluments totalling £165,164 during 2024 (2023: £164,178). No compensation for loss of office was paid to non-executive directors who resigned during the year.

For 2024, the Society's key management personnel are the four executive directors and the change & technology director. They received total emoluments for the year of £890,193 (2023: £741,255, excluding change & technology director), including pension contributions of £68,464 (2023: £54,156). The highest paid director during the year received emoluments of £249,929 (2023: £240,374).

Details of the executive directors' emoluments are disclosed in the Remuneration Report on page 45.

7. INVESTMENT EXPENSES AND CHARGES

Investment expenses and charges are not included in net operating expenses but are either reflected in the market value of the Society's investments or, for those fees charged directly to the Society, deducted from investment income (see Note 3).

For 2024, total investment expenses and charges are estimated to be £901k (2023: £1,059k). This is made up of gross investment management fees of £1,079k (2023: £1,239k) and other investment expenses of £57k (2023: £137k) less rebates on investment management fees of £235k (2023: £317k). Of these amounts, £245k has been charged directly to the Society and £655k (net of rebates) is estimated as reflected in the market value of the Society's investments (2023: £429k and £630k respectively).

8. TAXATION

	2024 (£'000)	2023 (£'000)
Current Corporation Tax at 20% (2023: 20%)	-	-
Adjustment in respect of prior year	-	-
Change in Deferred Taxation	-	-
Taxation charge / (credit) to the year	-	-

The Society is liable to UK Corporation Tax at the rate of 20% on a proportion of investment income and gains, less allowable expenses and losses, on business other than that relating to tax-exempt policies. This tax is computed in accordance with the legislation applicable to life assurance companies.

There is no tax liability for 2024 due to allowable expenses and investment losses arising in prior years, which were carried forward and offset against taxable income and gains arising in 2024.

The deferred tax position is presented in note 15.

The taxation rate for the current and previous year was 20%.

9. INTANGIBLE ASSETS

	Intangible Assets £'000
At 1 January 2024	1,886
Additions	5
At 31 December 2024	1,891
Amortisation	
At 1 January 2024	94
Amortisation charge for the year	125
At 31 December 2024	219
Net Book Value:	
At 31 December 2024	**1,672**
At 31 December 2023	1,792

Additions to intangible assets relate to internally generated software that enables us to provide an improved service to Members, will facilitate future development and generates operational process efficiencies. The amortisation charge for the year ended 31 December 2024 was £125k (2023: £94k).

10. INVESTMENTS

During 2024, the Society transferred the majority of its investments into a new investment management agreement with Schroders Investment Management Limited ("Schroders"). This provides a more tailored, flexible and lower cost mechanism to invest in a diversified portfolio of, mainly fixed income and equity, investments. The transfer has resulted in changes to amounts disclosed in this note between 2023 and 2024.

a) **Investments**	**FAIR VALUE**		**HISTORICAL COST**	
	2024 (£'000)	**2023 (£'000)**	**2024 (£'000)**	**2023 (£'000)**
Variable yield securities and units in unit trusts and other pooled investments	294,662	278,080	287,479	280,136
Listed debt and other fixed-income securities	-	-	-	-
Deposits with credit institutions	2,343	-	2,343	-
Derivative assets (see note 10b)	111	-	-	-
TOTAL INVESTMENT ASSETS	**297,116**	**278,080**	**289,822**	**280,136**
Derivative liabilities (see note 10b)	(1,331)	-	-	-
TOTAL INVESTMENTS & DERIVATIVES	**295,785**	**278,080**	**289,822**	**280,136**

For analysis of the fair value measurement of financial investments, see below. Deposits with credit institutions, cash at bank and in hand are held at the amount payable on demand.

b) Derivative Financial Instruments

The Society has authorised Schroders, as part of our new investment management agreement, to enter certain equity index futures, government bond futures and foreign currency forward contracts on the Society's behalf.

These instruments may be entered solely for the purpose of hedging certain risks (in particular, using foreign currency forward contracts to offset non-GBP currency exposures – mainly US Dollar - arising from non-GBP denominated investments) and for efficient portfolio management including tactical asset allocation. The use of derivatives is not permitted to increase the portfolio's aggregate net market exposure to above 100% of portfolio market value, nor to materially change the long-term risk profile of the portfolio.

The Society held the following derivative financial instruments at year-end:	**2024 (£'000)**			**2023 (£'000)**		
	Contract / notional amount	**Fair value Asset**	**Fair value Liability**	**Contract / notional amount**	**Fair value Asset**	**Fair value Liability**
Equity index futures	7,078	-	(196)	-	-	-
Government Bond futures	10,791	44	-	-	-	-
FX forwards	85,405	67	(1,135)	-	-	-
TOTAL DERIVATIVES		**111**	**(1,331)**		**-**	**-**

c) Fair Value Estimation

The table below provides an analysis of the investments disclosed at fair value in Note 10a. These have been grouped by fair value level according to the following fair value hierarchy:

Level 1: The fair value of financial instruments included is based on the quoted price (unadjusted) in an active market that is most representative of the fair value for identical assets or liabilities. An instrument is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular occurring market transactions at an arms-length basis. This includes exchange traded derivatives.

Level 2: The fair value of financial instruments is based on inputs other than quoted prices included within Level 1. The price of a recent transaction for an identical asset or liability provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time.

Level 3: The fair value of financial instruments included is based on inputs that are not based on active and recent transactions of an identical asset or liability, resulting in an estimate being made of the fair value using a valuation technique.

The Society's investments in Property funds which are priced at the funds' net asset value ("NAV"), which is considered as a Level 2 input and therefore these funds have been classified as Level 2. The Society's investments in currency forward contracts are determined based on market interest rates and current FX spot rates, and these contracts have been classified as Level 2. All other investments are classified as Level 1.

Fair value hierarchy at 31 December:

Fair Value at 31 December 2024	**Level 1 (£'000)**	**Level 2 (£'000)**	**Level 3 (£'000)**	**TOTAL (£'000)**
Variable yield securities and units in unit trusts and other pooled investments	275,039	19,623	-	**294,662**
Listed debt and other fixed-income securities	-	-	-	**-**
Deposits with credit institutions	2,343	-	-	**2,343**
Derivative assets (see note 10b)	44	67	-	**111**
Derivative liabilities (see note 10b)	(196)	(1,135)	-	**(1,331)**
TOTAL INVESTMENTS & DERIVATIVES	**277,230**	**18,555**	**-**	**295,785**

Fair Value at 31 December 2023	**Level 1 (£'000)**	**Level 2 (£'000)**	**Level 3 (£'000)**	**TOTAL (£'000)**
Variable yield securities and units in unit trusts and other pooled investments	259,800	18,280	-	**278,080**
Listed debt and other fixed-income securities	-	-	-	**-**
Deposits with credit institutions	-	-	-	**-**
Derivative assets (see note 10b)	-	-	-	**-**
Derivative liabilities (see note 10b)	-	-	-	**-**
TOTAL INVESTMENTS & DERIVATIVES	**259,800**	**18,280**	**-**	**278,080**

d) Financial Risk Management

Objectives and Policies:

The Society aims to diversify its investments to meet the expectations of its Members, who mainly hold With-Profits contracts. Matching of assets to liabilities is regularly monitored, with the guaranteed element of liabilities largely backed by the fixed income assets. Any new class of investment is researched as to its security and risk and is purchased by the Society only after prior approval has been given by the Board of Management.

Market Risks:

The Society is exposed to market risk and in falling markets the capital available to support the business would reduce. In some circumstances, the long-term business provision would reduce due to the application of a higher rate of interest being used to value the liabilities.

The sensitivity of the Society's Fund for Future Appropriations (FFA) to changes in market conditions is indicated by the estimated potential impacts shown in the table on the next page. The reduction in the impact of the credit spread sensitivity is consistent with the changes in credit rating profile disclosed on page 66.

Sensitivity of the Society's FFA to changes in market conditions as at 31 December:	2024 Change In FFA	2023 Change In FFA
1% Increase in Interest Rates	-4%	-7%
20% Fall in Equity Markets	-5%	-6%
3% Absolute Increase in Implied Equity Investment Volatility	-1%	-1%
1% Increase in Credit Spreads	-8%	-12%

i.) Interest rate risk

Fluctuations in interest rates can cause the fair value of fixed income assets to alter, and they can affect the discount rate used to value technical provisions, including the provisions for guarantees under With-Profits contracts. Our matching process includes consideration of the duration of both assets and liabilities. The impact of several sensitivity tests on Own Funds has been investigated. A 1% increase in risk-free rates decreased technical provisions by £9.7m (2023: £11.4m) and decreased Own Funds by £1.2m (2023: £1.9m).

ii.) Currency risk

The Society considers currency risk to be minimal, as all its liabilities and non-investment assets are denominated in Sterling, and most investments are denominated in Sterling or effectively hedged to Sterling by the Society's investment managers. The Society holds some non-Sterling equity and other funds that are not hedged, and other pooled investments my hold non-Sterling denominated assets, but the Society does not hedge the underlying currency, as it considers the risk to be integral to the nature of assets and a factor contributing to other market price risk. As such, a separate sensitivity on currency risk has not been presented.

iii.) Other market price risk

Equity and credit spread price fluctuations on investments are the main component of other market price risks taken by the Society. Property investments pose a similar type of risk but lower in magnitude. All equity and property price risks and the majority of credit spread price risks are borne by the asset shares backing With-Profits contracts, but their secondary effect is to alter the value of the guarantees provided on these contracts.

The Society's capital fluctuates with market risk generally. The Society accepts such fluctuations as integral to its business, subject to limits placed on the proportion of the investments giving rise to market risks that may be held and with regular monitoring of its capital coverage.

Liquidity risk:

Liquidity risk is the risk that the Society may not be able to generate sufficient cash resources to settle its obligations in full as they fall due. Therefore, the Society's policy is to invest sufficient funds in short-term deposits and pooled funds (including bond funds, equity, and property funds). Only a limited proportion of its assets are in investments that are not actively traded. Except for its holdings in property funds, the Society's securities are considered readily realisable.

The Society invests approximately 6% (2023: 6%) of its assets in property funds that require notice of redemption or reserve the right to suspend redemptions. As a result, the Society may not be able to liquidate these investments quickly at an amount close to fair value.

As part of the calculation of technical provisions, the model produces cash payments expected over the period of 25 years to the conclusion of policies in force at the balance sheet date. The average duration of the long-term business provisions is estimated at between five to ten years. No funding deficit is anticipated at any point over that future period, as over 90% of balance sheet assets are invested in highly liquid pooled funds. There is no intention to change this liquidity profile. Liquidity risk is accordingly minimal.

Credit risk:

The Society invests most of its assets in fixed income funds and securities, mainly via liquidity and bond funds that total £205.1 million (2023: £129.9 million). Prior to the transfer to Schroders, the Society also held fixed income assets via a multi-asset fund (2023: total holding of £130 million with 51% of underlying assets in fixed income securities, including 9% of underlying assets classified as high yield or emerging market debt).

The Society limits the aggregate proportion of below investment grade fixed income holdings and seeks to ensure associated credit risk is well diversified, with no material exposure to any one counterparty.

The rating profile of the underlying fixed income assets within the Society's holdings in liquidity and bond funds and fixed income securities is shown in the table below.

Fixed Income Investment Credit Ratings	2024	2023
AAA	3%	5%
AA	18%	9%
A	34%	22%
BBB	40%	53%
Below Investment Grade	7%	11%
Unrated	-	-
	100%	100%

Credit risk exposure can also arise from the use of derivative financial instruments within the investment portfolio managed by Schroders. However, the residual risk is mitigated by ensuring all futures are exchanged-traded where possible and that other derivative transactions have appropriate margin arrangements and are placed with counterparties that are reviewed and approved as creditworthy by our investment managers.

Credit exposure also arises from the Society's reinsurance assets of £1.1 million (2023: £1.4 million) and cash balances including deposits with credit institutions of £11.3 million (2023: £11.9 million). Reinsurance is with companies with credit risk ratings of AA. Cash balances are held with UK regulated banks and building societies with credit ratings of A.

Solvency Capital Coverage and Sensitivities:

The Society is defined as a "small firm for external audit purposes" and its SFCR was not subject to audit for the year ended 31 December 2024. The numbers contained in this note are therefore unaudited.

The risk and capital management framework of the Society is central to its ability to continue delivering the benefits of a friendly society into the future. The Society's capital arises entirely from historical surpluses that have not been distributed to Members. The Society has no shareholders' funds and there are no borrowings. The Society is currently well capitalised in respect of its size, business objectives and risk profile. There is no intention to call upon funds from Members, so the capital base must be sufficient to withstand the stresses to which the Society's insurance underwriting, business operations and investment portfolios are subject without recourse to raising further capital to maintain financial strength and allow new growth.

The Society is regulated by the Prudential Regulation Authority ("PRA") and is subject to the solvency regulations within the PRA Rulebook ("Solvency UK"), which specify the minimum level and type of capital that must be held in addition to insurance liabilities. The Society manages its capital having regard to Solvency UK's capital requirements, and the Society is required to have a Solvency Capital Requirement ("SCR") that meets a 99.5% confidence level of the ability of the Society to meet its obligations over a 12-month time horizon. The Society calculates its SCR in accordance with the standard formula prescribed in the Solvency UK regulations, as the assumptions underlying the standard formula are considered appropriate for the Society's risk profile. The Society has met the requirements of the Solvency UK regime to date.

A separate report, the Solvency and Financial Condition Report, published on our website, gives details of our Solvency and Risk Management. Under Solvency UK, we have capital available of £27.2 million (2023: £26.3 million) to meet our Solvency Capital Requirement of £10.8 million (2022: £11.5 million), a coverage ratio of 252% (2023: 229%). This is within the Society's risk appetite set by the Board, which is to maintain solvency coverage within a target range, currently set at 150% - 300% of SCR.

The Society considers the sensitivity of its capital resources to extreme market conditions. It considered the impact of a 55% fall in equity values at the balance sheet date. The estimated effect was to reduce the capital available to £22.5 million and the coverage ratio to 208% (2023: £22.1 million and 193%), well within the Society's acceptable risk appetite range. Other factors tested on previous occasions, including variations in new business levels, have a much smaller impact on coverage ratio.

11. TECHNICAL PROVISIONS

Technical Liabilities	Long-Term Business Provision £'000	Other Technical Provisions £'000	Claims Outstanding £'000	Total £'000
Gross Amounts:				
At 1 January 2023	249,624	-	2,305	251,929
Contributions to Investment Contracts	-	2,016	-	2,016
Claims paid on Investment Contracts	-	-	-	-
Transfers (to)/from Technical Account	13,001	75	(293)	12,783
At 31 December 2023	262,625	2,091	2,012	266,728
Contributions to Investment Contracts	-	9,357	-	9,357
Claims paid on Investment Contracts	-	-	-	-
Transfers (to)/from Technical Account	2,261	85	185	2,531
At 31 December 2024	264,886	11,533	2,197	278,616
Reinsurers' Share:				
At 1 January 2023	1,074	-	125	1,199
Transfers (from)/to Technical Account	(7)	-	164	157
At 31 December 2023	1,067	-	289	1,356
Transfers (from)/to Technical Account	(39)	-	(202)	(241)
At 31 December 2024	1,028	-	87	1,115

Analysis of Technical Liabilities (Net of Reinsurance):	Non-participating £'000	Participating £'000	**2024 Total £'000**	2023 Total £'000
Long-Term Business Provision				
- Participating (With Profits)	-	252,673	**252,673**	**249,698**
- Non-participating	11,185	-	**11,185**	**11,860**
	11,185	252,673	**263,858**	**261,558**
Other Technical Provisions	11,533	-	**11,533**	**2,091**
Claims Outstanding	317	1,793	**2,110**	**1,723**
Total Technical Liabilities	23,035	254,466	**277,501**	**265,372**

Other Technical Provisions comprises the fair-value liability for Guaranteed Fixed Rate Bonds, which are non-profit life assurance contracts that meet the classification criteria for Investment Contracts. The aggregate amounts payable on Guaranteed Fixed Rate Bonds at maturity would be £13,953k (2023: £2,512k). The value of the change in Other Technical Provisions attributable to changes in own credit risk is considered material.

All other business issued by the Society is in the form of Insurance Contracts.

The Fund for Future Appropriations of £28.9 million (2023: £28.1 million) – see note 14 - also belongs to Members, including those with only non-participating contracts. It is not possible or appropriate to allocate this amount in the above table because any allocation is subject to future determination. As at balance sheet date, no allocation has been made.

Capital and risk management for life business

For conventional With-Profits business, the key sensitivity is to future investment returns. The target mix of With-Profits Fund assets is kept under review, considering the level of capital required and the anticipated returns for Members. In 2024, the With-Profits target asset mix was reviewed and adjusted as a part of the transfer of investment management to Schroders. The underlying investment strategy and considerations are unchanged and are set out in the Society's Principles and Practices of Financial Management.

With-Profits Asset Mix at the Valuation Date	2024	2023
Cash	6%	7%
Fixed Income	56%	62%
Equities & other growth assets	30%	22%
Property	8%	9%
	100%	100%

2023 Asset mix has been restated with Bond (35%) and Equity/Multi-asset (53%) fund holdings disaggregated into underlying asset mix based on each fund's underlying investment holdings.

Principal assumptions

In line with the Solvency UK rules, all business is valued using the risk-free interest rate term structure as specified by the PRA at the valuation date to calculate the Best Estimate Liability, in accordance with the PRA Rulebook's part on Technical Provisions (2. Calculation of Technical Provisions).

The long-term business provision has been calculated based on the following principal assumptions:

Class of business	Mortality	
With-Profits endowment	80% AM/FCO0 Ult	(2023: 80% AM/FCO0 Ult)
With-Profits whole life	80% AM/FCO0 Ult	(2023: 80% AM/FCO0 Ult)
Non-profit endowment	80% AM/FCO0 Ult	(2023: 80% AM/FCO0 Ult)
Term assurance	80% TM/FN/S00 Ult	(2023: 80% TM/FN/S00 Ult)
Mortgage protection assurance	80% TM/FN/S00 Ult	(2023: 80% TM/FN/S00 Ult)

Lapse rates vary by product and are based on an analysis of the Society's past experience.

Expenses on endowment and whole life business are based on the Society's required margins, as deducted from asset shares in the case of With-Profits business. Expenses on term assurances, mortgage protection assurances and Guaranteed Fixed Rate Bonds are based on the Society's most recent experience, updated to reflect cost inflation and implemented product or process change.

Options and guarantees

The sum assured, as increased by annual bonuses, is guaranteed to be paid on death or, where applicable, on maturity. On surrender, the only material option or guarantee within the Society's contracts relates to Single Premium participating business written before April 2013, where there is a guaranteed surrender value on the tenth and subsequent anniversaries or tenth and subsequent fifth anniversaries for business. Under this business, the surrender value cannot then be lower than the sum assured as increased by annual bonuses. The Society cannot at these points in time, nor on death, impose any "Market Value Reduction" in adverse market conditions. The Society's technical provisions allow for both the cost of providing guarantees and the charges applied to relevant policies to meet those costs.

Insurance Risk

The Society considers that it has low aggregate exposure to insurance risk including concentration risk, given its product range. The Society is most exposed to insurance risk arising from claims under its protection contracts. These risks are usually the subject of reinsurance contracts, with separate treaties covering term assurances, income protection and critical illness business underwritten from 2023.

Fluctuations in claims would be unlikely to have a material impact on the capital available to support the business. Moreover, an adverse trend in income protection claims would be mitigated by an increase in the premiums charged, as the Society is able to review these for existing contracts.

The impact of several sensitivity tests on Own Funds have been investigated. A 10% deterioration in the demographic assumptions underlying the valuation of the Best Estimate Liability for the non-profit business resulted in an increase of £0.7m (2023: £0.7m) in the Technical Provisions, and a decrease of £0.5m (2023: £0.4m) in Own Funds.

12. OTHER DEBTORS

	2024 (£'000)	**2023 (£'000)**
Corporation Tax	535	565
Other debtors	4	4
	539	569

13. TANGIBLE ASSETS

	Short Leasehold Improvements £'000	**Computer Equipment £'000**	**Office Fixtures, Fittings, Equipment £'000**	**TOTAL £'000**
Cost				
At 1 January 2024	215	150	68	433
Additions	-	33	-	33
Disposals	-	-	-	-
At 31 December 2024	215	183	68	466
Depreciation:				
At 1 January 2024	194	116	68	378
Charge for the year	16	27	-	43
Disposals	-	-	-	-
At 31 December 2024	210	143	68	421
Net Book Value:				
At 31 December 2024	5	40	-	45
At 31 December 2023	21	34	-	55

The depreciation charge for the year ended 31 December 2024 was £43,000 (2023: £48,000). There was a loss on disposal of assets for the year ended 31 December 2024 of £nil (2023: £nil).

14. FUND FOR FUTURE APPROPRIATIONS

	2024 (£'000)	2023 (£'000)
Balance at 1 January	28,125	24,921
Transfer from / (to) Income and Expenditure Account	735	3,204
Balance at 31 December	28,860	28,125

Movement in Fund for Future Appropriations	2024 (£'000)	2023 (£'000)
At 1 January	28,125	24,921
Change in the Net Cost of Guarantees	(900)	1,500
Investment Return on FFA and Non-Profit investments	1,100	2,350
Change in Economic Assumptions	2,400	(1,150)
Strain from writing New Business	(1,700)	(1,600)
Reduction in Risk Margin (including regulatory change in 2023)	100	1,200
Other Surplus movements	(265)	904
At 31 December	28,860	28,125

The Change in the Cost of Guarantees includes changes arising from asset share movements, and in 2024 also includes the potential cost of reducing future guarantee charges so they do not exceed the expected future cost of providing those guarantees. The Strain of Writing New Business includes the cost of promotional bonuses and the excess of acquisition costs over current year expenses margins from that business.

15. DEFERRED INCOME TAX

	2024 (£'000)	2023 (£'000)
Balance at 1 January - Liability	-	-
Income and Expenditure Account Credit/(Debit)	-	-
Balance at 31 December - Liability	-	-

The deferred tax liability recognised in the balance sheet comprises:

	2024 (£’000)	2023 (£’000)
Excess expenses and other tax losses carried forward	711	989
Deferred acquisition expenses	245	367
Capital gains on investments	(493)	(364)
Fixed assets timing differences	(115)	(120)
Accrued income	(8)	(40)
	340	832
Unrecognised deferred tax asset	(340)	(832)
Deferred tax asset / (liability) recognised in the balance sheet	-	-

The Society has the following unused tax losses and expenses carried forward: excess expenses £3,557k (2023: £4,844k) and deferred acquisition expenses £1,224k (2023: £1,833k). These losses have no expiry date.

The Society's ability to utilise unused tax losses and expenses carried forward to offset future corporation tax payments has been reflected in the valuation of technical liabilities for non-participating business. No separate deferred tax asset has been recognised due to uncertainty in the amount of additional taxable profits expected in the foreseeable future from which residual excess expenses and losses will be recoverable.

The net deferred tax asset not recognised comprises:

	2024 (£'000)	2023 (£'000)
Expenses and losses deductible in future periods	956	1,356
Capital gains on investments	(493)	(364)
Other timing differences	(123)	(160)
Deferred tax asset not recognised	340	832

Deferred tax is calculated at 20% (2022: 20%).

16. CREDITORS

	2024 (£'000)	2023 (£'000) Restated
Trade Creditors	313	592
Tax and Social Security	72	72
	385	664

17. OPERATING LEASES

	2024 (£'000)	2023 (£'000)
Future minimum lease payments under non-cancellable Leases in respect of land and buildings as at 31 December are as follows:		
- Within one year	25	97
- In two to five years	-	25
- In over five years	-	-
	25	122

During 2025, the Society has committed to new lease agreements for its current Orpington office premises following expiry of the current leases. The new leases are for a 10-year term from 10 April 2025, with a 5-year break option. Minimum lease payments are £113,000 for the first 2 years and £128,000 for the next 3 years. Payments for the final 5 years are subject to an open market rent review.