Annual Report and Financial Statements

Financial year ending
31st December 2024

Mutuality and Purpose

Our strategy is to offer simple and accessible products which provide our members with a more certain financial future. We have made it our mission to provide clear, fair products that help our members organise their finances and secure their family's future. Our values guide our behaviour and the way we deliver our products and services.

Shepherds Friendly

Annual Report and Financial Statements

31st December 2024

Our Directors and Advisers

Non-Executive Directors
Mark Myers – Chair
Alison McKinna – Senior Independent Director
Cameron Mills
Neil Tinegate
Simon Pashby
Oliver Laird (effective from 1st January 2025)
Nemone Wynn-Evans (retired on 31st December 2024)

Executive Directors
Ann-Marie O'Dea – Chief Executive
Samuel Chivers – Chief Operating Officer
Christopher Critchlow – Chief Actuary

Company Secretary and Registered Office
Elizabeth Martin (appointed 26th March 2024)
Tim Robertson (retired 26th March 2024)
Haw Bank House, Cheadle SK8 1AL

Chief Actuary
Christopher Critchlow FIA

With-Profits Actuary
Cara Spinks FIA (Broadstone Limited)

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

Internal Auditors
RSM UK Risk Assurance Services LLP

Tax Advisors
PwC LLP

Bankers
Santander UK PLC

Investment Managers
Royal London Asset Management Limited ("RLAM")
Legal & General Investment Management Ltd ("LGIM")
Russell Investments Ltd

Contents

The Shepherds Friendly Society Limited ("The Society") is registered and incorporated in the United Kingdom under the Friendly Societies Act 1992, registered number 240F.

The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) registration number 109997.

Tel: 0800 526 249
Email: members@shepherdsfriendly.co.uk
Website: www.shepherdsfriendly.co.uk

A Message From Our Chair

I am grateful for this early opportunity to write to our members after being appointed by the Board as your Chair when Nemone Wynn-Evans retired from the Board on 31st December 2024. The Society has thrived for nearly two centuries by staying true to its mutual values while continually evolving to meet the needs of its members. Over the past few years, I have personally observed the Society's growth and development through my role on the Board, and I am excited to play my part in this continued progression.

As the Society approaches its 200-year anniversary, I am pleased that its purpose remains the same, to improve our members' lives through financial security. We have made it our mission to simplify the complex and to provide our members with financial wellbeing. Our values guide our behaviour and the way we deliver our products and services and our ambition to become the personal finance provider of choice.

Another year of member growth and resilience

Over 2024, interest rates in the UK remained high and inflation fell more slowly than expected. As a result, our members continue to face cost-of-living pressures. We have continued to provide support to our members by innovating our products and enhancing their features to make them more relevant. This has seen the Society grow over 2024 both in terms of policy numbers and premium income. These figures confirm the resilience of the Society's strategy through uncertain economic conditions.

However, this strong growth and building of future resilience has not come without a cost and has resulted in a reduction in our Fund for Future Appropriations ("FFA") this year. There are three main deliberate factors behind this. Firstly, your Board believes we need to increase the level of investment in our products, people and technology platforms to equip the Society for our next century. This investment is set to continue in 2025 and 2026 and is already yielding efficiency gains. Secondly, growing our with-profits business has upfront costs, and will yield benefits in future years by reducing our average cost per policy, thereby making us more efficient and supporting better returns for members. Finally having looked at the domestic and international macro-economic and political situation and the impact it is likely to have on our existing and future members, we have taken the decision to strengthen our reserving in certain areas to prepare for this more uncertain outlook.

I am pleased to report that the Society's investment assets have continued to grow over the year. Our pooled investments experienced a return of +8.6% over 2024 against a volatile economic backdrop. The Board oversees the performance of the Society's investment strategy which is to provide favourable and smoothed returns for our members.

Selected highlights

Achieved a solvency ratio of 189% (2023: 206%)

Members' funds ("FFA") of £20.8m (2023: £22.8m)

INVESTORS IN PEOPLE®
We invest in people Platinum

Maintained Platinum accreditation from Investors in People

INVESTORS IN THE ENVIRONMENT
GREEN MEMBER

Achieved Green accreditation from Investors in the Environment

The Society's long-term business provision for in-force policies has increased by £7.9m over 2024 to £32.9m as at 31st December 2024. The increase is a function of the growth in the Society's with-profits business combined with the higher interest rates over the year. The Society's solvency ratio has reduced from 206% to 189% as at 31st December 2024 driven by the decrease in FFA and this growth in new business.

Who we exist for

All of the activities undertaken by the Society revolves around our members. We have invested in enhancing our members' experience, ensuring that communications are clear and that members can reach out to us how and when they need to. A notable achievement in this regard is the introduction of our mobile app, which facilitates a secure digital access to the Society's products and communications for our members. The continued emphasis on our members has meant that we have been able to respond to over 32,000 member queries over the year and our number of in-force policies has increased by 13% over the year.

It is central to our mission that we simplify the complex to provide our members with financial wellbeing. This year, we received the Clear & Simple Mark from Fairer Finance. With fewer than 25 organisations in the UK achieving this credential, we are part of a group that has focused on the need for clearer financial communications. This recognition highlights our commitment to providing transparent and comprehensible financial documents, thereby enhancing our members' understanding of their investments.

We appreciate the feedback from our members and have acted on specific suggestions regarding the timing of payment of our ISA and Junior ISA bonuses. Previously paid annually, we have now moved to a quarterly bonus allocation. This change allows our members to receive more current updates and timely information regarding their investment performance.

Our human touch

The Society offers a personal customer experience, using technology alongside a human touch to meet members' needs, made possible through the unwavering commitment of our people.

We are dedicated to fostering a culture of excellence that enables our people to thrive and advance in their personal and professional development. Our strong culture to develop our people is externally validated by holding the Platinum accreditation from Investors in People. This accreditation is given to less than 3% of organisations that apply. It was also an honour to be a 2024 finalist in our category for their UK Employer of the Year award.

Governance and regulation

Since the introduction of the new Consumer Duty rules by the FCA, the Society has continued to take action to deliver good outcomes for customers and avoid foreseeable harm. In 2023 the Society adapted its processes and reporting in line with the Consumer Duty requirements for that year and extended its implementation for its closed products over 2024.

We as a Board maintain vigilance on the regulatory landscape for our protection and savings products. We design the Society's strategy to adapt to risks and possible opportunities arising from such regulatory changes.

A new strategy

I am pleased to share that in 2024 the Board signed off the Society's new strategy which the CEO, Ann-Marie covers in more detail in her report. The Board fully supports the direction of the business plan to future-proof the Society taking into consideration the challenges arising from economic, regulatory and political developments here in the UK and abroad.

The Society will focus on initiatives designed to meet the needs of its members and target consumers effectively. We will focus on growing the Shepherds Friendly brand through the ongoing brand awareness campaign which includes the Society's first ever television advertisement. We are also making enhancements to the Society's products and services and using technology including AI to transform our operations and new business acquisition.

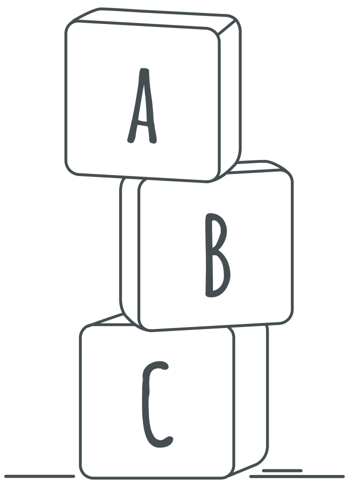
As Chair, I am confident that the Society's new strategy will increase our ability to deliver long-term value for its members.

Thank you

I would like to personally thank Nemone Wynn-Evans for her exceptional leadership at Shepherds Friendly. Her dedication as Chair has been invaluable on top of her previous contribution as an astute independent director of the Society. I would also like to welcome Oliver Laird who has joined the Board as a Non-Executive Director. Lastly, I want to thank my Board colleagues and our people at the Society. The past year has once again not been without its challenges; however the dedication and adaptability of our people has meant that the Society has been able to perform well and grow in 2024.

M. K. Myers

Mark Myers
Chair
2nd April 2025



Strategic Review by our Chief Executive

A significant year of member growth

As we conclude on the final year of our three year business plan, I reflect on a continued positive set of results for the Society. This achievement has established a solid foundation for the Society's next phase of growth taking into consideration the challenges that the interest and inflation rate environment is still presenting to our members. I do believe that the strength of our strategy lies in our member-focused vision coupled with the commitment of our people to support our members. This is what has ensured our success this year.

The Society has continued to be able to grow and deliver against all its strategic objectives:

- In force policy numbers have increased to 161,000 (2023: 143,000) and this includes growth in with-profits membership by 14%;
- Gross premium income has grown to £46.9m (2023: £36.6m) from new business and new routes to market; and
- Total assets have increased to £249m (2023: £217m) with investment income of £12.7m (2023: £8.8m).

Financial resilience and business investment

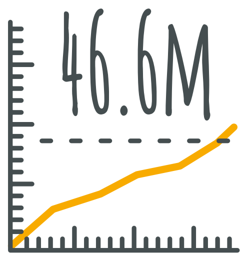
As the Society invests in growth, there has been more focus on the headline risks to ensure our financial targets are achieved. Through our risk management framework, the Board keeps a close eye on all the headline risks and takes appropriate strategic measures to manage the Society's financial resilience.

The Society has not been immune from the effects of the wider external events notably the increase in interest rates, higher and more persistent inflation, and changing demographic experience. Our enhanced approach to risk management means the Society is able to take prompt corrective action as needed.

A key indicator of the Society's financial strength is our solvency ratio, which was 189% at the end of 2024 compared to 206% at the end of the prior year. Our Funds for Future Appropriation to members ("FFA") has decreased to £20.8m at 31 December 2024 from £22.8m at the end of the prior year in line with our investment plans. Further details of our capital resources and key changes are set out in Note 23 to the financial statements.

Strategic KPIs

13% increase in number of policies in-force to 161,000 (2023: 143,000)



Increase in gross premium income by £10.3m to £46.9m (2023: £36.6m)

Total assets of have increased by £32m to £249m (2023: £217m)

The regulatory changes at the end of the previous year reduced the capital that insurers, like the Society, are required to hold and this in turn has helped us use the capital to invest and drive growth. Through the Society's business plan over the next three years, the Board has carefully outlined its strategy and ambitions to deliver longer-term value for its members while maintaining financial resilience in an uncertain economic environment.

Products

As a with-profits mutual, one of our strategic objectives is to continue to grow our with-profits membership and I am delighted that we have continued this growth by 14% over 2024. We have and will always look after our with-profits members and we manage the Society's funds to ensure they are getting a favourable and stable return for their investments. This has resulted in another year of bonuses being paid.

Some other highlights over the year include:

- Enhancing our existing and closed products to ensure we deliver good outcomes for our members;
- Working with external partners to grow and diversify our product range;
- Reviewing our routes to market for our Income Protection members ensuring they meet customer needs and expectations.

People

The Society recognises that our people and culture of agility, resilience and flexibility are key to the successful delivery of our strategic objectives and delivering the best outcomes for our members. It is important therefore that the Society continues to evolve its current operating model to ensure that it remains resilient whilst continuing to grow.

As an employer, our goal is to foster a diverse and inclusive environment for our employees as part of our focus on the development and wellbeing of our people. We allow time for our staff to take part in diversity initiatives and in 2024 we held a day to recognise National Inclusion week that included a talk focusing on the benefits of dyslexic thinking. This culminated in the Society maintaining the Platinum award from Investors in People, the highest accolade that recognises the Society as an organisation that cares about its people.

In 2024, I am proud to announce that we celebrated five years as a Living Wage Employer and it was our first year receiving the Living Pension Employer accreditation. This affirms the Society as a values-driven organisation and the importance of rewarding people for their hard work.

Platforms

In an ever-evolving world of technological advancements it is imperative that we work hard to ensure our platforms are fit for purpose.

Some of the achievements over 2024 include:

- Enhancing our onboarding journey by digitising and strengthening our verification process for new members;
- Improving the functionality and features of our mobile app;
- Improving our customer communication channels, an example being the launch of our out of hours chat functionality;

- Launching a bereavement claims portal to simplify the claims process for the families of our members who are going through a difficult time.

Sustainability and doing the right thing

A key part of our strategy is to continue on our journey to become a sustainable business. To achieve this strategic objective, we strive to do business in a financially, environmentally and socially responsible manner. This includes:

- Maintaining the Society's status as a carbon-neutral business. The Society has been progressing with process automation and digitisation to reduce our carbon footprint and it continues to support Climate Partner on their carbon offsetting projects. The Society works closely with ClimatePartner to understand and analyse our carbon footprint so we can make strategic decisions on how to reduce it. Our full consideration of the Society's climate change impact is covered in the Climate Change Report on page 9.
- Achieving Green accreditation, the highest accolade, from Investors in the Environment (iiE). The scheme was designed to help organisations reduce their impact on the environment. The accreditation was an improvement from the Silver award achieved in the prior year and therefore testament to the efforts undertaken by the Society to reduce and reuse waste and reducing its carbon footprint.
- Engaging with our investment management providers to ensure that the companies we invest in share our goals on sustainability and responsibility.
- Supporting charities in the local community. Our people are encouraged to spend one working day a year to support a local charity.

A new chapter for our strategy

2025 is set to be another exciting milestone, as we embark on our new strategy.

A key area of focus is our products where we must continue to ensure that they stay relevant for our members and target markets but also relate to new market segments. We will consistently evaluate our products for our members to ensure they align with their long-term financial objectives. As a with-profits provider, the Society will also continue to invest to grow its with-profits membership base.

A review of our current ways of working is underway to ensure that they are fully optimised for the delivery of our strategic plans. We will therefore be investing over 2025 in the up-skilling, re-skilling and development of our people in both technical and personal competencies. We recognise our core capabilities and we will continue to use our expertise to enhance our member service.

The new strategy continues to advance our technological capabilities to ensure that our people are operating in an efficient and secure environment to serve members' needs.

The new strategy presents an ambitious yet attainable plan for the Society. We recognise that 2025 and the delivery of the strategy will not be without its challenges as we continue to see the impact of geopolitical uncertainty on investment returns, inflation and interest rates affecting consumer confidence, and the continued cost-of-living pressures on our members and our people. We will also keep a close eye on regulatory reforms and policies being introduced because of the recent change in UK government. Through the Society's risk management framework, we will monitor the Society's significant risks and keep under consideration the measures that the Society can take to maintain solvency and financial stability now and in the future.

And finally

I would like to express my heartfelt appreciation to our devoted team, whose unwavering dedication has played a crucial role in the Society's achievements. I also extend my thanks to our strategic partners for their collaborative efforts in reaching our goals, and to our Board of Directors for their continuous guidance, challenges, and support.

I would also like to take this opportunity to sincerely thank our much-valued members of the Society. I am excited to see the Society continue to support you in the years ahead, so you can achieve your long-term financial goals.

Ann-Marie O'Dea
Chief Executive
2nd April 2025

Strategic Report - Climate Change

The Society recognises its role as a responsible business to consider the implications of climate change on our members, our operations and our community. Physical risks of climate change are not, at this stage, expected to have a material impact on the Society. Like most health and life insurers, the transitional effects of moving to a greener economy as a result of climate change have a greater impact on the Society.

In line with industry developments, we continue to evolve our governance, risk management, measurement and target-setting as we take a strategic approach that recognises the increasing impact that climate-related changes have on our business and wider environment.

Governance

The Board has ultimate responsibility for the Society's climate change strategy and risk appetite. The Board Risk Committee has been allocated responsibilities for the financial risks of climate change, and helps the Board oversee and understand the implications for the Society's strategy and risk management framework. The Nominations & Governance Committee has oversight of the implementation of the Society's climate change strategy.

The Society has committed to an Environmental Policy which has been approved by the Board.

Strategy

The Society has identified the climate change related risks and opportunities shown below, together with actions being taken or considered to mitigate these risks or harness these opportunities. The overall strategy and risk appetite includes but is not limited to:

- Reducing its operational carbon footprint and greenhouse gas emissions in line with international climate targets and continuing to pursue strategies to maintain net-zero emissions as well as reducing our overall gross emissions;
- Actively assessing and stress testing the impact of climate change in the Society's longer-term financial projections and minimising the risks across its product portfolio, capital investments and member services; and
- Providing transparent and comprehensive internal and external reporting on the Society's climate related risk appetite.

As part of the Society's investment strategy, the Board regularly engages with its investment management providers to ensure their investment approach is aligned to the Society's aim to reduce the impact of climate change. RLAM's and LGIM's approach is to actively engage with the companies that they invest in giving them an opportunity to influence positively the behaviours and practices that impact climate change. They also apply negative screens to remove or reduce exposure to companies with poor environmental, social and governance ("ESG") processes.

Risk and Opportunities

The Society uses its Risk Management Framework to identify and monitor risks and the Board Risk Committee oversees risks due to climate change. The Society's Risk Management Framework and ORSA (see below) are continually updated to reflect the financial risks of climate change.

Climate change risks have been incorporated into the Society's existing headline risk categories, rather than a standalone risk category. This approach looks to ensure that all risk owners in the Society consider the potential risks associated with climate change when evaluating their risks.

Product Risks: In the medium- to long-term there is a risk climate change may lead to physical, transitional and liability costs that lead to changes in the Society's expected longevity, sickness and lapse rates.

The Society has embedded climate change risks in the annual Own Risk and Solvency Assessment ("ORSA") scenario and stress testing to assess the potential impact on product performance, solvency and liquidity. This includes considering climate change on reducing mortality and increasing sickness rates due to milder winters and increased heatwaves. The risks emerging can be managed appropriately through the Board approved Capital Management Restoration Plan.

Capital Risks: In the short- to medium-term there is a risk that climate change has a detrimental impact on market asset prices and an increase in physical, transitional and liability costs affecting the value of assets held by the Society.

As economies move towards net zero, market shocks along the way could pose the greatest risk to the value of the Society's assets and liabilities. The scenarios considered the impact of reaching net zero by 2050 but with higher than expected implementation costs in addition to increased sickness rates and increased expense and benefit inflation. In this scenario the driver is a reduction in own funds, and capital requirements do not materially move. Own funds reduce in value due to a decrease in the value of the protection book of business, and a fall in asset values.

To mitigate this risk the Society now monitors the carbon emissions of its investments. The results of this are discussed further in the Metrics and Targets section below.

Operational Risks: There is a risk of operational failures caused by physical impacts of climate change in the medium- to long-term, for example on essential utilities, business critical supplies and distribution networks.

As part of the Society's operational resilience framework, climate change scenarios have been integrated into the Society's disaster recovery testing in order to mitigate this risk.

There is also a second risk that ESG and climate change initiatives are poorly managed affecting the reputation of the Society as a responsible employer and reducing morale of its people.

This risk is mitigated by engaging and involving all employees into the Society's climate initiatives and having an employee lead focus group for climate initiatives. Climate change has also been embedded into the Society's values, behaviors and strategic objectives.

Metrics and Targets

During the year, two metrics were designed to be an early warning indicator that the risks discussed above may not be being managed as expected. The basis of the two metrics is to monitor CO2 emissions for both the Society's investment managers and the Society's operations.

Emissions are categorised into three scopes, in line with climate change standards:

Scope 1 includes all emissions generated directly, for example by company-owned equipment or vehicle fleets.

Scope 2 lists emissions generated by purchased energy, for example electricity and district heating.

Scope 3 includes all other emissions that are not under direct corporate control, such as employee travel or product disposal.

For the Society's investment managers, the metric monitors scope 1 and 2 emissions by value invested, measured under standard global usage in US Dollars. This is considered to be the most direct measure of the carbon emitting activities of the companies the Society invests in.

For the Society itself, the metric monitors scope 1, 2 and 3 emissions per employee. This is the total emission the Society nets off by investing in green carbon offsetting initiatives.

In both cases these metrics are calculated annually and 2023 has been determined as the baseline year. We are developing specific thresholds for risk tolerance. Until then the Society's target is for the metric to decrease year on year.

	2023	2024	RAYG rating
Metric 1 Scope 1 & 2 emissions per $million invested	54.7tCO2e/$m	50.6tCO2e/$m	In line with target
Metric 2 Total scope 1, 2 & 3 emissions per employee	1.38 tCO2/employee	1.10 tCO2/employee	In line with target

Strategic Report - Risk Management Report

Risk Appetite

The Board is responsible for setting the Society's risk appetite which is expressed in the annual Own Risk and Solvency Assessment ("ORSA"). The ORSA can be produced more frequently if the Society's risk profile has changed materially. The ORSA is fundamental in informing the strategy for the Society. One ORSA was produced in the year as the Society's risk profile has not materially changed from the prior year.

The Society's overarching risk appetite is to hold a strong capital position and to be able to maintain solvency under significant adverse events. The Society's Risk Appetite Statement explains the level of risk that the Society is prepared to accept in pursuit of its strategic objectives and defines tolerances within each risk category.

Risk Management Framework

The Board has ultimate responsibility over risk management, and it is supported by Board Committees in executing its responsibilities. The Society applies the three lines of defence model as illustrated below:

1st line of defence

- **Front line staff**
- Day to day risk management
- Application of internal controls

2nd line of defence

- **Risk & Compliance department**
- **Actuarial Function**
- Guidance and direction
- Oversight
- Monitor effectiveness of policies and framework

3rd line of defence

- **Internal audit**
- Review of 1st & 2nd line
- Independent perspective
- Offer assurance

The Society's Risk Management Framework (the "RMF") sits alongside the strategic plan and it is designed to be proportional, aligned, embedded and dynamic. The RMF looks to ensure that risk management and risk culture supports the identification, assessment, management and control of material risks that threaten the achievement of the strategy as well as fair treatment of and outcome for members and customers. The principal architecture for identifying and assessing risks includes setting out the main risk categories, assigning headline risks to risk owners in the Society, monitoring emerging risks, and reporting to the relevant Board Committees.

To facilitate our RMF, the Society's Risk Database is the central repository for all risks identified by the Society. Key risk reporting indicators are used as early warning indicators for each headline risk. They are aligned to the risk appetites and reported to the relevant Board Committee.

Summary of Key Risks

Product risk: The uncertainty around the value of the Shepherds product portfolio, the risk of financial loss through adverse demographic experience, its ability to make a return for members and the risk that the product portfolio does not represent fair value for customers.

The Society aims to maintain a varied product range and varied distribution channels to provide continuous flexibility and adaptability to changing market circumstances. The Society sets new business targets in line with the strategic plan, and risk appetite and tolerances. The Board monitors new business volumes against its targets and oversees that Management take corrective measures to address any significant variances.

Expenses, lapse and sickness claims experience are closely managed against the Society's risk appetite by Senior Management and monitored by the Board Risk Committee with Board oversight. Action is taken when experience is outside tolerance.

The Society seeks to work with intermediaries with similar values to deliver the quality of new business it expects and to promote member retention. The Society also focuses on member retention initiatives, and it has enhanced the benefits provided to Income Protection ("IP") policyholders to aid recovery from sickness and to prevent sickness. Reinsurance arrangements help to mitigate sickness risks and IP premiums may be reviewed in line with the terms and conditions of the contracts to adjust for adverse experience.

The Society is committed to ensuring that its customers are treated fairly and experience good outcomes. The Society has embedded Consumer Duty across the business and has developed key metrics to measure consumer outcomes at key stages of the customer journey. The Society has a Board Consumer Duty champion who ensures that the Board takes into consideration Consumer Duty requirements in its discussions. Management, the Fair Members Benefit Committee and the Board regularly review management information on complaints, customer communications and sales journeys to maintain oversight.

Capital risk: This reflects the uncertainty around the value and liquidity of assets held by Shepherds, the risk of financial loss caused by a change in the value of investments or changes in the credit standing of counterparties to which the Society is exposed.

The Society holds investments in pooled funds that are designed to generate investment returns and reduce volatility risk in the longer-term. Investment risk volatility for the Society's With-Profits Fund is actively managed by fund managers at RLAM. The Society's unit-linked funds are invested in appropriate fund indices that are tracked by LGIM. The Board has oversight of RLAM as a key outsourced active investment management services provider. Investment performance and emerging experience is monitored by the Board Risk Committee and the Fair Members Benefit Committee. The Society maintains a varied product range and any reduction in the book value of IP policies as a result of higher interest rates will be mostly offset by a lower value of liability on the Society's with-profit business and a higher value of the Society's derivative financial contract that is linked to the value of the UK gilt.

The Society monitors the credit worthiness of all its material counterparties and takes mitigating actions when there are concerns over the credit rating. Material counterparties are selected based on an assessment of their financial strength and global reputation. This means the credit risk is low for the Society's material counterparties that includes its reinsurers, investment management providers and banking providers. Management reviews outstanding balances from intermediaries on a weekly basis and takes action to recover overdue payments.

Operational risk: This reflects the uncertainty around the ability of the Society to deliver the strategy set by the Board, be operationally resilient and meet legal and regulatory requirements, and mitigating the risk of financial loss through ineffective operational management.

The Society has a policy in place to provide minimum standards by which product oversight, fair value, and governance are maintained and risks are mitigated. The Society has a dedicated Compliance function within the business, whose role is to support all employees and to ensure they have the requisite knowledge of the applicable laws and regulations for their roles and functions. Training programmes are reviewed annually to identify any gaps in knowledge which are required to be filled. All employees are mandated to complete at least 15 hours of continuing professional development every year.

The Society has in place an Operational Resilience Framework to manage and stress test operational and technological crises covering various areas such as data and cyber security, enabling rapid and effective decision making. The Framework identifies the important business services, critical and important suppliers, and critical roles in the business. The Framework sets out the frequency that the Society reviews key controls and an assessment of how they can be flexed during periods of operational strain. Before entering any outsourcing relationships, the Society conducts due diligence on the organisations and the outsourced activity to ensure any risks are considered. The Society recognises that cyber threats constantly evolve in sophistication and it continues to invest in its security systems to ensure the Society remains resilient to cyber threats and other physical threats to business continuity.

The Board Risk Committee and the Board monitors the key risk indicators reported by management. The key risk indicators aim to act as early warning flags on change management risk. Management have established an internal management committee to review progress of strategically important projects, manage the project roadmap and manage strains on development resources.

Corporate Governance - Board of Directors

We present below the members of our Board as at the date of approval of the financial statements along with a summary of their professional experiences.

Profiles of the Board Members in 2024

Mark Myers – Chair as of 1st January 2025 and Non-Executive Director (Chair of Nominations & Governance Committee)

Experience: Mark has worked in the Financial Services sector for 40 years and has a broad range of experience across banking and insurance, having worked for both public companies and mutual organisations. His recent experience was as CEO of British Friendly, a mutual Income Protection provider and interim CEO of MetFriendly, an affinity based with-profits mutual which provides savings and investment products to members of the police service.

External appointments: Committee Member of Huntingdon Racecourse and Chair of the Finance and Operations Committee for the King's School, Ely.

Ann-Marie O'Dea – Chief Executive

Experience: Ann-Marie brought to the Society a wealth of marketing experience gained from over 20 years in the industry. She has held senior positions in various advertising and marketing agencies working on accounts such as Royal Bank of Scotland, Yorkshire Bank, Parcelforce and the N Brown Group. Since joining she has held several Board roles including Marketing Director and Managing Director of the Society's subsidiary Financial Advice Network. Ann-Marie was appointed CEO in January 2015. As Chief Executive, Ann-Marie provides strategic and operational leadership to ensure the Society's continuing development and financial stability.

External appointments: Chair of the Association of Financial Mutuals

Alison McKinna – Non-Executive Director (Senior Independent Director as of 7th January 2025 and Chair of Remuneration & Engagement Committee)

Experience: Alison has experience in both the public and private sector, across multiple industries including financial services, technology, healthcare and charities. She is an accomplished and client focused business leader with a successful track record of business transformation ensuring financial growth, digital innovation and improved customer experience. Alison was a finalist for Board Director of the Year in the UK Women in IT Awards 2021, recognising her contribution to technology enabled organisations, and support for diversity and inclusion.

External appointments: Non-Executive Director of BHSF (Chair of Remuneration Committee), Non-Executive Director of Mattioli Woods (Chair of Risk and Compliance Committee) and Westbourne School Governor (Deputy Chair).

Cameron Mills – Non-Executive Director (Chair of Fair Members Benefits Committee)

Experience: Cameron qualified as a Fellow of the Faculty and Institute of Actuaries in 1988. He has worked in the insurance industry for over 35 years not only in the UK but also in Europe and Asia. Prior to retirement, Cameron was the Chief Actuary for a mutual insurance company and before that he has held roles in risk, compliance, marketing and sales.

External appointments: None

Neil Tinegate – Non-Executive Director (Chair of Board Risk Committee)

Experience: Neil has over 25 years' executive experience predominantly in retail and consumer goods sectors. He has held senior and board level roles in a range of corporate structures from global PLCs to AIM listed and private equity backed businesses. With customer-facing digital transformation as a specialism, he played lead roles in the teams that digitally transformed Argos in the UK and Heineken across Europe.

External appointments: Non-Executive Director of Mansfield Building Society, Trustee of Shaw Education Trust and external advisor to a range of corporate clients.

Oliver Laird – Non-Executive Director (effective from 1st January 2025)

Experience: Oliver has over 20 years of experience across retail, financial services and manufacturing sectors. With his extensive knowledge and insights at the board level as a CFO and NED, he is commercially focused and has a proven track record of delivering strategic change and operational improvements. Oliver has served as Chief Financial Officer at Lookers PLC and First Direct Bank, Director of Central Finance at Lloyds Banking Group, and Finance Director of Co-Op Insurance Services.

External appointments: Non-executive positions in both mutual and public organisations, including Beverley Building Society, Vanquis Bank and Paysafe.

Simon Pashby – Non-Executive Director (Chair of Audit & Compliance Committee)

Experience: Simon is a Fellow of the Institute of Chartered Accountants in England and Wales and former audit partner with over 30 years' experience working in financial services. He has experience of advising a wide range of organisations in financial services on risk, regulations and controls. Simon retired from KPMG in 2012.

External appointments: None

Christopher Critchlow – Chief Actuary and Executive Director

Experience: Qualified actuary with over 30 years' experience working in the financial services sector. Before joining Shepherds Friendly in 2020, Christopher was a Director at OAC Ltd where he previously acted as Chief Actuary and With-Profits Actuary to a number of insurers in the UK. As Chief Actuary for the Society, he is responsible for developing, promoting and implementing sound capital and risk management policies and processes within the Society, and thereby, ensuring the members' interests are protected.

External appointments: Non-Executive Director of Stewart Title Limited.

Samuel Chivers – Chief Operating Officer and Executive Director

Experience: Sam has been with the Society for over 15 years and joined the Board in 2019. Sam holds responsibility for leading the day-to-day operations of the business in accordance with the overarching strategic plan and the annual operating plan. He also chairs two management committees and oversees the operational resilience of the Society. Through delivery of the Society's Technology Strategy, he has played a key role in modernising the Society's infrastructure to add new capabilities and improve scalability to enable the Society to meet the evolving needs of our members.

External appointments: None

Board Attendance in 2024

The attendance of the Board members at Board meetings during the year were as follows:

	Jan	Mar	Apr[1]	May	May	Jul	Sep	Sep	Nov	Dec
	BM	BM	BM	BM	SD	BM	BM	SD	BM	BM
Nemone Wynn-Evans – Chair	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Mark Myers – NED	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Ann-Marie O'Dea – CEO	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Alison McKinna – NED	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Cameron Mills – NED	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Neil Tinegate – NED	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Simon Pashby – NED	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Christopher Critchlow - Executive Director	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Samuel Chivers - Executive Director	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑

(BM – Board meeting / SD – Strategy days)

[1] The meeting held in April was an additional meeting to approve the Annual Report and Financial Statements and Solvency Financial Condition Report for the year ended 31st December 2023.

Corporate Governance - Directors' Report

Directors and Interests

Details of the current members of the Board are given on pages 15 to 17. Information on how they have governed and managed the affairs of the Society and its subsidiaries in the year is given in the Corporate Governance Report on pages 15 to 35.

The Society has continued to maintain Directors' and Officers' liability insurance cover during the year and as at the date of approval of these financial statements. As permitted by the Society's Articles of Association, the Directors also benefit from qualifying third-party indemnity arrangements in a form and scope which comply with the requirements of the Companies Act 2006.

Business Activities and Future Development

The Group comprises The Shepherds Friendly Society Limited ('the Society') and its subsidiary companies, Financial Advice Network Limited and Financial Advice Website Limited. The Society writes mainly Income Protection, ISA, Junior ISA, Over 50s and Fixed Rate Bond plans in the United Kingdom and maintains a book of Child Trust Fund policies. The Society also underwrites life insurance policies sold through third-party arrangements. The Society is incorporated under the Friendly Society Act 1992 and is categorised as a Directive Friendly Society. The Society is authorised by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The activities of Financial Advice Network Limited and Financial Advice Website Limited have been discontinued.

The Directors confirm that to the best of their knowledge all activities carried out by the Society during the year were within the Society's powers and authorisations.

The Board sets objectives and priorities supported by KPIs and targets, which it monitors on an ongoing basis throughout the year. The KPIs include membership numbers, solvency ratio, the changes to the Society's fund for future appropriations ("FFA") and net carbon neutrality. A financial and strategic review for the year is contained in the Chief Executive Report on page 5.

Risk Management and Internal Control

The Directors have carried out a robust assessment of the principal risks facing the Group and the Society, as part of the annual ORSA cycle. An overview of the Group's risk management can be found on pages 12 to 14. Note 24 to the financial statements also provides details about the Group's financial risk management and controls.

The effectiveness of the Society's internal policies, systems and controls are monitored at multiple levels. The primary responsibility lies with the senior management team and its people in the business. Further monitoring is provided by the internal Risk, Compliance and Actuarial functions. The Society also engages an independent Internal Audit firm to provide an independent assessment of policies, systems and controls.

The Audit & Compliance Committee oversees the effectiveness of this internal control structure, and an overview of this process is included in the Audit & Compliance Committee report on page 27.

The Directors have reviewed the effectiveness of risk management and internal controls and concluded that there were no significant failings or weaknesses to report.

Employees and Engagement with Employees

The Nominations & Governance Committee provides oversight of the Society's initiatives on diversity, equality and inclusion and the Remuneration & Engagement Committee provides oversight of how the Society's remuneration policy and practices affect the Society's engagement with our people.

The Directors maintain various forms of formal and informal communication with our people. The Executives regularly update our people on developments within the Society at meetings, through bulletins and other internal communications. Our people can raise formal matters of concern such as fraud, serious misconduct or malpractice anonymously through the whistleblowing process.

Diversity and Inclusion

The Society has continued to enhance its Diversity, Equality and Inclusion (DEI) programme throughout 2024 to support our commitment to creating a positive and inclusive work environment. We promote acceptance of differing thoughts and ideas and ensure that we are respectful and inclusive in the way we work with each other, our members and third parties.

Our DEI initiatives were focussed on the following areas:

Recruitment and Selection

We have continued to develop and improve our recruitment and selection process to ensure that we attract a diverse pool of candidates. As a result of the initiatives we have undertaken, the demographic characteristics of our people have continued to improve across all areas.

Women in Finance

We actively promote the development and progression of our female employees and as part of this commitment, the Society is a signatory of the HM Treasury Women in Finance Charter. The aim of the charter is to increase female representation in senior roles within the financial services sector. We set a target of 30% women in senior management positions. The Society surpassed this target again in 2024 with 32% of leadership positions being held by women.

Additionally, our median gender pay gap improved between 2023 and 2024 due to changes to the gender profile of the Society's colleagues. We have more women being promoted into senior positions. We regularly review all salaries to ensure that there are no disparities in pay whereby men are paid significantly higher than women when undertaking similar roles within a function, other than for reasons of experience or additional qualifications.

Social Mobility

The Society has engaged with local colleges and organisations to support young people with routes into the workplace and provide a better understanding of career opportunities. Our activities have included partnering with a local college to host a careers day for their sixth form students, hosting a summer internship, work experience opportunities, and offering mentoring opportunities through external charities for young people from lower socio-economic backgrounds.

Celebrating Diversity

We have run a number of learning and development activities to improve our education and understanding of various DEI issues. The sessions included vegan January, men's health and International Women's Day. We also recognised National Inclusion Week with events covering various topics including neurodiversity, the LGBTQ+ community and dignity at work.

Education and Training

The Society is committed to enhancing and strengthening our existing culture and values and ensuring that its people are both educated and understand their responsibilities. The Society provided training on the Worker Protection Act, new legislation which creates a duty on employers to take reasonable steps to prevent sexual harassment of their employees in the workplace. This training was to ensure that everyone has up to date knowledge of the legislation and understands their obligations. We also ran Dignity at Work sessions as way of continuing to embed and strengthen the right values and behaviours within the Society.

Diversity, Equality and Inclusion Strategy

Following the proposed new rules outlined by the regulator in relation to Diversity, Equality & Inclusion (DEI), a DEI strategy applicable to both the Board and our people has been developed. This strategy focuses on four key themes:

1. Creating a dignified and respectful workplace
2. Developing education and understanding
3. Recruiting, retaining and progressing
4. Serving the needs of our community

The strategy will be launched throughout 2025 and success of the KPIs agreed within the strategy with be measured using both qualitative and quantitative data.

Donations

The Society partners with charities in the local community, providing them with support in the shape of donations and running of events. The Society donated £3,300 (2023: £2,600) to charities during the year. No political donations were made during the year (2023: £nil).

Going Concern Statement

The Association of Financial Mutuals ("AFM") Corporate Governance Code comments that the Directors should state whether the business is a going concern over the next 12 months from the date of approval of the financial statements. In considering the going concern statement, the Directors have considered the following:

- The Group's business activities, together with the factors that are likely to affect its future development and financial strength (see details in the Chair's and Chief Executive's Reports from page 2);
- The analysis of material risks faced by the Group and the management of those risks (see details in the Risk Management Report from pages 12 to 14);
- The confirmation from the Society's Chief Actuary that the Society had a solvency level higher than that

required for regulatory purposes as at 31st December 2024 and throughout the year (further details are included in the Solvency and Financial Condition Report which will be made available on the Society's website); and

- The actions that management can take to manage emerging risks and the scenario testing performed as part of the annual ORSA process and demonstrating solvency above the minimum regulatory requirements under a number of plausible but extreme market scenarios.

Having due regard to these matters and after making appropriate enquiries, the Directors confirm that they consider it appropriate to prepare the financial statements on a going concern basis.

The Directors have also considered the Society's longer-term viability over a period of at least five years as part of the ORSA process. This assessment considered the resilience of the Society to risks that would threaten the business model, future performance, solvency or liquidity of the Society. Stress testing was performed using a range of severe but plausible scenarios over the assessment period. The scenarios included significantly unfavourable variations in the level of new business, underlying economic assumptions, and policy lapses and claims compared to those expected. In the 2024 ORSA, we have also considered how those variations might evolve with the continuing cost-of-living challenges and uncertainty in the interest rate movements.

Based on these assessments, the Directors have a reasonable expectation that the Group and the Society will be able to continue in operation and meet their liabilities as they fall due in the foreseeable future.

Statement of Responsibilities of the Board of Directors

The Directors are responsible for preparing this Directors' Report in accordance with the Friendly Societies Act 1992 and the regulations made under it.

The Directors are also responsible for preparing the Strategic Report (please see pages 2 to 14), the Report on Corporate Governance (please see Pages 14 to 37) and the Financial Statements (please see pages 44 to 70), in accordance with applicable law and regulations.

Friendly Society law requires the Directors to prepare Financial Statements for each financial year. Under that law, they have elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and of Shepherds Friendly Society Limited as at the end of the financial year and of the income and expenditure of the Group and of Shepherds Friendly Society Limited for the financial year.

In preparing these Financial Statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and

(d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Shepherds Friendly Society Limited will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Group and of Shepherds Friendly Society Limited and enable them to ensure that the Financial Statements comply with the Friendly Societies Act 1992 and the regulations made under it.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Society and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information.

The Board confirms that, in its view, it has complied with the above requirements in preparing the Report and Financial Statements and that it considers the Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Group's performance, business model and strategy.

Disclosure of Information to the Auditors

The Directors who held office at the date of approval of this Director's Report confirm that, so far as they are aware, there is no relevant information of which the Group's and the Society's auditor is unaware. Each Director has taken all steps that they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Group's and the Society's auditor is aware of that information.

Auditors

BDO LLP were re-appointed as auditors at the 2024 Annual General Meeting. BDO LLP is permitted to serve as auditors for a further five years, subject to annual approval by members. BDO LLP have expressed their willingness to continue in office. A resolution to re-appoint BDO LLP will be proposed at the next Annual General Meeting.

EMartin

E Martin
Company Secretary
2nd April 2025

Corporate Governance – Corporate Governance Report

Introduction

The Society is governed primarily by the Friendly Society Act and adopts the Corporate Governance Code set by the Association of Financial Mutuals. The Society is also committed to meeting requirements set by its regulators, the Financial Conduct Authority and Prudential Regulation Authority and which have contributed to improved overall governance standards.

The AFM Corporate Governance Code ("The AFM Code")

The Society is a member of the Association of Financial Mutuals ("AFM") and as such is committed to satisfying all the standards set by this Code.

The AFM Code has six overarching principles and the Directors have set out below how the Society has applied each principle. The Society is pleased to confirm that it has explained how the Society has applied the Principles of the AFM Code.

	Principle	Applied	How the principle has been applied
1	**Purpose and Leadership** An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	☑	• Under the Board's direction, the Society has launched its new mission and vision statement which is in line with its work to protect our members' interests and provide them with the service and products that meet their needs. • The Society's values and principles underpin all internal processes and operating practices. As a regulated entity, culture and conduct risk and compliance to Consumer Duty requirements are monitored internally by the Society's Senior Management Team and regular reporting is provided to the Board. • The Board regularly engage with our people through the fortnightly held Together Days, social events and our annual conference. Various Board members have participated in reverse mentoring to encourage a culture of shared learning and collaboration. • The Society's new strategy has been clearly articulated to all our people through our business update meetings held on our Together Days. The new mission and values are also communicated to our people and our members.

	Principle	Applied	How the principle has been applied
2	**Board Composition** Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.	☑	• The Society's Board composition is on pages 15 to 17. • The composition and profiles highlight: a) the skills and experience that each Board member brings; b) diversity in line with the Board Diversity Policy; and c) division of responsibility between the Chair, the Chief Executive Officer, Executive Directors and Independent Non-Executive Directors in accordance with the Board Manual. • The appraisal of the Chair's performance and independence is facilitated annually by the Senior Independent Director. • The Non-Executive Directors' performance and independence are appraised at least annually. All non-executive directors present themselves for annual re-election by the Society's members at the Annual General Meeting ("AGM"). All current Non-Executive Directors have served for no longer than nine years, and remain independent under the Code. • The Society has recognised that in order to encourage true diversity of thought at the Board, it has widened its remit for potential candidates from traditional financial services background. To support this approach a specific brief was provided to the recruitment firm who supported us with Non-Executive Director appointments. The brief stated the requirement for a 'diverse pool of candidates'. • The Board is supportive of a periodic external assessment of the Society's governance and view this as an opportunity to improve rather than a tick box exercise. The last independent assessment was in 2022 and the next review is set to be performed in 2025. • The Society has a DEI policy and framework for its people and has strengthened its approach to DEI. We have enhanced our recruitment practices and actively advertise on job boards aimed at under-represented groups. • The Society also captures a wide range of DEI data relating to our people. We will be applying such recruitment principles as appropriate for future NED appointments.

	Principle	Applied	How the principle has been applied
3	**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.	☑	• The Board Manual details the Society's overall governance arrangements, decision-making processes and directs the conduct of the Board. • The Society is compliant with the FCA's Senior Managers and Certification Regime("SM&CR"). Senior Managers are assessed annually to ensure that they are fit and proper to perform their designated responsibilities. • The Society operates a Conflict of Interest Policy which provides guidance when a potential conflict of interest may arise. Any potential conflicts are considered by the Nominations & Governance Committee. • The Board Committees' responsibilities are defined in documented Terms of Reference that are accessible through the Society's website. The Board Committee reports for the year are on pages 27 to 33. • Through the Board Committees and supported by the Society's internal and external auditors, the Directors ensure that there are robust processes and controls over the quality and integrity of reports and data received by the Board for effective decision-making.
4	**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.	☑	• The Board is focused on promoting and delivering long-term value by maintaining responsibility for all strategic decision-making. The Board holds two strategy days annually to identify and assess opportunities with consideration of the Society's risk appetite. • The long-term strategy and principal risks are updated and reviewed by the Board through the annual ORSA process. The principal risks and uncertainties are disclosed in the Risk Management Report on pages 12 to 14. • The Board Risk Committee ensures the establishment, development and maintenance of an effective and well-integrated risk management process. The effectiveness of the process is monitored by the internal Risk and Compliance team, the internal Management Committees, the independent Internal Audit firm and the Audit & Compliance Committee. • The Board and Executive are alive to new business opportunities and take a risk-based approach when such opportunities arise. Opportunities such as partnerships and new routes to market are approved if they are within the Society's risk appetite.

	Principle	Applied	How the principle has been applied
5	**Remuneration** A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.	☑	• The role of the Society's Remuneration & Engagement Committee and details of the Society's remuneration policy are detailed on pages 35 to 37. • The aim of the policy is to set remuneration that is benchmarked against similar businesses and encourages the Executive team to demonstrate high levels of performance, correct values and behaviours and achievement of strategic objectives. • Non-Executive Directors are paid market competitive rates but no element of incentivisation or performance related pay applies.
6	**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.	☑	• The Society cultivates its relationships with members through a varied programme which maintains contact with them and enables them to communicate updates about the Society. These methods are a mixture of face to face, telephone, written and internet contact. • Members also have access to the Society's Senior Independent Director through the Society's website, should they have concerns which they do not feel have been properly dealt with through the Society's usual channels of communication. • The Board presents a fair, balanced and understandable assessment of the Society's position and prospects to its members by the publication of this Annual Report and Financial Statements and of the Solvency and Financial Condition Report. • The Society holds a General Meeting annually for members to vote for or against the approval of the Annual Report and Financial Statements and other substantial issues. • Details of the Society's engagement with its people are included in page 18. • The Society's Supplier Management and Outsourcing Framework is designed to ensure the Society achieves the required results through third parties while adhering to regulatory requirements.

Corporate Governance – Board Committee Reports

Governance oversight of all the Society's activities is conducted through a number of Board Committees which are each chaired by a Non-Executive Director, and with a majority of independent Non-Executive Directors needed for a committee quorum.

Committee	Chair at the date of approval of the financial statements
Audit & Compliance Committee	Simon Pashby
Board Risk Committee	Mark Myers
Fair Members Benefit Committee	Cameron Mills
Nominations & Governance Committee	Mark Myers
Remuneration & Engagement Committee	Alison McKinna

A summary is given below of the most significant governance work conducted by these Committees throughout 2024.

Audit & Compliance Committee

Key Responsibilities

The primary responsibilities of the Audit & Compliance Committee are to:

1. provide guidance to the Board on matters affecting the Annual Report and Financial Statements and the Solvency Financial Condition Report ("SFCR");
2. independently evaluate assurance from management, internal audit and external audit regarding the financial statements, governance and systems of internal controls;
3. assess the effectiveness of internal auditors and external auditors, and manage the process for any external and internal audit tenders; and
4. oversee compliance with the Friendly Societies Act 1992, the Financial Services and Markets Act 2000, the Financial Services Act 2012 and other relevant legislation.

The full Terms of Reference can be found on the Society's website.

Committee Membership

The qualifications of each member of the Committee are included in their biographies on pages 15 to 17. The Board is satisfied that the Chair, Simon Pashby has recent and relevant experience in accounting and auditing and the committee as a whole has competence relevant to the financial services sector.

There were five meetings in the year as follows:

	20 Feb	25 Mar	12 Jun	16 Sep	14 Nov
S Pashby (Non-Executive Director)	☑	☑	☑	☑	☑
M Myers (Non-Executive Director and committee member until 31 December 2024)	☑	☑	☑	☑	☑
A McKinna (Non-Executive Director)	☑	☑	☑	☑	☑
N Tinegate (Non-Executive Director)	n/a	n/a	n/a	n/a	O
O Laird (Non-Executive Director from 1st January 2025)	n/a	n/a	n/a	n/a	O

O: Attended as observer
n/a: Attendance is not mandated for non-committee members

Significant matters considered by the Committee in 2024

Annual Report and Financial Statements for year ending 31st December 2023

The table below highlights the significant matters in relation to the 2023 financial statements considered by the Committee during the year and how they were addressed.

Significant matters considered	How the matter was addressed by the Committee
Going concern assessment and disclosures	The Committee reviewed the going concern assessment produced by management. The assessment covered a 24 month period to 31st December 2025 and the assessment provided a view that the Society would remain solvent and liquid over that period. The Committee assessed the assumptions and stresses applied to projections as part of the annual ORSA and it was satisfied that the going concern assumption was appropriate for the 2023 financial statements.
Technical provision valuations methods and assumptions for the 2023 Annual Report and Financial Statements	As it is a significant risk area, the Committee independently assessed papers from the Chief Actuary detailing the technical provision valuations as at 31st December 2023. The Committee considered the reliability and accuracy of the valuation results, and its underlying assumptions and data. The Committee was satisfied that the valuations were appropriate having also considered the views of the external auditors.
Approval of the 2023 Annual Report and Financial Statements	In March 2024, the Committee reviewed and approved the 2023 Annual Report and Financial Statements for the Group and the Society and the financial statements for the Society's subsidiaries. This included reviewing key accounting judgements and assessing the appropriateness of the going concern assumption. The Committee ensured the annual report and financial statements were fair, balanced and understandable before recommending them to the Board for approval.

External Audit

For the financial year ended 31st December 2024, BDO LLP were re-appointed as external auditors at the Society's AGM in June 2024. The Committee monitors the independence and objectivity of the external auditors, including BDO's partner rotation plans. Rupert Livingstone has remained as senior statutory auditor. In line with the revised FRC Ethical Standards 2024, the external auditors did not provide any non-audit services in 2024 and the prior year.

Internal Audit

The Committee considered regular reports from Internal Audit on the effectiveness of the Group's control environment and the Committee was provided with reasonable assurance over the effectiveness of internal controls. The Committee also considered and approved the scope of work for internal audit, with regard to management activities and a four to five year strategy for internal audit coverage of key business areas.

Compliance

The Committee considered the completeness and adequacy of the Annual Assurance Compliance Plan and monitored the findings from the Compliance activity. The Committee also assessed the effectiveness of the Compliance Monitoring Function, taking into consideration the work of the Internal Auditor.

The Committee oversaw the assessment of sources of assurance over key controls for the Society's headline risk, and documentation of the three lines of defence in operation (Management controls, Risk and Compliance oversight and internal audit)

Other significant matters

Other significant matters considered during 2024:

1. Reviewed the annual Money Laundering Reporting Officer's Report for the Society;
2. Reviewed the annual Corporation Tax computations for the Society and its subsidiaries; and
3. Approved the annual whistleblowing policy and reviewed its effectiveness.

Board Risk Committee

Key Responsibilities

The main purpose of the Board Risk Committee is to deliver independent oversight of the risk management framework used by the Society and provide independent challenge on strategic risks and opportunities.

The full Terms of Reference can be found on the Society's website.

Committee Membership

There were six meetings in the year as follows:

	20 Feb	20 Mar	12 Jun	20 Sep	31 Oct	14 Nov
M Myers (Chair until 31st December 2024 and Non-Executive Director)	☑	☑	☑	☑	☑	☑
S Pashby (Non-Executive Director)	☑	☑	☑	☑	☑	☑
C Mills (Non-Executive Director)	☑	☑	☑	☑	☑	☑
N Tinegate (Non-Executive Director)	☑	☑	☑	☑	☑	☑
A McKinna (Non-Executive Director)	n/a	n/a	n/a	O	O	n/a
O Laird (Non-Executive Director from 1st January 2025)	n/a	n/a	n/a	n/a	n/a	O

O: Attended as observer
n/a: Attendance is not mandated for non-committee members

Significant matters considered by the Committee

During 2024, the Committee:

1. Provided close focus and facilitated Board discussions on material risks impacting the Society;
2. Reviewed the progress in embedding the Risk Management Framework and integrating the headline risks within the activities undertaken by the Society;
3. Reviewed operational risk tolerances and new regulatory guidelines;
4. Played an active role in challenging and helping to shape the 2024 ORSA with recommendation for approval to the Board having considered updates to principal risks and emerging risks, and management actions to manage the impact of those risks on the Society;
5. Provide scrutiny on key risks for new partnerships, reinsurance arrangements and product launches by the Society and its strategic partners; and
6. Reviewed the risk profile of the Society's investments and ensured they are managed within the risk appetite set by the Board.

Fair Members Benefit Committee

Key Responsibilities

The purpose of the Fair Members Benefit Committee is to make recommendations to the Board to ensure that fair outcomes are achieved for all members and policyholders, in particular with-profits members, having regard to their characteristics and fair expectations.

The full Terms of Reference can be found on the Society's website.

Committee Membership

There were five meetings in the year as follows. The meetings were also attended by the Society's With-Profits Actuary.

	7 Mar	20 Mar	11 Jun	19 Sep	13 Nov
C Mills (Chair and Non-Executive Director)	☑	☑	☑	☑	☑
M Myers (Non-Executive Director)	☑	☑	☑	☑	☑
N Hossain (Senior Management Team)	☑	☑	☑	☑	☑
N Tinegate (Non-Executive Director)	☑	☑	☑	☑	☑
N Wynn-Evans (Non-Executive Director)	☑	☑	☑	☑	☑
A McKinna (Non-Executive Director)	n/a	n/a	O	O	n/a

O: Attended as observer
n/a: Attendance is not mandated for non-committee members

Significant matters considered by the Committee

Significant items considered during 2024:

1. Reviewed Management's reporting of the Consumer Duty outcomes, and the Society's development to meet the requirements of Consumer Duty;
2. Considered the proposal for new partnerships and product launches by the Society's strategic partners, taking into account the views of the With-Profits Actuary and the views of the Board Risk Committee;
3. Considered the reviews and Fair Value Assessment undertaken for the Society's legacy products;
4. Reviewed the With-Profits Actuary reports on PPFM compliance and the exercise of discretion;
5. Reviewed the With-Profits Actuary report and Board report to with-profits policyholders;
6. Reviewed the investment performance of the Society's investments and the suitability of assets backing the With-Profits Fund;
7. Considered and recommended to the Board the bonus rates for with-profits and Holloway policyholders.

Nominations and Governance Committee

Key Responsibilities

The Nominations & Governance Committee is responsible for independent oversight of how the Society selects, develops and plans succession for all senior managers and all Board members, and to assist and advise the Board in exercising its governance responsibilities.

The full Terms of Reference can be found on the Society's website.

Committee Membership

There were four meetings in the year as follows:

	15 Jan	11 Jun	16 Sep	13 Nov
M Myers (Non-Executive Director and Chair from 15th January 2024)	O	✓	✓	✓
N Wynn-Evans (Chair until 15th January 2024 and Non-Executive Director)	✓	✓	✓	✓
C Mills (Non-Executive Director)	✓	✓	✓	✓
A McKinna (Non-Executive Director)	✓	✓	✓	✓

O: Attended as observer

Significant matters considered by the Committee

Significant items considered during 2024:

1. Reviewed progress on the Society's climate change plans and details are set out on page 9;
2. Reviewed the Society's initiative on diversity, equality and inclusion and details are set out on page 18;
3. Oversaw and reviewed the development of the Society's Governance and Management Responsibilities Map;
4. Reviewed the Board and Senior Management function succession plan and the talent management framework;
5. Reviewed the Board Diversity Policy;
6. Reviewed the effectiveness of operational and organisational structures in supporting strategic business objectives and talent management;
7. Appraised the performance of the Non-Executive Directors and the Board Committees against their objectives;
8. Oversaw the appointment process for a new Chair for the Board to succeed Nemone Wynn-Evans, a process chaired by the Senior Independent Director, Simon Pashby, who was co-opted to the Committee.

Remuneration & Engagement Committee

Key Responsibilities

The Remuneration & Engagement Committee is responsible for having oversight of remuneration structures within the organisation, ensuring that they are competitive and will attract and retain the best people. It also recommends to the Board approval of the overall remuneration package for the Chief Executive Officer. The Committee provides oversight of how the Society's remuneration policy and practices affect the Society's engagement with its employees. The Committee oversees that the engagement and retention activities undertaken within the Society are inclusive and aligned to the different needs and requirements of its people.

The full Terms of Reference can be found on the Society's website.

Committee Membership

The Chair, Alison McKinna has served as a member of the remuneration committee for at least twelve months prior to her appointments as chair of the committee.

There were four meetings in the year as follows:

	16 Jan	11 Jun	16 Sep	13 Nov
A McKinna (Chair)	☑	☑	☑	☑
S Pashby (Non-Executive Director)	☑	☑	☑	☑
N Wynn-Evans (Non-Executive Director)	☑	☑	☑	☑

Significant matters considered by the Committee

Significant items considered during 2024:

1. Oversaw and recommended to the Board the approval of the Remuneration and Engagement policy effective for 2024;
2. Recommended to the Board the approval of the remuneration of the Chief Executive and the Executive Directors for the previous financial year, having considered the performance against KPIs;
3. Set out the Chief Executive's objectives and KPIs for the next financial year;
4. Reviewed the fees for Non-Executive Directors; and
5. Reviewed the Society's progress on gender pay gap. The results for the year are discussed on page 19.

The details of the remuneration for the Directors in 2024 are set out in the Directors' Remuneration Report on pages 35 to 37.

Corporate Governance - Directors' Remuneration Report

The Remuneration & Engagement Committee provides this Report in accordance with the Friendly Societies Act 1992 in respect of remuneration for the Executive and Non-Executive Directors of the Society. The Board has approved the Remuneration Policy which is implemented and governed by the Remuneration & Engagement Committee which consists of independent Non-Executive Directors.

Remuneration Policy

The Society's remuneration policy rewards both corporate and individual performance as well as providing a competitive package to attract and retain high calibre individuals. The policy complies with all relevant regulatory obligations. We also comply with good corporate governance practice as well as relevant principles of the AFM Code.

This policy provides the framework within which all remuneration decisions relating to people and Executives will be made. The Society aims to ensure that our approach to reward and remuneration is straightforward and easy for our people to understand and aligns with our brand values of simplicity, working together and doing the right thing.

Executive Directors' Remuneration

The Committee is responsible for recommending the remuneration package of the CEO to the Board. The Committee is responsible for reviewing and approving recommendations from the CEO regarding the remuneration package for senior executives and ensuring that they comply with the remuneration policy. The CEO is responsible for setting the remuneration of all other employees in line with the remuneration policy. The components of the Executive Directors' remuneration are described below.

- Salary
  The salary level is set commensurate with that of similar sized businesses in our sector, and to reflect the skills and experience of the individual. The salary is competitively pitched based on an annual benchmarking exercise.
- Performance Bonus
  The Executive Directors can earn an annual bonus following the successful achievement of performance targets that are set to ensure the strategic objectives of the Society are achieved. Targets are quantifiable measures linked to financial, corporate, governance and culture related objectives. The annual bonus has a maximum potential of 30% of basic salary. The Committee can also award discretionary amounts for exceptional contribution. The targets are monitored at various intervals during the financial year. The final bonus calculations are based principally on the performance of the Society measured against the agreed targets and subject to the Committee's discretion. The bonus payable is recommended for approval by the Committee to the Board. The Committee also exercises its discretion to ensure that other factors are taken into account to ensure objectives are not achieved in the current year as a result of actions which would be to the longer-term detriment of the Society or its members.
- Pension
  The Executive Directors participate in the Group's defined contribution pension scheme, or can participate in alternative personal pension arrangements as approved by the Committee. Contribution entitlements can be paid in cash instead when pension contribution taxation limits are exceeded, at no further cost to the Society and subject to approval by the Committee.
- Benefits in kind
  The Executive Directors are provided with private healthcare insurance.

Non-Executive Directors' Remuneration

The fees of the Non-Executive Directors are agreed by the Board and reviewed by the Committee on an annual basis. The fees are based on current market rates and the level of time commitment required to fulfil their duties; an additional fee is paid for Committee Chair responsibilities.

Our policy is that no element of the remuneration of Non-Executive Directors is performance related. The Non-Executive Directors stand for election annually on the basis that their prior year performance has been assessed as satisfactory by the rigorous appraisal system and commitment to ongoing professional development applicable to them.

Board Remuneration 2024

The remuneration of the Executive and other members of the Board is set out in the audited table below.

Name	Basic pay	Bonus	Pension supplement	Other Benefits[1]	Total 2024	Total 2023
	£	£	£	£	£	£
Executives						
A M O'Dea	260,148	78,044	31,484	3,482	**373,158**	**356,635**
S Chivers[3]	153,000	50,900	14,132	1,336	**219,368**	**191,083**
C Critchlow	169,968	50,990	19,902	20,724	**261,584**	**247,198**
	583,116	**179,934**	**65,518**	**25,542**	**854,110**	**794,916**
Non-Executives						
N Wynn-Evans[3]	60,000	-	-	2,800	**62,800**	**59,575**
S Pashby	39,215	-	-	966	**40,181**	**39,617**
M Myers	36,215	-	-	3,632	**39,847**	**36,667**
A McKinna	34,215	-	-	786	**35,001**	**31,961**
C Mills	36,215	-	-	589	**36,804**	**35,225**
N Tinegate	29,215	-	-	971	**30,186**	**29,837**
	235,075	**-**	**-**	**9,744**	**244,819**	**232,882**
TOTAL	**818,191**	**179,934**	**65,158**	**35,286**	**1,098,929**	**1,027,798**

[1] Executive Directors receive private medical cover. Mr Critchlow and Non-Executive Directors receive expenses for travel to and from the Group's Head Office. These are included under "Other Benefits" and taxed through PAYE.
[2] Includes discretionary bonus
[3] Chair until retirement on 31st December 2024

A M. McKinna

Alison McKinna
Remuneration & Engagement Committee Chair
2nd April 2025

Independent Auditor's Report to the Members of the Shepherds Friendly Society Limited

Opinion on the Financial Statements

In our opinion, the financial statements:

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

We have audited the financial statements of The Shepherds Friendly Society (the 'Society') and its subsidiaries (the 'Group') for the year ended 31st December 2024 which comprise the Group and Society Statements of Comprehensive Income, the Group and Society Statements of Financial Position, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit & Compliance Committee.

Independence

Following the recommendation of the Audit & Compliance Committee, we were appointed by Members of the Society on 21st September 2010 to audit the financial statements for the year ended 31st December 2010 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 15 years, covering the years ended 31st December 2010 to 31st December 2024.

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

Conclusions Relating to Going Concern

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

- Challenging the appropriateness of the Directors' assumptions and judgements made in their budgets and forecasts. In doing so we agreed key assumptions such as forecast growth to historic actuals, relevant market data and our general commercial and sector experience and considered the historical accuracy of the Directors budgets and forecasts;
- Reviewing the latest Own Risk and Solvency Assessment provided by the Society, checking that stress testing was performed and checking the results of the stress testing. Stress testing was performed for scenarios such as: a significant reduction in new business; significant increases in interest rates; a significant reduction in asset values; and significantly adverse experience relating to key assumptions used to determine technical provisions. In addition, we reviewed the solvency projections, reconciling current positions to the financial statements and assessed the Directors' assumptions embedded within the model for reasonableness. We have also checked that the modelling used for solvency is in line with industry standards; and
- Assessing how the Directors have factored in key external factors expected to affect the Group and Society, checking these had been appropriately considered as part of the Directors' going concern 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 Group's and Society's ability to continue as a going concern for a period of at least 12 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

Coverage	100% (2023: 100%) of Group profit before tax 100% (2023: 100%) of Group revenue 100% (2023: 100%) of Group total assets		
Key audit matters ("KAM")		2024	2023
	Valuation of technical provisions	x	x
Materiality	Group financial statements as a whole. £624,000 (2023: £684,000) based on 3% (2023: 3%) of the fund for future appropriations.		

An overview of the scope of our audit

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

The Group is made up of the Society and the two subsidiaries being Financial Advice Network Limited and Financial Advice Website Limited.

The Society was considered to be the only significant component and a full scope audit was performed by the Group audit team.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter

Valuation of technical provisions
 	
The Society's accounting policies are disclosed in note 3 and 19.
	There is an inherent risk that insurance technical provisions can be misstated due to the fact that estimates are necessarily involved, and as such, there is an element of subjectivity in any such provision.
	
	The calculation of the Group's and Society's insurance technical provisions requires management to make significant judgements about a variety of assumptions including (but not limited to) morbidity assumptions, mortality assumptions, lapse rates, investment yields, discount rates and the current expectation of future expenses.
	
	We have assessed gross technical provisions as being of significant risk to the audit and a key audit matter due to the significance of these amounts in deriving the Group's and Society's results and because of the significant degree of assumptions and estimation underpinning the calculation, which can be highly subjective.
		In assessing the valuation of technical provisions, we performed the following procedures:
		• We have obtained and reviewed the actuarial reports prepared by the Group's and Society's Actuary.
		• With the assistance of our actuarial expert, whom we engaged for their expertise in life and income protection insurance, we have:
		  • Assessed the appropriateness of the methodology and the reasonableness of assumptions applied by management in their calculation of the provision; and
		  • Tested the accuracy of the calculation of the provision.
		• We obtained an understanding of the conclusions in the actuarial reports prepared by the Group's and Society's Actuary and by our actuarial expert, and assessed whether all the relevant judgements and estimates have been considered in the calculation of the provision.
		• We have challenged the conclusions arrived at by our actuarial expert and checked that their processes are in accordance with both Technical Actuarial Standards (TAS) and industry practices.
		• We considered the competence, capabilities, objectivity, and independence of the actuarial experts engaged by us.
		• We obtained the data which was provided to the Group's and Society's actuaries and our own actuarial experts to perform their calculations and performed a reconciliation to the nominal ledger.
		• We agreed a sample of key data fields used in the calculation of the provision to the underlying policy documents to test the accuracy of the data. This includes new members.
		• We agreed a sample of key data fields from the policy administration system to the data used in the calculation of the provision to test the completeness of the data. This includes new members.
		• We have reviewed changes to the assumptions used in the technical provisions and, with the assistance of our actuarial expert, have assessed whether these are reasonable and in line with acceptable parameters.
		
		Key observations:
		As a result of the procedures performed, we did not identify any matters to suggest that the assumptions applied by management in valuing the technical provisions are inappropriate.

Our application of materiality

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

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

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

	Group financial statements		Society financial statements	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Materiality	624	684	623	683
Basis for determining materiality	3% (2022: 3%) of Fund for Future Appropriations			
Rationale for the benchmark applied	We determined Fund for Future Appropriations to be the most appropriate benchmark, as it reflects a key measure of the performance of a mutual friendly society and is used to assess the level of free reserves and in determining solvency.			
Performance materiality	468	513	467	512
Basis for determining performance materiality	75% of materiality			
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered factors such as our assessment of the Group and Society's overall control environment, and expected total value of known and likely misstatements, based on past experience.			

Reporting threshold

We agreed with the Audit and Compliance Committee that we would report to them all individual audit differences in excess of £12,000 (2023: £14,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other Friendly Societies Act 1992 Reporting

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

Strategic report and Directors' report	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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Society and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.
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: • proper 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 we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and Society and the industry in which they operate;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's and Society's policies and procedures regarding compliance with laws and regulations;

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

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

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation.

Irregularities including fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's and Society's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.

- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Maintaining professional scepticism when performing our testing and considering if the results of such testing are indicative of fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

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

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessment of substantive testing performed for each Financial Statement Area for indicators of fraud; and
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed).

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

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

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

Use of our report

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

Rupert Livingstone

Rupert Livingstone, (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK
7th April 2025

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

Statement of Comprehensive Income for year ended 31st December 2024

Technical Account: **Long-Term Business**	Notes	Group 2024 £'000	Group 2023 £'000	Society 2024 £'000	Society 2023 £'000
Income					
Earned Premiums, net of reinsurance					
Gross Premiums written	4	46,862	36,599	46,862	36,599
Outward Reinsurance premiums		(4,864)	(3,359)	(4,864)	(3,359)
Net Premiums		**41,998**	**33,240**	**41,988**	**33,240**
Investment Income					
Other Investments	5	317	285	322	329
Gains/(Losses) on the realisation of Investments	5	550	397	550	397
Unrealised gains/(losses) on Investments	5	11,808	8,122	11,808	8,122
		12,675	**8,804**	**12,680**	**8,848**
Other technical income	6	**38**	**53**	**38**	**47**
Total technical income		**54,711**	**42,097**	**54,716**	**42,135**
Expenditure					
Claims incurred, net of reinsurance					
Claims paid	7	21,508	23,266	21,508	23,266
Change in the provision for claims	7	288	(62)	228	(62)
		21,736	**23,204**	**1,736**	**23,204**
Changes in technical provisions, net of reinsurance					
Movement on long-term business provision net of reinsurance	19(a)	7,980	(9,818)	7,980	(9,818)
Movement on provision for Linked Liabilities Investment Contracts	19(b)	3,159	2,510	3,159	2,510
Movement on other technical provisions	19(c)	1,955	1,002	1,955	1,002
		13,094	**(6,306)**	**13,094**	**(6,306)**
Net operating expenses					
Other operating expenses	8	22,012	18,697	22,012	18,697
Investment expenses and charges	10	186	192	186	192
		22,198	**18,889**	**22,198**	**18,889**
Tax on other technical net income	12	**-**	**(1)**	**-**	**(1)**
Total technical expenditure		**57,028**	**35,786**	**57,028**	**35,786**
Surplus/(Deficit) of income over expenditure		(2,317)	6,311	(2,312)	6,349
Transfer (to)/from Fund for Future Appropriations	18	2,317	(6,311)	2,312	(6,349)
Balance on technical account - long term business		-	-	-	-
Other comprehensive income:					
Items that will not be reclassified to technical account					
Actuarial gain on pension scheme	22	325	40	325	40
Transfer to Fund for Future Appropriations	18	(325)	(40)	(325)	(40)
Total other comprehensive income for the year		-	-	-	-

All income and expenditure relates to continuing operations of the Group and the Society.

The attached notes on pages 47 to 70 form part of these financial statements.

Statement of Financial Position as at 31st December 2024

		Group		Society	
	Notes	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Assets					
Investments					
Other Financial Investments at fair value	13(a)	101,486	87,562	101,486	87,562
		101,486	87,562	101,486	87,562
Assets held to cover linked liabilities	13(a)	44,363	41,392	44,363	41,392
		145,849	**128,954**	**145,849**	**128,954**
Debtors: amounts receivable within one year					
Debtors arising out of direct insurance operations	14	37	31	37	31
Debtors arising out of reinsurance operations	14	-	224	-	224
Other Debtors	14	2,033	2,436	2,033	2,436
		2,070	**2,691**	**2,070**	**2,691**
Intangible assets	16	**696**	**820**	**696**	**820**
Other Assets					
Tangible assets	15	283	317	283	317
Cash at bank and in hand	17	14,806	4,544	14,806	4,539
		15,089	**4,861**	**15,089**	**4,856**
Prepayments and accrued income		**323**	**331**	**323**	**331**
Long-Term Business Provision for protection benefit	19(a)	**70,302**	**67,144**	**70,302**	**67,144**
Reinsurers' share of technical provisions	19(a)	**14,231**	**12,050**	**14,231**	**12,050**
Pension scheme asset	22	**866**	**444**	**866**	**444**
Total Assets		**249,426**	**217,295**	**249,426**	**217,290**
Liabilities					
Fund for Future appropriations	18	**20,808**	**22,800**	**20,808**	**22,795**
Technical Provisions					
Long-Term Business Provision for benefits excluding protection	19(a)	113,250	100,904	113,250	100,904
Reinsurers' share of technical provisions	19(a)	4,225	3,252	4,225	3,252
Technical Provision for Linked Liabilities - Investment Contracts	19(b)	44,363	41,392	44,363	41,392
Other technical provisions	19(c)	60,242	44,158	60,242	44,158
Claims outstanding	19(d)	1,784	1,252	1,784	1,252
		223,864	**190,958**	**223,864**	**190,958**
Creditors					
Creditors arising out of direct insurance operations		323	527	323	527
Creditors arising out of reinsurance operations		1,186	-	1,186	-
Other creditors, including taxation and social security	20	981	1,174	981	1,174
		2,490	**1,701**	**2,490**	**1,701**
Accruals		**2,264**	**1,836**	**2,264**	**1,836**
Total Liabilites		**249,426**	**217,295**	**249,426**	**217,290**

The attached notes on pages 47 to 70 form part of these financialstatements.

The financial statements on pages 44 to 70 have been approved by the Board on 2nd April 2025.

M. E. Myers

M Myers
Chair

EMartin

E Martin
Company Secretary

Notes to the Financial Statements

1 General Information

Shepherds Friendly is a trading name of The Shepherds Friendly Society Limited ("the Society") which is an incorporated friendly society under The Friendly Societies Act 1992 Registered No. 240F and a member of the Association of Financial Mutuals. The Society is authorised by the Prudential Regulation Authority (PRA), and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. It is incorporated in the United Kingdom, and its principal place of business is its registered office: Haw Bank House, High Street, Cheadle, SK8 1AL. The Society has two wholly owned subsidiaries, together "the Group". The principal activities of each company in the Group are detailed in the Directors' report on page 18.

2 Significant Accounting Policies

This note decribes the Group's significant accounting policies that have been applied to the financial statements and the notes as a whole. If an accounting policy is applicable to a specific item, the accounting policy is contained within the relevant note.

(a) Basis of Preparation

The Group and individual financial statements of The Shepherds Friendly Society Limited ("the Society") have been prepared in accordance with Financial Reporting Standard ("FRS") 102 and FRS 103 as issued by the Financial Reporting Council and the Friendly Societies (Accounts and Related Provisions) Regulations 1994 ("the Regulations"). The Society meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken by the Society in relation to presentation of a cash flow statement, disclosures for remuneration of key management personnel and disclosures for related party transactions between members of the Group.

The Group, being a mutual life assurance company, is also exempt from the requirements under FRS 102 Section 7 to produce a cash flow statement.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. In accordance with FRS 103 Insurance Contracts, the Group and the Society has applied existing accounting practices for insurance contracts, modified as appropriate to comply with applicable standards.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the accounting policies selected for use by the Group and the Society. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

The financial statements are presented in sterling which is the functional currency of the Society and the Group, and rounded to the nearest £'000.

(b) Going Concern

After making enquiries and reviewing the going concern assessment for the Society, the Directors have a reasonable expectation that the Group and the Society have adequate resources to continue in operational existence for the foreseeable future. The Group and the Society therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Basis of Consolidation

Subsidiaries are entities controlled by the Group by virtue of the Society owning more than 50% of the voting power of the entity.

The financial statements of the Group comprise the assets, liabilities, and income and expenditure account transactions of the Society and its subsidiaries. The activities of the Society and its subsidiaries are accounted for in the Statement of Comprehensive Income. The results of the subsidiaries are included with Other Technical Income and Other Technical Charges. The net results are included in the Fund for Future Appropriations ("FFA") for the Group. Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full.

3 Critical Accounting Judgements and Estimates

(a) Judgements

The preparation of financial statements requires management to make judgements in the process of applying the Group's accounting policies. This is particularly relevant to the following:

(i) Contract classification

The classification of contracts on initial recognition requires an assessment of whether significant insurance risk has been transferred to the Group. The assessment is based on the amount payable when the insured event occurs and whether the amount payable is significantly more than when the insured event has not occurred. Based on our assessment, products listed in Note 19(a) have been classified as "insurance contracts" or "participating investment contracts".

(b) Estimates

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. This is particularly relevant to the following:

(i) Valuation of intangible assets

The valuation of intangible assets are based on assumptions over the life expectancy and expected use of the asset. These assumptions are reflected in the amortisation rate of the asset.

(ii) Long-term business provisions

The valuation of participating contract liabilities and insurance liabilities are based upon assumptions and methodology that reflect the best estimate at the time. Note 19(a) sets out the assumptions underlying the valuations. The assumptions are based on recent observed experience to 31st December 2024.

A separate calculation is also performed to assess the non-participating value of in-force business which is based on best estimate assumptions allowing for a margin of risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows.

The assumptions used for mortality, morbidity and longevity are based on standard industry or reinsurers' tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for expenses, lapse and surrender rates are based on product characteristics and relevant claims experience.

The assumptions used for discount rates are based on the Prudential Regulation Authority (PRA) and the regulators' specific risk-free rates that are referenced to the Sterling Overnight Index Average ("SONIA"), and adjusted for the Society's own risk exposure. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty.

Past claims development experience is used to project claims costs. Uncertainties around one-off occurrences or changes in legislation, policy conditions or portfolio mix are also considered to arrive at the estimated cost of claims in order that it represents the most likely outcome, taking account of all the uncertainties involved. To the extent that the actual costs are different from the estimates, where assumed, the surplus or deficit will be credited or charged to the Statement of Comprehensive Income in the year that the difference arises.

(iii) Pension scheme valuation

Pension plan valuation are based on appropriate valuation assumptions. These assumptions include an appropriate discount rate, the levels of salary escalation, price inflation and mortality rates. Further details are contained in note 22 to these financial statements.

4 Earned Premium Analysis

Insurance Contracts and Participating Investment Contracts

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

4 Earned Premium Analysis (Continued)

Non-participating Investment Contracts

Premiums relating to non-participating investment contracts are not recognised in the Technical Account but are recorded as contributions to the investment contract liabilities and other technical provisions in the Statement of Financial Position.

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Society and Group				
Regular Premiums				
Insurance contracts	16,664		12,434	
Participating investment contracts	15,164		15,093	
		31,828		27,527
Single Premiums				
Participating investment contracts	15,034		9,072	
		15,034		9,072
Gross premium written		46,862		36,599
Outward reinsurance premiums on insurance contracts		(4,864)		(3,359)
Earned Premiums		**41,998**		**33,240**
Of which earned in:				
United Kingdom		41,993		33,234
Republic of Ireland		5		6

Regular premiums are those where there is a contractual obligation or reasonable expectation to pay on a regular basis. Single premiums are those relating to products issued by the Group which provide for the payment of one premium only.

Premiums of £26,925,000 in 2024 (2023: £14,400,000) were received in relation to non-participating investment contracts and other technical provisions.

5 Investment income

Investment income includes dividends, interest and realised and unrealised gains or losses on investments. They are all included on an accruals basis except for realised gains and losses, which are included as the difference between the net sale proceeds and the original cost of purchase. Unrealised gains and losses are calculated as the difference between the valuation of the investments at the Statement of Financial Position date and the valuation at the last Statement of Financial Position date or the cost of purchase, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

	Group		Society	
	2024 £'000	**2023** £'000	**2024** £'000	**2023** £'000
Dividend income from Group undertakings	-	-	5	44
Other investment income	317	285	317	285
Realised gains on financial assets disposed during the year	550	397	550	397
Unrealised fair value gains/(losses) on revaluation of financial assets	11,808	8,122	11,808	8,122
	12,675	**8,804**	**12,680**	**8,848**

6 Other technical income

Other technical income relates to fee income where the Group acts as an introducer to third-party providers and commission income.

	Group		Society	
	2024 £'000	**2023** £'000	**2024** £'000	**2023** £'000
Introducer fee income	17	23	17	23
Network commission income	-	6	-	-
Other income	21	24	21	24
	38	**53**	**38**	**47**

7 Claims incurred

Insurance Contracts and Participating Investment Contracts
Maturity claims and regular annuity payments are accounted for when due for payment. Surrenders and withdrawals are accounted for on the earlier of the date when paid or when the policy ceases to be included within the long-term business provision.

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

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

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

Non-participating Investment Contracts
Amounts payable on withdrawals, maturities and surrenders of non-participating investment contracts and other technical provisions are accounted for as deductions from the carrying value of the liability in the Statement of Financial Position.

7 Claims incurred (Continued)

	2024 Gross £'000	2024 Reinsurers' share £'000	2024 Net £'000	2023 Gross £'000	2023 Reinsurers' share £'000	2023 Net £'000
Society and Group						
Claims paid						
Insurance contracts	5,551	(1,760)	3,791	5,052	(1,596)	3,457
Participating investment contracts	17,717	-	17,717	19,809	-	19,809
	23,268	(1,760)	21,508	24,861	(1,596)	23,266
Change in provisions for claims						
Insurance contracts	218	(37)	181	313	(299)	14
Participating investment contracts	47	-	47	(77)	-	(77)
	265	(37)	228	237	(299)	(62)
Claims incurred						
Insurance contracts	5,769	(1,797)	3,972	5,366	(1,894)	3,471
Participating investment contracts	17,764	-	17,764	19,732	-	19,732
	23,533	**(1,797)**	**21,736**	**25,098**	**(1,894)**	**23,204**

£7,402,000 (2023: £984,000) was paid in relation to non-participating investment contracts and other technical provisions.

8 Society and Group Net Operating Expenses

Acquisition costs incurred in issuing insurance contracts are not deferred as the contracts are written in a with-profits fund.

Reinsurance commission received to cover acquisition costs on insurance contracts are accounted for when due from the reinsurer.

	Society and Group 2024 £'000	Society and Group 2023 £'000
Acquisition costs	19,820	20,562
Administration expenses	3,082	2,814
Reinsurance commission	(890)	(4,679)
	22,012	**18,697**

Included in the operating expenses are:

	Society and Group 2024 £'000	Society and Group 2023 £'000
Auditor's remuneration for financial statements audit services, excluding VAT	151	142
	151	**142**

The subsidiaries of the Society are exempt from the audit requirements by virtue of s479a of Companies Act 2006. The auditors received no other remuneration.

9 Staff Costs

The average monthly number of persons employed by the Group and the Society in the year was as follows:

	Group and Society	
	2024 £'000	2023 £'000
Board Members	9	9
Staff - Acquisition	67	58
Staff - Administration	29	25
	105	**92**

The aggregate staff payroll costs including directors' remuneration were as follows:

	Group and Society	
	2024 £'000	2023 £'000
Wages and salaries	6,143	5,402
Social security costs	722	606
Pension costs	671	539
	7,536	**6,547**

The above costs are included within Other operating expenses on the Statement of Comprehensive Income. Details of Directors' emoluments are contained in the Directors' Remuneration Report on pages 34 to 35.

10 Investment expenses and charges

Investment expenses and charges comprise costs relating to the investing activities of the Group and the Society.

	Group		Society	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Investment management fees	186	192	186	192
	186	**192**	**186**	**192**

11 Related Party Transactions

Transactions with group undertakings

Advantage has been taken of the exemption under FRS 102 not to disclose transactions with entities that are part of the Society's group. None of the Society's directors are members of the Society.

Appointed Actuary

The following information has been approved in accordance with Section 77 of the Friendly Societies Act 1992:

Mr C Critchlow (Chief Actuary)

1. Mr C Critchlow BsC FIA was the Chief Actuary and an Executive Director for the Society in the financial year ended 31st December 2024 and the prior year.

2. Mr Critchlow's remuneration received as an Executive Director to the Society has been disclosed in the Directors' Remuneration Report. His remuneration includes discretionary performance bonus, pension and other benefits in kind, in addition to his annual salary.

11 Related Party Transactions (Continued)

Mrs C Spinks (With-Profits Actuary)

1. Mrs C Spinks FIA was the With-Profits Actuary in the financial year ended 31st December 2024 and the prior year. Mrs Spinks was an employee of Broadstone Limited in 2024 and in the prior year. Neither Mrs Spinks, her husband or her children were members of the Society at any time during 2024 and the prior year.

2. Neither Mrs Spinks, her husband or children had any financial interest in any transaction with the Society during 2024 and the prior year, other than as With-Profits Actuary to the Society.

3. The only remuneration was the fee for professional services paid to Broadstone Limited for the services provided. The amount paid to Broadstone Limited for her professional services amounted to £32,990 (2023: £40,656). No other benefits, emoluments, pensions or compensation was paid to her.

4. Mrs Spinks did not receive, and will not receive, any other financial benefit from the Society.

12 Taxation

The Board has considered its attitude to taxation and the strategies in place in this respect.

As a Friendly Society, the Society is not subject to corporation tax on any surplus it generates for its members. The Society is though subject to policyholder tax on the net investment return generated on part of its life and endowment business, which is levied at the income tax rate of 20%.

Taxes are provided for in respect of the taxable element in the Group's business at tax rates enacted or substantively enacted at the date of the Statement of Financial Position.

	Group		Society	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Corporation Tax				
Tax (credit)	-	(1)	-	(1)
Deferred Tax			-	
Timing differences, origination and reversal	-	-	**-**	-
Total tax (credit)	**-**	**(1)**		**(1)**

During May 2021, the UK Government enacted an increase in the future rate of UK corporation tax from 19% to 25% which applied from 1st April 2023. This rate has been reflected in deferred tax where applicable.

The Society primarily writes tax exempt business, with a small amount of taxable business. The UK rate of income tax applicable to this business is 20% (2023: 20%). The applicable UK corporation tax rate is 25% for the subsidiaries (2023: 23.5%).

Financial Advice Network Limited unrecognised deferred tax asset is £nill (2023: £52k).

As at 31st December 2024, the Group did not hold any provisions for uncertain tax positions.

12 Taxation (Continued)
Reconciliation of Current Year Tax Charge

	Group		Society	
	2024 £'000	**2023** £'000	**2024** £'000	**2023** £'000
Suplus/(Deficit) of income over expenditure before tax	(2,317)	6,311	(2,312)	6,348
Tax on surplus/(deficit) at 23.5% (2023: 23.5%)	(591)	1,483	(589)	1,492
Factors affecting tax charge:				
Accounting profit not subject to corporation tax	591	(1,482)	589	(1,492)
Non-taxable income	-	-	-	-
Accelerated capital allowances	-	-	-	-
Movement in unprovided deferred tax asset	-	(1)	-	-
Prior year tax adjustment	-	(1)	-	(1)
Total tax credit	**-**	**(1)**	**-**	**(1)**

The Society has an unrecognised deferred tax asset of £1,473,000 (2023: £1,430,000) which is made up of deductible expenses carried forward and unrealised gains. It is not currently considered probable that these losses will be utilised and therefore the deferred tax asset continues not to be recognised.

13 (a) Other Financial Investments at Fair Value through profit or loss (Group and Society)

Upon initial recognition, financial investments are classified as financial assets at fair value through profit or loss.

Assets held to cover linked liabilities are valued at the bid price quoted on the last day of the accounting period, which management believe is representative of fair value. For other financial investments and pooled investments, market observable inputs are used wherever possible. In the absence of an active market, estimation of fair values is achieved using valuation techniques that reference to recent arm's length transaction for identical assets.

A financial asset is de-recognised when the contractual rights to receive the cash flows from the asset have expired or when they have been transferred and the Group has also transferred substantially all of the risks and rewards of ownership.

	Cost	Market Valuation	Cost	Market Valuation
	2024 £'000	**2024** £'000	**2023** £'000	**2023** £'000
Pooled investments	91,069	101,486	83,269	87,562
	91,069	101,486	83,269	87,562
Assets held to cover Linked Liabilities	24,125	44,363	24,486	41,392
	115,194	**145,849**	**107,755**	**128,954**

See note 13(d) for fair value measurement techniques applied to financial assets. Total proceeds received from disposal of investments in the year was £911,000 and the realised gains on disposal was £550,000.

13 Investments (Continued)

(b) Investment in Subsidiaries (Society)

Investment in subsidiaries in the Society's financial statements is measured at cost less impairment.

The Society owns 100% of the ordinary share capital of Financial Advice Network Limited and Financial Advice Website Limited. Both subsidiaries are non-trading as at 31st December 2024 and have a registered office of Haw Bank House, High Street, Cheadle SK8 1AL, United Kingdom.

Both subsidiaries are exempt from the requirements of Companies Act 2006 relating to the audit of their individual financial statements by virtue of s479a. The Society provided a guarantee under s479C of Companies Act 2006 to both subsidiaries, Financial Advice Network Limited (Registered number 05378813) and Financial Advice Website Limited (Registered number 08088016) for the year ended 31st December 2023.

	2023 £'000	2022 £'000
Shares in subsidiaries	-	-

(c) Derivative Financial Instruments (Group and Society)

The Group and the Society has a gilt derivative arrangement to reduce its exposure to interest rate risks. The Group and the Society do not hold or issue derivative financial instruments for speculative purposes, and have not designated the derivative as a hedging instrument. Initial cash margin is exchanged at the outset of the contract and held by the broker in the form of cash. To mitigate counterparty default risk, variation margin is exchanged on a daily basis in response to changes in the value of the derivative.

The initial cash margin at the balance sheet date was £1,359,540 (2023: £1,963,480), which is included in "Amount due from brokers" (note 14).

The net variation margin payable by the Group and the Society was £78,835 (2023: £287,840 receivable), being the amount owed for the movement on the last business day of 2024 and which was settled in January 2025. This balance is also included in "Amount due from brokers" (note 14).

The contract has no market value at the date of the Statement of Financial Position because the variation margin is settled on a daily basis.

	Group and Society	
	2024 £'000	2023 £'000
Contract notional amount	23,010	26,381
	23,010	**26,381**

(d) Fair Value Measurement

Fair value is the amount for which an asset could be exchanged between willing parties in an arm's length transaction. Fair values are generally determined at prices quoted in an active market (level 1). Where such information is not available it may be possible to apply calculation techniques that make use of market observable data for all significant inputs (level 2). Where inputs are not based on observable market data, fair values are classified as level 3. Level 3 financial assets are fair valued by reference to arm's length transaction for identical assets at the valuation date with consideration of the trading performance of the investment.

The classification of the Group's and Society's financial assets that have been measured at fair value has been assessed by management, in conjunction with information received from the Investment Manager, and is set out below.

13 Investments (Continued)
(d) Fair Value Measurement (Continued)

	Group and Society			Group and Society		
	2024 Level 1 £'000	2024 Level 2 £'000	2024 Level 3 £'000	2023 Level 1 £'000	2023 Level 2 £'000	2023 Level 3 £'000
Financial Assets						
Assets held to cover linked liabilities	44,363	-	-	41,392	-	-
Pooled Investments	-	101,486	-	-	87,562	-
	44,363	**101,486**	**-**	**41,392**	**87,562**	**-**

14 Debtors: Amounts receivable within one year

The Group seeks to reduce its exposure to potential losses by reinsuring certain levels of risk on insurance contracts with reinsurance providers. Reinsurance contracts that meet the classification requirements for insurance contracts set out in note 19 are classified as reinsurance contracts held.

Debtors arising out of reinsurance operations represent short-term payments due from reinsurers. The reinsurers' share of technical provisions are longer-term receivables that are dependant on the expected claims and benefits arising under the related reinsured insurance contracts (note 19). They are measured on a consistent basis to the reinsured insurance contracts.

	Group		Society	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Debtors arising out of direct insurance operations	37	31	37	31
Debtors arising out of reinsurance operations	-	224	-	224
Amount due from brokers (note 14c)	1,281	2,251	1,281	2,251
Other debtors	752	185	752	185
	2,070	**2,691**	**2,070**	**2,691**

Other debtors include clawback commission debtors which are stated after provisions for impairment of £787,000 (2023: £815,000)

15 Tangible assets

Tangible assets are capitalised and depreciated by equal annual installments over their estimated useful life. The principal rates used for this purpose are as follows:

- Equipment is depreciated between two and four years.
- Fixtures & fittings are depreciated between four and eight years.
- Property Improvements associated with rental leases are amortised over the length of the lease.

Assets, other than those measured at fair value are assessed for indicators of impairment. Any impairment loss is recognised as investment expenses and charges in the Statement of Comprehensive Income.

13 Tangible assets (Continued)

	Society Property Improvement £'000	Society Fixture & Fittings £'000	Society Valuation £'000	Group Total £'000
Cost				
At 1st January 2024	392	344	736	748
Additions	-	37	37	37
Disposals	-	-	-	-
At 31st December 2024	**392**	**381**	**773**	**785**
Depreciation				
At 1st January 2024	142	277	419	431
Provided for in the year	27	44	71	71
Disposals	-	-	-	-
At 31st December 2024	**169**	**321**	**490**	**502**
Net book value				
31st December 2024	**223**	**60**	**283**	**283**
31st December 2023	250	67	317	317

There are no assets acquired during 2024 using a finance lease arrangement (2023: £nil).

16 Intangible assets

Intangible assets are capitalised and amortised by equal annual installments over their estimated useful life. Intangible computer software is amortised between two and five years.

Assets, other than those measured at fair value are assessed for indicators of impairment. Any impairment loss is recognised as investment expenses and charges in the Statement of Comprehensive Income.

	Society Software £'000	Society Total £'000	Group Total £'000
Cost			
At 1st January 2024	3,164	3,164	3,431
Additions	347	347	347
Disposals	-	-	-
At 31st December 2024	**3,511**	**3,511**	**3,778**
Depreciation			
At 1st January 2024	2,344	2,344	2,611
Provided for in the year	471	471	471
Disposals	-	-	-
At 31st December 2024	**2,815**	**2,815**	**3,082**
Net book value			
31st December 2024	**696**	**696**	**696**
31st December 2023	820	820	820

17 Cash at bank and in hand

Cash at bank and in hand consists of cash in hand and balances with banks. Cash equivalents consists of investments in money market instruments which are readily convertible into cash, being those with maturities of three months or less.

	Group		Society	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Cash at bank and in hand	8,148	1,572	8,148	1,567
Cash equivalents	6,658	2,972	6,658	2,972
	14,806	**4,544**	**14,806**	**4,539**

18 Movements in Fund for Future Appropriations (Group and Society)

The Fund for Future Appropriations represents the excess of assets over and above the technical provisions and other liabilities. It represents amounts that have yet to be formally declared as bonuses for the participating contract policyholders together with the free assets of the Group or the Society. Any excess or deficit for the year arising through the Statement of Comprehensive Income is transferred to or from the Fund for Future Appropriations.

	Group			
	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Fund for Future Appropriations (Group)				
Balance at 1st January		22,800		16,449
Transfer from/(to) Technical Account	(2,317)		6,311	
Transfer from Other Comprehensive Income	325		40	
		(1,992)		6,351
Balance at 31st December		**20,808**		**22,800**

	Society			
	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Fund for Future Appropriations (Society)				
Balance at 1st January		22,795		16,406
Transfer from/(to) Technical Account	(2,312)		6,349	
Transfer from Other Comprehensive Income	325		40	
		(1,987)		6,389
Balance at 31st December		**20,808**		**22,795**

19 Technical Provisions (Group and Society)

Contract classification

The Group classifies its products for accounting purposes as insurance, investment or investment with discretionary participation features. Insurance contracts are contracts that transfer significant insurance risk. Contracts that do not transfer significant insurance risk are investment contracts. The contract classification has been determined by assessing contracts at inception as required under FRS 103. See note 3(a).

A discretionary participation feature is a contractual right held by the policyholder to receive additional payments as a supplement to guaranteed benefits:
• that are likely to be a significant portion of the total contractual payments; and
• whose amount or timing is contractually at the discretion of the issuer and that is contractually based on:
  - the performance of a specified pool of contracts, or a specified type of contract, or
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company that issues the contract.

Such contracts that have a discretionary participation feature are more commonly known as 'with-profits' or 'participating' contracts.

The Group has carried out its assessment by considering homogenous product classes rather than reviewing individual contracts as each class has common product features including levels of insurance risk. Based on our assessment, investment products listed in Note 19(a) have been classified as "participating investment contracts". The unit-linked products and fixed rate bond product are classified as "non-participating investment contracts".

Long-term Business Provision

The long-term business provision is approved by the Board on the advice of the Chief Actuary as part of the annual valuation of the Society's long-term business. The provision is determined in accordance with the requirements of the PRA rulebook: Solvency UK Firms Technical Provisions Instrument 2025. The long-term business provision on a Solvency UK basis is calculated as the expected present value of the expected future cash flows (benefit payments and expenses less premiums) plus a risk margin. The risk margin allows for the cost to a third party of holding Solvency UK capital until all the contracts are settled. The rate of interest used to discount the expected future cash flows for the valuation is prescribed by regulation.

When a homogeneous product class is expected to generate future cash inflows to the Society net of a risk margin, the provision for that product class is disclosed as an asset on the Statement of Financial Position.

Provision for Linked Liabilities

The provision for the unit-linked liabilities is equal to the value of the assets to which the contracts are linked. The provision is measured on a basis consistent with the basis of valuing the corresponding assets, which is at fair value through profit of loss.

Other Technical Provision

The provision for fixed rate bonds issued is initially measured at fair value, being the consideration received. Subsequently, measurement is at amortised cost using the effective interest method.

19 Technical Provisions (Group and Society) (Continued)

(a) Long-term Business Provision

The following sets out the assumptions underlying the valuation of the Group's and Society's long-term business provision.

(i) Methodology for Calculating the Group's and Society's Long-term Contracts of Insurance
The key aspects of the methods recommended for the valuation are set out in the following table:

Business Type	Valuation Method
Life Business	
Regular premium life	Asset share plus cost of guarantee
Unitised with-profits pension	Reserves equal to the value of the units
With-profits Bond (series I and II)	Asset share plus cost of guarantee
Over 50s and other non-profit life business	Gross premium method of valuation, net of reinsurance
Individual Saving Accounts (ISAs), including Junior ISAs	Asset share plus cost of guarantee
Income Protection Business	
Adult Holloway, Young Holloway, University Savings, Junior Moneymaker, Shepherds Income Protection Plan (SIPP) and other IP contracts	Gross premium with members' accounts (where relevant) valued equal to asset shares plus cost of guarantees and sickness benefit valued using an inception/recovery average weeks claim approach. The pure IP business is net of reinsurance where appropriate. Reserves for the closed book of Premier Protect business are calculated using individual case estimates.

(ii) Discount Rate of Interest
Discount rates are set with regard to the unadjusted risk-free rates of return specified by PRA and the regulator.

(iii) Expenses
This is the risk that expenses associated with policyholder contracts are higher than expected. The Society's expenses were analysed between acquisition and maintenance expenses.

Acquisition expenses are assumed to be covered by the margins on new policies written.

Expenses have been applied on a per policy basis following an expense analysis that allocates expenses between the different classes of the Society's business and allowing for the anticipated volumes of new business growth.

Expenses are assumed to increase annually in line with an assumed rate of expense inflation.

Expense inflation is assumed to be in line with the UK inflation forecasts published by the Bank of England.

(iv) Mortality
This is the risk that policyholders live for longer than expected resulting in increased liabilities for life insurance policies. Mortality rates are set by reference to the standard actuarial mortality tables AXC00 by class of business. Adjustments are made to reflect the variations in experience for each class of business.

(v) Morbidity
This is the risk that policyholders make claims more frequently or for a longer period of time than expected resulting in increased liabilities for protection policies. Morbidity rates are set with reference to the standard actuarial morbidity tables CMIR12 with adjustments made to fit historic and future expected experiences.

19 Technical Provisions (Group and Society) (Continued)

(vi) Persistency
This is the risk that lapse rates are different than expected resulting in increased liabilities. Assumption is based on actual experience for each product.

(vii) Options and Guarantees
The Society is not exposed to implicit option or guarantee other than those within the Society's with-profits contracts.

	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2024 £'000	2024 £'000	2024 £'000	2023 £'000	2023 £'000	2023 £'000
Balance at 1st January	33,760	(8,798)	**24,962**	44,336	(9,556)	**34,780**
New business	5,151	1,147	**6,298**	2,735	(69)	**2,666**
Experience variation	2,772	(1,000)	**1,772**	(3,572)	(587)	**(4,159)**
Changes in assumptions	2,149	(1,041)	**1,108**	(5,418)	3,034	**(2,384)**
Changes in methodology	5	-	**5**	(136)	(1,941)	**(2,077)**
Changes in risk margin	(978)	-	**(978)**	(3,518)	-	**(3,518)**
Other	89	(314)	**(225)**	(667)	321	**(346)**
Balance at 31st December	42,948	(10,006)	**32,942**	33,760	(8,798)	**24,962**
Balance at 31st December comprises:						
Long-term business provision for protection benefit and reinsurers' share	(70,302)	4,225	**(66,077)**	(67,144)	3,252	**(63,892)**
Long-term business provision for benefits excluding protection and reinsurers' share	113,250	(14,231)	**99,019**	100,904	(12,050)	**88,854**
	42,948	**(10,006)**	**32,942**	**33,760**	**(8,798)**	**24,962**

The Society has a reinsurance arrangement for its Over 50s Life Insurance and Income Protection book of business.

Further details on the movement in the year and its impact on the FFA is provided in the Strategic Report on page 2.

19 Technical Provisions (Group and Society) (Continued)

(b) Linked Liabilities - Investment contracts

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Balance at 1st January		41,392		39,267
Net contributions from members		(188)		(384)
Gains on assets held for linked liabilities	3,834		2,979	
Fees deducted	(675)		(470)	
Movement on linked liabilities in Technical Account		3,159		2,509
Balance at 31st December		**44,363**		**41,392**

(c) Other technical provisions

	2024 £'000	2023 £'000
Balance at 1st January	44,158	29,204
Net contributions from members	14,129	13,952
Interest attributed to policyholders in the year	1,955	1,002
Balance at 31st December	**60,242**	**44,158**

Fixed rate bonds issued by the Society meet the classification criteria for non-participating investment contracts and are therefore presented as Other Technical Provisions.

(d) Claims outstanding

	2024 £'000	2023 £'000
Gross amount	2,643	2,074
Reinsurers' share	(859)	(822)
Balance at 31st December	**1,784**	**1,252**

20 Other creditors, including taxation and social security

	Group		Society	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Amounts due to members	46	337	46	337
Taxation and social security	248	200	248	200
Other creditors	687	637	687	637
	981	**1,174**	**981**	**1,174**

21 Operating Rent and Lease Commitments

Rentals payable on operating leases are expensed to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease. Initial direct costs are expensed on a straight-line basis over the term of the lease.

	Group and Society	
	2024 £'000	2023 £'000
Total payable under non-cancellable operating leases are as follows:		
Amounts falling due < 1 year	175	154
Amounts falling due 2 - 5 years	697	698
Amounts falling due 5 years +	560	733
	1,432	**1,585**

Other operating expenses in the Statement of Comprehensive Income includes operating lease payments of £138,000 for 2024 (2023: £97,000).

21 Pension Scheme Obligations (Group and Society)

The Group operates a defined contribution scheme for the majority of employees. Employer's contributions are based on a fixed percentage of basic salary. The employee's and employer's contributions are recognised as an expense in the Statement of Comprehensive Income as the related services are provided.

The Group and Society also operate a Final Salary defined benefit pension scheme that has been closed to new entrants since 1st May 2005. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The pension scheme closed to member contributions on 8th January 2018 and no benefits were accrued after 7th January 2018.

The pension scheme surplus or liability recognised in the Statement of Financial Position is the value of the scheme's assets less the present value of the scheme's liabilities. The scheme's liabilities are valued by an independent qualified actuary using the Projected Unit Method. The estimates of future cash outflows are discounted to present value using the discount rate based on AA rated corporate bonds. The overall expected return assumption of the scheme's assets is calculated as the weighted average of the individual expected return assumptions for each of the major asset classes.

As at 31st December 2024, the present value of the defined benefit obligation is less than the fair value of the scheme assets resulting in a net surplus. The Trust Deed of the Scheme denotes that the Society has rights to a refund of a surplus once all member benefits have been settled and therefore the surplus can be recognised in the Statement of Financial Position.

Remeasurements are recognised in Other Comprehensive Income in the period in which they arise.

The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

There are two categories of pension scheme members:
- Deferred members: former active members of the Scheme and not yet in receipt of a pension;
- Pensioner members: members in receipt of a pension.

The defined benefit obligation includes an allowance for the impact of allowing for Guaranteed Minimum Pension (GMP) equalisation, following the Lloyd's Banking Group High Court ruling in October 2018. The allowance reflects the costs to cover higher future payments for affected members plus interest and arrears. Following the further judgement on 20th November 2020, no additional allowance has been included for the effect of equalising GMPs for pension scheme members who have previously transferred out due to the fact the impact on the gross pension liability is not deemed to be significant.

22 Pension Scheme Obligations (Group and Society) (Continued)

(a) Assumptions

The most recent formal actuarial valuation was carried out as at 5th April 2021. The results have been updated to 31st December 2024 by a qualified independent actuary. The assumptions used were as follows. The actuarial assumptions can change depending on fluctuations in inflation and bond market conditions.

	Year ended 31st December 2024	Year ended 31st December 2023
Actuarial assumptions		
Discount Rate	5.50% pa	4.50% pa
Retail price inflation	3.20% pa	3.10% pa
Consumer price inflation	2.70% pa	2.50% pa
Rate of increase of pensions in payment		
- CPI max 3%	2.30% pa	2.20% pa
- RPI max 5%	3.10% pa	3.00% pa
- RPI max 2.5%	2.10% pa	2.10% pa
Rate of increase for deferred pensioners	2.70% pa	2.50% pa
Demographic assumptions		
Mortality (Pre retirement)	As per post retirement	As per post retirement
Mortality (Post retirement)	S4PA_M CMI_2023_M/F [1.00%] (yob)	S3PA_M CMI_2021_M/F [1.00%] (yob)

	2024		2023	
Life Expectancies	**Male**	**Female**	**Male**	**Female**
Life expectancy for an individual aged 65 in the year	20.6 years	23.3 years	20.7 years	23.2 years
Life expectancy at age 65 for an individual aged 45 in the year	21.6 years	24.4 years	21.7 years	24.4 years

(b) Sensitivity of key assumptions

The sensitivity of the defined benefit obligation to changes in the key assumptions is shown in the table below. This sensitivity analysis is based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

	Increase in defined benefit obligation	
	2024 £'000	2023 £'000
100 basis points decrease in discount rate	305	375
100 basis points increase in RPI	62	66
100 basis points increase in CPI	75	93

22 Pension Scheme Obligations (Group and Society) (Continued)

(c) Assets

The assets of the Scheme are invested as follows:

	31st December 2024		31st December 2023	
	Market Value £'000	% of total Scheme assets	Market Value £'000	% of total Scheme assets
Asset Class				
Gilts	730	21%	796	23%
Cash	140	4%	97	3%
Diversified Growth Funds	1,251	36%	1,170	35%
Diversified Credit Funds	768	22%	844	25%
Equities	565	17%	473	14%
Total	**3,454**	**100%**	**3,380**	**100%**

The actual return on the assets over year was a gain of £182,000 (2023: gain of £210,000).

(d) Reconciliation to the Statement of Financial Position

	Year ended 31st December 2024	Year ended 31st December 2023
Market Value of assets	3,454	3,380
Present Value of liabilities	(2,588)	(2,936)
Surplus in the scheme	866	444
Pension liability recognised in the Statement of Financial Position before allowance for deferred tax	**866**	**444**

(e) Reconciliation of Scheme Assets and Defined Benefit Obligation ("DBO")

	Assets £'000	DBO £'000	Total £'000
As at 1st January 2024	3,380	(2,936)	444
Benefits paid	(183)	1983	-
Employer contributions	75	-	75
Interest income/(cost)	150	(128)	22
Remeasurement gains/(losses):			
- Actuarial gains: changes in assumptions	-	338	338
- Actuarial losses: experience differing from the assumed	-	(45)	(45)
- Return on plan assets excluding interest income	32	-	32
As at 31st December 2024	**3,454**	**(2,588)**	**866**

22 Pension Scheme Obligations (Group and Society) (Continued)

(f) Analysis of Amounts Charged/(Credited) to Statement of Comprehensive Income

	Year ended 31st December 2024 £'000	Year ended 31st December 2023 £'000
Technical Account:		
Total Service Cost comprising past service cost	-	-
Net Interest	(22)	(17)
Amount (credited)/charged to operating expenses in the Technical Account	**(22)**	**(17)**
Other comprehensive income:		
Remeasurement of the net defined benefit liability/(asset):		
Actuarial gains/(losses) on liabilities	293	(15)
Return on assets excluding amount included in net interest	32	55
Gain/(loss) recognised in Other Comprehensive Income	**325**	**40**
Total amount (credited)/charged to Statement of Comprehensive Income	**(347)**	**(57)**

(g) Future Funding Obligation

The Trustees are required to carry out an actuarial valuation every 3 years. The latest actuarial valuation of the Scheme was performed by the Actuary for the Trustees as at 5th April 2021. The actuarial valuation as at 5th April 2024 is currently in progress. It is likely that the Society is not required to make any deficit contributions to the Scheme once the valuation is complete, due by 5th July 2025. As such, the Society is not required to make any contributions for the financial year beginning 1st January 2025.

(h) Virgin Media vs NTL court case

The Group is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case and the subsequent Court of Appeal ruling published in July 2024. The Court ruled that certain amendments made to the NTL Pension plan were invalid because they were not accompanied by the correct actuarial confirmation. There remains significant uncertainty as to whether the judgments will result in additional liabilities for pension schemes in the UK and it is possible that the Department for Works & Pension will introduce legislation to allow changes to be certified retrospectively. Assuming retrospective certification does not become an option, a detailed review of historic documentation will be needed to determine whether the changes made to the Scheme were valid. Such a review will take some time to complete.

As a result, the Society cannot be certain of any or potential implications and therefore a sufficiently reliable estimate of any effect on the defined benefit obligation cannot be made at the balance sheet date.

23 Capital Management

The Group sets to create value for its members by investing in the development of the business whilst maintaining an appropriate level of capital available.

(a) Policies and Objectives

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

23 Capital Management (Continued)

Details of the Society's objectives and its strategy to achieve them are provided in the Strategic Report from page 2.

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

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

The capital requirement in the regulatory returns is the statutory capital requirement based on the requirements set by the regulators. Management intends to maintain capital in excess of the PRA's total requirements and to hold an appropriate additional margin over this to absorb changes in both capital and capital requirements. The Group complied with all externally imposed capital requirements to which it was subject throughout the reporting period.

(b) Capital Resources

The following summarises the capital resources and the requirements of the Society as determined for UK regulatory purposes. The Group is not required to provide a solvency capital calculation.

The capital resources below covers all of the Society's life assurance business. There are no specific constraints on the capital of the Society. As the Society has no shareholders, all capital belongs to its members.

	Society	
	2024 £'000	**2023** £'000
Fund for Future Appropriations	20,808	22,795
Regulatory Solvency Adjustments	(2,552)	(2,051)
Total available capital resources	**18,256**	**20,744**
Solvency ratio (unaudited)	189%	206%

(c) Measurement and Monitoring of Capital

The Society's solvency position is regularly reviewed to ensure it maintains an acceptable level of solvency. The Society has a Capital Management Restoration Plan ("CMRP") to restore capital should capital fall below the acceptable level.

(d) Analysis of Capital Change

An analysis of the change in capital resources is set out below:

	2024 £'000	**2023** £'000
Capital resources at 1st January	**20,744**	**15,763**
Changes in available capital due to:		
Model changes	5	1,927
Assumption changes	5,267	2,580
Unwind of discounting	975	1,199
Policy movements	(7,746)	(2,814)
New business	(2,721)	(1,653)
Change in risk margin not due to assumption changes	978	3,518
Change in current liabilities	-	132
Change in pension scheme	422	82
Other	332	10
Capital resources 31st December	**18,256**	**20,744**

Policy movements reflect changes in the inforce book of business as a result of exits over the year. Change in risk margin in the prior year reflects regulatory changes that previously required the Society to hold a bigger risk margin as part of its technical provisions. Model changes in the prior year are part of the Society's continued development to strengthen the accuracy of the modelling used to estimate future cashflows on the Society's business.

24 Risk Management and Control

This note provides information on the material risks arising from financial instruments to which the Group and the Society is exposed and how they oversee these risks. The Risk Management Report of the Strategic Report from page 12 provides more detail on the Society's overarching risk management framework and the Society's key risks.

(a) Overview of Risk Management

The Board has ultimate responsibility over risk management and it is supported by Board Committees in executing its responsibilities. The Board Risk Committee provides oversight on risk management as a delegated function on behalf of the Board.

The Society has a Risk Management Framework to support the identification, assessment, management and control of material risks that could impact the Society's strategy and the fair treatment of members. The material risks are captured in the headline risks for the Society. Risk reporting indicators are used as early warning indicators and they are aligned to the risk appetites. These indicators are then reported to the Board Committees.

The Risk Database is used as repository for all risks identified by the Society. People at all levels in the Society use the risk database to manage the controls that are designed to mitigate the risks that have been identified.

(b) New Business Risk

The Group should generate sufficient volumes of new business to ensure it can continue to fund ongoing operations and generate the returns and benefits reasonably expected by its members. Therefore, it must compete in the open market to win business and in so doing faces a range of risks including the insurance risks described below plus others such as over paying to generate sales and the risk associated with mis-sold or misrepresented products. Managing these risks is a result of being open to new business. New business volumes that are too low may result in an inability to cover the costs of writing that new business. The Group has continued to monitor new business levels. A stagnation in demand and increasing competition raise the risk of writing too little business. The Group's strategy is to maintain its diversified product range, selling to existing members and developing new routes to market to mitigate this risk.

(c) Insurance Risk

The following are the primary insurance risks in the business:

- Mortality risk is the risk that death claims are significantly more than expected in terms of numbers and values.
- Morbidity risk is the risk that sickness claims are significantly more and recover slower than expected in terms of numbers and values.
- Lapse risk is the risk the policies cease and therefore contributions from future premiums are not as high as anticipated.
- Expense risk is the risk that the future costs of administering policies are higher than anticipated.

The Society will always have to accept insurance risks if it is to remain open to new business. The inherent major risks within insurance books of business relate to policyholders having a different (worse) risk profile than was thought when they were sold a policy. When such risks appear the Society manages them in a manner of ways, such as in-depth claims management, negotiated early settlements, and review premiums in line with the terms and conditions of the product. The Society has also used reinsurance to transfer most of the mortality risk and some of the morbidity risk to third-party reinsurers.

The Society sells a range of products to generate distributable surplus for its with-profit members, and therefore lapse rates on new business issued is carefully managed. If this is higher than planned, then a lower level of surplus will emerge from the book of business. The Society strives to deliver great service to its policyholders and aims to encourage high levels of policy retention.

Note 19 sets out the Technical provisions and the changes over the year. A sensitivity analysis of the Society's results to changes in insurance risks is included in Note 24(d).

24 Risk Management and Control (Continued)

(d) Financial Risks (liquidity risk, market risk, credit risk)

Financial risks vary in nature. The Group and the Society is exposed to a range of financial risks through its financial assets, financial liabilities and insurance liabilities. The most important components of this financial risk are market risks which include equity price risk, interest rate risk and currency exchange risk, and credit risk which includes credit spread risk and counterparty default exposures.

Each of the exposures to risk are analysed regularly to assess their likely impact and probability. The overall risk is assessed in the calculation of the Society's Solvency Capital Requirement (SCR) in accordance with the PRA Rulebook, which takes into account the correlation of individual risks. The Board is responsible for reviewing the risks faced by the Society and approving the required level of capital to be held against each risk element.

(i) Liquidity Risk

Liquidity Risk is that of not having sufficient liquid resources to meet changing market conditions and being unable to meet obligations as they fall due, or being able to secure them only at excessive cost. Liquidity is required to honour all cashflow commitments, both on and off the Statement of Financial Position, and these are generally met through cashflows supplemented by assets readily convertible to cash. The management of liquidity is consistent with the economic, capital, regulatory and operational needs across the Group.

The Society's liquidity risk is overseen by the Board Risk Committee in accordance with the Society's Liquidity Management Policy.

The following tables show the maturity analysis for the contracted terms of the Group's in force insurance and investment contract liabilities. The Group has adopted a close matching of assets to its liabilities. The Group holds sufficient cash reserves to meet its liabilities as they fall due and it has access to its investment funds should additional cash be required.

	Less than 1 year	1 - 5 years	6 - 10 years	> 10 years	Total	Balance sheet carrying value
2024 Cash flows (undiscounted)	£'000	£'000	£'000	£'000	£'000	£'000
Group & Society						
Long-term business provision	(7,108)	(18,620)	(9,756)	(21,187)	**(56,671)**	**(42,948)**
Linked liabilities	(6,789)	(37,574)	-	-	**(44,363)**	**(44,363)**
Other technical provisions	(6,008)	(64,287)	-	-	**(70,295)**	**(60,242)**
Net cash (outflow)/inflow	**(19,905)**	**(120,481)**	**(9,756)**	**(21,187)**	**(171,329)**	**(147,553)**
2023 Cash flows (undiscounted)	£'000	£'000	£'000	£'000	£'000	£'000
Group & Society						
Long-term business provision	(3,338)	(6,524)	(10,731)	(18,233)	**(38,826)**	**(33,761)**
Linked liabilities	(2,904)	(38,452)	(36)	-	**(41,392)**	**(41,392)**
Other technical provisions	(11,978)	(37,335)	-	-	**(49,313)**	**(44,158)**
Net cash (outflow)/inflow	**(18,220)**	**(82,311)**	**(10,767)**	**(18,233)**	**(129,531)**	**(119,311)**

24 Risk Management and Control (Continued)

(ii) Market Risk

Market risk is the risk that as a result of market movements, the Group may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets. Sources of market risks are set out below. A sensitivity analysis of the Group's results to changes in market risks is included in Note 24(d).

The Board and the Board Risk Committee oversees investment activity, monitors the investment manager's performance, and ensures that the investment policy are adhered to. In uncertain market conditions, investment performance is closely monitored daily. The policy and investment strategy are reviewed and approved by the Board and the Chief Actuary on an annual basis. The Group manages its assets for the benefit of its members in accordance with the Board approved Investment Policy. The Society employs external investment managers to manage most of the Group's assets, but the Board maintains oversight to ensure that these assets are managed in line with the Investment Policy and the Board's risk appetite.

(a) Equity Price Risk
Holdings in equities are by their nature subject to market movement. In order to mitigate this risk, the Group ensures that assets are invested in a manner consistent with the requirements set out in the Principles and Practices of Financial Management (PPFM).

(b) Interest Rate Risk
Interest rate risk exists for all assets and liabilities which are sensitive to changes in the term structure of interest rates or interest rate volatility. Due to the nature of the Group's products, the long-term business funds may be impacted by these interest rate movements.

The Group and the Society has in place a gilt derivative arrangement to reduce its exposure to interest rate volatility.

(c) Exchange Rate Risk
The Group and Society hold units in externally managed investment funds which are exposed to exchange rate risk. The Group does not directly hold assets exposed to exchange rate risk.

(iii) Credit Risk

(a) Credit Spread Risk
The Group and Society hold units in externally managed investment funds which are exposed to credit spread risk.

(b) Counterparty Default Risk
Counterparty default risk is the risk of loss incurred by the Group if a counterparty fails to perform its contractual financial obligations, including failing to perform them in a timely manner. Material counterparties include intermediaries, reinsurers and investment management provider. To mitigate this risk, the Group performs appropriate due diligence before entering into the arrangement and ongoing monitoring over the term of the arrangement in accordance with the Group's Third Party Management and Outsourcing Framework.

The following table shows an analysis of the credit quality of assets held by the Group subject to credit risk, using credit ratings issued by external rating agencies. 'Not rated' assets are assets held by counterparties that are not rated by external rating agencies.

24 Risk Management and Control (Continued)
(iii) Credit Risk (Continued)

	2024		2023	
	£'000	Credit Rating	£'000	Credit Rating
Other Financial Investments at fair value	101,486	A	87,562	A
Assets held to cover linked liabilities	44,363	A	41,392	A
Reinsurance assets	8,820	AA	9,021	AA
Cash at bank	8,149	A	1,572	A
Cash equivalents	6,658	A	2,972	A
Amount due from brokers	1,281	A	2,251	A
Trade and other debtors	789	Not rated	215	Not rated
	171,546		**144,985**	

As at 31st December 2024, trade and other debtors that were past due but not yet impaired was £38,000 (2023: £123,000). No other amounts were past due as at the date of the Statement of Financial Position.

(d) Sensitivity of the Group's and Society's results to changes in key assumptions

The table below shows the sensitivity of the Fund of Future Appropriations ("FFA") to possible changes in the key assumptions. The table demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In practice, the assumptions may be interdependent.

		Group and Society	
Variable	Change in Variable	2024 Change in FFA £'000	2023 Change in FFA £'000
Insurance risks			
Change in mortality (note 19a(iv))	-20%	(1,924)	(2,250)
Change in morbidity (%CMIR12) (note 19a(v))	+25% inceptions and -20% recoveries	(11,699)	(10,223)
Change in expenses (note 19a(iii))	+10%	(2,225)	(2,981)
Change in lapses (note 19a(vi))	+10%	(5,859)	(5,750)
Change in lapses (note 19a(vi))	-10%	12,066	11,757
Market risks			
Change in fixed interest yields (note 24d(ii)(b))	PRA interest rate up	(8,224)	(6,972)
Change in fixed interest yields (note 24d(ii)(b))	PRA interest rate down	8,959	11,111
Fall in equity values (note 24b(ii)(a))	-10%	(2,252)	(1,975)

Glossary

Annual Premium Equivalent (APE)	An industry standard measure of amount of new premiums written and is equal to 100% of annual regular premiums plus 10% of single premiums.
Corporate Governance	An internal system encompassing processes, polices and people by directing management activities with objectivity, accountability and integrity.
Derivatives	A financial contract whose value is linked to the value of an underlying asset, which for the Society is the value of the UK gilt.
Financial Conduct Authority (FCA)	An independent conduct of business regulator, which ensures that business is conducted in such a way that advances the interests of all users of, and participants in, the UK financial sector.
FRS102, FRS103	The Financial Reporting Standards issued by the UK Accounting Standards Board.
Fund for Future Appropriation, FFA	The Statement of Financial Position item required by Schedule 3 to the Regulations to comprise all the funds of which the allocation to with-profits policyholders has not been determined by the end of the reporting period.
Guaranteed Minimum Pension (GMP)	Guaranteed Minimum Pension is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6th April 1999. On 26 October 2018 the High Court ruled in the Lloyds Banking Group ruling that equalisation for the effect of unequal GMP was required for active members at that date. A further judgement was ruled on 20 November 2020 that equalisation for the effect of unequal GMP was also required for members who have previously transferred out.
Headline Risks	The key risks facing the Society are monitored and captured as headline risks in the Society's risk management framework. The headline risks are categorised into product risk, capital risk and operational risk.
Own Risk and Solvency Assessment (ORSA)	The ORSA is the Society's Own Risk and Solvency Assessment. It is a forward looking assessment of the Society's solvency position taking into account the specific risks to which it is exposed.
Pooled investments	Also known as collective investment schemes, monies from investors are put into a large fund that is spread across many investments and managed by a professional fund manager.
Principles and Practices of Financial Management (PPFM)	A document that sets out the basis by which The Shepherds Friendly Society Limited conducts its with-profits business.
Prudential Regulation Authority (PRA)	Part of the Bank of England that is responsible for the authorisation, regulation and day-to-day supervision of all insurance firms that are subject to prudential regulation.
Realised and unrealised gains or losses	A realised gain or loss occurs when an asset is sold and it is the difference between the sale proceeds and the cost of purchasing the asset. The increase or decrease in value since the end of the previous year is presented as an unrealised gain or loss.

Glossary (Continued)

Reinsurance	The Society pays a premium to a larger insurer to share the risk on insurance contracts.
Risk Margin	The amount of capital that the Society is required to hold to ensure that it is able to transfer its liability to another insurer if required.
Solvency UK Directive	Solvency UK is the reformed regulatory framework for insurers in the UK, transitioning from the previous Solvency II regime. Solvency UK is a fundamental review of the capital adequacy regime for the UK insurance industry. It established a revised set of UK-wide capital requirements and risk management standards with the aim of increasing the financial strength of insurers and thus added protection for policyholders.
Solvency and Financial Condition Report (SFCR)	A report required under Pillar III of the Solvency UK directive. Life insurers in the UK are required to disclose this report publicly and to report it to the PRA on an annual basis. The SFCR includes both qualitative and quantitative information.
Solvency Capital Requirement (SCR)	The amount of capital that the PRA requires a UK Life insurer to hold, calculated using Solvency UK requirements.
Sterling Overnight Index Average (SONIA)	The SONIA, is the effective overnight interest rate paid by banks for unsecured transactions in Britain. SONIA replaced LIBOR from 31st July 2021.
Smoothing	The principle of reducing bonuses to with-profits members in good years to prevent lower bonuses in poor years.
Technical provisions	An actuarial calculation of the amounts needed to meet the expected liabilities to policyholders, taking into account expected premiums on certain types of insurance contracts in force, and after allowing for maintenance costs and an appropriate risk margin.
Three lines of defence approach	A control framework to ensure that the Society is properly controlled through management as the first line, risk and compliance policies and monitoring as the second line and independent audit as the third line.
Valuation methods	Note 19 of the Report and Accounts refers to the assumption that the actuary uses in calculating the Technical provisions. The references are to standard actuarial tables for calculating death and sickness rates.
With-Profits Fund	A pooled investment fund where premiums from the with-profits members are added together and invested. The investment return is held in the With-Profits Fund and paid out to the with-profits members on a smoothed basis over time.