



CIRENCESTER  
FRIENDLY

**2024**

ANNUAL REPORT  
& ACCOUNTS





CIRENCESTER  
FRIENDLY

### PERFORMANCE

2024 has been a successful year for the quality and sustainable growth strategy of the Society. Significant investment has been made in our infrastructure, resources and people which has delivered an increase of over 2,200 in our active Membership as we look to grow the Society for the long-term. 2024 has also achieved a record level of premium income in Cirencester Friendly's long history, a milestone of which our Members and colleagues can be justly proud.

When set against the external environment, these achievements are even more impressive. The past year has been marked by a challenging economic environment, influenced by the ongoing geopolitical conflicts in Ukraine and the Middle East, as well as the elections in the UK and the USA. This has led to increased stock market uncertainty and volatility, impacting investment returns.

The Bank Base Rate (BBR) was reduced twice during the year, in July and November, from 5.25% to 4.75%. Despite these cuts, yield curves have remained high, negatively impacting the future value of our insurance contracts and investment gains.

Recent easing in core price pressures has contributed to a transformation in the UK's inflation landscape. The average inflation rate for 2024 was 2.5%, down from 4% in 2023.

We have experienced an annual deficit of c.£1.8m, primarily due to these lower investment returns. Consequently, there will be no transfer to our reserves for 2024. However, we have still managed to record an increase in the value of insurance contracts by c.£2.0m, creating additional benefit for our Members over the year.

Our strategy remains focused on our Members, emphasising long-term decisions and creating value. This is clearly demonstrated by our impressive claims paid rate of over 95% and Member bonus payments amounting to c.£1.5m.

### CUSTOMER SERVICE

We have been recognised externally for our exceptional service. We are delighted with our Institute of Customer Service (ICS) survey results, achieving an 89% score which firmly places us within the top quartile score of 85%. This is a testament to our unwavering commitment to broker satisfaction.

In June 2024, we achieved the ICS 'ServiceMark with Distinction' award. This prestigious recognition is awarded to only 23 companies out of a membership base of over 400, placing us in the top 6%.

We received a raft of awards throughout the year including 'Best Protection Service' from Moneyfacts, and 'Best Financial Protection Provider' from What Mortgage, among many other accolades. We were particularly pleased that several employees were recognised for their individual achievements: Michelle West-Wiggins, Gabrielle Best, Caroline Hume, Kirsten Davies and the whole of the IT Team for Outstanding Use of IT from Cover Customer Care awards.

### OUR PEOPLE

We have increased our headcount during the year by 16, with a Full-Time Equivalent (FTE) increase of 14.5. Many of these new roles have replaced external contractors as we invest in and develop our own people. Initiatives such as the Talent Development Programme have resulted in the creation of the 'CFS Way', ensuring continued talent growth is aligned with our mutual principles.

### THANK YOU

In 2024 we thanked Ian Maude and Mark Sedgley for their dedicated service as they retired after nine years on the Board. We have taken the opportunity to reduce the size of the Board to eight which seems proportionate to the size of the Society.

At the 2025 AGM I will retire from the Board and leave behind an organisation that is much transformed from the one I joined nine years ago. I am delighted that Andy Lucas has been elected to succeed me as Chair of the Board. I have every confidence in Andy's ability to lead the Society forward.

It has been a privilege to serve on the Board. I am grateful to current, and former colleagues for their support, company and wise counsel; to our employees for their positivity, commitment and resilience in the face of many challenges and whilst delivering excellent customer service; to our Members and advisers for recommending, supporting and trusting us. It has been a pleasure to work with you all.

*Janice Banks*

### JANICE BANKS

Chair of the Board



**CHAIR**

Janice Banks

### 2024 SELECTED HIGHLIGHTS:

- **Financial resilience remains strong**
- **Member bonuses maintained**
- **95.8% of Claims paid**
- **Institute of Customer Service high top quartile**
- **Strong showing by the Society in industry awards**



## CHIEF EXECUTIVE

Andy Morris

2024 has been a successful year for investing in and growing the Society. We are really pleased to have achieved substantial Membership growth through the hard work of all our colleagues, adding over 2,200 active Members to the Society, which sets us up well for the long-term future and sustainability of the organisation.

Janice has noted the tough economic conditions in which the Society has had to operate, in common with our peer group, and the disappointing investment returns. In order to improve our returns going forward, we changed our investment advisers to Schroders during October, who have a proven track record of delivering enhanced value and they have improved returns since taking over the portfolio.

We have made great progress in building the infrastructure and resources to help deliver our 2030 Vision for the Society, to both grow and diversify the business. We have delivered another milestone in this long-term strategy through achieving the Institute of Customer Service ServiceMark with Distinction, in recognition of the exemplary service we provide to our Members, advisers and colleagues. Like Janice, I am particularly pleased with this accolade, as it helps to emphasise the importance we place on how we treat our Members, which sets us apart from the competition.

As a mutual Society, we strive to be there when our Members need us the most, when they need to make a claim, and it is with great satisfaction that we are able to report another high level of claims paid at 95.8% (2023: 95.8%).

2024 has been an important year for advancing the strategy of the Society. With our strategic priority on growth and quality, we have nearly doubled our sales volumes compared to the previous year and had the highest premium income in the Society's history. This does not immediately translate into surplus, as we pay significant upfront commission to our advisers, but it sets the foundations for future prosperity.

The Society continues to invest in technology infrastructure with our partners at iPipeline, to ensure we provide our advisers and Members with more flexible and efficient features and processes. We have also invested in our people and resources to support the growth strategy of the 2030 Vision. To this end, administration expenses have increased in 2024 to £8.0m (2023: £7.5m). As a mutual, it is important that we are efficient in the way that we administer the Society but also that we invest for growth in a controlled way.

We continuously aim to build trust in partnership with our advisers, who provide exemplary service to Members alongside ourselves. As well as building our distribution, we are also embarking on significant product proposition enhancements to ensure that we deliver quality for our advisers to continue to serve our Members with the best quality service to meet their needs.



## FINANCIAL RESULTS AND BUSINESS REVIEW

As a Friendly Society, we adopt a long-term approach to business to support our owners, our Members, in the years to come, just as we have done for 135 years. Despite the challenging economic conditions, we have maintained the financial resilience of our business while investing for future success.

The investment portfolio has been transferred from LGT Wealth to Schroders during the year to improve the long-term returns and therefore value for our Members. This meant selling the holdings at LGT and buying into the funds administered by Schroders, which has realised some losses from current and prior years, given recent challenging economic conditions impacting on equities and the persistently high bank base rate impact on fixed income positions. However, we are confident that the change to Schroders will deliver enhanced returns and make the most of the Society's portfolio for our Members.

	2024	2023	Change
Active Membership	44,621	42,387	5.3%
Institute of Customer Service Survey	89.1%	89.2%	-0.1%
Claims Paid	95.8%	95.8%	-
Assets	£148.7m	£153.2m	-2.9%
Fund for Future Appropriation	£108.2m	£110.0m	-1.6%
Solvency Ratio	209%	227%	-7.9%



## CAPITAL AND SOLVENCY

At the end of the year, we had a level of solvency which covered the minimum capital resource requirements prescribed by the Regulator by over eight times. Our surplus over the requirement stands at a healthy £59.6m (2023: £64.3m), providing a significant buffer in our reserves to protect Members from unexpected events. However, this has reduced year on year in line with the solvency ratio reduction due to growth in our Membership base.

We prepared an Own Risk and Solvency Assessment (ORSA) during 2024, adjusted to take account of the impact of the current macroeconomic conditions. The Society continues to exceed regulatory expectations of capital requirements in normal and modelled stressed conditions, ensuring that we are prepared for difficult situations such as a repeat of the pandemic or financial crash. In all the envisioned scenarios, the Society would continue to have a comfortable margin of capital resources over the minimum capital resource requirements.

## CLAIMS

We are committed to supporting Members financially when they need us most, at the point of needing to claim. It is a great source of pride to the Society that we have maintained our high level of claims paid at 95.8%. This has meant that payments have marginally increased by 2.1% to £9.8m (2023: £9.6m).

The Society has invested in a Claims Transformation initiative throughout 2024 that continues to operate at pace, delivering incremental benefits to the Claims experience of our Members, as well as establishing a more rewarding environment for colleagues. This initiative has led to the dramatic improvement in the claims turnaround times, which achieved 12 days in September 2024 compared to 23 days in September 2023.

The Member experience has been enhanced through accepting online claims, alongside paper forms, and we are now paying immediately following admittance, rather than waiting for the financial payment run. Both of these refinements have significantly improved the speed at which we get crucial funds to our Members at their time of need.

Additionally, we have started a Rehabilitation Pilot with our provider RedArc, to help our Members recover back to health and work more quickly. It is early days, but the initial feedback from Members has been extremely positive.

We rejected less than 5% of claims. The reasons for doing so include inability to provide proof of earnings or medical evidence, no loss of earnings and claims for previously undisclosed pre-existing medical conditions.

We are proud of our strong record of results in relation to the payment of claims, as we believe this clearly demonstrates the importance of income protection insurance in financial planning. We also believe that education is the best way to ensure that everyone knows what is expected in the claims process and how to make a successful claim, as a commitment to our open and honest approach.

## REWARDS TO MEMBERS

One of the key benefits of mutuality is the opportunity for Members to share in our success. This is done in numerous ways but one of the most obvious is in the form of bonuses added to profit participating Members' credit balances, held by us until the end of their contract, and through the Members' Mutual Fund.

We continue to operate a balanced, long-term approach to award bonuses that can be supported by the surplus we create over time, demonstrated by our sustained history of maintaining rewards.

As a consequence of this philosophy, bonus rates added to Members' credits for 2024 have been preserved. The Society paid out £1.5m in bonuses during the year, a similar level to the year before, helping to demonstrate the real value of the mutual ethos:

	2024	2023
Health & Wealth Dividend (maintained)	£1.56	£1.56
Income Assured (products) Surplus Allocation (maintained)	£10.80	£10.80
Income Assured (products) Investment Only - Surplus Allocation (maintained)	£0.53	£0.53
Bonus Allocation/Interest*	2.0%	2.0%

\*The interest added to retired Members' deposits should be declared by Members for tax purposes. The dividend or surplus allocation rate above, is applied to the number of units held by each participating member which is added to their credit balance. Annual Interest at the rate above is then applied to this credit balance.

Member benefits continue to be a focus for the Society, as we strive to deliver the best value proposition for our Members. The demand for our services such as GP24, which provides telephone access to a medical general practitioner, has never been higher. It is a similar story with our mental and physical wellbeing offering through Friendly Voice and Your Halo. These efforts are ongoing and we will look to further enhance our products and support throughout 2025.

## CONSUMER DUTY

We welcome the regulatory initiative to help deliver better outcomes for consumers encapsulated in the Consumer Duty requirements. There is a natural fit for this approach with mutuals, where doing the right thing for our Members is core to the values of Cirencester Friendly. We have collaborated closely with our professional advisers to ensure we not only meet the requirements of this regulation but build the spirit of the approach into the culture of the organisation, helping to promote the benefits to our Members and provide a competitive advantage to Cirencester Friendly as a result.

We have made significant progress during the year, delivering requirements for our 'closed book' products ahead of the July deadline and completing the fair value assessments. We have embedded positive outcomes arising from the first annual review across the Society, such as enhanced management information.

Our Consumer Outcomes Working Group continues to focus on and challenge processes within the organisation to alignment with Consumer Duty, with sponsorship held at Board level. Minimal changes to our current products and processes have been required, which demonstrates our strong position in complying with the requirements of the Duty.

Cirencester Friendly is committed to the fair treatment of customers. The number of complaints we receive each year is very small. That said, we are not complacent and when we do receive a complaint, we aim to make it a positive learning experience. Complaints are thoroughly and impartially investigated, and we aim to resolve them at an early stage using our internal dispute resolution processes.

## AWARD WINNING SERVICE

Exemplary service remains core to the Society's culture and business strategy. This will remain part of what sets us apart and the Institute of Customer Service (ICS) survey result was maintained at 89%, well within the top quartile in a year as noted by Janice, when service scores across the industry have declined. We are incredibly pleased to have been recognised externally for this and we have had a record year for awards, with 28 nominations including 5 winners and 5 highly commended. These awards are a way of saying thanks for the efforts and commitment of our people:

### Winners:

- Moneyfacts – Best Protection Service
- What Mortgage Awards – Best Financial Protection Provider
- COVER Customer Care – Customer Care Champion; Michelle West-Wiggins
- COVER Customer Care – Young Insurance Person of the Year; Gabrielle Best
- COVER Customer Care – Outstanding use of technology; IT

### Highly Commended:

- COVER Women in Protection - Woman of the Year in Customer Support; Michelle West-Wiggins
- Protection Guru - Best use of Social media by a BDM; Caroline Hume
- Protection Guru - Best Insurer for protecting the income of people with higher risk occupations
- COVER Excellence - Rising Star; Kirsten Davies
- Mortgage Insurance Marketing Award - Best Marketing; Protection

## DEVELOPING EMPLOYEES

We have an ongoing programme of developing people and 2024 saw the implementation of our Talent Development programme that included mentoring relationships and has led to setting up the CFS Way, a Society specific training and development approach. It is particularly pleasing to see that our internal talent has thrived in this environment, with internal promotions that included Michelle West-Wiggins joining our Executive Committee as Director of Customer Experience.

Employee engagement is pivotal to the success of the Society, as well as the personal satisfaction of colleagues, and I am greatly encouraged that we have scored 89% satisfaction in the ICS employee survey, another rise on last year's 87% and with participation at an incredible 100%.

Our aim is to always give back to our Members and support them where possible, so it is very pleasing to see the increased use of the 125 Foundation. We encourage any Member to get in touch and make the most of this fantastic benefit that we offer.

We have deliberately retained the HEART values that are core to the Society and have instituted HEART awards for where employees demonstrate exceptional examples of these behaviours through the year:



## CIRENCESTER FRIENDLY 125 FOUNDATION

The Cirencester Friendly 125 Foundation provides financial support to individuals and causes to the benefit of Members and their communities. There are two types of awards which Members, or their Financial Adviser on their behalf, can apply for:

- **Individual Awards** are for the simple things that make an enormous difference. Members, or their Financial Adviser on their behalf, can nominate someone close to them who may be suffering hardship and could benefit from financial support.
- **Half Yearly Community Awards** are for local projects and causes that Members value and support.

The 125 Foundation has seen 120 applications in 2024 (80 in 2023) and an increased uptake in applications from Members to help aid them through hardship. During 2024, the 125 Foundation supported 64 members and paid out a total of over £64k in donations.

## 125 FOUNDATION MEMBER STORIES

Throughout 2024, our 125 Foundation extended support to numerous Members and communities, making a significant impact. This year, we witnessed several remarkable stories from the people and communities we assisted. Here are just a few examples:

### Individual Awards:

- We awarded a Member with £1,000 to help them to pay for private physiotherapy/hydrotherapy to aid them in getting back to work.
- One of our Members had experienced domestic violence and was living in temporary accommodation. They were hoping to move into a permanent home and they were seeking help financially to obtain furniture and home essentials. To support with that, we awarded the Member with £500 through the 125 Foundation.
- A Member of ours suffered life changing injuries following a motorcycle crash. We awarded them with £1,000 through the 125 Foundation, in addition to their claim benefit.
- After losing one of their parents, a Member of ours was under a lot of stress with concerns about taking time off work to grieve and having to arrange the funeral. We awarded the Member with £1,000 to help in that difficult situation.

### Community Awards:

- One of our Members goes to Loros Hospice once a fortnight, where they receive palliative care. We awarded both the Member and the Hospice with £1,500 each.
- After a storm, equipment was damaged at a local forest school. We awarded the school with a donation of £500 to support with the replacement of the equipment.

### COMMUNITY CONTRIBUTION

Lucy's Bowl was our employee charity of choice for 2024, who do amazing work training puppies to be guide dogs for the sight impaired. We have raised £1,333 which is matched by the Society, along with a further £45 for Save the Children.

Cirencester Friendly encourages employees to take volunteer days in areas they are passionate about, which has included Lucy's Bowl, The Royal British Legion and Belief in Action to name but a few, and employees have been out cleaning up the neighbourhood by litter picking at lunch times.

### CLIMATE CHANGE

At the Society we take an active interest in the local environment and also how we can make our contribution to the efforts to combat climate change. We are committed to and fully support the Prudential Regulation Authority (PRA) initiative to ensure that insurers prepare for the potential business challenges presented by climate change. We have a working group collaborating with the Association of Financial Mutuals (AFM) in looking at how the industry will respond.

Through the production of the ORSA, we have collaborated with our external Actuaries to model the potential detrimental impact climate change may have on the Society's assets, in the event that the effects are more serious than current predictions. This impact covers the three-year Business Plan and shows that the Society has the necessary financial resources and is well placed to manage the risk. We also work with our Investment Advisers Schroders to ensure that Environmental, Social and Governance (ESG) criteria are a core part of the investment portfolio of the Society.

The Society has its own Climate Change Working Group with motivated volunteers who look at practical ways the Society and its people can make a difference at the individual and local level. Our office, Mutuality House has been constructed as an energy efficient building, but we are not yet able to be carbon neutral. As a result, the Board has agreed to contribute to carbon offset schemes to the equivalent of our total carbon footprint, to ensure we play our part even in the short term; we have contributed 565 trees as part of the charitable initiative Trees for Life. Our green energy tariff obtains 100% of our electricity from renewable sources and we have increased our electric car charging points from 4 to 10 to help encourage usage. The Group is also looking at how best to reduce our waste and increase the proportion that is recycled, together with supporting local environmental initiatives.

### DELIVERING ON OUR STRATEGY

The Society has achieved major milestones in progressing our 2030 Vision to grow the Society during the year, reflected in the significant Membership growth achieved through distribution expansion, alongside significant infrastructure and resource investments. It is critical that we invest and build the Society for our long-term future, while continuing to serve our Members needs and meet our obligations.

We are pleased to announce that we have achieved the government recognised Cyber Essentials Plus accreditation in 2024, evidencing the robust technology protection that the Society now has in place for all our Members and advisers.

Proactive dialogue with the Regulators has been welcome, with good engagement via The Association of Financial Mutuals (AFM) where I am lucky enough to serve as Vice Chair. We continue detailed interaction with the Law Commission review of the Friendly Societies Act to modernise legislation and put mutuals on an equal footing with corporates. Cooperation continues across the AFM where I chair the working group on collaboration, looking for pragmatic ways to provide better service for Members and save money across the sector.

The Society has joined in with the AFM and other mutual trade bodies to support the government ambition to double the size of the mutual financial services sector. The latest initiative has seen the establishment of the Mutual & Co-operative Business Sector Council, where the trade bodies all have representation to help drive forward the growth agenda.

Additionally, CFS is looking to further the interests of our Members having joined the Association of British Insurers (ABI), where interaction is progressing well on numerous fronts with committee and working group representation across senior management. We have also joined the international trade body ICMIF to gain insight of initiatives from other countries to help develop our business.

I would like to extend my heartfelt thanks to Janice Banks, our long serving and very committed Chair, who has helped enormously during my time as CEO and has shown unwavering support for the Society over her years of service. I am sure I speak for the whole Society and its Members in wishing you a long and happy retirement! I am equally pleased that the Board has elected the experienced Andy Lucas as our next Chair and I am sure we will work well together in implementing the 2030 Vision and setting the strategy for the Society's long-term future.

It remains for me to extend my thanks to each and every colleague for their continued support, hard work and infectious enthusiasm during 2024.

*Andy Morris*

**ANDY MORRIS**

Chief Executive



**JANICE W BANKS**  
MBA  
**Chair**

**Term of Office:** Janice joined the Board in January 2016 and has been Chair of the Board since mid June 2023.

**Independent:** Yes on appointment

**Skills and Experience:** Janice is a Non-Executive Director with over 30 years' experience in financial services. She has held several senior executive roles with Nationwide Building Society and worked as an investment manager with Matheson Investment Management Ltd. She ran her own independent consultancy business for over 10 years providing CEO and turnaround services to the charity and housing sectors.



**ANDY J MORRIS**  
MBA FCA MSCI  
**Chief Executive Officer**

**Term of Office:** Andy joined the Society in April 2019

**Independent:** No as an Executive

**Skills and Experience:** Andy has been CEO since September 2022, having previously been Director of Finance and Risk for the Society. Andy was elected Vice Chair of the mutual financial services trade body the Association of Financial Mutuals during 2024 and is a Fellow of the Institute of Chartered Accountants with over 25 years of experience across Financial Services. He is also a Member of the Chartered Institute of Securities and Investments and holds a Masters in Business Administration from London Business School.



**DAVID M A EVANS**  
BSc, ACMA  
**Chief Financial Officer**

**Term of Office:** David joined the Society in August 2022

**Independent:** No as an Executive

**Skills and Experience:** An accountant by background, David is an experienced director who has worked in a wide variety of roles within financial services, mainly in the mutual sector for over twenty five years. David has held many senior finance roles within Nationwide Building Society, including Finance Director of The Mortgage Works (TMW), Director of Financial Performance and Director of FP&A.



**ANDY S LUCAS**  
BA (Hons), DipM  
**Senior Independent Director**

**Term of Office:** Andy joined the Board in July 2021

**Independent:** Yes

**Skills and Experience:** Andy has spent most of his career in financial services, leading marketing & sales, eCommerce, customer service and technology developments. Following roles at Prudential and ACE European Group, he was Chief Operating Officer at Cambridge Building Society. Andy is a Non-Executive Director of Buckinghamshire Building Society, trustee of two charities and member of The Chartered Institute of Marketing. Andy chairs the Society's People and Remuneration Committee.



**VICKY CHURCHER**  
**Non-Executive Director**

**Term of Office:** Vicky joined the Board in July 2023

**Independent:** Yes

**Skills and Experience:** Vicky, a Non-Executive Director and Co-Chair of the IPTF (Income Protection Task Force), has over three decades of experience in the financial services sector. Previously serving as the Intermediary Director at AIG, she held prominent sales, marketing, and distribution roles at Ageas and Bupa. Vicky's industry contributions have been acknowledged with three prestigious awards in 2023: the Lifetime Achievement Award from Protection Review, Outstanding Industry Contribution from Women in Protection & Cover Awards, and Outstanding Contribution from Lifesearch.



**KATE S MCINTYRE**  
BA (Hons), ACA  
**Non-Executive Director**

**Term of Office:** Kate rejoined the Board in October 2023 (with a previous term August 2017 - October 2022).

**Independent:** Yes

**Skills and Experience:** A chartered accountant by background, Kate trained and worked with PwC. She subsequently had a varied career spanning almost 40 years, primarily in financial services, with senior roles at Skipton Building Society, First Direct, AXA healthcare, Lloyds Banking Group and Engage Mutual Assurance. Kate is a big supporter of the mutual sector and is also Vice Chair and Senior Independent Director at Darlington Building Society.





**ANDREW PAYTON**

BSocSc FCA

**Non-Executive Director**

**Term of Office:** Andrew joined the Board in February 2023

**Independent:** Yes

**Skills and Experience:** Andrew is a Chartered Accountant and has spent the majority of his career working in financial services. He has been a building society director for a number of years, having previously been Finance Director at Loughborough Building Society and Chief Financial Officer and Deputy Chief Executive at Hinckley and Rugby Building Society. He is currently a Non-Executive Director at Bath Building Society. Andrew chairs the Society's Audit and Risk Committee.



**SHIRLEY E FELL**

**Chief Operating Officer**

**Term of Office:** Shirley joined the Society in April 2019

**Independent:** No as an Executive

**Skills and Experience:** 40 years' experience working in Financial Services. Held senior roles in Zurich Financial Services, Halifax Bank of Scotland and MetLife Inc. including UK Chief Operations Officer and Head of Strategy and Transformation for Europe, Middle East and Africa Operations. Appointed as Operations Director for the Society in April 2019 and Chief Operating Officer in 2022. Passionate about delivering excellent customer service, she is also a Non-Executive Director for the Institute of Customer Service.

# WE PROTECT LIFESTYLES



To be great to do business with



To treat all our Members with  
understanding and compassion



To be a place where people want to  
work and grow



To be sustainable and profitable,  
building capital for a stronger  
future together

Protecting  
our Members  
when they  
need us most



## 2025 KPIs

- Membership growth
- Service satisfaction
- Percentage of claims paid
- Financial surplus & cost control
- Long term Member value

## 2025 STRATEGIC DELIVERABLES

- Technology simplification and efficiency
- Proposition development
- Business transformation
- Market expansion







The Board is committed to the ongoing development of the Society, through the effective delivery of value for money protection products and enhancing Membership benefits for an increasing audience, through a range of distribution channels. This Strategic report and other reports form the Committee of Management annual report.

## BUSINESS REVIEW

Key business developments and the future outlook for the business are reviewed in the Strategic Review from the CEO on pages 4 to 7. The Board of Directors is of the opinion that all activities performed during the year have been carried out within our respective powers.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Society manages 15 categories of risk, and the Board has defined clear statements and tolerances that sets out the type and amount of risk we are prepared to take in the fulfilment of the Society's strategic objectives.

The principal risks and uncertainties managed by the Society are reviewed quarterly by both the Executive Committee and Audit & Risk Committee. These are outlined below.

Risk	Risk Management
<b>Strategic Risk:</b> Risks arising from an unsound business strategy, such as prolonged delay in the execution of business decisions, undertaking poorly resourced initiatives or failure to react promptly or appropriately to changes within the market in which the Society operates, including an increase in the activity of competitors.	Executive Committee and Board scrutiny of key business decisions, ensuring effective challenge prior to implementation.  Executive Committee quarterly review of strategic change prioritisation.  Regular review of market evolution and trends, implementing appropriate changes within the Society as required.
<b>Insurance Risk:</b> A combination of risks, including consideration of CFS' Underwriting Philosophy, which could affect the level of premium income and payment of benefits which subsequently affects the value of the contracts issued by the Society: arising from uncertainty in the level of claims, the length of those claims, management costs and the closure rate of the insurance contracts issued.	Financial and Actuarial review of the performance of the Society's products.  Proactive support of long-term claimants to aid their recovery and return to work, where appropriate.  Quarterly Board reviews of the Society's performance against a pre-determined set of financial and non-financial measures.
<b>Market Risk:</b> Risks arising from uncertainty in the future value of investments and the returns achievable from them, including interest rate, currency and credit spread risks.	Defined investment strategy whose implementation is overseen by the Board.  Expert investment advisers engaged to oversee management of the Society's investments.
<b>Financial Risk:</b> The risk that the Society does not have enough liquidity or capital to run its business effectively or in the long-term interests of its Membership.	3-year Business Plan approved by the Board, and performance against plan reviewed quarterly.  Own Solvency Risk Assessment (ORSA) produced annually with input from the Chief Actuary which assesses the Society's financial resilience under a range of plausible but extreme scenarios.
<b>Operational Risk:</b> The risk that inadequate or failed internal processes and systems result in an adverse impact on the Society or its membership.	Change Governance Process embedded within the Society.  Risk Events Process embedded with mechanisms to detect and remediate potential process failures.
<b>Reputational Risk:</b> The risk of the Society losing its reputation can materialise through many actions, or inaction by the Society and its employees. It may also arise due to problems within the market tainting the Society by association.	Embedded complaints handling process aligned to regulatory expectations.  Defined external communications protocols.  Close engagement with the Association of Financial Mutuals and Association of British Insurers.
<b>Regulatory Compliance Risk:</b> The risk that the Society does not fulfil its legal and regulatory obligations relevant to the delivery of its products and services to the membership and running of the Society.	Three Lines of Defence Model embedded throughout the Society.  2nd line support and oversight, to ensure ongoing compliance with regulatory expectations.
<b>Climate Change Risk:</b> The risk that the Society does not adapt for and mitigate against the impacts of climate change in all affected areas of its business.	Climate Change Working Group in place which oversees the Society's activities in respect of Climate Change.  ESG objectives within the Society's investment policy.  Participation in a carbon offset programme (tree planting in Scotland).  Impact of climate change included within the ORSA scenarios (referenced above).

<b>Regulatory Conduct Risk:</b> The risk of poor outcomes for Members resulting from the acts of the Society, associated third parties, or individuals within the Society.	Consumer Outcomes Working Group embedded which reviews management information focused on identifying any actual potential risk of poor Member outcomes.  The Working Group has defined protocols for escalation and remediation as required.
<b>Operational Resilience Risk:</b> The risk that the Society is unable to effectively respond to a business interruption event, such that this results in either member detriment or threatens the ongoing continuity of the Society.	Operational Resilience Framework that encompasses, Business Continuity and Disaster Recovery Plans which are periodically tested.
<b>Macroeconomic Risk:</b> The risk that external factors within the macroeconomic, or political environment have a detrimental impact on the Society.	Monthly oversight of the financial performance of the Society.  Investment Policy in place which defines the parameters of investment risk that the Society is prepared to accept.
<b>Commercial Risk:</b> The risks associated with the Society's chosen business distribution model.	Distribution Strategy in place which ensures CFS partners with reputable regulated intermediaries who serve the Society's target market.
<b>People Risk:</b> The risk of events transpiring which have a detrimental impact on the Society's workforce.	Robust HR Policies & Procedures in place to support colleagues in a range of areas including (i) learning and development; (ii) reward and recognition; (iii) wellbeing; and (iv) equality, diversity and inclusion.
<b>Information Security Risk:</b> The risk of unauthorised access, use, disclosure, disruption, modification or destruction of information and/or systems.	Cyber Strategy and Response Plan which is periodically tested.  Cyber Essentials Plus accreditation.
<b>Financial Crime Risk:</b> The risk that either internal or external fraudulent/ dishonest behaviour occurs which could have a detrimental impact on the Society or its members and remains undetected.	Controls in place to identify potential fraud, and investigate and escalate accordingly.  Processes in place to manage the risk of Money Laundering in accordance with regulatory expectations.

The Board performs a robust and ongoing assessment of risks and uncertainties facing the Society including a detailed review by the Audit and Risk Committee. Our approach for managing these risks is explained in more detail further on in the report.

The Board has assessed the Society's going concern over a three-year period to December 2027. This is based on our three-year rolling Strategic Plan. The three-year Strategic Plan was last approved by the Board in November 2024. This assessment included consideration of the Society's resilience in severe but plausible scenarios (as detailed in the ORSA), supported using stress testing and sensitivity analysis around the central assumptions of the strategic plan. The scenarios considered included significant variations in the levels of new business and claims compared to those expected. We also have a good range of systemic, idiosyncratic and combined stress scenarios within our 2024 ORSA.

The Directors believe that the Society is well placed to manage its risks successfully, having considered its business activities and overall financial position, including liquidity and capital adequacy levels.

Based on this assessment, the Directors are confident that the Society will be able to continue in operation and meet all its liabilities as they fall due over the period considered.

The Board has reviewed the summary of the Guidance for Directors published by the Financial Reporting Council and concluded that in the light of:

- the published year end position on statutory solvency
- available financial resources in liquid form
- the capital projections within our agreed business plans
- the results of our ORSA

There are no material uncertainties that cast significant doubt about our ability to continue as a viable going concern.

## EMPLOYEES

The average number of employees (including Executive Directors but excluding Non-Executive Directors) employed by us totalled 106 (2023: 95). The aggregate remuneration paid to Directors and employees employed during the year, amounted to £7.6m including pension and National Insurance contributions (2023: £6.4m).

We have an Equal Opportunities Policy for recruitment and existing employees and are committed to the ongoing development of employees. Our employees are key to our operations, and we support the continued learning and development of our employees through regular analysis of training needs and by the provision of a broad range of training opportunities.

## BOARD OF DIRECTORS

A list of Directors who held office during the year appears in the Board Members' Emoluments table on page 24.

We maintain Directors' and Officers' liability insurance cover in respect of legal action against our Directors and Officers. Combined Professional Indemnity, Directors & Officers and crime liability insurance was reviewed and renewed in 2024 at a cost of £75,219 excluding insurance premium tax (2023 £77,794 exc IPT).

## SUPPLIER PAYMENT POLICY

It is our policy and practice to settle invoices within 30 days of receipt, unless specifically agreed otherwise in advance with suppliers.

## MEMBERSHIP

Membership of the Society stood as follows:

	2024	2023
Active Members	44,621	42,387
Retired Members	652	758
Total Membership	45,273	43,145

## COMPLAINTS POLICY

We aim to deliver a high standard of service to our Members. If any Member believes that we have failed in this aim, they have recourse to our complaints procedures. We have documented procedures for the handling and recording of complaints. We deal with all complaints with due care, ensuring that they are thoroughly investigated. The Audit and Risk Committee regularly reviews the number and type of complaints received in order to monitor that complaints are properly dealt with and corrective action is taken to prevent recurrence. Senior management deals with serious complaints. In the unlikely event that a complaint cannot be resolved to the complainant's satisfaction, they will be made aware of the option to appeal to the Financial Ombudsman Service.

## PENSION ARRANGEMENTS

We are committed to assisting our employees to make adequate provision for their retirement. For all employees, we have a Defined Contribution arrangement in place whereby we make an agreed percentage contribution of salary, unless they choose to opt out.

## ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

We take our role as a socially responsible organisation very seriously, be that in the way we treat our employees or in the role we play helping and protecting the environment in which we work and live. Please see our climate commitments and activities separately detailed within the Strategic Review from the Chief Executive on page 7. Our community work has seen us support local charities, which has made a positive contribution to our working environment and the wider community. In 2024, we raised funds for several charities, including our charity of the year - Lucy's Bowl, a charity that raises money for guide dogs for the sight impaired.

## APPOINTMENT OF AUDITORS

The Board has re-appointed PKF Littlejohn LLP and as a result, a resolution to appoint PKF Littlejohn LLP as Statutory Auditors will be proposed at the forthcoming Annual General Meeting. PKF Littlejohn LLP are entirely independent of the Society and no member of the Board has a business relationship with PKF Littlejohn LLP.

## DISCLOSURE OF INFORMATION TO AUDITORS

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

By order of the board

*Karen Purnell*

## KAREN PURNELL

Company Secretary  
20th March 2025



"Apart from the invaluable peace of mind provided by the regular payout, one of the best aspects of my contract, I found, was the specialist support provided by the Friendly Voice service.

I benefited from talking therapy with a Personal Nurse Adviser. Having cover also gave me confidence that I would at least receive a regular income along with breathing space while I recovered."

- Cirencester Friendly Member



To find out more about our Friendly Voice service, visit:  
[www.cirencester-friendly.co.uk/member/added-value-benefits](http://www.cirencester-friendly.co.uk/member/added-value-benefits)

Good corporate governance provides a framework for the way in which the Board and the rest of the organisation operates. It is also vital in providing effective leadership and in assisting us to continue as a successful organisation, run for the benefit of our current and future Members, in a legal, ethical and transparent manner.

Our approach to corporate governance is based on the principles and provisions of the UK Corporate Governance Code as summarised in the AFM Corporate Governance Code, which the Board supports.

<b>Purpose and leadership</b>		An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.
<b>Board composition</b>		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.
<b>Director responsibilities</b>		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.
<b>Opportunity and risk</b>		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.
<b>People &amp; Remuneration</b>		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.
<b>Stakeholder relationships and engagement</b>		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.

## 1. PURPOSE AND LEADERSHIP

Everyone who works for the Society has a clear understanding of the key drivers behind what we do. We have distilled this into a clear and succinct Mission, which is fundamentally to provide financial support to our Members and can simply be expressed as "We Protect Lifestyles". In developing the Society's business, we have a clear Vision of our over-arching intention, which is to be the go-to provider when it comes to protecting lifestyles.

These succinct statements show our determination to go beyond traditional income protection, to offer our Members a range of products to meet their wider needs and demonstrate our commitment to the concept of Mutuality.

### THE ROLE OF THE BOARD

The organisation is headed by the Board, whose principal role is to:

- Safeguard the interests of Members, ensuring our long-term success;
- Focus on our strategy;
- Ensure that the necessary resources are in place for us to meet our objectives;
- Provide general direction to the organisation;
- Monitor the performance of the Executive Directors.

### MATTERS RESERVED FOR THE BOARD

The Board maintains a schedule of reserved matters in order to ensure that it exercises control over our affairs. These include the approval of our annual results and strategic aims, as well as setting the risk appetite, the tone for our culture, the approval of policies and matters which must be approved by the Board under legislation and our Rules. The Board is also responsible for the recruitment and terms of employment of the Executive Directors. Other matters are delegated to the Executive Committee (ExCo) or to other specified colleagues or Committees, including the Board Committees referred to below.

### BOARD ATTENDANCE

The Board held 7 meetings in 2024. The attendance record of each Director at these meetings and at relevant Board Committee Meetings is set out below:

Name (Alphabetical)	Board	Audit & Risk	People & Remuneration	Investment
J W Banks	7 of 7	1 of 1	4 of 4	1 of 1
V Churcher	7 of 7	3 of 4	4 of 4	N/A
D M A Evans	7 of 7	6 of 6	4 of 4	1 of 1
S E Fell	6 of 7	6 of 6	2 of 2	N/A
A S Lucas	7 of 7	1 of 1	4 of 4	N/A
I M Maude	3 of 4	2 of 3	N/A	N/A
K S McIntyre	7 of 7	6 of 6	N/A	N/A
A J Morris	7 of 7	1 of 1	4 of 4	1 of 1
A Payton	7 of 7	6 of 6	N/A	N/A
M C Sedgley	4 of 4	1 of 1	N/A	1 of 1



## BOARD FOCUS AND ACTIVITIES DURING THE YEAR

The activities undertaken by the Board are designed to support and advise executive management on the delivery of the Society's strategy, within a framework of effective corporate governance. Focused discussion assists the Board in making good decisions, based on the long-term needs of the business, our Members and stakeholders. Key areas of focus in the year were:

- **Review the Society's vision, mission, values and strategy:** The Board has had full oversight of the progress of the Society's strategy during the year. This included a detailed strategy review with the CEO and Executive Committee in November 2024, where the Business Plan 2025-27 and the progression of the CFS Vision 2030 were discussed. This has given the Board long term confidence in our growth strategy. At each meeting the Board had the opportunity to question and challenge the work being undertaken.
- **Review of principal risks:** The Board and Audit & Risk Committee undertake a regular formal review of the principal risks to the Society.
- **Board evaluation:** Internal Board evaluation is carried out annually and comprehensive reviews every three years. An external review was last conducted by Board Excellence at the end of 2021 the findings of which were implemented during 2022 where required, with a thorough oversight carried out by Risk & Compliance in 2024.
- **Operational performance updates:** The Board receives regular operational performance updates from each of the Society's key business streams, giving executive management the opportunity to further interact with the Board on their specialist areas of responsibility.

## 2. BOARD COMPOSITION

### COMPOSITION OF THE BOARD

The size and composition of the Board and the Board Committees are kept under review by the Chair and are reviewed formally by the People & Remuneration Committee at least annually. This is to ensure that there is adequate succession planning for Executive and Non-Executive Directors and that there is the optimum mix of skills and experience on the Board for the direction of our activities and to populate and chair the Board Committees.

### APPOINTMENTS OF THE BOARD

The appointment of new Directors is initially considered by the People & Remuneration Committee, which is made up of Andy Morris, Vicky Churcher and Janice Banks, under the Chair of Andy Lucas.

The Committee is responsible for considering matters relating to the composition of the Board, considering the balance of skills, knowledge, and experience of Directors, and making recommendations to the Board as appropriate. The Board believes that there is ample provision for the refreshment of the Board and that the introduction of annual elections would not provide any material benefit to the Membership.

## DIVERSITY

The Board considers all aspects of diversity, including but not limited to gender, on the Board although it continues to adopt the principle that all appointments should be based on merit and the skills and experience that the individual can bring, and consider the composition, skills and experience on the Board. As a result, the Board has not set an aspirational target for diversity or gender split. As at the end of 2024, the percentage of females on our Board is 50%, females in Exco is 44% and 79% of the Senior Managers are female. The equivalent percentage for all employees (excluding the Non-Executive Directors) is 61%.

## BOARD EVALUATION

The Board undertakes an annual evaluation of the performance and effectiveness of the Board together with an annual review of the performance of individual Directors.

In 2024, internal performance evaluations of the Audit & Risk, People & Remuneration and Investment Committees were carried out at the meeting by all Committee Members. The results were discussed by the relevant Committees and any appropriate improvements were identified for action.

Each Board Member, as part of their formal appraisal with the Chair of the Board, provide comments on their own effectiveness and that of their fellow Board Members. The Senior Independent Director carried out a formal appraisal of the Chair of the Board and the Chair carried out an appraisal of the Chief Executive. The Chief Executive appraises the Executive team members in their respective operational functions and the Chair confines their appraisal of the Executive Directors to their role on the Board.

## INDUCTION AND DEVELOPMENT

The Chair ensures that, on appointment, Non-Executive Directors receive a comprehensive tailored induction programme on our business and regulatory environment. All Non-Executive Directors update their skills, knowledge, and familiarity, through relevant external and internal courses. Individual training requirements for Non-Executive Directors are discussed as part of the performance evaluation process. All Directors have access to independent professional advice if required and have the benefit of appropriate liability insurance cover at the Society's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are complied with and for advising the Board, through the Chair, on governance matters.

## RE-APPOINTMENT

All Directors are subject to election by Members at the first Annual General Meeting after their appointment, and to re-election thereafter by rotation at an interval of no more than three years.



### 3. DIRECTOR RESPONSIBILITIES

#### THE ROLES OF THE CHAIR AND THE CHIEF EXECUTIVE

The roles of the Chair and Chief Executive are held by different people and are distinct in their purpose. The Chair is responsible for leadership of the Board and for ensuring that the Board acts effectively, promoting high standards of corporate governance. The Chair is key in setting the tone of the Board Meetings to ensure, amongst other things, that there is a culture of openness. The Chief Executive has overall responsibility for managing the organisation and for implementing the strategies and policies agreed by the Board, supported by the Executive. It is current practice and policy that no former Chief Executive will serve as Chair of the Board.

#### NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are responsible for bringing independent judgement to Board debate and decisions using their own experience and skills, and for constructively challenging the Executive Team. The Non-Executive Directors meet, without the Executive Directors present, at least annually to discuss relevant matters including the overall performance of the Executive Team and the viability of the Society. The Senior Independent Director would act, if required, as an intermediary for the other Directors. The Senior Independent Director is also the main point of contact for Members should the normal channels of communication with the Chair or Chief Executive fail or be inappropriate. The Board has a conflict-of-interest policy which sets out procedures for regularly reviewing, and if appropriate, dealing with any potential conflicts as they arise. The letters of appointment of Non-Executive Directors give an indication of the time commitment required. The Board is satisfied that all the Non-Executive Directors are independent.

#### COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring Board procedures are complied with, and that Directors are supplied with information in a timely manner.

### 4. OPPORTUNITY AND RISK

#### INTERNAL CONTROL

The Board is responsible for the system of internal control. The Audit & Risk Committee report sets out the internal control framework which is designed to safeguard Member and Society assets and to facilitate the effectiveness and efficiency of operations. This helps to ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations. The Board is also responsible for setting our risk appetite and ensuring that there is a robust system for risk management in place. The Board has delegated to the Audit & Risk Committee oversight of the relationship with the External and Internal Auditors (who are external to the Society) to ensure that they remain independent and objective. The Board confirms that it has conducted a review of the effectiveness of the Society's risk management and internal control systems in operation during the year. The Board considers that the risk review activities addressed the key aspects of risk management and internal control for the year under review.

#### ANTI-BRIBERY AND THE PREVENTION OF CORRUPTION

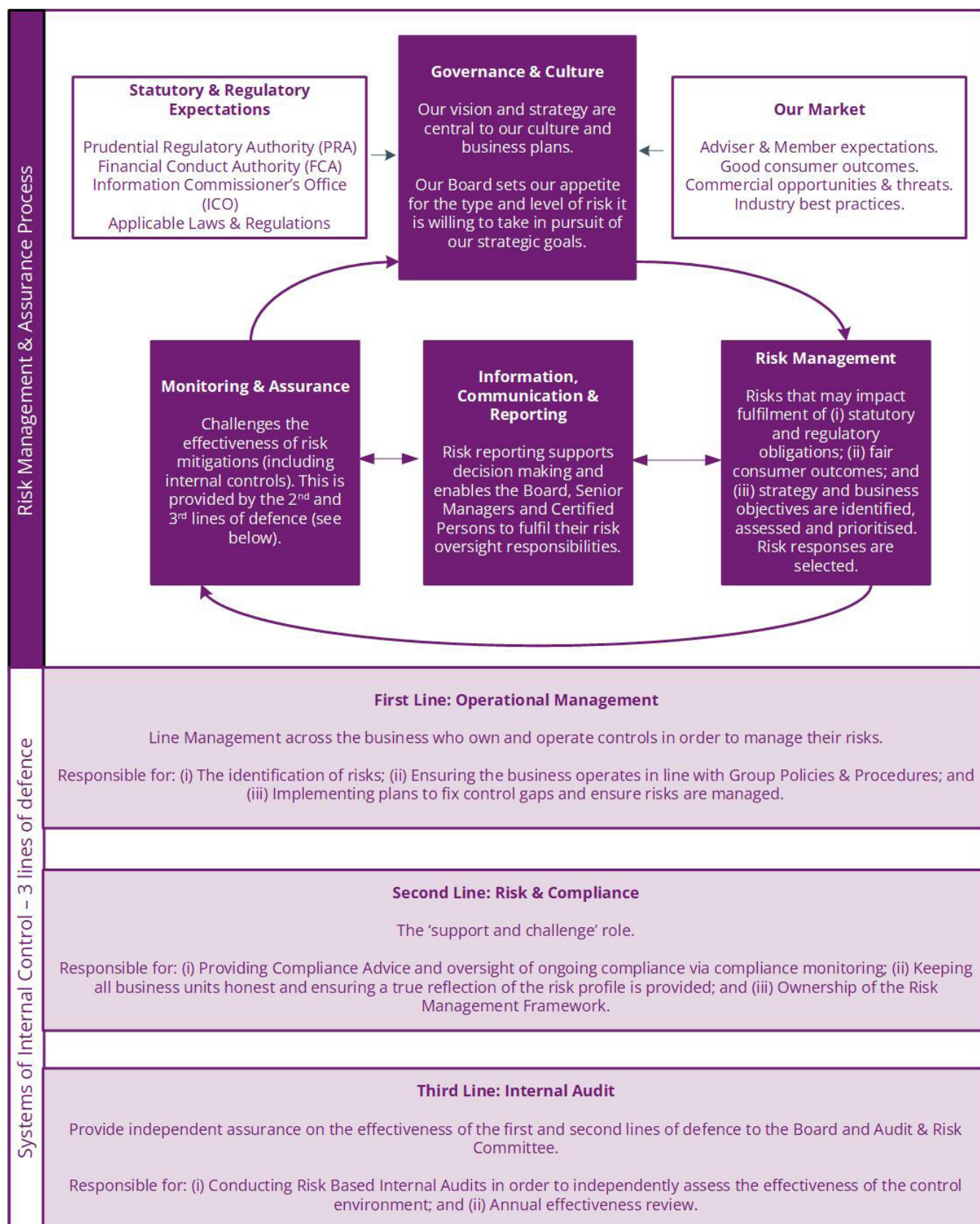
The Society has internal procedures in place that are designed to ensure compliance with the UK Bribery Act 2010. The Society's anti-bribery and corruption e-learning is also mandatory for new employees, along with regular refresher training for existing employees.

#### WHISTLEBLOWING

The Society operates an independent whistleblowing procedure to allow employees to confidentially raise any concerns about business conduct.

## RISK GOVERNANCE

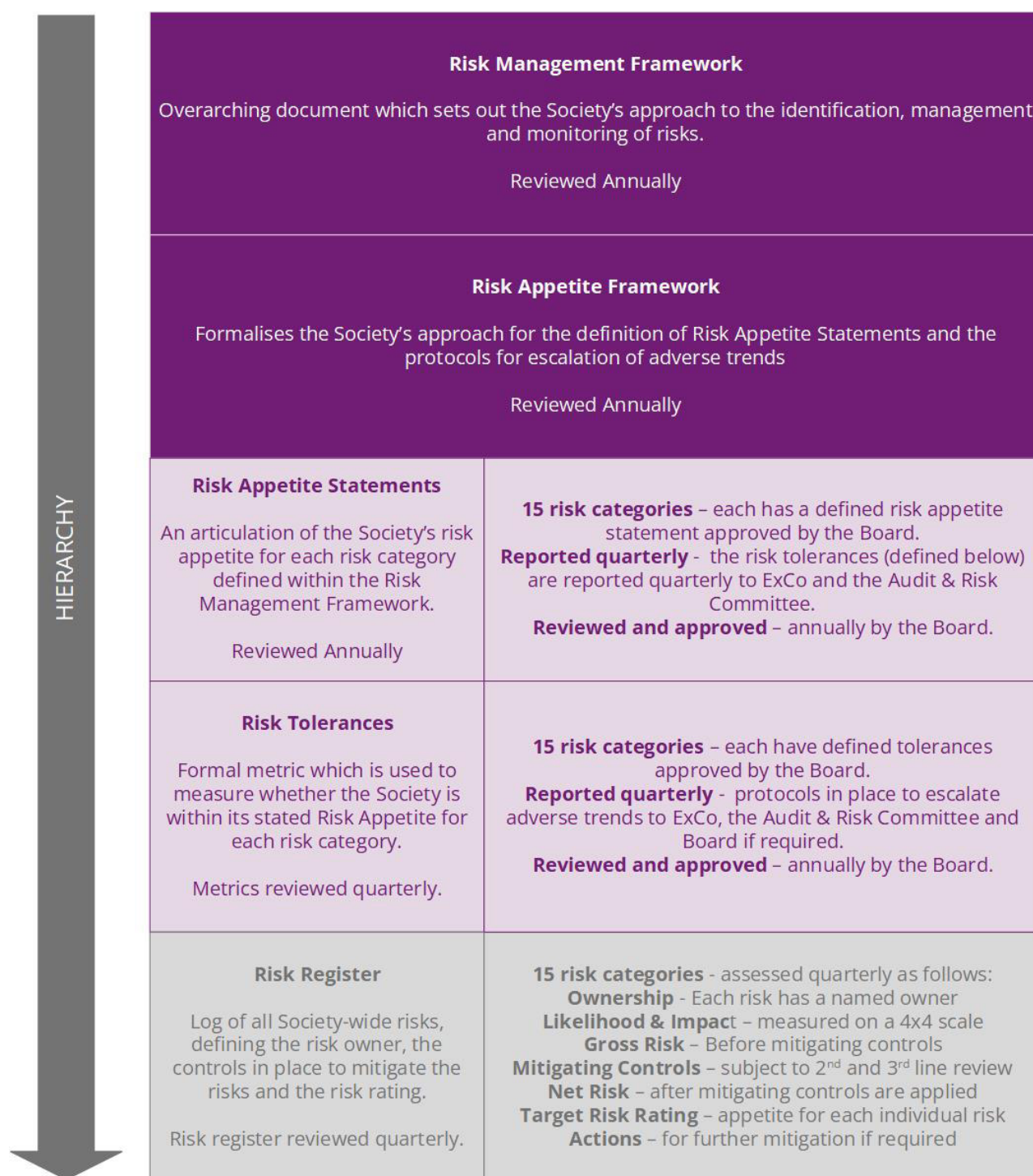
The Society has a risk management process embedded throughout the organisation via the 'Three Lines of Defence' model, as follows:



As a regulated entity, we consider risks to be matters which could prevent us from (i) achieving our strategic goals; (ii) ensuring our Member's receive good outcomes; or (iii) fulfilling our regulatory obligations.

## RISK MANAGEMENT FRAMEWORK

We have a Risk Management Framework embedded within the Society which includes underlying governance protocols that enable formal identification, management and reporting of risk as follows:

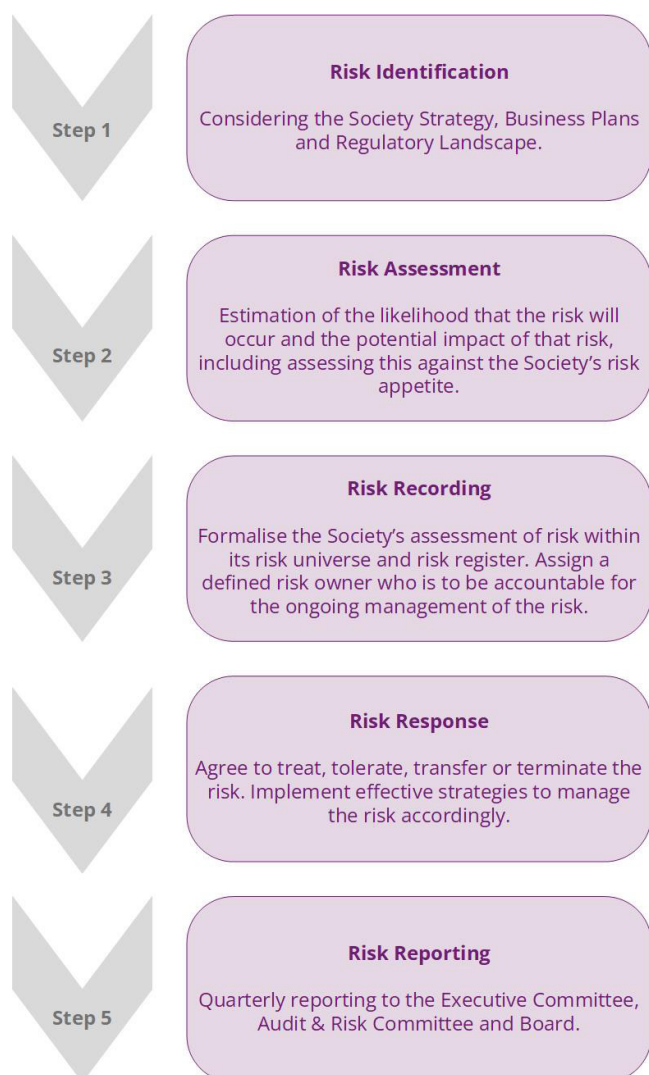


The Board has overall responsibility for setting the Society's risk appetite and ensuring there is an effective risk management process in place. Applying the principles of risk management effectively allows the Society to take informed decisions in the delivery of our strategy, meeting our Members' needs and fulfilment of our regulatory obligations.



## RISK MANAGEMENT PROCESS

The Society manages risk via a five-step process. These steps are designed to identify problems before they occur, enabling risk management activity to be invoked as needed to effectively manage risk within appetite.



## BOARD COMMITTEES

Certain matters are referred to Board Committees in order that they can be considered in more detail by those Directors with the most relevant skills and expertise.

- **The Audit & Risk Committee** which met on 6 occasions during 2024 considering matters of finance, audit, risk and compliance.
- **The People & Remuneration Committee** which met on 4 occasions during 2024 - considering Board membership, CEO and Senior Independent Director succession, staff pay and performance bonus arrangements. This meeting count excludes interviews conducted for recruiting Non-Executive Directors during the year.
- **The Investment Committee** met once during 2024 to consider investment performance and benchmark returns with LGT Wealth. As part of the investment manager tender, the committee met two more times to review, discuss and select a new investment manager for the Society.

Following the change in investment managers, responsibilities for reviewing investment performance have transferred to the quarterly Board meeting and therefore the Investment Committee has ceased operating.

The terms of reference of the Committees are available on request from the Company Secretary or on our website at [www.cirencester-friendly.co.uk](http://www.cirencester-friendly.co.uk).

The Chair of each Committee reports to the subsequent Board Meeting on the matters discussed at each Committee Meeting. The minutes of each Committee Meeting are available to all Directors.

## AUDIT & RISK COMMITTEE

At the end of the year (31 December 2024), the Audit & Risk Committee consists of Kate McIntyre, Vicky Churcher and David Evans under the Chair of Andrew Payton. All the Committee Members have relevant financial sector experience.

The responsibilities of the Committee are in line with the provisions of the Financial Reporting Council Guidance on Audit Committees. The main function of the Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of:

- **The integrity of the financial statements** and reviewing significant financial reporting judgements contained in them;
- **The effectiveness of systems** of internal control;
- The Internal and External **Audit processes**;
- **Compliance** with applicable laws and regulations;
- **The recommendation to the Board on the appointment, re-appointment and removal of External Auditors**; and the periodic review of their performance and independence and the policy on the use of the External Auditor for non-audit work.

During 2024 the Committee met 6 times in the execution of its responsibilities. During the meetings the Committee considered reports on:

- **The system of internal control** – the Committee receives reports from the Internal and External Auditors on control matters;
- **The integrity of financial statements** – a review of viability considers the impact on our capital, liquidity and profitability;
- **Compliance with laws and regulations, including adherence to money laundering regulations** – the Committee receives reports from the Risk and Compliance function on conduct matters, and the risk profile of the Society;
- **The activities of Internal Audit and External Auditors** – the Committee receives reports from both the External Auditor and Internal Auditor and closely monitors all issues raised until they have been resolved satisfactorily by management;
- **The level of non-audit fees paid to the External Auditor** – in 2024 was £nil. 2023 (£nil)

The Committee considers that it has met its responsibilities and performed its duties with appropriate levels of care and expertise during 2024.

### 5. REMUNERATION

The Board has delegated to the People & Remuneration Committee the policy on remuneration for the Chair, the Executive and Non-Executive Directors and other members of the Executive Team. A review of its activities and the Remuneration Policy is set out in the Remuneration Report.

### 6. STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

#### MEMBER ENGAGEMENT

As a mutual business, our owners are our individual Members. We encourage dialogue from our Members on any aspect of our activities. This dialogue takes various forms, including issue of Annual Renewal Notices, Annual Bonus Statements, occasional newsletters, and the distribution of the shortened version of our Annual Report & Accounts which is sent to every Member annually, along with a personal invitation to attend the Annual General Meeting. During the year we maintained regular telephone contact with Members and continue to conduct regular satisfaction surveys on a variety of topics, the results of which are used to inform our business development.

We also have a Member Reward programme, in conjunction with Parliament Hill Limited, to enable our Members to gain access to exclusive offers.

Our Member Services Department has as its major objective the provision of care and high service standards to Members, Financial Advisers and other Stakeholders. The Senior Independent Director, Andy Lucas, is a further point of contact for our Members.

#### CONSTRUCTIVE USE OF THE ANNUAL REPORT AND ACCOUNTS

At the Annual General Meeting, the Chair and the Chief Executive make presentations on the previous year's performance and future plans. This gives Members who attend the Annual General Meeting the opportunity to ask direct questions about their Society. All Board Members attend the Annual General Meeting (unless their absence is unavoidable) and each Chair of the respective Board Committees makes themselves available to answer direct questions from Members.

All Members who are eligible to vote at the Annual General Meeting receive a proxy voting form, which includes a 'vote withheld' option, and a pre-paid reply envelope to encourage them to exercise their vote if they cannot attend and vote at the meeting. Members are also able to vote online. The results of the proxy votes, and the votes cast at the Annual General Meeting, are published on our website. A separate resolution is proposed on each issue, including a resolution on the Annual Report and Accounts.

By order of the Board

*Karen Purnell*

**KAREN PURNELL**

Company Secretary  
20th March 2025



We are required to prepare accounts in accordance with the Friendly Societies Act 1992 and applicable accounting standards. This report provides details of the remuneration of the Executive and Non-Executive Directors.

## POLICY ON REMUNERATION FOR EXECUTIVE DIRECTORS

The People & Remuneration Committee has established a Remuneration Policy for Executive Directors of the Board that has a clear focus on Member value. To this end, the remuneration packages of the Executive Directors of the Board are linked to our success and personal performance of the individual.

Their remuneration package is based upon the following principles:

- **Executive Directors** are rewarded for creating long-term value for Members;
- **Performance related rewards** form part of the total remuneration package;
- **They are competitive** in the market in which we operate;
- **Failure is not rewarded;**
- **Contractual terms** agreed ensure that rewards are fair to the individual and the organisation on termination.

The remuneration includes a performance related element which is linked to the achievement of business and personal objectives. Throughout the business, we aim to ensure that our people are rewarded fairly for their contribution. To achieve this, we obtain independent benchmarking data from external, independent, professional HR consultants and set remuneration for each Executive Director. The People & Remuneration Committee thereby ensures that Executive Director remuneration is set at a level designed to reflect similar roles carrying comparable responsibility in other organisations.

## REWARD COMPONENTS FOR EXECUTIVE DIRECTOR REMUNERATION

### Base Salary

It is the Committee's policy to ensure that the basic salary for each Executive Director is appropriate and competitive for the responsibilities involved. Base salaries for Executive Directors are reviewed annually to recognise the individual's role and performance. These are set with reference to comparative data from independent external HR consultants.

### Performance Related Pay

We operate a discretionary performance related pay scheme for employees. The People & Remuneration Committee meets annually to agree objectives and set incentive targets. The measures used to assess performance in 2024 comprised:

- Society Financial Performance
- Membership levels
- Customer service
- Delivery of Key Strategic Initiatives

The maximum bonus payable to the Executive Directors under the scheme is 50% of basic salary. The People & Remuneration Committee retains absolute discretion in the final determination of awards.

## Pension Arrangements

We have arranged a Defined Contribution Scheme available for all employees into which both employee and employer contributions may be made.

The employer contribution made on behalf of all Executive Directors is 10% of base salary.

## Service Contracts

Executive Directors are employed on contracts subject to no more than 12 months' notice in accordance with Corporate Governance best practice. The People & Remuneration Committee endorses the principle of mitigation of damages in the event of the early termination of service agreements.

## Share Options

As a mutual institution we do not have share capital and as a consequence, we do not operate a share or share option plan.

## REWARD COMPONENTS FOR NON-EXECUTIVE DIRECTOR REMUNERATION

The remuneration of our Non-Executive Directors is recommended and set by the Chief Executive and the People and Remuneration Committee annually. The remuneration of Non-Executive Directors is intended to reflect the time commitment and responsibilities of the role.

The remuneration is determined on the basis of an agreed minimum number of days committed to Society business and is also benchmarked against Non-Executive remuneration in other financial services organisations of similar size, including other mutuals.

The remuneration of Non-Executive Directors does not include any incentive element and Non-Executive directors are not entitled to participate in any of our pension scheme or bonus arrangements.

Non-Executive Directors are elected for a period of three years. The Board may resolve to reappoint a Non-Executive Director at or before the expiry of their term. It is our policy to allow Non-Executive Directors to serve no more than nine years in aggregate, except in extenuating circumstances.

The terms and conditions of the Non-Executive Directors are available for inspection by Members before the Annual General Meeting.



## REMUNERATION REPORT

Details of the fees of our Directors are shown below.

Board Members' Emoluments						
	Basic Salaries / Fees	Performance Related Pay	Benefits and other Emoluments <sup>1</sup>	Defined Contributions Pension <sup>2</sup>	Total 2024	Total 2023
	£000's	£000's	£000's	£000's	£000's	£000's
J W Banks	47.7				47.7	37.5
V Churcher	27.8				27.8	11.6
D M A Evans	180.2	82.9	30.4		293.5	270.1
M L Evans (resigned 09/02/23)						4.3
S E Fell	192.9	88.7	33.2		314.8	295.9
P R Hudson (retired 09/04/2023 - Note 3.)						122.4
A S Lucas	34.3				34.3	29.3
I M Maude (retired 13/06/2024)	12.4				12.4	26.7
K S McIntyre	27.8				27.8	5.2
J M Morgan (resigned 14/12/22)						1.1
A J Morris	260.3	119.8	33.3	10.0	423.4	394.0
A Payton	34.3				34.3	28.1
J F Quinn (retired 15/06/23)						19.3
M C Sedgley (retired 13/06/2024)	12.4				12.4	26.7
Total	830.1	291.4	96.9	10.0	1,228.4	1,272.2

### Notes

1. The amounts shown under the heading "Benefits and other Emoluments" represent the taxable benefit based on car allowances, amounts due in respect of pension contributions where direct payment into the pension were limited by legislation and private medical benefit.
2. The amounts represent the contributions made on behalf of the Executive Directors to the defined contribution pension scheme.
3. The amounts paid to P R Hudson relate to services whilst in the employment of the Society following his resignation as CEO in September 2022. He remained in the employment of the Society until he retired in April 2023.

On behalf of the Board of Management

*Andy Lucas*

### ANDY LUCAS

Chair of the People & Remuneration Committee  
20th March 2025

### DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS AND THE DIRECTORS' REPORT

The following statement, which should be read in conjunction with the Independent Auditors' Report on pages 28 to 31, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts and Directors' Report.

The Directors are required by the Friendly Societies Act 1992 ("the Act") to prepare, for each financial year, Annual Accounts which give a true and fair view of the state of the affairs of the Society as at the end of the financial year and of the income and expenditure and cash flows of the Society for the financial year.

In preparing the Annual Accounts, the Directors are required to:

- Select **suitable accounting policies** and apply them consistently;
- Make **judgements and estimates** that are reasonable and prudent;
- State whether applicable **UK Accounting Standards** have been followed, subject to any material departures disclosed and explained in the Annual Accounts; and
- **Prepare the Accounts** on the going concern basis, unless it is inappropriate to presume that the Society will continue in business.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, a Report of the Board of Management, each containing prescribed information relating to the business of the Society. This is covered by the Strategic Report and Strategic Review from the Chief Executive.

### DIRECTORS' RESPONSIBILITIES FOR ACCOUNTING RECORDS AND INTERNAL CONTROLS

The Directors are responsible for ensuring that the Society:

- Keeps accounting records in accordance with the Friendly Societies Act 1992; and
- Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Regulator under the Financial Services and Markets Act 2000 and Financial Services Act 2012.

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### GOING CONCERN

The current economic conditions present risks and uncertainties for all businesses. The Directors have carefully considered the risks and uncertainties and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The Directors concluded that in the light of:

- The published year end position on **statutory solvency**;
- **Available financial resources** in liquid form;
- **The capital projections** within our agreed business plans;
- The results of **the ORSA**.

The Society has adequate resources to continue in business for the foreseeable future. For this reason, the Accounts are prepared on a going concern basis.



## ANNE'S STORY

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"We simply wouldn't have had the money without the 125 Foundation. And there are no words to express how you can thank somebody for that, because its life changing opportunities that have been given by their help and support."

---





Anne Davies and her family received extra financial support in 2023 in addition to her claim payments, when she suffered a brain injury. Unable to drive and take her son to his paralympic swimming training, we provided support that allowed them to access transport to and from training, until Anne was fit again to drive.

**VIEW THE FULL FILM HERE  
BY SCANNING THE QR CODE**



Or visit our website [www.cirencester-friendly.co.uk/about-us/case-studies](http://www.cirencester-friendly.co.uk/about-us/case-studies)

**OPINION**

We have audited the financial statements of Cirencester Friendly Society Limited (the 'Society') for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2024 and of its 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.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO GOING CONCERN**

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

- reviewing and assessing the historical accuracy of the Society's forecasting process, including the consideration of post-year-end performance;
- obtaining management's forecast, which is the main source of information used in the director's going concern assessment, and critically reviewing and challenging key assumptions and inputs applied by management and agreeing them to supporting evidence where appropriate;
- ensuring that calculations applied in the forecasts are mathematically accurate and in line with management's forecasting method;
- evaluating the appropriateness of the stress test scenarios performed by the directors;
- reviewing the Society's significant correspondence with regulators up to the date of signing our audit report;

- reviewing the Society's current capital position and Own Risk and Solvency Assessment (ORSA) reports submitted post-year-end to ensure the Society are meeting the minimum solvency requirements of Solvency UK;
- assessing the completeness of the key risks identified by the Society, which include strategic risk, insurance risk, market risk, counterparty risk, financial risk, operational risk, reputational risk, climate change risk and compliance risk (including minimum solvency capital requirements); and
- reviewing management's going concern disclosures to ensure they are fair, balanced and understandable to users of financial statements, as well as consistent with management's 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 Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

**OUR APPLICATION OF MATERIALITY**

The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing, and extent of our audit procedures. The materiality applied to the Society's financial statements was £1,650k (2023: £1,050k), which equates to 1.5% (2023: 1.0%) of the Funds for Future Appropriation. Funds for Future Appropriation is selected as the most appropriate benchmark as it serves as a key measure of Society's financial strength, as viewed by the members of the Society.

The performance materiality was £1,230k (2023: £735k). We set performance materiality at 75% (2023: 70%) of the overall materiality due to the high degree of estimation applied in calculating certain material balances of the Society.

We agreed with those charged with governance that we would report all differences identified during the course of our audit in excess of £82,000 (2023: £52,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons. We have also determined that for items in the Statement of Comprehensive Income, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. As a result, we determined a specific materiality of £460k (2023: £339k) for certain items in the Statement of Comprehensive Income based on approximately 2% (2023: 1.5%) of annualised Earned Premium Income. Earned Premium Income was selected as it is a key indicator for users of the financial statements as to the performance of the Society. The performance materiality for certain items in the Statement of Comprehensive Income is set as £340k (2023: £237k), which represents 75% (2023: 70%) of the specific materiality.

No significant changes have come to light through the audit fieldwork which has caused us to revise our materiality figure.

## OUR APPROACH TO THE AUDIT

In designing our audit, we determined materiality, as above, and assessed the risks of material misstatement in the financial statements.

In particular, we looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain. These areas included:

- Valuation of technical provisions for future value of long insurance contracts. We assessed this as a significant risk and key audit matter during the year – please refer to the Key audit matters section for details;
- The carrying value of land and buildings and management's consideration of the potential impairment thereof; and
- Management override of the system of internal controls, including, amongst other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We performed a combination of substantive and analytical procedures, including obtaining direct confirmations from third parties where we considered this to be necessary, to address the risks of material misstatement for financial statement line items.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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 our scope addressed this matter
<p><b>Valuation of technical provisions (Future value of long-term insurance contracts) £67,640k (2023: £65,683k)</b></p> <p><b>The valuation of technical provisions ("TPs") involves significant judgement in the selection of key assumptions covering both demographic and economic assumptions. As a result, the technical provisions balance is inherently uncertain and subjective by nature and therefore more susceptible to misstatement.</b></p> <p><b>The use of an inappropriate assumption, whether through fraud or error, could result in a material misstatement, particularly because of the high sensitivity of the provision to this assumption.</b></p> <p><b>The key assumptions are:</b></p> <ul style="list-style-type: none"> <li>• <b>Morbidity (inception and recovery) - based on standard industry tables with some weight placed on Society's own experience. The TP balance is sensitive to changes in these highly judgemental assumptions that are impacted by changing trends in morbidity and potential longer-term impacts of Covid-19.</b></li> <li>• <b>Lapse rates and expenses - based on the Society's long-term view of the expected future renewals and costs of administering the underlying insurance contracts, respectively.</b></li> </ul> <p><b>Assumptions take into consideration the Society's product characteristics and relevant claims experience. Small changes to these assumptions can have a material impact on the TP balance as a high level of judgement is required to:</b></p> <ul style="list-style-type: none"> <li>• <b>Identify all relevant expenses required to maintain the insurance contracts and adjusting those to known and expected future changes in expenses base which is becoming increasingly challenging under current economic uncertainties;</b></li> <li>• <b>Identify appropriate management actions to maintain or achieve desirable lapse rates; and</b></li> <li>• <b>Economic assumptions – due to current economic uncertainty, the economic assumptions, most notably inflation, will also require heightened judgement.</b></li> </ul>	<p>Our work in this area included:</p> <p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Involving our auditor's expert, we obtained and reviewed the actuarial reports prepared by the Society's actuary. We reviewed and challenged the methodology and all material judgements and estimates applied in calculation of technical provisions;</li> <li>• Reviewed and assessed the changes in assumptions used in the valuation of technical provisions for reasonableness and comparing them to our range of acceptable parameters, based on our independent assessment;</li> </ul> <p><b>Model</b></p> <ul style="list-style-type: none"> <li>• Reviewed the accuracy of the calculations of the technical provisions;</li> <li>• Involving our auditor's expert, we reviewed the baselining performed on the actuarial model and checks performed by the Society's actuary to assess the accuracy of the outputs, in addition to independent review of the key outputs;</li> </ul> <p><b>Data</b></p> <ul style="list-style-type: none"> <li>• Reconciled the data used by the Society's actuaries in their calculations to the nominal ledger, where appropriate;</li> <li>• Tested a sample of data for both new and existing members, agreeing them to the policy admin system to check that underlying policy data used in the calculation is accurate; and</li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>• Challenged the conclusions reached by our auditor's expert and confirmed their work was carried out in accordance with Technical Actuarial Standards and industry practices.</li> </ul> <p>Based on the work performed and evidence obtained, we consider the assumptions used by management in their estimation of the future value of long-term insurance contracts to be appropriate and the future value of long-term insurance contracts calculated to be reasonable.</p>



**In addition, modelling for income protection business is inherently complex and is not uniform across the market, hence will also be a focus of our audit procedures.**

**There is also a risk that incomplete or inaccurate data is used in the actuarial models due to the manual data extraction and preparation process.**

**The Society's accounting policies regarding the valuation of technical provisions are detailed in note 1.8 and discussed further in notes 1.18 & 21.**

## OTHER INFORMATION

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

We have nothing to report in this regard.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE FRIENDLY SOCIETY ACT 1992

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

- the information given in the Strategic Review, the Strategic Report and the Report of the Board of Management for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Review, Strategic Report and the Report of the Board of Management have been prepared in accordance with applicable legal requirements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF DIRECTORS

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

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

## AUDITOR'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.

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:

- We obtained an understanding of the Society and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Society in this regard to be those arising from:
  - Friendly Societies Act 1992;
  - Friendly Societies (Accounts and Related Provisions) Regulations 1994;

- o The Association of Financial Mutuals Corporate Governance Code;
  - o Financial Conduct Authority (FCA) Handbook; and
  - o Prudential Regulation Authority (PRA) Handbook
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Society with those laws and regulations. These procedures included, but were not limited to:
  - o discussing with management any potential instances of non-compliance;
  - o inspecting correspondence with the PRA and FCA;
  - o reviewing the legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
  - o reviewing the minutes of meetings of those charged with governance.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the potential for management bias in relation to the future value of the long term insurance contracts. We addressed this by challenging the assumptions and judgements made, actuarial model applied and data used by management in estimating the balance of the future value of the long term insurance contracts.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

### OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed by board of directors on 28 April 2022 to audit the financial statements for the period ending 31 December 2022 and subsequent financial periods. Our total uninterrupted period of engagement is three years, covering the periods ended 31 December 2022 to 31 December 2024.

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

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

### USE OF OUR REPORT

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

*Martin Watson*

**Martin Watson (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**  
One Park Row,  
Leeds, United Kingdom

31st March 2025





# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

		Group and Society	
		2024	2023
		£'000	£'000
<b>TECHNICAL ACCOUNT: LONG TERM BUSINESS</b>			
These are the premiums paid by Members to the Society during the year.	Earned premium income	23,591	22,666
This is the investment income earned by the Society on the investments that it holds.	Investment income	1,045	1,933
	Realised gains / (losses) on investments	604	(470)
	Unrealised gains on investments	817	4,109
This amount includes increases and decreases in the value of investments held.	Other income	102	75
<b>TOTAL TECHNICAL INCOME</b>		26,159	28,313
This is the amount paid and due to Members in respect of sick pay benefit claims during the year.	Claims for benefits	(9,750)	(9,550)
These amounts represent the bonuses added to Members' credits during the year.	Bonuses and rebates	(1,458)	(2,707)
This is what it has cost to run the Society during the year, including commission paid to advisers.	Net operating expenses	(18,423)	(14,661)
	Investment expenses and charges	(240)	(248)
	Movements in the future value of long-term insurance contracts	1,957	2,948
This is the amount of (surplus) / deficit after all income and expenditure for the year has been taken into account. It is added to the reserves held by the Society as required.	Transfer from/(to) the fund for future appropriations	1,755	(4,095)
<b>BALANCE ON THE TECHNICAL ACCOUNT: LONG-TERM BUSINESS</b>		-	-

The above results relate wholly to continuing activities. The Society had no other comprehensive income other than what has been included in the movements on the Technical Account and therefore no separate statement of other comprehensive income has been presented.

The Society has not presented a Statement of Changes in Equity as there are no equity holders in the Society as it is a mutual organisation.

# STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024

		Group and Society	
ASSETS	Notes	2024	2023
		£'000	£'000
<b>Investments at fair value through comprehensive income</b>			
Other financial investments	13	70,492	75,871
<b>Intangible assets</b>	16	4,907	4,821
		75,399	80,692
<b>Other assets</b>			
Tangible assets	15	3,992	4,104
Cash at bank and in hand		887	1,537
		4,879	5,641
<b>Prepayments and accrued income</b>			
Accrued interest and rent		73	448
Other prepayments and accrued income		676	720
		749	1,168
<b>Future value of long-term insurance contracts (net of risk margin)</b>	21	67,640	65,683
<b>Total assets</b>		148,667	153,184
<b>LIABILITIES</b>			
<b>Funds for future appropriations</b>	17		
Surplus over Solvency Capital		59,621	64,313
Solvency Capital Requirement		48,628	45,691
		108,249	110,004
<b>125 Foundation</b>	18	4,206	4,276
<b>Members' funds</b>	19	33,608	35,937
<b>Technical provisions</b>			
Claims outstanding		410	723
<b>Creditors</b>			
Arising out of direct insurance operations		585	590
Other creditors including taxation and social security	20	1,381	1,282
		1,966	1,872
<b>Accruals and deferred income</b>		228	372
<b>Total liabilities</b>		148,667	153,184

These are the amounts currently standing to the credit of contributing Members and also those who have chosen to leave money with the Society after their contract has reached maturity.

The financial statements on pages 33 to 34 were approved by the Board of Directors on 20th March 2025 and signed on its behalf by:

*Janice Banks*

Chair

*Andy Morris*

Chief Executive

135TH ANNUAL REPORT & ACCOUNTS

## 1. ACCOUNTING POLICIES

### GENERAL INFORMATION

The Society is a Friendly Society incorporated in the United Kingdom under the Friendly Societies Act. The address of the registered office is given on page 51. The nature of the Society's operations and its principal activities are set out in the Strategic Review on pages 4 to 7.

### GOING CONCERN

The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 4 to 7. Note 2 and 3 also describes the financial position of the Society; its cash flows, liquidity position and borrowing facilities; the Society's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Society meets its day to day working capital requirements through its own cash reserves. The Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### SIGNIFICANT ACCOUNTING POLICIES

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

#### 1.1 BASIS OF PREPARATION

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

In accordance with FRS 103 on Insurance Contracts, the Society has applied existing accounting practices for insurance contracts, modified as appropriate to comply with applicable standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. 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 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 1.19. 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.

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

#### 1.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the results of the Society and its subsidiary made up to 31 December each year. A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. The results of a subsidiary undertaking are included in the consolidated statement of income and expenditure from the date that control commences until the date that control ceases. On consolidation all inter-company balances and transactions are eliminated.

Cirencester Friendly Member Rewards Limited, has been controlled by the Society since its incorporation on 8 December 2017. Accounts were produced in the previous year with this subsidiary included.

The amounts in the consolidated financial statements all arise from continuing operations made up until 31 December each year. Where consolidation into the Group does not change the I&E or balance sheet from the Society's position, we have not shown these separately.

#### 1.3 ACCOUNTING FOR EARNED PREMIUMS

Regular premiums on long-term insurance business are recognised as income upon receipt. The Society has not entered into a reinsurance treaty.

The Society currently offers the Holloway based 'Income Assured Enhanced' product, which can only be sold via qualified investment advisers. This is a refreshed version of the Income Assured and Income Assured Plus products, which in turn replaced the original Health & Wealth product. These Holloway products are complemented by My Earnings Protected (MEP), a non-Holloway protection product, itself an enhanced version of the original My Earnings Insurance that is also sold via Advisers, though it is a simpler 'pure' protection offering that more Advisers can market for the Society.

#### 1.4 ACCOUNTING FOR INVESTMENT INCOME

Investment income includes dividends and interest from financial investments, as well as deposits and rents. Dividends are included on an ex-dividend basis. All other investment income is included on an accruals basis.

#### 1.5 ACCOUNTING FOR FINANCIAL INVESTMENTS AND NET GAINS/(LOSSES) ON INVESTMENTS

Financial investments are recorded at fair value with movements taken through the Statement of Comprehensive Income.

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

Unrealised gains and losses on investments represent the difference between the valuation of fair value assets at the Statement of Financial Position date and their valuation at the last Statement of Financial Position date or, where purchased during the year, the purchase price. Fair value for financial investments is by reference to market value, where they are publicly traded, or where they can be measured reliably, for example by using a valuation technique (see 1.19).



**1.6 ACCOUNTING FOR OTHER INCOME**

Other income relates to deductions from Members capital account upon early termination of their contract with the Society and Member Benefits charged through our subsidiary.

**1.7 ACCOUNTING FOR CLAIMS AND BENEFITS**

Claims for benefits under the terms of the contracts issued to Members are accounted for on the accruals basis. Surrenders are accounted for on the date when the policy ceases to be included within the calculation of the long-term business provision.

**1.8 ACCOUNTING FOR LONG TERM LIABILITIES**

The long-term business provision is determined by the Board on the advice of the Chief Actuary as part of the annual actuarial valuation of the Society's long-term business. The provision is determined in accordance with the requirements of Solvency II equal to the value of the best estimate liabilities plus the risk margin.

Future bonuses and interest are allowed for within the valuation of these liabilities. These liabilities are calculated using historic Society experience and include short term contingency reserves and a reserve for claims already in payment.

The best estimate liabilities are the present value of future estimated sickness benefits and expenses, less future premiums. These cashflows are projected on a best estimate basis for each future year and discounted back to the valuation date using prescribed Solvency UK discount rates. The sum of these items is generally negative for the Society and these negative reserves effectively represent an asset of the Society.

**1.9 ACCOUNTING FOR MUTUAL BONUSES AND INTEREST**

Bonuses and interest are allocated to participating Holloway Members of the Society, with reference to the terms of the contracts for insurance that they hold with the Society and are agreed by the Board. Bonuses to members in the form of interest and allocations are recognised in the Technical Account Long-Term Business when declared. Transfers to or from the Members Mutual Fund are made when declared. Payments from this fund are made, dependent upon set criteria, to Members on the termination of their contract with the Society.

**1.10 ACCOUNTING FOR TANGIBLE ASSETS**

Buildings utilised by the Society for its ongoing business are initially recognised at cost, typically the cost of purchase or construction, and are depreciated over fifty years. Land is not depreciated as it is deemed to have an infinite useful life.

Buildings are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. An impairment assessment is conducted at each reporting date to consider whether there is any indication that an asset may be impaired.

If there is any indication that an asset is impaired, the recoverable amount of the asset is estimated, being the higher of its fair value less costs to sell and its value in use.

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

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

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

Buildings	2%
Plant	5% to 10%
Fixtures, Fittings and Furniture	25% to 50%
Computer Equipment	25% to 33.33%

**1.11 ACCOUNTING FOR INTANGIBLE ASSETS**

Intangible assets relate to the development of computer software for the management of all aspects of Members' contracts within the Society. The assets are amortised over their estimated useful life of up to ten years, from the date of being finalised and being brought into service by the Society. Amortisation is included within administration expenses within the Statement of Comprehensive Income.

**1.12 ACCOUNTING FOR IMPAIRMENTS OF NON-FINANCIAL ASSETS**

At each reporting date, the Society reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Society estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation.

### 1.13 INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries are measured at cost less impairment.

### 1.14 ACCOUNTING FOR CASH AND CASH EQUIVALENTS

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

### 1.15 ACCOUNTING FOR LEASES

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

The Society does not hold any assets subject to finance leases.

### 1.16 ACCOUNTING FOR RETIREMENT BENEFITS

The Society operates a defined contribution plan under which it pays fixed contributions to a separate entity.

### 1.17 ACCOUNTING FOR FOREIGN CURRENCIES

The value of the Society's investments denominated in foreign currencies are calculated at the closing market exchange rates as at 31 December. The Society does not have any liabilities denominated in foreign currencies.

### 1.18 FUND FOR FUTURE APPROPRIATIONS

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

### 1.19 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the financial statements in line with FRS 102 and 103, the Group uses judgement in applying its accounting policies and estimates where uncertainty exists that affect the reported amounts of assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The key source of estimation uncertainty is:

- Valuation of the long-term business provision**

The valuation of the Society's long-term business provision is based on assumptions reflecting the best estimate at the time. The assumptions used for morbidity, mortality and longevity are based on standard industry tables, adjusted where appropriate to reflect the Society's own experience. Assumptions for expenses, lapse and surrender rates are based on product characteristics and relevant claims experience.

The assumptions used for discount rates are based on are risk-free rates of return specified by the Prudential Regulation Authority ("PRA"). Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty.

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

The critical accounting judgement is:

- Carrying value of Land & Buildings**

The Society's head office, Mutuality House, is held at a carrying value of cost less depreciation and is subject to an impairment assessment each year. A value in use must be calculated as part of this impairment assessment and judgement is required in assessing value in use and concluding whether impairment is required.

### 1.20 CASH FLOW STATEMENT

The Society, being a mutual life assurance company, is exempt from the requirement under FRS 102 to produce a cash flow statement.

### 1.21 TAXATION

Friendly Societies are taxed on their life or endowment business so far as the annual premiums or sums assured exceed limits prescribed in tax law, and on certain investment returns referable to their subsidiaries (where applicable). No tax is due in the current or prior year.

### 1.22 ACCOUNTING FOR COMMISSION

Commission is paid to intermediaries on the sale of Income Protection Contracts and forms part of the Society's operating expenses. This is paid on an indemnity basis which is expensed in the period that it is paid or to a lesser degree on a non-indemnity basis which is accounted for on an accrual's basis.

The Society defers only the commission paid to agents and expenses this over 36 months which is the clawback period within agency contracts.

## 2. CAPITAL MANAGEMENT

### POLICIES AND OBJECTIVES

The Society's key capital management objectives are:

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

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

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

The capital requirement in the annual PRA return is the statutory minimum capital. The statutory minimum capital requirement is based on Solvency UK.

Management intends to maintain surplus capital in excess of the Risk Capital Requirements to meet the PRA's total requirements and to maintain an appropriate additional margin over this to absorb changes in both capital and capital requirements.

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

### CAPITAL STATEMENT

	Notes	2024	2023
		£'000	£'000
Funds for future appropriations		108,249	110,004
Members' Mutual Fund	19	11,126	11,437
Total capital resources before deductions		119,375	121,441
Regulatory solvency adjustments			
Other Assets*		(6,763)	(6,224)
Capital available to meet regulatory capital requirements		112,612	115,217

\*These are the assets deemed inadmissible for the valuation of the Solvency UK balance sheet.

A reconciliation of the movements in the Excess Available Capital over Resource Requirement is set out below:

	2024	2023
	£'m	£'m
Available capital at the start of the year	103.8	100.0
Investment returns	2.2	5.3
Policy cashflows	(4.0)	(4.6)
New business	(0.1)	0.6
Model and methodology changes	0.0	2.3
Assumption changes (exc economic)	3.4	(7.7)
Assumption changes (economic)	(4.3)	1.4
Change in additional reserves	0.2	(3.7)
Change in Retired Members' deposits	0.8	0.6
Change in the Members Mutual Fund	(0.1)	(1.6)
Change in Current liabilities	0.4	0.3
Change in admissible assets	(0.5)	(0.3)
Change in Risk Margin	(0.3)	11.2
Available capital at the end of the year	101.5	103.8



## MEASUREMENT AND MONITORING OF CAPITAL

The capital position of the Society is monitored on a regular basis and reviewed formally by the Board at scheduled meetings. These objectives are reviewed and benchmarks are set by which to judge the adequacy of the Society's capital and ensure that sufficient capital is available. The Society's capital requirements are forecast annually and compared against the available capital as part of the regular ORSA procedures.

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

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

## SENSITIVITY OF LONG-TERM INSURANCE CONTRACT LIABILITIES

Assumptions used in the calculation, such as morbidity and persistency rates.

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

Demographic assumptions – Changes in the morbidity, mortality, expense or persistency experienced by the business may result in the need to change the assumptions used to value the liabilities. This may increase or reduce the value placed on the liabilities. The sensitivity of the liabilities to changes in the assumptions varies according to the type of business.

## 3. RISK MANAGEMENT AND CONTROL

### 3.1 INSURANCE RISK

Insurance risk is the combination of risks that the Society is exposed to, by the issuance of long term insurance contracts, arising from the uncertainties of morbidity, both inception and recovery rates, mortality, the level of expenses and the rate of closure of contracts. The Society has systems in place to monitor and control, as far as is practicable, the risks as stated above.

The Society has underwriting procedures in place for the assessment of risk in relation to new long term contracts being issued and also in respect of requests by existing members to amend their contracts. All claims are subjected to rigorous validation, including the use of external agencies where appropriate, prior to payment. The Society does not currently use reinsurance to mitigate insurance risk.

The insurance contracts issued by the Society are all initiated within the United Kingdom, though they may be retained by holders who move to reside within Europe, in order that it does not incur additional risks in geographical areas in which it has no knowledge.

The Board undertake to ensure that the Society retains sufficient assets to cover the liabilities in relation to its insurance risk. The decisions taken in respect of this undertaking include the allocation of investments between different asset classes, the level of distributions made to Members and the control of expenses.

### 3.2 MARKET RISK

Market risk arises from the possibility that the value or cash flows of the Society's assets and liabilities fluctuate as a result of movements in market prices. The most important components of market risk are set out below:

#### (i) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows arising from financial instruments will vary as market rates of interest change. Changes within market rates of interest will also affect the value of the Society's reserves against long term insurance liabilities due to a commensurate rate of change in the discount rates used in the calculation of those liabilities. This risk is mitigated as far as is practicable by the matching of asset types to relevant classes of liabilities.

#### (ii) Property price risk

The property price risk is the risk that the fair value or the future cash flows arising from the affected property will fluctuate because of changes in market prices, other than those arising from interest rate risk.

#### (iii) Currency risk

Currency risk is the risk that the relative value of Sterling compared to other currencies changes affecting the fair value of assets denominated in those other currencies. The schedule below sets out the value of investments held by the society, either directly or held within collective investments, in currencies other than sterling.

	2024	2023
	£'000	£'000
US Dollars	6,450	10,238
Euro	532	2,585
Other currencies	2,867	2,067
	9,849	14,890

#### (iv) Credit spread risk

Credit spread risk results from the sensitivity of fixed interest investments to changes in the risk-free interest rates and the subsequent change in value of the underlying investment. The risk is mitigated by the quality of the investments held and the Society's policy to limit the exposure to any one counterparty. A summary of the fixed interest holdings, including those held within collective investments, excluding those issued by UK and EU governments, by credit rating is set out below.

	2024	2023
	£'000	£'000
AAA	227	488
AA	1,175	1,952
A	10,325	7,586
BBB	15,436	20,110
BB	608	-
B	124	-
CCC	156	-
NR	559	1,125
	28,610	31,261

### 3.3 COUNTERPARTY RISK

Counterparty risk is defined as the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. Exposure to counterparty risk may arise in connection with a single transaction or to an aggregation of transactions with a single counterparty.

The Society has, in order to mitigate this risk, set out within its investment policy statement both the quality of counterparties in which the Society may invest and the level at which investment may be made with those counterparties.

### 3.4 LIQUIDITY RISK

Liquidity risk is the risk that the Society does not have adequate funds to settle its liabilities as they fall due.

The Society has, in order to mitigate this risk, set out within its investment policy statement that the Society will at all times hold assets in readily realisable form where they are held to cover the liabilities of the Society.

### 3.5 OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Society has defined procedures for the monitoring of operational risk and reporting to the Board.

### 3.6 CAPITAL RESOURCE SENSITIVITIES

The capital position of the Society is sensitive to changes in market conditions, due both to the changes in the value of the assets and the effect that changes in investment conditions may have on the value of liabilities. It is also sensitive to assumptions and experience relating to expenses, persistency and morbidity.

The table below demonstrates the sensitivity of available capital to movements in assumptions:

Variables	Potential movement in available capital	
	£'000	
An increase in the inception rate of claims of 10%	(5,515)	Decrease
A decrease in the inception rate of claims of 10%	5,515	Increase
An increase in the recovery rate of claims of 10%	11,589	Increase
A decrease in the recovery rate of claims of 10%	(15,862)	Decrease
An increase in the rates of mortality of 10%	562	Increase
A decrease in the rate of mortality of 10%	(571)	Decrease
An increase in the discount rate of interest of 0.5%	(1,961)	Decrease
A decrease in the discount rate of interest of 0.5%	2,077	Increase
An increase in lapses of 10%	(6,366)	Decrease
A decrease in lapses of 10%	7,139	Increase
An increase in expenses of 10%	(4,718)	Decrease
A decrease in expenses of 10%	4,718	Increase
An increase in the value of investment assets of 10%	7,216	Increase
A decrease in the value of investment assets of 10%	(7,216)	Decrease

The timing and ultimate extent of any impact on the reserves would depend on the interaction of past experience and assumptions about future experience and management actions taken to mitigate that impact. Possible management actions would be to amend the investment strategy, reduce where practical the discretionary expenditure of the Society or to reduce the level of future distributions (including the Members Mutual Fund) until any adverse conditions were resolved.

The term 'inception rate' refers to the proportion of the Society's Members claiming on the funds of the Society in respect of sickness benefit, an increase in the inception rate would result in a greater level of claims being paid within a year and would also require the Society to increase the level of reserves held to pay future benefits. A reduction in the rate would have the converse effect.

The term 'recovery rate' refers to the rate at which Members in claim recover from their incapacity and are able to resume their occupation so ending their claim for benefits. An increase in the rate of recovery would reduce the level of payments being made to Members within a year and would also reduce the level of reserves required to be held to pay future benefits. A decrease in the recovery rate would have the converse effect.

The term 'mortality rate' relates to the number of members dying during the term of their contract with the Society. An increase in the mortality rate would, in respect of members claiming during the period immediately preceding death, reduce the level of benefits being paid by the Society. It will also reduce the future sickness benefits and the future premium income. A decrease in the mortality rate would have the converse effect.

The term 'discount rate' refers to the rates used to bring potential future claims liabilities back to present day values. An amendment to this rate will affect the current reserving requirements of the Society to ensure adequate reserves are held to defray the cost of those potential future claims.

Unless otherwise stated, the above movements in available capital relates only to the effect on the best estimate liabilities.

#### 4. EARNED PREMIUM INCOME

#### Group and Society

	2024	2023
	£'000	£'000
Gross premiums written in respect of income protection contracts	23,591	22,666

All contracts are written in the UK and relate to single premiums on contracts written for individuals.

#### 5. INVESTMENT INCOME

#### Group and Society

	2024	2023
	£'000	£'000
Income from investments:		
Interest income	593	891
Dividend income	452	1,042
	1,045	1,933

#### 6. REALISED GAINS/(LOSSES) ON INVESTMENTS

#### Group and Society

	2024	2023
	£'000	£'000
Investments at fair value through income – realised gains and (losses)		
Debt securities	134	13
Equity securities	1,119	(483)
Currency forwards	(649)	-
	604	(470)

#### 7. UNREALISED GAINS/(LOSSES) ON INVESTMENTS

#### Group and Society

	2024	2023
	£'000	£'000
Investments at fair value through income – unrealised gains and (losses)		
Debt securities	205	1,732
Equity securities	901	2,377
Currency forwards	(289)	-
	817	4,109



## 8. OTHER INCOME

### Group and Society

Deductions from Member Capital Accounts on early termination
Bank interest

2024	2023
£'000	£'000
72	75
30	-
102	75

## 9. CLAIMS INCURRED

### Group and Society

<b>Long-term insurance</b>
Benefits and claims paid
Change in the provision for claims
<b>Total claims incurred</b>

2024	2023
£'000	£'000
10,063	9,376
(313)	174
9,750	9,550

## 10. BONUSES

### Group and Society

The Board has declared bonuses as set out below, along with allocated interest and transfers to the Members Mutual Fund:

Members' Bonus
Members' Interest
Retired Members' Interest
Transfer to Members' Mutual Fund

2024	2023
£'000	£'000
1,005	1,104
374	388
79	99
-	1,116
1,458	2,707

## 11. OPERATING EXPENSES

### Group and Society

<b>Long-term insurance</b>
Acquisition costs
Commissions paid and payable
Administrative expenses
<b>Net operating expenses</b>

2024	2023
£'000	£'000
4,318	3,880
6,069	3,292
8,036	7,489
18,423	14,661

Administrative expenses include renewal commissions of £100k (2023 £271k).

Net operating expenses include the following:

<b>Long-term insurance</b>
Fees payable to the Society's auditor for the audit of the annual accounts
- Audit
- Other services
Depreciation on tangible fixed assets
Amortisation of intangible assets
Operating lease rental charges

2024	2023
£'000	£'000
133	124
-	-
153	236
567	640
24	25

## 12. EMPLOYEE BENEFITS EXPENSE

### Group and Society

	2024	2023
	£'000	£'000
Wages and salaries (excluding Non-Executive Directors)	6,242	5,296
Social security costs	656	527
Pension costs	717	621
<b>Employee benefits expense</b>	<b>7,615</b>	<b>6,444</b>

The number of employees during the year, including Executive Directors, calculated on a monthly average basis was as follows:

	2024	2023
Board and senior management	12	12
Acquisition and Member contact	26	26
Administration	68	64
	<b>106</b>	<b>102</b>

The aggregate remuneration of key management personnel, being the Executive Directors and the Company Secretary, was as follows:

	2024	2023
	£'000	£'000
Salaries, bonuses and taxable benefits	1,043	1,163
Social security costs	133	149
Loss of office	-	-
Pension costs	12	10
	<b>1,188</b>	<b>1,322</b>

Paul Hudson (previous CEO) formally left the Society in April 2023, following his earlier decision to retire. The amounts paid to Mr Hudson during 2023 were £122.4k, which related to services whilst in the employment of the Society following his resignation as CEO in September 2022. These amounts are not included in the table above.

Fees paid to Non-Executive Directors were £196.7k (2023: £189.9k).

Full details of directors' emoluments are contained in the Directors Remuneration report on pages 23 and 24.

## 13. INVESTMENTS

### Group and Society

	2024 Valuation	2023 Valuation	2024 Cost	2023 Cost
	£'000	£'000	£'000	£'000
<b>Financial assets – fair value through income</b>				
Shares, other variable yield securities and units in unit trusts				
- UK listed	28,905	27,658	28,004	23,575
Debts and other fixed income securities				
- UK listed	41,290	48,149	41,055	53,189
- Deposits	182	64	182	64
- Alternative Cash Products	404	-	403	-
<b>Financial liabilities</b>				
- Currency forwards	(289)	-	-	-
	<b>70,492</b>	<b>75,871</b>	<b>69,644</b>	<b>76,828</b>

## DERIVATIVE FINANCIAL INSTRUMENTS

The Society enters into forward foreign currency contracts to mitigate the exchange rate risk for our investment portfolio. At 31 December 2024, the outstanding contracts all mature on 23 January 2025 (2023: Nil).

As of 31 December 2024, the Society has commitments under two contracts to purchase USD 449,000 in exchange for a fixed GBP amount. Additionally, it is committed under five contracts to sell USD 29,320,000, EUR 1,317,000, and JPY 94,340,000, receiving a fixed GBP amount in return.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD, GBP:EUR and GBP:JPY.

## 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 making 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.

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:

	2024		2023	
	Level 1	Level 2	Level 1	Level 2
<b>Financial assets – fair value through income</b>				
Shares, other variable yield securities and units in unit trusts				
- UK listed	999	27,906	27,658	-
Debts and other fixed income securities				
- UK listed	7,051	34,239	48,149	-
- Deposits	182	-	64	-
- Alternative Cash Products	404	-	-	-
<b>Financial liabilities</b>				
- Currency forwards	-	(289)	-	-
	8,636	61,856	75,871	-

## 14. INVESTMENTS IN SUBSIDIARY

Cost of Shares in Group Undertaking £100 (2023 - £100). The Society holds 100% of the share Capital of Cirencester Friendly Member Rewards Limited, a Company registered in England. Company No: 11103686 with registered office address the same as the Society.

The subsidiary is an insurance intermediary for the Society in regards to the provision of member benefits. No monies were due to or from the subsidiary as of 31 December 2024 (2023: Nil).

Under s479C of the Companies Act the Society being the parent undertaking of Cirencester Friendly Member Rewards Limited has given a declaration of guarantee to enable the subsidiary company audit exemption.

## 15. TANGIBLE ASSETS

### Group and Society

	Land & Buildings	Plant & Machinery	Fixtures, Fittings and Furniture	Computers and Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 January 2024	4,173	157	401	895	5,626
Additions	-	-	20	20	40
At 31 December 2024	4,173	157	421	915	5,666
<b>Accumulated depreciation</b>					
At 1 January 2024	291	28	385	818	1,522
Provided in the year	70	8	9	65	152
At 31 December 2024	361	36	394	883	1,674
<b>Net book value</b>					
Net Book Value at 31 December 2024	3,812	121	27	32	3,992
Net Book Value at 31 December 2023	3,882	129	16	77	4,104



## 16. INTANGIBLE ASSETS

### Group and Society

	Software	Assets under Construction	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 January 2024	8,709	486	9,195
Additions	594	653	1,247
Assets capitalised	-	(594)	(594)
<b>At 31 December 2024</b>	<b>9,303</b>	<b>545</b>	<b>9,848</b>
<b>Accumulated depreciation</b>			
At 1 January 2024	4,374	-	4,374
Provided in the year	567	-	567
<b>At 31 December 2024</b>	<b>4,941</b>	<b>-</b>	<b>4,941</b>
<b>Net book value</b>			
Net Book Value at 31 December 2024	4,362	545	4,907
Net Book Value at 31 December 2023	4,335	486	4,821

## 17. FUND FOR FUTURE APPROPRIATIONS

### Group and Society

	2024	2023
	£'000	£'000
<b>Long-term business</b>		
At 1 January	110,004	105,909
Transfer included within comprehensive income for the year	(1,755)	4,095
<b>Balance at 31 December</b>	<b>108,249</b>	<b>110,004</b>

## REALISED AND UNREALISED SURPLUSES

Within the Balance Sheet the Best Estimate Reserves represents future profits of the Society on insurance contracts. It is considered that these amounts are not immediately available for appropriation. The division of the Fund for Future Appropriation between funds immediately realised and unrealised on realisation are set out below:

	2024	2023
	£'000	£'000
Realised surpluses	40,609	44,321
Unrealised surpluses	67,640	65,683
	<b>108,249</b>	<b>110,004</b>

## 18. 125 FOUNDATION

### Group and Society

	2024	2023
	£'000	£'000
<b>Balance at 31 December</b>	<b>4,206</b>	<b>4,276</b>

The Cirencester Friendly 125 Foundation was set up in 2016 to provide financial support to individuals and causes, for the benefit of Members and their communities. This has been funded by early redemption charges where Members chose to exit contracts before maturity.

## 19. MEMBERS' FUND

### Group and Society

	2024	2023
	£'000	£'000
<b>Contributing members</b>		
<b>Bonuses and rebates:</b>		
- Interest on Members' balances	374	388
- Apportionment	1,005	1,104
	1,379	1,492
<b>Withdrawals during the year:</b>		
- Deaths	(39)	(34)
- Retirements	(1,285)	(996)
- Withdrawals	(56)	(14)
- Resignations and lapses	(1,090)	(1,152)
- Other Member Debits	(84)	(75)
Net increase/(decrease) in Member Funds during the year:	(1,175)	(779)
Balance at 1 January	20,239	21,018
Balance at 31 December	19,064	20,239
	2024	2023
	£'000	£'000
<b>Non-contributing members</b>		
<b>Transfers in and interest:</b>		
- Interest on Members' balances	71	89
- Transfers from Members' accounts on retirement	311	215
	382	304
<b>Withdrawals during the year:</b>	(1,225)	(843)
Net increase during the year	(843)	(539)
Balance at 1 January	4,261	4,800
Balance at 31 December	3,418	4,261
	2024	2023
	£'000	£'000
<b>Members' mutual fund</b>		
<b>Transfers in:</b>		
- Apportionment of surpluses/(losses)	-	1,115
<b>Withdrawals during the year:</b>		
- Payments on cessation of contracts	(155)	(153)
- Transfer of adjustments on closures to the 125 Foundation	(1)	-
- Net payments for member benefits	(155)	(77)
- Transfer to/(from) MMF	-	419
Net increase/(decrease) during the year	(311)	1,304
Balance at 1 January	11,437	10,133
Balance at 31 December	11,126	11,437
<b>Total members' fund</b>	33,608	35,937

The Members' Mutual Fund represents an allocation of part of the Society's surpluses, when available, over and above specific rights conferred to Members by virtue of the contracts they hold for income protection. The amounts held within the fund are not guaranteed and may be transferred back to the general reserves should they be required to support the ongoing operations of the Society. The fund was established in December 2012. At the date of termination of a Member's contract with the Society the Member may participate in the fund in accordance with the rules of the Members' Mutual Fund.

There was no transfer to the MMF Fund in 2024 (£419k in 2023).

## 20. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

### Group and Society

	2024	2023
	£'000	£'000
Employee bonus	827	608
PAYE	196	180
Holiday Pay	34	37
Other	324	457
<b>Total</b>	<b>1,381</b>	<b>1,282</b>

## 21. FUTURE VALUE OF LONG-TERM INSURANCE CONTRACTS

### Group and Society

### a) Movement in long-term insurance contracts valuation

	2024	2023
	£'000	£'000
Balance at 1 January	65,683	62,735
Movement within comprehensive income for the year	1,957	2,948
<b>Balance at 31 December</b>	<b>67,640</b>	<b>65,683</b>

The value of the long-term insurance contracts is expected to be realised as follows:

	1 year or less	2 - 5 years	6 - 15 years	Over 15 years	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 31 December 2023	(69)	351	15,926	49,475	65,683
Balance as at 31 December 2024	(138)	968	16,067	50,743	67,640

The long term provisions are shown at a value representing the value of future cashflows arising from the Society's insurance business less a Risk Margin. The future cashflows are the present value of future estimated sickness benefits and expenses, less future premiums, which is a well-established actuarial valuation method for this class of business to create a best estimate of liabilities. These cashflows are projected on a best estimate basis for each future year and discounted back to the valuation date using prescribed Solvency UK discount rates. The sum of these items is generally negative for this type of business and these negative reserves effectively represent an asset of the Society.

For Solvency UK purposes the value of the long term provisions are taken as the net value of the future cashflows less balances due to Members, as detailed in note 19, and the Risk Margin as shown below.

	2024	2023
	£'000	£'000
Valuation of future cashflows arising from insurance contracts	75,435	73,213
Less: Risk Margin	(7,795)	(7,530)
Per Balance Sheet	67,640	65,683
Less: Members' funds	(33,608)	(35,937)
<b>Net Solvency UK valuation</b>	<b>34,032</b>	<b>29,746</b>



**b) Long term insurance valuation assumptions**

The assumptions for the calculation of the long term business provisions

	2024	2023
Interest rate	PRA risk free rates	PRA risk free rates
Morbidity Incidence rate (shown as a percentage of CMIR 12 table with morbidity recovery rates below)		
Health and Wealth contracts	25%	25%
Income Assured Plus and Enhanced contracts	13%	13%
My Earnings Insurance Contracts (level)	17%	17%
My Earnings Protected Contracts (level) (LTB)	16%	22%
My Earnings Insurance and Protected Contracts (escalating) (LTB)	26%	26%
My Earnings Protected Contracts (level) (STB)	22%	22%
My Earnings Protected Contracts (escalating) (STB)	26%	26%
Morbidity recovery rates (shown as a percentage of CMIR 12 table)		
Health and Wealth contracts		
month 1 (weeks 0 to 1)	5%	5%
month 2 (weeks 1 to 4)	75%	75%
month 2	100%	100%
month 3	100%	100%
months 4 - 6	135%	135%
months 7 - 12	175%	175%
thereafter	255%	255%
Income Assured Plus and Enhanced contracts		
month 1 (weeks 0 to 1)	10%	10%
month 1 (weeks 1 to 4)	45%	45%
month 2	50%	50%
month 3	75%	87.5%
months 4 - 6	120%	130%
months 7 - 12	165%	165%
thereafter	255%	255%
My Earnings Insurance and Protected contracts (level) (LTB and STB)		
month 1 (weeks 0 to 1)	10%	10%
month 1 (weeks 1 to 4)	45%	45%
month 2	50%	50%
month 3	75%	87.5%
months 4 - 6	120%	130%
months 7 - 12	165%	165%
thereafter	255%	255%
My Earnings Insurance and Protected contracts (escalating) (LTB and STB)		
month 1 (weeks 0 to 1)	5%	5%
month 1 (weeks 1 to 4)	25%	25%
month 2	50%	50%
month 3	75%	87.5%
months 4 - 6	120%	130%
months 7 - 12	165%	165%
thereafter	255%	255%

	2024	2023
Lapse Rates		
Health and Wealth contracts		
Year 6+	5%	5%
Income Assured Plus and Enhanced contracts		
Year 1	6%	6%
Year 2	6%	6%
Year 3	8%	8%
Year 4	9%	9%
Year 5	9%	9%
Year 6	9%	9%
Year 7	9%	9%
Year 8+	8%	9%
My Earnings Insurance contracts (level)		
Year 1	Not applicable	Not applicable
Year 2	Not applicable	Not applicable
Year 3	10%	10%
Year 4	10%	10%
Year 5	9%	9%
Year 6	9%	9%
Year 7	9%	9%
Year 8+	8%	9%
My Earnings Insurance contracts (escalating)		
Year 1	Not applicable	Not applicable
Year 2	Not applicable	Not applicable
Year 3	15%	15%
Year 4	14%	14%
Year 5	12%	12%
Year 6	10%	10%
Year 7	10%	10%
Year 8+	10%	10%
My Earnings Protected contracts (level) (LTB and STB)		
Year 1	9%	10%
Year 2	12%	12%
Year 3	12%	12%
Year 4	12%	12%
Year 5	12%	12%
Year 6	12%	12%
Year 7	12%	12%
Year 8+	12%	12%

My Earnings Protected contracts (escalating) (LTB and STB)		
Year 1	15%	17.5%
Year 2	15%	17.5%
Year 3	15%	17.5%
Year 4	15%	16%
Year 5	15%	14%
Year 6	12%	12%
Year 7	12%	12%
Year 8+	12%	12%
Mortality Rates (shown as a percentage of CMIR 12 table)	50%	50%

Morbidity – an inception annuity approach is used to reserve for morbidity. The reserving tables are split by age, gender and deferred period. The rates are reviewed annually to allow for emerging experience.

## 22. WITH-PROFITS ACTUARY

The Society has made a request to the With-Profits Actuary, Mrs C Spinks of Broadstone Limited (formerly OAC Limited), to furnish it with the particulars specified in Rule 9.36 of the Accounts and Statements Rules and the particulars furnished pursuant to the request are identified below:

Mrs Spinks has confirmed that neither she, nor any of her family, nor any of her partners were Members of the Society, nor have they any financial or pecuniary interest in the Society, with exception of fees paid to Broadstone Limited for professional services, which amounted to £260,573.86 (including VAT) (2023: £281,241 inc VAT).

## 23. RELATED PARTIES

There were no loans outstanding from Board members at the year-end (2023: £nil).

During the year no services were provided directly to the Society by any Member of the Board (2023: £nil). However, the Society paid for its annual subscription of £8.4k (2023 £8.4k) to the Income Protection Task Force to which we have been a member since 2022. The IPTF are a not-for-profit group funded by their members, who make up most of the personal protection industry. Vicky Churcher, one of our Non-Executive Directors is an Executive Director of the IPTF.

## 24. COMMITMENTS

### Group and Society

Capital commitments of the Society at the end of the year for which no provision has been made are as follows:	<b>2024</b>	<b>2023</b>
	£'000	£'000
Contracted	93	384
Approved by the Board of Management but not contracted for		-
Commitments of the Society under non-cancellable operating leases are as follows:	<b>2024</b>	<b>2023</b>
	£'000	£'000
Operating leases which expire		
Within one year	16	16
In the second to fifth years inclusive	14	8
Over five years	-	-
	30	24

## 25. CONTINGENT LIABILITIES

The Society had no contingent liabilities at the year end.



Founded 1890  
Registered No.149F

**Registered Office:**

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Email: [info@cirencester-friendly.co.uk](mailto:info@cirencester-friendly.co.uk) Web: [www.cirencester-friendly.co.uk](http://www.cirencester-friendly.co.uk)

**Board of Management:**

Chair:	Janice W Banks MBA
Chief Executive:	Andy J Morris MBA FCA MCSI
Chief Financial Officer:	David M A Evans BSc, ACMA
Chief Operating Officer:	Shirley E Fell
Board Members:	Andy S Lucas BA (Hons), DipM
	Ian M Maude (retired 13/06/24)
	Mark C Sedgley ACII (retired 13/06/24)
	Andrew Payton BSocSc FCA
	Vicky Churcher
	Kate S McIntyre BA (Hons), ACA

**Arbitrators:**

Phillip Harris LLB, FCIArb, Solicitor  
Roger Warrington FRICS, FCIArb, Chartered Surveyor  
Mark Thomas Dip Adj BSc MSc LLM FRICS FCIArb MAE, Chartered Surveyor

**Chief Executive:**

Andy J Morris MBA FCA MCSI

**Company Secretary:**

Karen Purnell FCCA

**Senior Independent Director (Board Member):**

Andy S Lucas

**External Auditors:**

PKF Littlejohn LLP

**Internal Auditors:**

RSM LLP

**Actuary:**

Chief Actuary and With Profits Actuary Cara Spinks, Broadstone Limited

**Investment Managers:**

Schroders (from 7/10/24)  
LGT Wealth Management UK LLP (until 7/10/24)

**Bankers:**

Lloyds Bank PLC

# ANNUAL REPORT & ACCOUNTS 2024



## **Cirencester Friendly**

Mutuality House  
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South Cerney  
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Glos.  
GL7 5TQ

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