The Annual Reports and Financial Statements for PG Mutual

Year Ended 31 December 2024

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2024 Management and Legal Information

Directors

Simon Whale	Chair of the Board
David Gulland	Vice-Chair and Senior Independent Director
Paul Howley	Independent Director
Denise Hadgill	Independent Director
Priya Singh	Independent Director
Andy Elkington	Chief Executive Officer
Debbie McFarlane	Chief Finance and Operations Officer

Senior Management Functions

Andy Elkington	SMF1 Chief Executive
Debbie McFarlane	SMF2 Chief Finance
Andrew Bowater	SMF4 Chief Risk
	SMF16 Compliance Oversight
	SMF17 Money Laundering Reporting Officer
Simon Whale	SMF9 Chair of the Governing Body
David Gulland	SMF10 Chair of the Risk Committee
	SMF11 Chair of the Audit Committee
	SMF14 Senior Independent Director
Paul Howley	SMF12 Chair of the Remuneration Committee
	SMF13 Chair of the Nomination Committee

Certification Functions

Jayne Chong	Secretary
Taryn Ferguson	Head of Marketing
Hannah Crossley	Head of Operations
Stephen Schofield	Head of Development
Mo Shaikh	Head of Sales Operations & Key Accounts
Tom Coan	Head of Strategic Sales
Gary Ranson	Development Executive

Legal Name and Registered Office

Pharmaceutical and General Provident Society Limited
11 Parkway
Porters Wood
St Albans
AL3 6PA

Authorised Trading Names

PG Mutual

Independent Advisors and Consultants

Appropriate Actuary	Barnett Waddingham
Auditor (Independent)	Sumer Auditco Ltd, Bath
Auditor (Internal)	Validera Staffordshire
Asset Management	Royal London Asset Management, London
Bankers	HSBC PLC, St Albans, Hertfordshire
Underwriting Services	Nugent Business Solutions, Kanturk, Ireland
Compliance Services	Haven Risk Management, Chipping Campden, Gloucestershire
Chief Medical Officer	Dr Andrew Deuchar, London

The Chair of the Board's Report

2024 Summary

2024 proved itself to be yet another challenging year. Globally, the year was marked by conflict and heightened tension in various regions, and concerns grew about the possibility of escalation.

Markets focused on rate cuts after two years dominated by Ukraine, rising inflation, and rising interest rates. Headline inflation fell towards target levels, but some underlying inflation elements remained worrying. Markets were confident that the Federal Reserve, European Central Bank, and Bank of England would cut rates in 2024, but tempered expectations of the number and pace of those cuts. The prospect of the UK general election caused some businesses to hold off major strategic decisions and investments pending the outcome. The autumn Budget led to concerns in some quarters that tax increases could also impact investment, jobs and growth.

Against that unsettled background, I am pleased to report that the Society increased premium income by 5% to £4.0m (2023: £3.8m). Our total assets increased by 6% to £49.3m (2023: £46.6m), a reflection of the increase in global stock market valuations.

The Society's operating surplus before annual bonus distributions increased by 104% to £521k (2023: £255k). This is predominantly due to the increase in the overall earned premium, the deduction in claims payment costs, and the containment of our management expenses during the year. Management expenses decreased by 0.5% to £2.12m (2023: £2.13m) and claims costs decreased by 4% to £1.39m (2023: £1.45m). The Board believes that the changes made during 2024 and the investment in IT infrastructure, have strengthened PG Mutual for the benefit of present and future members.

2024 Annual Bonus for Members

Considering the financial performance and the advice of our Appropriate Actuary, the Board is pleased to declare an annual bonus of 4% interest (2023: 4%) on members' profit share balances for 2024. Additionally, we are able to declare a dividend-per-share held in 2024 of £1.75 (2023: £1.75). The loyalty bonus for retiring members will increase from 25% declared last year, to 30%, and the enhanced loyalty bonus will continue to be provided with a minimum profit share balance of £10,000 in the event of an insured member's death, along with six months of their income benefit to their nominated next of kin.

The Consumer Duty

The FCA's new Consumer Duty came into force in mid-2023, and 2024 saw firms being expected to produce their first annual consumer outcomes monitoring reports for Board approval by the end of July. I am pleased to report this requirement was met and more importantly, that the conclusion of our detailed outcomes assessment was that our product, our communications and our customer support are delivering good outcomes for our members.

Governance

All directors have completed their annual performance reviews and have shown strong performance. My appraisal was conducted by the Senior Independent Director with input from the rest of the Board. I will be standing for re-election at the June AGM, with the unanimous support of the Board. Additionally, Denise Hadgill, Non-Executive Director, will also be standing for election or re-election this year.

Acknowledgements

I would like to express my gratitude to the Society's staff and my fellow Board members for their commendable performance amidst challenging circumstances. Additionally, I extend my sincere thanks to all of our members for their ongoing support of our Society.

Simon Whale, Chair of the Board

27th March 2025

Chief Executive's Report

Business Review

2024 has been a successful year for PG Mutual and we have made significant strides in developing our business for the benefit of our members.

We have made good progress in various areas, including the launch of a new customer website to enhance the user experience and support our digital growth. This new platform incorporates a custom-built quote engine, simplifying the process of obtaining personalised quotes and encouraging more prospects to engage with PG Mutual's services. Our efforts to deepen our understanding of the healthcare sector through qualitative and quantitative research have been fruitful, allowing us to better address the challenges faced by those who work in this field. Additionally, we have established new partnerships within the healthcare sector, further expanding our reach and capabilities.

Our commitment to offering valuable protection to our members remains unwavering, and we continue to innovate and improve our services to meet their needs.

Throughout the year, we have maintained a clear objective: to protect the livelihoods and lifestyles of healthcare professionals and their families. The financial security afforded by income protection is increasingly important as the cost of living escalates, and it has been pleasing to see such a strong level of interest from those working in the healthcare sector.

I would like to acknowledge the ongoing support of our corporate partners, who play a central role in the healthcare sector. We have established strong and effective relationships with them and will continue to collaborate closely to protect their members in the event of illness or incapacity.

Looking ahead, we remain committed to our purpose and will continue to strive for excellence in serving our members.

How our Members Benefit

How our Members Benefit
We are, ultimately, here for the benefit of our members and I'm pleased to share some of the positive outcomes we have achieved:

a) Claims payments to members over the year amounted to £1.39m, reflecting our aim to protect the livelihoods and lifestyles of our members when they need us most;
b) We accepted and paid over 93% of Income Protection claims;
c) We maintained the annual Interest rate on members' profit share account balances of 4% (2023: 4%), and dividend-per-share at £1.75. In addition, we have increased our Loyalty Bonus to 30% (2023:25%)
d) Over 2024, PG Mutual contributed over £7,000 in donations to a range of charities selected by our members.
e) We also provide our members with other benefits including remote GP consultations and counselling in times of need.
f) During the year, the Financial Conduct Authority's (FCA) new rules on Consumer Duty came into force. We carried out a thorough review of our product, communications and our service in preparation for the new regime, and we can be proud of the good outcomes we deliver for our members. We have long put our members' interests at the heart of our operations, and so where further improvements can be made, we will make them.

And finally, I would like to take this opportunity to thank my colleagues for their hard work and commitment to serving our members during 2024.

Andy Elkington, Chief Executive Officer

27th March 2025

The Board’s Report on Business Strategy

Business Purpose, Model and Strategic Objectives

The Society’s purpose is the provision of income protection to UK-based professionals, primarily healthcare and veterinary professionals. The Society’s Income Protection Plus product is a comprehensive income protection assurance plan that incorporates a long-term profit share scheme designed to provide a lump-sum payment upon a member’s retirement. The Society generates value for its members by providing a diligent and personable service to complement its product, and by managing the Society’s affairs in a manner that generates annual bonuses to members’ profit share accounts at a level that meets or exceeds their reasonable expectations.

There are two pillars to the Board’s strategy to deliver value to members. The first is to ensure an appropriate proportion of the Society’s funds are invested in assets with sound long-term income and capital growth prospects, and the second is to grow the Society’s Income Protection Plus portfolio and premium income to diminish management costs as a proportion of premium income.

The Society attracts new members through a number of distribution channels including affinity groups, introducer appointed representatives, and digital marketing. Our products are not sold with any advice provided by the Society.

Business Permissions and Market Influences

The Society is an incorporated friendly society authorised and regulated by the Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”) for long-term investment and insurance business in the UK and is currently limited by its Memorandum and Rules to providing investment based permanent health insurance. The Rules of the Society authorise the Board to introduce additional, discretionary benefits for qualifying groups of members and this authority has been used in the past to introduce a number of benefits for members.

All the business activities of the Society and its subsidiary, PG Mutual Services, during the last financial year have been carried out within their respective memorandums and the permissions granted to PG Mutual by the Prudential Regulation Authority and the Financial Conduct Authority.

The Society promotes Income Protection Plus within the United Kingdom only and due to the nature of both the product and its affordability for customers, the Board has typically found that fluctuations in the macroeconomic environment have only a limited impact on the Society’s sales activities.

Key Business Performance Indicators

The Board evaluates the investment pillar of its strategy by carefully monitoring the Society’s Fund for Future Appropriations (“FFA”) and Required Minimum Margin (“RMM”), the asset mix of the investment portfolio, and the performance of the investment portfolio. When considering the business performance of the Society, the Board focuses on the net growth of the Income Protection Plus portfolio, its earned premium income, claims payments and level of management expenses.

Investment KPI’s

As the Society’s Income Protection Plus product aims to provide a lump sum payment to members in their retirement years, the Board looks to ensure that an appropriate proportion of the Society’s investment portfolio is held in asset classes with good prospects for long-term income and capital growth. The Investment Committee (“ICoM”) monitors the adequacy of the asset mix on behalf of the Board on a regular basis and will adjust where it is considered appropriate in the context of the Board’s investment strategy and its Holloway Profit Share Management Guidance policy.

A summary of our investments is shown in the table below.

Investments	2024 (£)	2024 (%)	2023 (£)	2023 (%)
Shares and Other Variable Yield Securities	25,918,649	55	23,565,973	53
Debt and Other Fixed Income Securities	21,064,820	45	20,948,194	47
Deposits with Credit Institutions	-	-	-	-
Investment in Subsidiary and Other	4,721	<1	4,721	<1
	46,988,190	**100**	**44,518,888**	**100**

In 2024, the value of the Society's total investment portfolio increased by £2.5m to £47.0m (2023: £44.5m), and income from investments was £1.8m (2023: £1.8m). From a capital strength perspective, as of the end of 2024 the Society's required minimum margin was £1.37m (2023: £1.47m) and the FFA was £21.3m (2023: £15.7m).

Commercial KPI's

The Society's Income Protection Plus policy portfolio increased from 5,321 at end of 2023 to 5,427 by the end of 2024. Premium income increased by £193k to £4.0m (2023: £3.8m) and an operating surplus[1] of £521k was achieved (2023: £255k).

Principal Business Risks and Uncertainties

The Board maintains a system of risk management to ensure potential threats to the Society's ability to achieve its business and investment objectives are identified and assessed and then managed or mitigated as appropriate in accordance with the Board's appetite for those risks.

Although the Society is small, the Board has sought to incorporate the 'three lines of defence' governance model into the Society's risk management arrangements. The Chief Executive is responsible for overall management of risk on behalf of the Board, with function leaders accountable to the Chief Executive for the management of risks their business activities expose the Society to. The Chief Finance and Operations Officer has been appointed by the Board to lead the efforts to identify and assess the potential long-term financial risks to the Society from climate change.

To ensure adequate oversight of the Board's risk framework, a Chief Risk Officer has been appointed to monitor the Society's management of risk against the Board's risk appetite. The work of the Chief Risk Officer is overseen by the Board's Audit and Risk Committee ("ARC").

The key risks the Board's strategy exposes the Society to are investment risk, insurance risk, distribution risk, operational risk, and conduct risk, and following the introduction of the Consumer Duty regime in July 2024, customer duty risk.

Investment Risk

The Society's exposure to market risks is due to its investment activities on behalf of members. The most notable market risks the Society is exposed to are:

- Market Value Risk: this is the most significant investment risk the Society is exposed to and concerns fluctuations in the asset values of the Society's investments.
- Foreign Exchange Risk: this risk is related to volatility risk as it concerns the potential loss on the value of overseas assets caused by the fluctuation in currency exchange rates relative to Sterling (£).

[1] Premium income less management expenses and Income Protection Plus claims incurred.

- Credit Risk: this is the risk that one or more investment counterparties default on their obligations to the Society, disrupting our cash-flow and potentially the loss of the asset.
- Liquidity Risk: this is the risk that an investment may not be available at a reasonable value for the Society to use to meet its obligations when they fall due.
- Interest Rate Risk: this risk is that increases in interest rates diminish the asset value of fixed interest rate investments.
- Concentration Risk: this is the risk of becoming exposed to a single counterparty, asset class, or market sector to such an extent that any adverse experience disproportionately impacts on the Society.
- Climate Change Risk: from a market risk perspective, the long-term exposure of the Society's assets to climate change risks arises from the UK and global economies' transition to low carbon economies, and from the risks environmental changes will potentially bring.

Insurance Risk

Insurance risk arises from the inherent uncertainties as to the occurrence, amount and duration of the Society's income protection insurance liabilities and factors relevant to their valuation such as policy, claims and expense levels:

- Product Risk: these risks relate to the design features and pricing of the insurance product.
- Underwriting Risk: these risks relate to the due diligence policies, systems and procedures used to assess the suitability of applicants for insurance cover.
- Claim Risk: these risks relate to the policies, systems and procedures used to assess the eligibility of insurance claims and thereafter monitor them.
- Prudential Risk: these risks relate to the valuation of insurance liabilities and compliance with regulatory capital requirements.
- Lapse Risk: this risk concerns the levels of insured policy commutations and terminations.
- Expense Risk: this risk concerns the impact of management expenses on the Society's insurance business.
- Climate Change Risk: from an insurance risk perspective, the Society's long-term exposure to climate change risk arises from the impact of environmental changes to morbidity and mortality rates, and from the impact transition to a low-carbon economy will have on labour markets.

Distribution Risk

Distribution risks are those that could adversely impact on the viability of the business strategy and include:

- Reputation Risk: these risks are those that threaten the trust and confidence of customers and other stakeholders in the Society's brand or Income Protection Plus product.
- Economic Risk: the risk that adverse changes in macro or micro economic circumstances may diminish demand for income protection products.
- Concentration Risk: the risk of the Society becoming too dependent on a single or limited market or distribution channel for its business.
- Political and Regulation Risk: the risk that changes in state policy or legislation may adversely affect the Society, its product, or its customers.

Distribution risks are primarily addressed by the Board through its business planning process, which is undertaken annually and then closely monitored throughout its implementation, and secondly through the promotion of a strong, ethical business culture that the Board believes our members would expect from their Society.

Operational Risk

Operational risks are wide-ranging and arise from inadequate or failed internal processes, personnel, and systems or from external events and can include:

- Operational Resilience Risk: this is the risk of disruption to normal business operations from adverse events.
- Information Management Risk: the risk of failing to appropriately protect the personal data of the Society's customers from miss-use, theft, or loss.
- Systems Risk: the risks, beyond information management risks, to the Society's business operations from failed or inadequate management systems.
- Cyber Risk: related to system risk and data governance risk, this is the risk of financial loss, extortion, business disruption or reputational damage from the Society being ill-prepared to resist a cyber-attack by a third party.
- Human Resource Risk: the risks associated with inadequate personal management in areas such as recruitment, remuneration, employee fraud, allocation of responsibilities, training and supervision, health and safety, retention and the potential loss of key persons, skills, or knowledge.
- Fraud Risk: the risk of customers, staff, or third parties obtaining benefits or property via dishonest means or behaviour.
- Bribery and Corruption Risk: the risk of either individual or business behaviour being inappropriately influenced by dishonest, unlawful, or inappropriate factors rather than the objective best interests of the Society and its members.
- Climate Change Risk: the risk of the Society's office and operational framework being adversely affected by the changing climate such as flooding and loss of power.

The Board manages operational risks through the use of internal policies and process controls. Wherever possible, the objective for such controls is to remove the risk or to transfer it through appropriate insurance arrangements.

Conduct Risk

Conduct risks are those that the Society's culture and organisational behaviour potentially poses to the Financial Conduct Authority's statutory objectives. Of particular relevance to this risk area is the FCA's Senior Managers and Certification Regime.

The Board is committed to creating an organisational culture that is customer centric, inclusive, and embraces the responsibility we have to comply with financial services regulation and support the efforts of the FCA to build customer confidence in financial services' businesses. Particular attention is paid to our remuneration strategy to make sure that incentives are developed on a balanced scorecard basis. We want our team to be as motivated by their ethical responsibilities to their customers, their colleagues, and our regulators as they are with more traditional performance metrics such as sales levels and business retention rates.

Customer Duty Risk

The Consumer Duty regime, which came into effect on 31 July 2023, is a significant initiative of the FCA to improve the outcomes that customers receive from their retail financial products. As part of our preparations for this regime, we have introduced a new risk category of Consumer Duty Risk into our system of risk management to make sure our team are actively looking for, and mitigating, potential risks to the delivery of good outcomes to our customers from our product, our communications, and our customer service.

Consumer Duty risks are managed via a monitoring framework that monitors key performance and risk indicators relevant to the design and fair value of our product, the clarity of communications, and the support we provide to our customers. This monitoring also includes periodic quality control audits by operational leaders into areas of the product and customer journey.

Business Risks and Mitigation

The following have been identified by the Board as the significant underlying risks to the Society, together with the mitigating actions in place:

- Failure to deliver targeted results of the rolling Strategic Plan within the agreed timescales – where the Board cannot determine, or foresee, delivery of targeted results, options as to the future direction of the Society will be considered, evaluated, and implemented.
- Cost over-run, unplanned costs rise as a proportion against premium income – development costs are monitored and evaluated against results for each strategic initiative, which can be reviewed or ended at any time to limit negative impact of profitability.
- Financial strength weakens – monitoring of free capital is in place as part of corporate governance and oversight.
- New business stream has adverse claims experience, impacting profitability. Claims experience is monitored closely, and premium rates are not guaranteed.
- Reduction in Society membership – strategy in place to diversify and take on new members in differing markets.

In the event any, or all, of the above crystallise there would be an adverse effect on the Society's objectives and an impact on members, however the Board is confident that its risk strategies will mitigate inherent risk to satisfactory levels. These risks to members can be summarised as follows:

- Reduction in Dividend, Interest and Loyalty Bonus for members.
- Inability to maintain sickness benefit without increasing premium rates.
- Reduction in member's capital.

KPIs Summary and Future Outlook

The Board is pleased that demand for the Society's income protection product remained relatively strong in 2024 despite the cost-of-living increases being experienced by our core markets following the rises in interest rates and energy (and other) costs. The Board therefore remains confident that its strategy will continue to deliver sustainable growth for the benefit of all of our members.

Approval of the Business Strategy Report

This report is approved unanimously by the Board.

Simon Whale, Chair of the Board

27th March 2025

The Board's Report on Corporate Governance

Compliance with the AFM Corporate Governance Code

The Association of Financial Mutuals' Corporate Governance Code[2] ("AFM Code") is principles-based, and firms are expected to provide their members with an explanatory annual report on how their governing bodies have sought to apply those principles to their organisations and business strategies. The six principles are quoted in italics in the following sections and cover:

1. Purpose and Leadership.
2. Board Composition.
3. Director Responsibilities.
4. Opportunity and Risk.
5. Remuneration.
6. Stakeholder Relationships and Engagement.

The Board has sought to integrate each of the principles into its governance arrangements for the Society. The Board's Directors' Remuneration Report will cover how the Board has sought to apply the remuneration principle.

Purpose and Leadership

"*An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.*"

The Board's business plan includes a clear and simple 'mission and culture' statement that defines the Society's purpose, its values and culture. The Society is a specialist provider of income protection in the 'Holloway'[3] tradition and is committed to treating customers fairly, ensuring the Society's overall membership proposition is good value for money, and to conducting its business in accordance with the letter and spirit of best practice corporate governance and regulatory standards.

The Board leads the Society and uses its mission and culture statement to set the tone for everyone working for the Society. It has also been used to inform the Board's business and investment strategies, including an internal principles and practices of financial management policy to guide the Board's long-term capital management and bonus decisions, and its systems of governance and risk management for the organisation. The Society uses external service providers for its actuarial, internal audit, asset management, IT and Web Development & Maintenance functions, but the Board ensures that these service providers follow ethical or regulatory standards consistent with the Board's expectations for the culture and values of the Society.

The Chair of the Board maintains close and regular contact with the Chief Executive and Chief Finance and Operations Officer to talk informally about operational challenges, and the Chair of the Investment Committee ("ICoM") and the Chair of the Audit and Risk Committee ("ARC") maintain contact with the Chief Finance and Operations Director and Chief Risk Officer respectively between meetings.

Board Composition

"*Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution.*"

The Board takes responsibility collectively for the leadership of the Society, but the Chair leads the Board and maintains contact with the Society's executive and non-executive directors between meetings to ensure there is an appropriate level of Board oversight during these periods and to coordinate with the executive

[2] https://financialmutuals.org/governance/our-governance-code/
[3] https://www.handbook.fca.org.uk/handbook/glossary/G502.html?starts-with=H

on the planning for future Board meetings, including the provision of appropriate management information and the attendance of relevant personnel and external service partners. While the Chair of the Board cannot be considered as having been independent for the purpose of the AFM Code appointment as he had served on the Board for more than nine consecutive years at the time of his appointment, the Board does consider the Chair to be sufficiently independent from the business and has clearly defined the roles of the Chair and the Chief Executive to maintain their effective separation. The Chair is supported in their role by a Vice-Chair elected by the Board.

To ensure it can appropriately direct and oversee the activities of the Society, the Board has a balance of skills and experience relevant to its responsibilities and the strategic priorities of the business such as actuarial, communications, entrepreneurial, finance, information technology and risk management expertise. The Board is normally comprised of seven directors, two executives and five non-executives, and only the Chair of the Board is not considered to be independent due to the time he has served on the Board. From a diversity perspective for the majority of 2024, the Board consisted of five male and two female members. As a board, we are committed to ensuring we create a culture of inclusivity across the society, the current board compilation consist of members representative from different ethnicity and gender identity which has enabled us to benefit from a diverse pool of skills and experience.

All directors are required under the rules of the Society to be elected by the members at regular intervals. Newly appointed directors are required to stand for election to a full three-year term at the next AGM, and again upon the completion of each three-year term until that director has completed nine years on the Board. Directors who serve for more than nine years are limited to annual terms. To ensure its effectiveness, the RNC undertakes an annual assessment of the Board's performance. While the Board did not seek an external evaluation of its performance, the Chair does attend the AFM non-executive director forums that enable him to meet and discuss such matters with non-executive directors from other mutual organisations. Directors are also encouraged to share their experiences from other boards (where possible without breaching any confidentiality or other obligations) and forums they participate in.

The Chair leads the appraisal of individual directors, collecting feedback on directors' performance from all board members, and takes into consideration whether the directors are committing the amount of time necessary to undertake their responsibilities. The Senior Independent Director undertakes an appraisal of the Chair after consultation with the rest of the Board. For the purposes of the review of 2024, the review of the Chair was carried out by David Gulland, the Senior Independent Director for 2024. All directors undertake their own Continuing Professional Development, but the Chair also ensures the Board receives regular continuing professional development as part of its meeting schedule. The Company Secretary of the Society supports the Chair and the Board, and all directors are authorised to request either information from the Secretary or access to independent third-party specialist advice at the Society's expense should they consider it necessary. The Board has reserved to itself the right to appoint or remove the Secretary under its schedule of matters reserved.

Director Responsibilities

"*The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.*"

Both to ensure its compliance with the AFM Code and the Senior Managers and Certification Regime for financial service firms, the Board has adopted a detailed Management Responsibilities Map (**MRM**) that was a reporting item at each full meeting of the Board. The **MRM** outlines the management structure of the Society's organisation; key function holders and their prescribed responsibilities; function lines of accountability to the Board; and the operational supervision arrangements for the Society day-to-day. The Board maintains the terms of reference for the ARC, ICoM, RNC and the subsidiary company's board, these are held, reviewed, and updated with the Society Company Secretary.

The Chair of the Board and the Company Secretary discuss the adequacy of the Board's system of governance for the Society during the course of each year, including whether the memorandum and rules for the Society continues to be appropriate. The rules of the Society were refreshed in 2018 and the Board is satisfied they remain fit for the purpose of a modern, mutual financial services firm and its governance arrangements. Members can obtain a copy of the current memorandum, rules, and schedules from the Society's website.

The Board expects directors and officers to be objective and transparent during the course of their work for the Society, and the Chair of the Board promotes this culture by requiring the Secretary to include on each Board meeting agenda the Society's gifts and hospitality register, and the declaration of interests register for review. As it is no longer a requirement for directors of the Society to also be policyholders, the Board requires those directors and officers who are policyholders to disclose this interest. The Board can confirm that Simon Whale and Matthew Dreaper were policyholders of the Society during the last year. The Board is satisfied that none of the individuals concerned had their judgement compromised by their membership.

The Board takes responsibility for the integrity of the Society's management information and the systems used to manage it and have appointed senior management personnel to manage key aspects of the Society's information systems. The Chief Finance and Operations Officer is responsible for the integrity of the Society's systems for recording financial transactions, and the Chief Executive is responsible for ensuring appropriate policies and processes are in place for the accurate monitoring of business and personnel performance data. The Secretary is responsible to the Chair for coordinating the preparation of management information for Board meetings.

Opportunity and Risk

"*A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.*"

The Board has determined that in order for the Society to generate long-term sustainable value for both members and workers in line with its mission and culture statement, the Society must offer a competitive, comprehensive income protection package to the professional communities it serves and must manage its capital in such a manner that the long-term reasonable expectations of members for their profit share funds can be met.

As part of its system of risk management, the Board has agreed a set of risk appetites for each of the key risks described in the Board's Strategic Report, and the Society's executives are responsible to the Board for ensuring that the risks associated with any business opportunities are properly identified, assessed, and managed. The Chief Risk Officer provides operational level oversight in accordance with an agreed monitoring plan to ensure the effectiveness of the Board's system of risk management. The ARC receives reports at appropriate intervals throughout the year and duly report to the Board on any risk areas that require action.

Stakeholder Relationships and Engagement

"*Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.*"

The Board's mission and culture statement is used to promote the Society's purpose, its culture, and its values throughout the Society's organisation, but the Board also looks to engage staff in the running of the Society and the strategic planning process. The Chief Executive arranges regular team meetings of the staff to encourage staff from different business functions to talk with each other about what they are working on, and operational management meetings to coordinate activities. While the Board's strategy meetings are limited to non-executive and executive staff, the feedback from these meetings is provided to all employees in periodic team meetings for their assessment and feedback, which is then provided to the Board for further discussion. While these meetings are designed to engage staff, the Board has also taken steps to ensure the staff handbook is clear that they have confidential whistleblowing rights in order to raise sensitive matters with a more senior member of the Society, including the Board if necessary. The Board has allocated overall responsibility for the Society's whistleblowing system to the Senior Independent Director.

The Board encourages members to provide feedback with regards to the Society's management, its strategy, its products or its overall service and the Board has set out these Annual Reports and Financial Statements in a manner designed to provide you with the information need to appraise the Board's performance, and you can provide your feedback to the Society via email, telephone, or post. If you would prefer to meet with the Board or the executive, the Board requires all directors and officers to be in attendance for the AGM.

The Audit and Risk Committee

The Audit and Risk Committee ("ARC") has been tasked by the Board with the oversight of the Society's systems of governance, internal control, and risk management. This responsibility includes the scrutiny of all audit reports and all statutory reports to regulators and members, and for making recommendations to the Board regarding these matters before being approved by the Board. Neither the ARC nor the Society's Appointed Auditor identified any significant issues with the Society's financial controls or its financial statements for the year.

The ARC is also responsible to the Board for assessing the performance of the Society's Appointed Auditor and internal audit function, and for making recommendations to the Board in respect to the appointment, re-appointment, remuneration or dismissal of the Appointed Auditor and internal audit function. The provision of the society's internal audit services has been since 1 January 2020 with HW Controls & Assurance Limited. In March 2024 HW Controls & Assurance Limited renamed to Validera.

The ARC is led by its Chair, who has been authorised by the PRA and FCA for this role. Both the Chair of the ARC and the Senior Independent Director during 2024 are financial professionals with the financial expertise required by the AFM Code. The Board can confirm the Chair of the Board is not a member of ARC and the overall balance of expertise of the ARC is appropriate for its risk management and internal control oversight responsibilities.

Investment Committee

The Investment Committee ("ICoM") was established by the Board to manage the Society's investment strategy on its behalf and is led by the Chair of the ICoM. It is delegated the responsibility of monitoring the performance of the Society's investments against the Board's strategic KPI's and its market risk appetite. This responsibility also extends to oversight of the Society's asset managers, and to any decisions necessary on asset allocation arrangements, asset sales or any corrective actions considered necessary to protect the Society's capital strength such as reductions in the value of the Society's loyalty bonus, enhanced loyalty bonus, annual bonuses, and profit share accounts.

Approval of the Corporate Governance Report

This report is approved unanimously by the Board.

Simon Whale, Chair of the Board

27th March 2025

The Board's Report on Climate Change Strategy

The climate emergency is a worldwide issue that requires us all to be more aware of how we live and how our businesses operate. We must also be willing to make changes to our behaviours and practices to help reduce the growth rate of global temperatures and avoid the potentially catastrophic consequences for humanity.

We accept that these changes may affect PG Mutual, and that we have our part to play. This report outlines the steps the Board has taken to reduce the Society's adverse impact on our environment.

In preparing this report, the Board has taken into consideration the Task Force on Climate-Related Financial Disclosures.[4] ("TCFD") recommendations:

- The Society's *governance* in relation to climate-related risks and opportunities.
- The impact of climate change on our business *strategy* and financial planning.
- How the society identifies, assesses, and manages climate change *risk*.
- The *metrics and targets* used to manage climate change risk.

Governance

The Board has appointed our Chief Finance and Operations Officer, Debbie McFarlane, as the senior manager responsible for leading the process of identifying and assessing climate change risks internally, and the ICom reviews the adequacy of climate change risk management as part of its remit to manage our investment strategy and capital adequacy.

To underpin the integration of climate change risk assessment into our broader enterprise risk framework, function leaders are expected to identify and assess how their functions could be impacted by climate change in the future as part of their normal risk management responsibilities.

Strategy and Risk Management

The physical risks that climate change potentially poses through changes in weather, sea levels and average temperatures and the transitional risks to our business from the global effort to move towards a new, low-carbon economy have been integrated into our corporate planning and risk management frameworks in a manner proportionate to our Society.

PG Mutual is a dedicated provider of an investment-based income protection insurance product. Most of our membership are engaged in healthcare occupations, and our new business efforts focus exclusively on the UK. Our largest areas of potential business exposure in the short, medium, and long-term is therefore likely to be our exposure as an institutional investor to companies and markets that will be impacted by the move towards a low-carbon global economy, and as an income protection insurer to the potential adverse impact of the changing climate on morbidity trends.

To ensure effective oversight of our climate change risk assessment process, the Chief Risk Officer includes climate change risk monitoring within their oversight work and the risk framework broadly is overseen by the Audit and Risk Committee.

Metrics and Targets

To focus on PG Mutual's activities to reduce its own emissions, and to be aligned with a 1.5°C pathway, we have been mapping our scope 1-3 emissions for the last 4 years.

Scope 1 Emissions:

[4] https://www.fsb-tcfd.org/recommendations/

As the Society's business activities does not involve direct extraction of materials or manufacturing, and does not operating a company car scheme, it has no direct exposure to Scope 1 greenhouse gas ("GHG") emissions. The Society is not exposed to any other direct emissions under its control.

***Scope 2 Emissions**:*

The Society's main exposure to Scope 2 indirect emissions has been identified as the source of electricity purchased to run our Head Office.

Our indirect scope 2 emissions impact from electricity for 2024 and 2023 has been estimated and highlighted below:

2023
Electricity: **2,291 kgCO2e**

2024
Electricity: **2,120 kgCO2e**

***Scope 3 Emissions**:*

Throughout 2024 the Society continued to develop a more robust framework to assess its Scope 3 emissions. The indirect upstream activity giving rise to Scope 3 emissions can been assessed through its leased assets, purchases of goods and supplies, and our employees' commuting and business travel.

In 2023, the Society moved from an on-premises server IT infrastructure to a cloud-based one. This has enabled us to reduce our server-related carbon footprint by up to 98% and lowered our overall energy consumption and costs. During 2024 we took further steps to analysis the Scope 3 carbon emissions generated using cloud-based servers. The below outlines our cloud-based emissions totals over 2023 and 2024.

2023
Cloud Based Server: **440.1kgCO2e**

2024
Cloud Based Server: **260.8kgCO2e**

Carbon emissions in Microsoft Azure are reducing because of investments in energy-efficient technology and infrastructure, and the use of renewable energy sources.

In 2024, we continued to partner with YuLife for the provision of our staff insurance benefits. A key reason for choosing YuLife was their app, which incentivises staff to walk more and earn YuLife 'coins'. Our team can use the coins they earn from walking more towards a catalogue of health and wellbeing rewards, and a broad range of charitable and environmental causes. Through using this app, the team collectively achieved 22m steps (12m:2023), earning 1.9m Yu Coins[5] (834k:2023). We also positively impacted our environment by supporting the planting of 450 trees (147:2023, and the removal of 142kg of plastic from the oceans (151kg: 2023), donated 122,000l of clean water (17,160l: 2023), and through ShareTheMeal, shared 8 meals with those in need (51: 2023).

Thanks to our hybrid working scheme, our team were also able to save 67.36 tonnes of CO2 from reduced travel (56.13tonnes:2023).

We will continue to develop our framework in relation to climate change to broaden our understanding of our supplier chain activity to adequately assess further indirect exposure to Scope 3 emissions over time.

This work will include current and emerging regulatory requirements in relating to the management of climate change risk.

[5] In the YuLife app, employees earn YuCoin, our wellbeing currency, for daily activities such as walking and meditating and for completing wellness tasks.

The indirect downstream activity identified as our largest exposure to Green House Gas ("GHG") emissions is in relation to our investments in stocks and shares, and in this regard, we utilise the expert advice and guidance of our asset managers, Royal London Asset Management ("RLAM").

During 2024, RLAM published their climate transition journey report, which outlined that they are currently engaging with companies representing at least 50% of their financed emissions across their Assets Under Management, and plan to increase this to 70% by 2030 to scale up and deepen their engagement at both firm and fund level as we move closer to 2050.

With regards to portfolio emissions, RLAM has committed to reduce their emissions from their investment portfolio by 50% by 2030 as part of the transition to net zero by 2050 in line with client expectation. To achieve this target, RLAM will improve their understanding and use of forward-looking metrics using data, including evolving their ability to do stress testing under different temperature scenarios, including 1.5°C, 2°C, and 'hot house' scenarios.

Climate Change and Income Protection – Fund Investments

The ICoM have taken a prudent view of the short, medium, and long-term investment considerations and have determined that the most proportionate course of action for us to take with regards to traditional carbon-heavy markets and emerging low-carbon markets is to support our appointed asset manager, RLAM, who actively undertake a thorough appraisal of the environmental, social and governance sustainability factors of investment opportunities prior to investment [6].

RLAM monitors the exposure of its funds to green and brown revenue sources and the position as of the end of 2024 is as follows:

Fund	Brown [7] revenue %	Green [8] revenue %	PGM Holding (31 December 2024)	PGM exposure to brown revenue	PGM exposure to green revenue	WACI as at 31 Dec 2024
Sterling Credit	1.5% (1.38%: 2023)	1.8% (3.31%: 2023)	£12,299,557 (£12,295,451: 2023)	£725,674 (£614,723: 2023)	£853,589 (£1,475,454:2023)	43t CO2e / $M sales
Short Duration Credit	0.6% (0.6%: 2023)	0.7% (1.1%: 2023)	£4,521,398 (£4,441,945: 2023)	£302,933 (£266,517: 2023)	£345,435 (£488,614:2023)	40t CO2e / $M sales
Enhanced Cash Plus	0.01% (0.08%: 2023)	0% (0.08%: 2023)	£3,435,749 (£3,403,106: 2023)	£3092 (£34,031: 2023)	£- (£34,031: 2023)	4t CO2e / $M sales
Cash Plus	0% (0%: 2023)	0% (0%: 2023)	£808,116 (£807,692: 2023)	£- (£- in 2023)	£- (£- in 2023)	2t CO2e / $M sales
GMAP Adventurous	3.9% (4.24%: 2023)	5.6% (12.18%: 2023)	£25,918,649 (£23,565,973: 2023)	£1,840,224 (£998,073 in 2023)	£2,643702 (£2,869,461: 2023)	83t CO2e / $M sales
TOTAL	6.11% (6.29%: 2023)	8.18% (16.66%: 2023)	£46,983,469 (£44,514,167: 2023)	£2,871,924 (£1,197,079 in 2023)	£3,842,726 (£3,328,362 in 2023)	

2023 Brown and Green % figures have been restated to show revenue % as the weighted average against the fund total assets. In 2023 this was shown as the individual fund exposure as a direct percentage of total assets

[6] https://www.rlam.com/uk/intermediaries/responsible-investment/responsible-investment-at-rlam/stewardship-and-responsible-investment-report/

[7] The percentage of instruments (by value) held in the portfolio through equity stake or bonds that have any exposure to revenues from oil and gas activity, coal mining and/or coal-based generation of electricity. This does not measure the total brown revenue derived from the portfolio just the count of issuers with any exposure to these activities. As RLAM's trust in the revenue calculations increase, they will re-evaluate this metric.

[8] The percentage of instruments (by value) held in the portfolio through equity stake or bonds that have any exposure to revenues from renewable energy, energy efficiency, green building, sustainable water and agriculture, and pollution prevention. This does not measure the total green revenue derived from the portfolio just the count of issuers with any exposure to green activities. As RLAM's trust on the revenue calculations increase, they will re-evaluate this metric.

The Society’s portfolio exposure to green revenue sources therefore exceeds revenue from brown sources by 2.07% as of the end of 2024 (10.37%: 2023 *restated*).

Climate Change and Income Protection – Morbidity Risk

It is not clear how significantly morbidity trends would be affected by climate change, but from a long-term perspective there are indications of health risks that advances in medical science may not adequately offset.

A sustained increase in morbidity trends would most likely lead to an increase in claims and associated costs. This would most likely require an increase in the pricing of our income protection products to ensure the profit share feature can be maintained at levels that meet our members’ reasonable expectations.

Scenario Analysis

With so many aspects of how climate change will impact on the Society unclear, there is a need for us to perform scenario analyses to consider potential financial impacts over time in a proportionate manner.

In 2024, the Society developed a capital projection model with its Appropriate Actuary to assess and monitor capital adequacy. This model measures market and business risks over a 10-year planning horizon. The Board believes the capital risk metric is suitable and proportionate for the business and potential climate change exposure.

PG Mutual and our work towards Net Zero

In addition to our efforts to manage the potential impact of the climate crisis on the Society, we are pleased to report that we are working towards being a Net Zero firm by 2050 and to have reduced our operational emissions footprint by at least 50% by 2030. This time period takes into consideration the challenges the Society is likely to face in maintaining a reasonable return on the investment of our members funds while moving towards a green investment portfolio. Our journey outlined above will, continue throughout 2025 to achieve even more transparency on our Scope 3 emissions.

Approval of the Climate Change Strategy Report

This report is approved unanimously by the Board.

Simon Whale, Chair of the Board

27th March 2025

The Board's Directors Report

The Directors

The names, profiles, and roles of the directors at the end of 2024 are shown below. All the Society's directors and officers have the requisite regulatory approvals and continue to be fit and proper for their roles.

Simon Whale

Chair of the Board
Chair of PG Mutual Services; RNC Member

Simon is the Executive Chair and co-owner of Luther Pendragon, the leading corporate communications consultancy based in the City of London.

His firm has advised a wide range of clients in the financial services sector, including Aviva, the Bank of London and the Middle East, and the London Market Group which represents the UK's specialty insurance industry. He worked with the Association of Friendly Societies for more than ten years, ensuring the benefits of mutuality were better understood by the government, politicians, and the public.

He has worked extensively with healthcare organisations including NHS England, the Department of Health & Social Care, various royal colleges, charities and healthcare regulators, and bodies representing pharmacy, dentistry, optometrists, and opticians. He was appointed as one of three members of the panel of the Independent Medicines and Medical Devices Safety Review, commissioned by the Secretary of State for Health & Social Care to examine avoidable harm suffered by thousands of patients. The Review's report, 'First Do No Harm', was published in 2020. He is lead communications adviser to the Independent Inquiry into the issues raised by the David Fuller case.

David Gulland

Vice-Chair and Senior Independent Director
Chair of the ARC; ICoM Member

David has spent his whole career working in the life insurance market, both in the UK and overseas. He initially spent 25 years as a consulting actuary working for a wide range of insurers on issues such as financial management, product design, strategy, and mergers & acquisitions. This included a focus on both the mutual sector and on protection business.

David went on to be the Managing Director of RGA's UK reinsurance business until 2011 before taking on the role of Chief Risk Officer and then Chief Executive of Marine & General Mutual until 2015.

Since 2015 he has carried out various non-executive directorship and other governance roles for many UK financial institutions. He is currently the Chair of Scottish Friendly's With-Profits Committee.

Paul Howley

Independent Non-Executive Director
Chair of the RNC; ARC Member

Paul has 35 years of experience within financial services, utilities, airlines, and consulting. He has undertaken a variety of roles in Operations, IT and Change but throughout his career there has been a constant theme of improving customer service and business performance.

He is currently Chief Technology and Transformation Officer, Nottingham Building Society.

Denise Hadgill

Independent Non-Executive Director
RNC Member; Chair of the ICoM

Denise has spent over 35 years in the investment management industry. After being a research analyst first in the Eurobond market at SGST and then in the equity oil sector at Smith New Court, she moved into fund management at Schroders where she was a UK Equity Fund Manager and Director responsible for the firm's relationship with UK pension funds and charity clients with multi asset portfolios. Denise went on to be a Managing Director and Head of the UK Product Strategy group at BlackRock where she was responsible for delivering the firm's investment message and economic outlook to an extensive range of UK clients. She currently holds non-executive directorships with Chelverton UK Dividend Trust and Smithson Investment Trust.

Priya Singh

Independent Non-Executive Director
ICoM Member; ARC Member

Priya's medical career began in general practice, following which she specialised in legal medicine.

She served as Medical Director and Executive Director of Medical Protection (MPS), providing assistance and indemnity for doctors, dentists and healthcare professionals in the UK and internationally. She brings broad strategic, commercial, and operational experience in international healthcare, professional services transformation, patient safety, ethics, and risk.

She is Chair of the National Council for Voluntary Organisations (NCVO), Chair of NHS Frimley Integrated Care Board, Chair of BOB Integrated Care Board, and executive director of a mutual provident fund with charitable status. Previous roles have included Deputy Chair of Guy's and Thomas's NHS FT, Non-Executive Director of SCAS NHS FT, and as a member of the London Policing Ethics Panel.

Andy Elkington

Chief Executive Officer

Andy joined PG Mutual as Chief Executive Officer and Director in May 2022.

He brings over 30 years of experience working in the financial services industry and has significant experience in sales, marketing, operations, and stakeholder management. Before joining PG Mutual, Andy worked as Sales and Marketing Director for the Police Mutual Group and has held a variety of senior management roles at Legal & General, Virgin Money and RSA.

Deborah-Jo McFarlane

Chief Finance and Operation Officer
ARC Member; ICoM Member

Deborah McFarlane was appointed as Finance Director in January 2017. Deborah joined PG Mutual as Financial Officer in January 2013. She brings over 16 years of experience to the Society overseeing all aspects of finance within the financial services sector.

Prior to joining the PG Mutual, Deborah worked for Communication Workers Friendly Society for 10 years and was instrumental in overseeing its transfer of engagements to Forester Life in 2011. She also worked for CS Healthcare as Director of Finance during 2012. Deborah qualified as a Certified Accountant whilst working at Communication Workers Friendly Society as Head of Finance in 2009 and has held a number of senior finance roles both in the financial services and public sector since 2001.

Annual Bonus

The Board can confirm that after receiving the advice of the Society's Appropriate Actuary, the interest to members' profit share accounts and the dividend-per-share for the year can be declared as follows:

Annual Bonus	2024	2023
Interest rate on accumulated members' profit share account balances	**4%**	**4%**
Dividend-per-share to members' profit share accounts	**£1.75**	**£1.75**

The loyalty bonus for retiring members has increased to 30% (25% declared for 2023) and the minimum profit share payment for any insured member who dies during 2024 has been set by the Board at £10,000, and an additional sum equal to the deceased member's monthly income benefit will be paid to their nominated next of kin for six months.

The Board wishes to remind members that annual bonuses and profit share accounts are provisional and are not guaranteed. Should financial markets become distressed, and the assets of the Society materially reduced, the Board would temporarily reduce all loyalty bonuses, enhanced loyalty bonuses, annual bonuses, and profit share account balances, if necessary, in proportion to the anticipated loss the Society would incur upon the realisation of any investment losses. Such temporary reductions would be reversed as the investments subsequently improve.

Political Donations and Charitable Expenditure

During the year, the society made charitable donations to 6 charities, in accordance with our Corporate Social Responsibility ("CSR") strategy, of £7,144 (2023: £10,880).

No political donations were made.

The Directors' Responsibilities

Under the Friendly Societies Act 1992, the Board is required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Society, and its income and expenditure, during that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business, in which case there should be supporting assumptions or qualifications, as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Disclosure to the Appointed Auditor

The Board does not believe the Society has carried on any activities outside its powers during the year, and in the case of each director in office, at the date of the report of the Board being approved:

a) so far as each director is aware, there is no relevant audit information of which the Society's independent auditors are unaware.
b) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Society's independent auditors are aware of that information.

Sumer Auditco have indicated their willingness to continue in office and a resolution to reappoint them will be proposed at the AGM.

Going Concern

The directors are satisfied that the Society has the necessary financial resources to continue as a going concern and have therefore prepared its accounts on this basis.

Business Viability

The Board is satisfied that the Society will remain a viable business over the course of its latest corporate plan based on the strategy described in the Strategic Report. This viability assessment took into consideration the Society's prospective Income Protection Plus policies flow, expected cash-flows and expenditure, the capital strength of the Society and an assessment of the principal risks the Society is exposed to.

Complaints Procedure Policy

It is the Society's policy to investigate and resolve all complaints received from members promptly and fairly. The Society is a member of the Financial Ombudsman Service ("FOS"). All complaints are handled in accordance with the requirements of the FCA. Full details can be obtained from the Secretary at the Society's office.

Approval of the Directors' Report

This report is approved unanimously by the Board.

Simon Whale, Chair of the Board

27th March 2025

The Board's Report on Remuneration

The Remuneration and Nomination Committee ("RNC")

As recommended by the AFM Code, the Board has established a Remuneration and Nomination Committee ("RNC") of the Board, which is led by the Chair of the RNC. The Chair of the RNC has been approved for this role by the PRA and the FCA. The RNC members during the year were the Chair of the RNC, Paul Howley; the Chair of the Board, Simon Whale; the Chair of the Investment Committee, Denise Hadgill.

The AFM Code Remuneration Principle

"*A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.*"

The RNC is responsible to the Board for making recommendations with regards to the remuneration of non-executive and executive directors. The RNC believes that its remuneration for policy for the non-executive directors and executive director strikes and appropriate balance between the need to ensure the Board is cost effective and its ability to attract and motivate individuals with the necessary expertise for the Board to undertake its responsibilities.

The Board has departed from the AFM Code in 2024 in that the Chair of the Board is also a member of the RNC despite not being independent upon appointment. The Board is satisfied that the Chair of the Board continues to be sufficiently separate from the day-to-day affairs of the business to be able to exercise independent judgement on the RNC. While no external expertise was requested by the RNC during the year, the Board can confirm its members are authorised, collectively and individually, to seek such expert advice on remuneration and recruitment matters as they consider necessary to discharge their responsibilities. Such expert advice would be arranged at the Society's expense.

Directors' Remuneration Disclosure

The breakdown of directors' remuneration in 2024 was as follows:

Director	Basic Salary (£)	Benefits (£)	Annual Bonus (£)	Pension Contributions (£)	Total 2024 (£)	Total 2023 (£)
Executive Directors						
Andy Elkington	151,410	5,000	30,000	-	186,410	173,143
Deborah McFarlane	124,426	-	21,000	4,976	150,402	142,112
Non-Executive Directors						
Simon Whale	25,825				25,825	25,000
David Gulland	17,560				17,560	16,000
Paul Howley	15,500				15,500	15,000
Denise Hadgill	15,500				15,500	15,000
Priya Singh	15,500				15,500	2,500

Directors’ Meeting Attendance Disclosure

The table below shows the number of meetings each director attended in 2024:

Director	Board of Directors (5 held)	Investment Committee (4 held)	Audit and Risk Committee (4 held)	Remuneration and Nomination Committee (4 held)	Total 2024	Total 2023
Simon Whale	5	-	-	4	9	10
David Gulland	5	4	4	-	13	13
Paul Howley	5	1	4	4	14	13
Denise Hadgill	4	4	1	4	13	14
Priya Singh	5	4	4	-	13	3
Andy Elkington	5	4	4	-	13	14
Deborah McFarlane	5	3	3	-	11	15

Approval of the Remuneration Report

This report is approved unanimously by the Board.

Simon Whale, Chair of the Board

27th March 2025

The Independent Auditor's Report to the Members of PG Mutual

Our Opinion

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

In our opinion, the Society's financial statements:

- give a true and fair view of the state of the Society's affairs as of 31 December 2024 and of the Society's surplus for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with 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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Societies Act 1992

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

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Opinion on Corporate Governance Statements

In accordance with our instructions from the Society, we review whether the Corporate Governance Statement reflects the Society's compliance with those provisions of the Annotated UK Corporate Governance Code specified by the Association of Financial Mutuals. We have nothing to report in respect of this review.

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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the account records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

The objectives of our audit in respect of fraud, are to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Company.

Our approach was as follows:

- agreement of the financial statement disclosures to underlying supporting documentation.
- our responses to significant audit risks (technical provisions and management override of controls) are intended to sufficiently address the risk of fraudulent manipulation. In particular we engaged an independent external actuary as auditor's expert to review the assumptions and methodology applied by the Society in the valuation of long-term business provisions to check the methods utilised are appropriate.
- enquiries of management.
- review of minutes of board meetings throughout the period.
- obtaining an understanding of the legal and regulatory framework applicable to the Society's operations.
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

  As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

  Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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. This description forms part of our Report of the Auditors.

Use of our report:

This report is made solely to the Society's members, as a body, in accordance with 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.

Mark Powell, Senior Statutory Auditor

For and on behalf of Sumer Auditco, Statutory Auditor, Lennox House, 3 Pierrepont Street, Bath, BA1 1LB

The Financial Statements as of 31 December 2024

Statement of Comprehensive Income

Technical Account: Long-Term Business	Notes	2024 (£)	2023 (£)
Earned Premium Income	5	4,030,641	3,837,596
Investment Income	6	1,757,803	1,759,114
Total Technical Income		5,788,444	5,596,710
Income Protection Claims Incurred	7	(1,394,463)	(1,449,444)
In-Year Interest and Dividends (including Loyalty and Enhanced Loyalty Bonuses)	8	(344,211)	(265,244)
Management Costs	9	(2,115,435)	(2,133,491)
Investment Expenses and Charges	12	(151,227)	(140,176)
Unrealised Gains/(Losses) on Investments	16	2,399,303	2,476,515
Interest and Dividends to Members' Profit Share Accounts	17	(1,340,302)	(1,316,081)
Transfer from/(to) the LTBP	17	2,782,976	(3,211,556)
Transfer (to)/from the FFA	17	(5,625,085)	442,767
Balance on the Technical Account		-	-

Statement of Total Recognised Gains and Losses	Notes	2024 (£)	2023 (£)
Transfer (to)/from the FFA	17	(5,625,085)	442,767
Total recognised gains/(losses) since last Annual Report		5,625,085	(442,767)

The above results relate wholly to continuing activities. The Society has no recognised gains or losses other than those included in the movement on the Technical Account and therefore no separate statement of recognised gains and losses has been presented.

Statement of Financial Position

	Notes		2024 (£)		2023 (£)
Fixed Assets					
Tangible Fixed Assets	14		734,938		820,285
Investments					
Investment in Subsidiary	15	4,721		4,721	
Other Financial Investments	15	46,983,469		44,514,167	
			46,988,190		44,518,888
Other Assets					
Cash at Bank			881,856		573,928
Prepayments and Accrued Income			717,895		629,232
Total Assets			49,322,879		46,542,333
Fund for Future Appropriations	17		21,304,866		15,679,781
Long Term Business Provision					
Members' Profit Share Accounts	17	16,075,085		16,078,318	
Mathematical Reserves	17	11,327,180		14,110,156	
			27,402,265		30,188,474
Creditors					
Creditors Arising from Insurance Activities		302,817		288,341	
Other Creditors	21	312,931		385,737	
			615,748		674,078
Total Liabilities			49,322,879		46,542,333

Approval of the Financial Statements

These financial statements are approved unanimously by the Board.

Simon Whale, Chair of the Board

27th March 2025

The Notes to the Financial Statements

1. Basis of Accounting

PG Mutual is a Friendly Society incorporated in the United Kingdom under the Friendly Societies Act. The address of the registered office can be found under the Management and Legal Information section on page 4.

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by the Regulators. The Society has taken advantage of the exemption not to produce consolidated financial statements on the grounds that its subsidiary, P&G Insurance Services Limited trading as PG Mutual Services, is not material.

2. 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.

Basis of preparation

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

In 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 certain properties and 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 3. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

After making enquiries, the directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future.

Going Concern

The directors are satisfied that the Society has the necessary financial resources to continue as a going concern and have therefore prepared its accounts on this basis.

Earned Premiums

Earned premiums are accounted for an accruals basis based on the period they related to. Premiums relating to the unexpired term of policies in force at the balance sheet date are treated as unearned.

Claims and Benefits

Claims for sickness, death or surrender are accounted for from the appropriate date of the event as notified. Claims payable include all related internal and external claims handling costs.

Investment Income

Income from investments is included in the Technical Account Long-Term Business. Account is taken of income from gilts and interest on cash deposits on an accruals basis and dividends from equities are included according to the date of receipt by the Society.

Realised and Unrealised Investment Gains

Realised gains and losses, being the differences between the net sale proceeds and market value (see Valuation of Investments below) at the beginning of the year, is included within investment income in the Technical Account when attributable to assets in the Long-Term Business Fund. Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and market value at the beginning of the year. Unrealised gains and losses on assets purchased during the year are valued on the difference between the purchase price and the valuation at the balance sheet date.

Movements in unrealised gains and losses attributable to assets in the Long-Term Business Fund are reported in the Technical Account – Long-Term Business.

The Society's wholly owned subsidiary, P&G Insurance Services Limited trading as PG Mutual Services, has been valued on a Net Realisable Value basis, with any losses or gains accounted for as unrealised losses or gains within the accounts.

Acquisition Costs

Acquisition costs comprise direct costs, such as introduction commissions, as well as indirect costs such as advertising, production, marketing and sales staff etc. Indirect acquisition costs will vary from year-to-year according to the budgets determined by the Board, while direct costs will vary in line with the premium value of the business sold and the commission level applicable.

Leasing

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Annual Bonuses on Members' Profit Share Accounts

Annual bonuses to members in the form of interest and dividends-per-share are recognised in the Technical Account Long-Term Business when declared, and loyalty bonuses and enhanced loyalty bonuses when paid.

Fund for Future Appropriations

The FFA incorporates amounts which have yet to be allocated to members. Transfers to and from the FFA reflect the excess or deficiency of revenues (including premiums and investment gains and losses) over expenses (including claims, bonuses and increases in required provisions) in each accounting period arising from the Society's Long Term Business Fund.

Taxation

The Society is not subject to income, capital gains or corporation tax.

Valuation of Investments

The market value of quoted fixed interest and equity investments is stated in the financial statements at the closing mid-market values at the balance sheet date. Where there is no apparent market for an asset and therefore no quoted market value, a mark to model approach is taken to estimate what the market value would be if a market existed.

Regarding note 14 below, the Society's freehold properties are held at valuation. The property was valued as of the 31st December 2024 on the 3rd Janaury 2024 using an Open Market basis by Lambeth Smith Hampton Valuers, a RICs Registered Valuer at that time. Our policy is to value the Society's property every three years.

Using the historical cost model, the amount recognised would be materially different to that disclosed. The historical cost of the property when purchased in February 2008 was £580,000.

Pension Scheme Arrangements

The Society runs a defined contribution pension scheme that each member of staff is eligible to join after completing their induction period and is arranged through Scottish Widows. The Society's obligation to this fund is limited to the contributions made and due. For members of staff employed by the Society prior to the 1st November 2010, the employer contribution is 10% of gross salary and the employee's contribution is 5% of gross salary. For members of staff joining from the 1st November 2010, the employer will match the employee's contribution up to a maximum contribution of 4%.

Under the Pensions Act 2008, the Society was required to comply with automatic emrolment with a staging date of 1st January 2017. All staff who have joined the Society after that date have been automtically enrolled into the Scottish Widows Scheme under terms that comply with that specified by the Pension Regulators.

Tangible and Intangible fixed assets

Tangible and Intangible assets are initially measured at cost. After initial recognition, assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Building Improvements	10.0%
Fixtures, Fittings and Furniture	12.5%
Computer Equipment Software & Office Machinery	25.0%

Freehold properties are included at the re-valued amount based on an independent valuation in accordance with FRS 102.

3. Critical Accounting Judgements and Estimates

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

Fair Value of Financial Assets

Market observable inputs are used wherever possible. In the absence of an active market, estimation of fair value is achieved by using valuation techniques such as recent arm's length transactions, discounted cash flow analysis and option pricing models. For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. This valuation will also take into account the marketability of the assets being valued.

Long-Term Business Provision ("LTBP")

The valuation of insurance contracts is based on policy data held on the Society's administration systems and prudent assumptions set using internal and external data as inputs to actuarial valuation models. The assumptions used for mortality and morbidity are based on standard industry tables, adjusted where appropriate to reflect the Society's own experience.

The assumptions used for discount rates are based on current market risk rates, adjusted for the Society's own risk exposure. 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 ties 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.

Capital and Risk Management

Section 4 details the capital and risk management approach of the Society. The Society seeks to create value for its members by investing in the development of the business while maintaining an appropriate level of capital available in accordance with Board's internal principles and practices of financial management policy.

4. Capital Management

Policies and Objectives

The Society applies three overarching principles to the management of its Income Protection Plus business. These are set out below in the order in which they would normally apply:

- meet all contractual obligations, in particular the timely payment of contractual benefits;
- always meet the appropriate prudential tests for solvency and capital adequacy;
- treat all policyholders fairly, taking into account their reasonable expectations.

These objectives are reviewed by the Board annually. The free asset ratio is monitored at regular intervals throughout the year to ensure sufficient capital is available for its capital management objectives. These assessments take into account material changes in business planning assumptions, changes in financial market prices, and changes in the Society's insurance fund.

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

Capital Statement	2024 (£)	2023 (£)
FFA		
Total Capital Resources Before Deductions	21,304,866	15,679,781
Regulatory Solvency Adjustments	(854,154)	(857,139)
Capital Available to Meet Regulatory Capital Requirements	20,450,712	14,822,642

Measurement and Monitoring of Capital

The capital position of the Society is monitored internally on a regular basis and reviewed periodically by the Board. These objectives are reviewed, and actions taken, if necessary, to ensure the adequacy of the Society's capital position.

In the event sufficient capital is not available, actions would be taken to either free additional capital by altering the asset mix of the Society's investment portfolio, or through action as explained under "Available Capital" below.

Available Capital

An allowance is made for actions that management would take in adverse conditions, such as reducing loyalty bonuses, enhanced loyalty bonuses, annual bonuses and profit share account balances, to zero if necessary. The assets are taken at market value, and are estimated where required. All admissible assets are available to meet the regulatory requirements of the fund.

Sensitivity of Long-Term Insurance Contract Liabilities

The value of the long-term insurance contract liabilities is sensitive to changes in market conditions and in the demographic assumptions used in the calculation, such as mortality and persistency rates.

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

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

The Board is responsible for reviewing the risks faced by the Society and approving the required level of capital to be held against each risk element.

The assets held in the fixed income funds as at 31 December 2024 split by duration were as follows:

Assets as at 31 December 2024					
Fund	Within 1 year	1-5 years	5-10 years	Over 10 years	Total
	%	%	%	%	%
Fixed Income Funds	46.55	29.66	16.79	7.00	100

The assets held in the fixed income funds as at 31 December 2023 split by duration were as follows:

Assets as at 31 December 2023					
Fund	Within 1 year	1-5 years	5-10 years	Over 10 years	Total
	%	%	%	%	%
Fixed Income Funds	42.18	32.83	17.22	7.77	100

Market risk is the risk that as a result of market movements the Society may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets. Sources of general market risk include movements in interest rates. The Investment Strategy is kept under regular review by the Investment Committee. The Investment Committee oversees investment activity, monitors the Society's Investment

Managers, and ensures that the investment policy and asset allocations are maintained in accordance with the Terms of Reference set by the Board from time to time.

The Society has appointed Royal London on a non-discretionary mandate to assist in managing the risks set out below, whilst also optimising investment performance within the prudent strategy and protocols laid down by the Society.

The Appropriate Actuary to the Society advises on aspects of the capital consequences of given investment strategy and the prudent interests of members in the context of the investment of their funds.

Market risk can be further broken down into the following risks:

Interest rate risk

Interest rate risk exists for all assets and liabilities which are sensitive to changes in the term structure of interest rates or interest rate volatility. Due to the nature of the Society's products, the available capital may be impacted by these interest rate movements.

Asset-liability matching is performed to broadly match expected liability cash flows on a realistic basis in each fund. However, this can never be exact due to the uncertainties involved. A 0.5% increase in interest rates would lead to a reduction in the LTBP of £0.5m.

Exchange rate risk

The Society does not directly invest in or hold equity investments; however, we do hold indirect investments through our GMAP Fund that may give rise to exchange rate risk. The Society's indirect holdings shown by currencies are listed below:

Equity market values by currency	2024	2023
GBP	69.54%	71.58%
USD	21.70%	17.25%
EUR	1.70%	2.35%
Other	7.06%	8.82%
Total	**100%**	**100%**

Credit Spread Risk

Credit spread risk is the risk of loss due to default (or fall in value due to increase in spread risk over risk-free assets) by debtors, reinsurers and market counterparties of the Society in meeting their financial obligations.

As at 31 December 2024 the Society held £21.1m (2023: £20.9m) in debt and other fixed income securities.

These are analysed by credit rating below:

Credit Rating	2024	2023
	£000	£000
AAA	6.11%	3.5%
AA	15.61%	10.6%
A	26.53%	14.1%
BBB	37.86%	22.2%

BB and below	9.36%	7.7%
Unrated [9]	41.9.%	41.9.%
Total	**100%**	**100%**

Liquidity Risk

Liquidity risk is the risk that the Society is unable to meet its own commitments to pay its liabilities when they become due. The Investment Committee overseas liquidity management and cash flow requirements to ensure that sufficient liquidity is available to operate the Society and meet members' claims.

5. Earned Premium Income

	2024 (£)	2023 (£)
Income Protection Plus subscriptions	4,030,641	3,837,596
Earned Premium Income	**4,030,641**	**3,837,596**

6. Investment Income

	2024 (£)	2023 (£)
Listed Investments	1,757,803	1,759,114
Deposits with Banks and Fund Managers	-	-
Investment Income (excluding Realised Gains/(Losses))	**1,757,803**	**1,759,114**
Net Gains/(Losses) on the Realisation of Investments	-	-
Investment Income	**1,757,803**	**1,759,114**

7. Claims Incurred

	2024 (£)	2023 (£)
Income Protection Claim Payments	1,114,602	1,167,946
Claims Handling Expenses	279,861	281,498
Total Claims Incurred	**1,394,463**	**1,449,444**

8. Members' Profit Share Account Withdrawals

	2024 (£)	2023 (£)
Payments on Terminations	1,143,504	934,582
Payments on Partial Withdrawals	200,031	209,864
Total Members' Withdrawals	**1,343,535**	**1,144,446**
Mid-Year Interest and Dividends (including Loyalty and Enhanced Loyalty Bonuses)	344,211	265,244

[9] Unrated securities are assessed internally by RLAM to ensure that they meet the risk appetite of the underlying fund. The Investment Committee is satisfied with this approach.

9. Management Costs

	2024 (£)	2023 (£)
Other Acquisition Costs	900,803	903,667
Administration and Other Costs	1,214,632	1,229,824
Management Costs	**2,115,435**	**2,133,491**

10. Independent Auditor Remuneration

	2024 (£)	2023 (£)
Fees Paid to Sumer Auditco for Audit Services (including VAT)	38,160	36,300

11. All Staff

	2024 (£)	2023 (£)
Salaries	1,195,578	1,148,088
Social Security Costs	136,759	131,480
Defined Contribution Pension Costs	30,052	29,959
	1,362,389	**1,309,527**

Senior Management Team (Senior Management Function Holders)

	2024 (£)	2023 (£) (restated)
Salaries (including the Chief Executive Officer)	499,928	523,591
Social Security Costs	64,590	67,149
Defined Contribution Pension Costs	14,063	15,070
	578,581	**605,810**

The number of employees at the end year, including directors

	2024	2023
Board and Senior Management	14	13
Acquisition and member service	5	6
Administration	3	3
	22	**22**

12. Investment Expenses and Charges

	2024 (£)	2023 (£)
Management Charges	151,227	140,176

13. Non-Executive Board Director's Remuneration

	2024 (£)	2023 (£)
Fees	89,885	89,500

14. Tangible & Intangible Assets

	Freehold Properties (£)	Improvement to Buildings (£)	Fixtures, Fittings, Furniture (£)	Computers and Office Machinery (£)	Total (£)
Cost:					
At 1 Jan 2024	695,000	42,752	25,386	265,221	1,028,359
Additions	-	5,127	-	2,034	7,161
Revaluation	(70,000)	-	-	-	(70,000)
Disposals	-	-	-	(64,585)	(64,585)
Cost: At 31 Dec 2024	625,000	47,879	25,386	202,670	900,935
Depreciation:					
At 1 Jan 2024	-	33,335	19,523	155,216	208,074
2024 Charge	-	2,233	1,545	18,730	22,508
Disposals	-	-	-	(64,585)	(64,585)
Depreciation: As 31 Dec 2024	-	35,568	21,068	109,361	165,997
Net Value 2024	625,000	12,311	4,318	93,309	734,938
Net Value 2023	695,000	9,417	5,863	110,005	820,285

14A. Tangible Assets

	Freehold Properties (£)	Improvement to Buildings (£)	Fixtures, Fittings, Furniture (£)	Computers and Office Machinery (£)	Total (£)
Cost:					
At 1 Jan 2024	695,000	42,752	25,386	36,962	800,100
Additions	-	5,127	-	2,034	7,161
Revaluation	(70,000)	-	-	-	(70,000)
Disposals	-	-	-	(14,237)	(14,237)
Cost: At 31 Dec 2024	625,000	47,879	25,386	24,759	723,024
Depreciation:					
At 1 Jan 2024	-	33,335	19,523	35,507	88,365
2024 Charge	-	2,233	1,545	1,473	5,251
Disposals	-	-	-	(14,237)	(14,237)
Depreciation: As 31 Dec 2024	-	35,568	21,068	22,743	79,379

Net Value 2024	625,000	12,311	4,318	2,016	643,645
Net Value 2023	695,000	9,417	5,863	1,455	711,735

14B. Intangible Assets

Cost:	Computer Software (£)	Total (£)
At 1 Jan 2024	228,259	228,259
Additions	-	-
Revaluation	-	-
Disposals	(50,348)	(50,348)
Cost: At 31 Dec 2024	177,911	177,911
Depreciation:	-	-
At 1 Jan 2024	119,709	119,709
2024 Charge	17,257	17,257
Disposals	(50,348)	(50,348)
Depreciation: As 31 Dec 2024	86,618	86,618
Net Value 2024	91,294	91,293
Net Value 2023	108,550	108,550

Please see the Valuation of Investments section in Note 2 for details of the valuation basis of the Society's property.

15. Investments

The Society's investments were as follows:	2024 (£)	2023 (£)
UK investments	46,983,469	44,514,167
Overseas investments	-	-
	46,983,469	**44,514,167**

	Current value		Historical cost	
	2024 (£)	**2023 (£)**	**2024 (£)**	**2023 (£)**
Collective Investments	25,918,649	23,565,973	18,467,914	18,467,914
Debt and Other Fixed Income Securities	21,064,820	20,948,194	22,463,457	22,463,457
Deposits with Credit Institutions	-	-	-	-
Other (Deposits with Fund Managers)	-	-	-	-
Investment in Subsidiary	4,721	4,721	15,000	15,000
	46,988,190	**44,518,888**	**41,196,371**	**41,196,371**

The Society owns all the issued share capital of its subsidiary, P&G Insurance Services Limited trading as PG Mutual Services.

16. New Unrealised Gains/(Losses) on Investments

	2024 (£)	2023 (£)
Investments at Fair Value through Income:		
Debt Securities	116,627	947,275
Collective Fund/ Equity Securities	2,352,676	1,529,240
Loss on property revaluation	(70,000)	-
Investments in Society Undertakings	**2,399,303**	**2,476,515**

17. Long-Term Business Provision and Fund for Future Appropriations

	Members' Profit Share Accounts (£)	Mathematical Reserves (£)	FFA (£)
At 1st January 2024	**16,078,318**	**14,110,156**	**15,679,781**
Transfer to the FFA	-	-	-
Movement in Long Term Business Provisions (LTBP)	-	(2,782,976)	-
Interest and Dividends on Members' Profit Share Accounts	1,340,302	-	-
Members' Withdrawals	(1,343,535)	-	-
Transfers from the Technical Account	-	-	5,625,085
At 31st December 2024	**16,075,085**	**11,327,180**	**21,304,866**

***Change in Mathematical reserves*.**

	Sickness	CIP	IBNR	Total
As at 1 January	9,995,625	3,979,531	135,000	14,110,156
Change	-3,316,636	520,660	13,000	-2,782,976
As at 31 December	6,678,989	4,500,192	148,000	11,327,180

Details of the calculations of the Long-Term Business Provision and the accounting policy on the interest on members' Profit Share Accounts are shown below.

18. Long Term Business Provision and Insurance Liabilities

LTBP

The society had not adopted the Solvency 2 reporting for 2024, as when the assessment is made under the Solvency 2 framework the thresholds are not met.

The Long-Term Business Provision ("LTBP") has been calculated by the Society's Appropriate Actuary having due regard to the requirements of the Friendly Societies' (Accounts and Related Provision) Regulations 1994 using a modified statutory basis. The key elements are as follows:

Method	Gross premium
Interest rate	4.17%
Allowance for expenses	Per policy expense of £392 p.a. in 2024 increasing at 3.62% p.a. thereafter for Holloway level/premium and reducing/standard benefit policies. Nil per policy expense for Associate Holloway policies.
Allowance for investment expenses	0.45%
Allowance for future dividends	Explicit allowance of £1.75
Mortality	No mortality
Morbidity	Prudent assessment based on Society's experience

The LTBP consists of a sickness prevalence reserve for all active members, a claims in payment reserve for those active members that are sick at the valuation date, and an Incurred But Not Reported Reserve. In addition, members' capital accounts have been included at face value.

Aggregate provisions calculated for the purposes of the prudential Non-Solvency II Firms rulebook have been excluded.

A summary of the changes in the long-term business provision (LTBP) due to certain changes in financial and demographic assumptions are as follows:

A reduction in interest rates reduces the impact of discounting within the LTBP, resulting in an increase in the provision. If the valuation interest rate is reduced by 0.50% to 3.67%, the LTBP increases by £598,821. This does not include the corresponding impact on the valuation of assets.

Likewise, an increase in interest rates increases the impact of discounting within the LTBP, resulting in a decrease in the provision. If the valuation interest rate is increased by 0.50% to 4.67%, the LTBP reduces by £543,399. Again, this does not include the corresponding impact on the valuation of assets.

An increase in the policy expense allowances (caused by increases in management expenses) would result in an increase in the LTBP. A 10% increase in policy expense allowances, from £392 pa to £431 pa, increases the LTBP by £1,598,213.

A decrease in the policy expense allowances (caused by decreases in management expenses) would result in a decrease in the LTBP. A 10% decrease in policy expense allowances, from £392 pa to £353 pa, decreases the LTBP by £1,471,208.

The sickness rate assumptions used within the calculation of the sickness prevalence component of the LTBP are a proportion of the Continuous Mortality Investigation Report ("CMIR12") standard sickness rate table starting at age 30 with initial state healthy (for deferred period 1 week). The standard sickness rate tables within CMIR12 represent the expected number of weeks sick a person will be. The proportions by sickness duration and gender are:

Duration (weeks)	Male	Female
0-1	35%	35%
1-4	35%	40%

4-13	45%	60%
13-26	60%	95%
26-52	65%	110%
52-104	60%	90%
104+	35%	55%

An increase in sickness rates and maintaining the same level of prudence as per the current valuation basis would increase the expected future sickness benefits paid out by the Society, resulting in an increase in the LTBP. A 10% increase in sickness rates increases the sickness prevalence component of the LTBP by £723,209.

A decrease in sickness rates and maintaining the same level of prudence as per the current valuation basis would decrease the expected future sickness benefits paid out by the Society, resulting in a decrease in the LTBP. A 10% decrease in sickness rates decreases the sickness prevalence component of the LTBP by £653,391.

The LTBP for members who are claiming benefits from the society at the valuation are calculated separately, in the claims in payment reserve. The recovery rate assumptions used within the calculation of the LTBP are actual recovery rates based on the Society's experience. Increasing or decreasing the recovery rates for members that are sick at the valuation date will impact the claims in payment component of the LTBP. The recovery rate assumptions for both genders are:

Duration (weeks)	<1	2	3	4-7	8-12	13-26	27-52	53-104	105+
Recovery rate	24.0%	15.0%	10.0%	8.0%	5.0%	2.0%	1.0%	0.2%	0.2%

An increase in sickness recoveries for members currently claiming benefits and maintaining the same level of prudence as per the current valuation basis would decrease the expected future sickness benefits paid out by the Society, resulting in a decrease in the LTBP. A 10% increase in sickness recoveries at each duration of sickness decreases the claims in payment component of the LTBP by £268,122.

A decrease in sickness recoveries for members currently claiming benefits and maintaining the same level of prudence as per the current valuation basis would increase the expected future sickness benefits paid out by the Society, resulting in an increase in the LTBP. A 10% decrease in sickness recoveries at each duration of sickness increases the claims in payment component of the LTBP by £298,461.

In practice changes in sickness rates, and sickness recoveries are not independent. A 10% increase in sickness rates, and a simultaneous 10% decrease in sickness recoveries would increase the LTBP by £1,021,670. A 10% decrease in sickness rates, and a simultaneous 10% increase in sickness recoveries would decrease the LTBP by £921,513.
The interest rate used to discount the liabilities of the income protection business was limited to the reinvestment rate, which is set by the Prudential Regulations Authority (PRA). The FTSE UK 15-year long term gilt yield (LTGY) was 4.93%. The reinvestment rate formula resulted in the reinvestment rate of 4.28%. After an additional prescribed reduction, the interest rate was set to 4.17%.

The sickness rates assumed in calculating the income protection reserves vary by age and gender and are based on the Society's recent experience over a five-year period with an appropriate margin for prudence.

The recovery rates assumed in calculating the income protection reserves vary by duration of sickness and are again based on the Society's recent five-year experience with an appropriate margin for prudence.

Nil mortality in deferment has been assumed within the LTBP.

The allowance for expenses is based on the Society's budgeted expenses for the next 12 months. The expense allowance is an amount of £392 p.a. in 2025 per premium/level and standard/reducing policy which increases at 3.62% p.a. thereafter. Nil expenses are apportioned to Associate Holloway policies.

Finally, the explicit allowances for future dividends are £1.75. This allowance for future dividends is deducted from the share premiums when calculating the income protection reserve. Any distribution above these amounts will be paid out of the Society's surplus.

Capital Statement

Capital Statement: Long-Term Insurance Business	2024 (£)	2023 (£)
Available Capital Resources:		
FFA	21,304,866	15,679,781
Adjustments to Assets	(122,438)	(139,185)
Loyalty Bonus Reserve	(431,716)	(367,954)
Additional Covid 19 provision		
General Contingency Reserve	(300,000)	(350,000)
	20,450,712	**14,822,642**

Summary

The total available capital resources of the Society's long-term insurance business amount to £20,450,712 (2023: £14,822,642). Its capital resource requirements amount to £1,367,198 (2023: £1,466,514) resulting in a surplus of available capital resources over regulatory capital of £19,083,514 (2023: £13,356,128).

Set out below are the details of how the available capital resources have been calculated, the restrictions in place over the available capital resources, the basis for calculating the regulatory capital requirements and an explanation of the change in available capital.

Basis of Calculation of Available Capital

The available capital of the Long-Term Insurance Fund has been determined in accordance with the Prudential Regulation Authority's (PRA) regulations in its Non-Solvency II Firms rulebook and includes the Funds for Future Appropriations (FFA). The FFA represents surplus funds of the Society which have not been allocated to members and is available to meet the regulatory and solvency requirements of the Society.

The significant assumptions used to determine the sickness provision can be found above in Note 14 a): Long-Term Business Provision. These assumptions have been derived based on recent operating experience with appropriate allowances for prudence as well as any PRA requirements within its Non-Solvency II Firms rulebook.

Restrictions on Available Capital

The available surplus held in the Society's Long-Term Insurance Fund can only be applied to meet the requirements of the fund itself or be distributed to the Members.

Basis of Calculation of Capital Requirements

The required margin solvency amounts to £1,367,198 (2023: £1,466,513) and is determined in accordance with capital requirement as defined by PRA regulations, namely the Solvency Margin.

As of 31st December 2024, the Society's total available capital amounts to £20,450,712 which is 1,496% of capital requirement (2023: £14,822,641 which is 1,011% of capital requirements).

As at 31 December 2024, the Society's surplus capital, its available capital in excess of its regulatory capital, amounts to £19,083,514 (2023: £13,356,128).

	(£)
Balance at 1st January 2024	**13,356,128**
Modelling changes	-147,456
Unwinding of expected cashflows	2,654,668
Actual cashflows in excess of expected	756,617
Investment return	2,296,444
Impact of new business	-2,554,934
Changes in assumptions	4,049,041
Changes in premium	515,904
Bonus recommendation	-1,842,899
Balance at 31 December 2024	**19,083,514**

Risk Management

The morbidity assumptions have significant impact on reserves. The Society manages this by monitoring its sickness experience. The Society is able to adjust its premium rates to reflect changes in morbidity experience if necessary.

The expense ratio also has a significant impact on reserves and the Society is managing this by:

- taking steps to increase premium income by introducing new members to reduce the expense ratio.
- setting a detailed budget for each level of expenditure.
- reviewing management accounts to monitor expenses compared to budget and seeking explanations for any major variations.

Insurance risk is the risk that arises from uncertainties as to the occurrence, amount and timing of insurance liabilities. The insurance risks to which the Society is exposed arise from morbidity, expense variances and lapse rates. Systems are in place to measure, monitor and mitigate exposure to all these risks.
The Society's mathematical reserves and maturity profile as at 31 December 2024 are as follows:

Figures in £000s	Within 1 year	1-5 years	5-10 years	10-20 years	Over 20 years	Total
Mathematical reserve	893	1,756	1,444	1,940	5,294	11,327

Details of the assumptions used to calculate the mathematical reserves are set out above. The impact on the mathematical reserves to key assumptions are shown below:

Assumption	Impact on Mathematical Reserve	% Change
Sickness rates +10%	723	6.4%
Recovery rates -10%	298	2.6%
Expenses +10%	1,598	14.1%
Inflation +1%	1,997	17.6%
Discount rate -0.5%	599	5.3%

The Society's management of market risk is stated in the Business Strategy Report.

19. Financial Commitments

As of 31st December 2024, the Society was committed to making the following payments under non-cancellable operating leases in the year.

Operating Leases Which Expire:	2024 (£)	2023 (£)
Within One Year	4,302	4,302
Between Two and Five Years	8,039	12,097
	12,341	**16,399**

During the year, the society recognised £6,579 (2023: £5,796) through the profit and loss as an expense.

20. Remuneration of the Appropriate Actuary

Neither the Society's Appropriate Actuary, Kim Durniat of Barnett Waddingham, nor any of Barnett Waddingham's staff or family, were members of the Society in 2024 and nor do they have any financial or pecuniary interest in the Society except for fees payable of: £156,545 (2023: £179,600).

21. Other Creditors

	2024 (£)	2023 (£)
PAYE and National Insurance Contributions	31,993	35,054
Trade Creditors	30,272	105,342
Pension Liability	-	5,318
Accruals	250,666	240,023
	312,931	**385,737**

The 2024 Annual General Meeting

Time and Venue

By order of the Board, notice is hereby given that the 97th Annual General Meeting of the Society will be held at its head office in St Albans on the 27th of June 2025 at 9am to consider and, if thought fit, pass the following by way of Ordinary Resolutions:

Agenda

1. To consider and approve the minutes of the 96th AGM of the Society.
2. To receive the Business Strategy Report for the year ended 31st December 2024.
3. To receive the Financial Statements for the year ended 31st December 2024.
4. To receive the Corporate Governance Report for the year ended 31st December 2024 [10].
5. To receive the Climate Change Strategy Report for the year ended 31st December 2024 [11].
6. To receive the Directors' Report for the year ended 31st December 2024.
7. To receive the Directors' Remuneration Report for the year ended 31st December 2024 [12].
8. To receive the Independent Auditor's Report for the year ended 31st December 2024.
9. To re-appoint Sumer AuditCo Limited as the Independent Auditor of the Society and to authorise the Board to determine their remuneration.
10. To consider the appointment of the following directors standing for election and re-election:
    a) Simon Whale
    b) Denise Hadgill

Please Note:

A proxy form will be provided which to be valid must be returned to the registered office of the Society not less than 48 hours before the time of the meeting.

Jayne Chong, Secretary of the Society

27th March 2025

[10] Non-binding resolution.
[11] Non-binding resolution.
[12] Non-binding resolution.