



Report and Financial Statements

for the year ended 31 December 2014



2014 Highlights

claims paid in 2014:

96.7%

net surplus:

£2.5m

membership rose to:

17000

premium income rose:

10%

Table of Contents

4

Chairman's Welcome Statement

8

Chief Executive's Statement

10

Strategic Report

20

Corporate Governance

28

Report of the Board of Directors

40

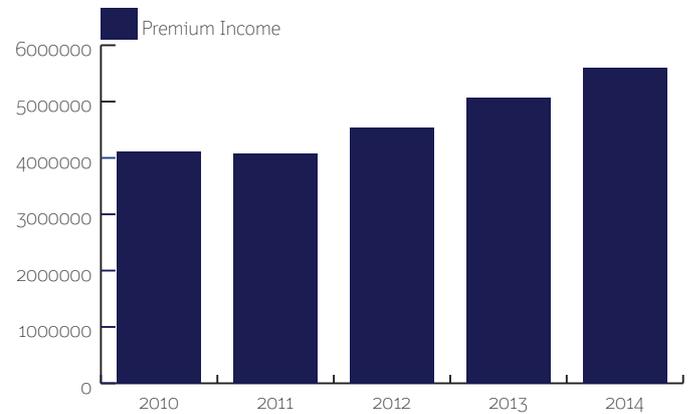
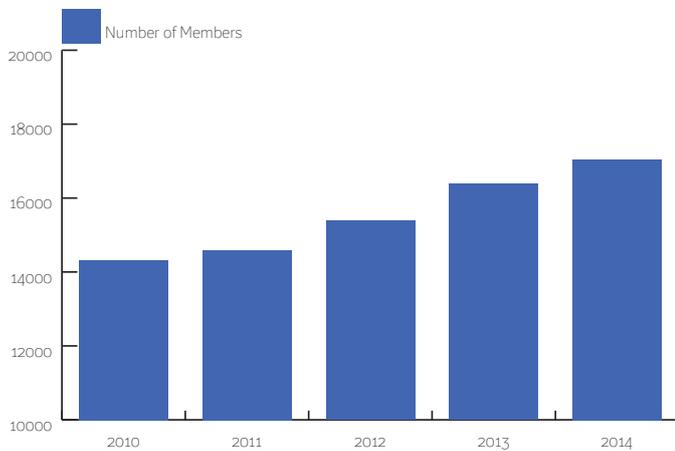
Financial Statements

52

General Information

Chairman's Welcome Statement

Performance and Bonuses



I am pleased to report that the Society enjoyed another year of strong performance and positive results in 2014. Against a backdrop of reinvigorated competitor activity in the Income Protection sector, our membership grew strongly and exceeded 17,000 at the end of the year. As a result premium income rose by 10% to £5.6m and the Society accrued a net surplus of £2.5m to its fund for future appropriations.

I reported last year that a key focus for the Board was working to improve the Society's solvency position. I am pleased to report that we ended the year with an improved solvency position of over 10%. This will remain a key focus of the Board to continue improving the Society's overall solvency position as this will allow us to have greater choice and freedoms when looking at the Society's future strategy and how best to serve our members via our current products and services and those the Society may want to develop for members.

I am delighted to report that at the end of 2014, your Board was able to announce that member interest bonus would be maintained at 1.75% and apportionment bonus at £1.80 per unit and £1.20 per unit for commuted and non-commuted members respectively. The terminal bonus was increased to 7.5%. To put this into context, the Society returned over £3.5 million to members in bonuses in 2014.

“the Society returned over £3.5 million to members in bonuses in 2014”

Strategic Initiatives

As part of our strategy work in 2014, we reviewed our history and heritage to understand how we arrived at where we are now, what currently makes us relevant and where we think we should go in the future. This strand of work was a direct result of feedback received from members.

One principle that seems to have remained unaltered throughout the long history of the Society has been the ability to pay a very high percentage of claims compared to our peers and competitors. Your Board therefore restated its strategic commitment to ensuring that the Society can continue to pay as many claims as possible and offer an empathetic claims approach.

Governance and Your Board

Last year I mentioned that the Board would be undertaking an external evaluation of its effectiveness in early 2014. The aim was to enhance the Board's effectiveness by opening up our governance processes to an independent assessment. I am pleased to report that the Board stood up well to external scrutiny in this regard and the evaluator concluded that the Board continued to take its governance responsibilities seriously. As expected there were areas identified where improvements could be made and as a Board, my colleagues and I are committed to working through these recommendations to ensure that we are continually well placed to deliver effective governance to the Society.

During 2014, Mike Harding and Tony Dormer retired from the Board. Mike joined the Society in 1970 and gave 44 years of loyal service. In a number of speeches given on Mike's behalf the words honesty, integrity and loyalty were repeated in testament to the great service he gave to the Society. I hope you will join me in wishing him and Yvette a long and happy retirement.

Tony joined the Board following the Society's partnership with British Airways. He oversaw a number of important Committees during a period of rapid change for the Society and helped the Society navigate the sea of change acting as an important counsellor and contributing his accountancy skills to his Board and Committee work to great effect.

The Board and I would like to put on record our thanks and gratitude to the work that Mike and Tony contributed during their time with the society.

We welcomed Roy McLoughlin to the Society's Board during 2014. Roy is an Independent Financial Adviser with significant experience and influence in the Income Protection sector. The Board believes Roy's significant sector knowledge and experience coupled with his information technology savviness will be an asset to the Society as we continue to enhance our proposition and establish our place in the market.

Regulation

I reported last year on the work under way to ensure the Society is ready for Solvency II Compliance in 2016. I am pleased to report that we continue to make good progress on this journey. The Society was one of a small number of firms invited by the Prudential Regulation Authority (PRA) to submit its ORSA report (Own Risk and Solvency Assessment) for review and we have received constructive feedback from the regulator and this will inform our 2015 ORSA reporting.

The issue of proper governance of firms has been receiving increased attention from our regulators and it is expected that there will be refreshed rules and guidance in 2015 covering accountability and competence of those charged with the governance of financial services firms.

Chairman's Welcome Statement (cont.)



Treating Clients Fairly

The Society continues to take its treating clients fairly obligations very seriously and I am pleased to note that we were able to pay 96.7% of claims in 2014. I believe this is evidence that we are keeping our promise to members in the overwhelming majority of cases. However, my colleagues and I are not resting on our laurels until we achieve as close to 100% claims paid as possible and will continue to challenge the Executive Team to design out those factors that mean we have to reject claims in those small number of cases.

The Society continues to experience relatively low levels of complaints from members with 11 complaints received in 2014 from a total membership of around 17,000. I believe one complaint is still one too many and we will continue to identify and remedy those factors that cause concern for our members.

Outlook

The global economic outlook remains challenging with uncertainties caused by the economic situation in the Eurozone, conflicts in a number of regions and falling oil prices all contributing to volatile operating conditions.

At home, the General Elections in 2015 and the current government's welfare reform programme which is likely to result in cuts to out of work and disability benefits that the state can provide to those in need will present challenges and opportunities for the Society.

Summary

In challenging conditions it has been pleasing to see growth in membership, improving solvency, an ability to increase terminal bonus and maintenance of excellent levels of claims payments.

None of this would have been possible without the hard work and commitment of the staff and Executive Management Team of the Society.

On a final note, I want to thank you, the members of the Society for your ongoing loyalty and engagement with the Society.



Chief Executive's Statement

I am pleased to report that the Society has made further progress this year and has passed another important milestone by increasing membership to over 17,000 at the end of 2014.

Premium income has also increased by 10.6% in line with the last two years and in fact since the launch of Protect in 2011, premiums have increased by 37.5% which will make us one of the fastest organically growing mutual insurers or Friendly Societies in the country.

While we intend to continue to grow both membership and premium income we believe that growth will and indeed should be more modest over the next three years and we are aiming to grow membership by 17% and premiums income by 24% over the next three years.

So how do we intend to do this and what issues do we consider when thinking about how to develop the Society for you – our owners?

This year sees an innovation in how we present information to you with the introduction of the Strategic Report. This is intended to give you a succinct insight into how the Society is run for your benefit. I hope you find this new format helpful and would be delighted to hear any feedback from you on how we can develop this in the coming years to help you hold me and the rest of the team to account.





Strategic Report

Strategy and Objectives

Strategy starts by being clear about who and what you are for. So as part of our Annual Strategic Review as well as looking forward and thinking about the challenges we face, we also looked back to our origins and our history to see what lessons we can learn and how we remain true to our founding principles. In doing so it enabled us to define an “enduring purpose” for the Society. That is to be:

A trusted and relevant provider of financial support in times of need.

Doing this has sharpened our focus on the key reason we exist, which is to be here for our members when they need us, to pay their claims and to put this at the forefront of our proposition, by designing out things which get in the way of this.

Over the last decade we have been true to this and maintained an uncanny consistency in the number of claims we pay. This has run in excess of 96.5% of all claims paid over the last decade and is continuing today with 96.7% of claims paid in 2014. This is against an industry average of less than 91%.

Given the enduring purpose we have reconfirmed our strategy as:

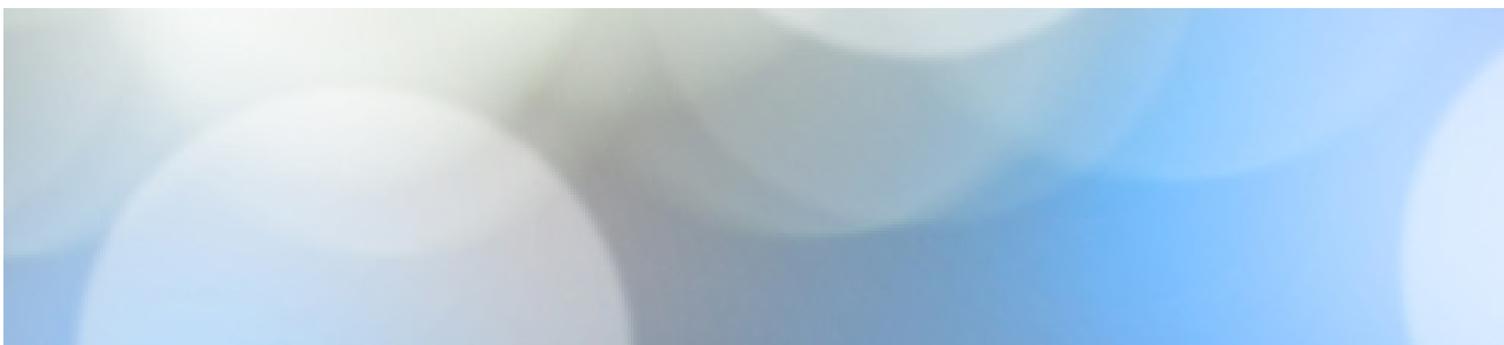
To maintain and enhance member benefits through growing membership in order to drive down overhead cost per member, by truly becoming the “Income Protection specialists” at a pace consistent with our capital constraints and risk appetite.

We have also been thinking about our different classes of members and have therefore defined an approach to these which will enable us to develop clear action plans to drive our continuing success.

i. For Our Traditional Holloway and Century Members:

The focus is on continually improving our offer for our loyal longer term members. To do this we intend to:

- Pay a market leading % of claims.
- Offer a consistent rate of annual return which taken together with the deemed tax paid status represents a significant premium above bank deposit accounts.
- Improve the final bonus rate to reflect the long term contribution to the Society’s success. Since this was reintroduced in 2012 this has increased every year and now stands at 7.5% and you will see below that we intend to go further in future years.
- Improve the benefits and ease of use of the various policies that our members hold, for example, reducing penalties for early withdrawals.
- Identify additional services which we can bring to our members, where we can use our buying power to negotiate special rates that are passed onto you as a discount.
- Improve the level of dialogue and engagement we have with you to ensure that we focus on the things that matter to you and make the changes you want.



ii. For Our Protect Members and their Financial Advisers:

Protect Members have a relationship both with the Society and with the Financial Adviser that has recommended us.

For Our Members:

- Maintain competitive monthly premiums.
- Continue to pay a market leading % of claims.
- Identify additional services which we can bring to our members, where we can use our buying power to negotiate special rates that are passed onto you as a discount.
- Improve the level of dialogue and engagement we have with you to ensure that we focus on the things that matter to you and make the changes you want.

For Advisors:

- Develop our technology to make us easier to deal with.
- Widen the number of partners we work with.
- Clarify our proposition based on the 3 themes of:
 - Our number 1 priority is to pay claims.
 - Flexibility and approachability.
 - Clear target market for class 3 and 4 occupations and the self-employed.

iii. New Opportunities

With the anticipated plateauing of growth from the IFA introduced business we have been focusing on a range of pilots which will see us working with partners who have existing complementary distribution and who are looking to broaden their offer to their existing customers.

What Will Success Look Like?

We have set ourselves some clear targets for the next 3 years to demonstrate to ourselves and to you that the strategy we are following is delivering results. Therefore by 2017 we are aiming to have:

- Continued the growth in our membership numbers.
- Delivered further improvement in our solvency position under Solvency II.
- Increased our final bonus rates for Holloway Members.
- Maintained our record of paying an industry leading percentage of all claims received.

To ensure that the interests of our members and the executive are fully aligned, this will also form the components of the 3 year long term incentive plan up to 2017.

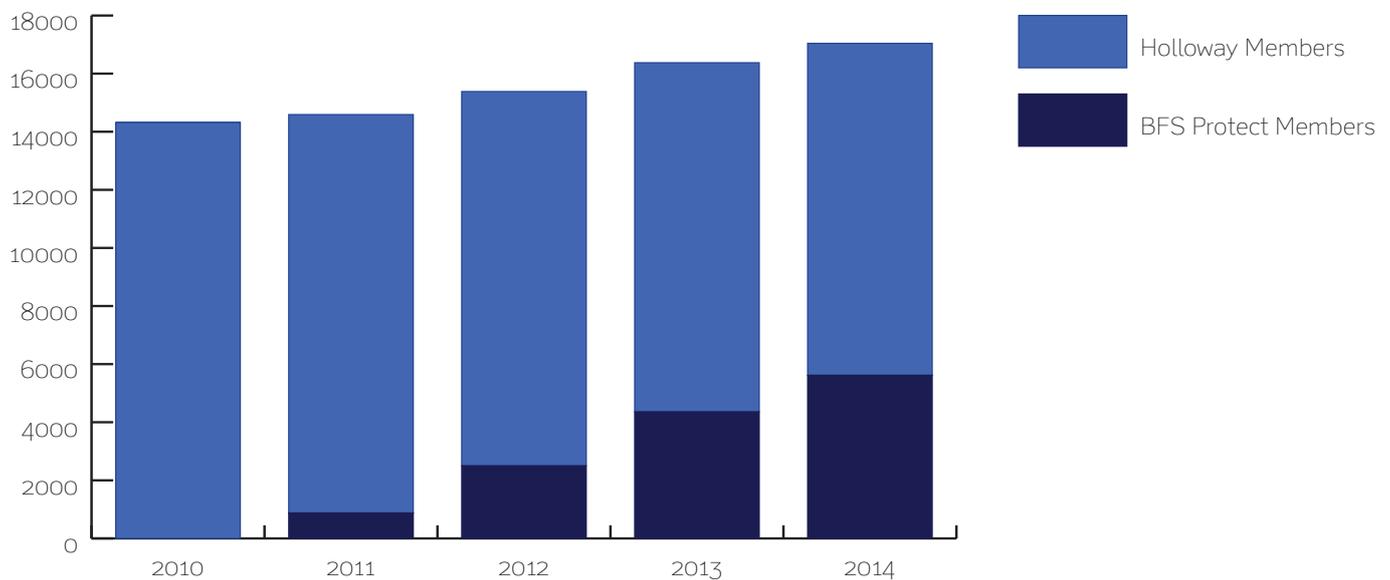
“A trusted and relevant provider of financial support in times of need.”

Strategic Report (cont.)

Business Model and Principal Activities

The principal activity of the Society is to provide sickness cover for its members in times of illness or accident. After paying sick pay and expenses any surplus is invested for the benefit of the members and the BFS investment policy is determined by the Board of the Society with input from the Investment Committee and our Actuary. As a mutual we exist solely for the benefit of our members and have no shareholders to whom we need to pay dividends.

The core business of the Society is the provision of Income Protection insurance. Until 2011, the policies were mainly of a 'Holloway' type with a capital element building up over time through the payment of interest and apportionments (effectively distributing annual surpluses to members). In 2011, a pure Income Protection product, BFS Protect, was launched. This is sold via IFAs and is the core new business product of the Society. The graph below shows the relative make up and number of members over recent years:



Members' balances on the balance sheet are currently 100% owned by 'Holloway' type members.

“any surplus is
invested for the
benefit of our
members”

Operating Environment

Economic

- The UK economy has recovered during 2014 and is now bigger than at the start of the recession. Unemployment has fallen rapidly and growth has become more broadly based.
- Although unemployment has fallen quite rapidly there remains spare capacity in the economy and therefore while interest rates are expected to rise, this will be slow and not anticipated to exceed the “new normal” of 2.5 -3%.

Political

- Attention is focused on the General Election in May 2015. This turn will determine the question of a possible in/out EU referendum in 2017.
- The period leading up to the election will focus on the differing approaches to public spending (in general and welfare in particular) and taxation.

Regulatory

- The focus for the next period will be on the implementation of Solvency II. It is likely that the PRA will use this new level playing field to be more intrusive where lower margins over solvency capital are the case. They will seek to ensure that Boards have a proper understanding of the sustainability of the business model, the risks and potential mitigations available.
- On the conduct front the focus will be on culture and this will be supported by “fit and proper” tests and greater use of attestations from named individuals to ensure personal responsibility on important issues and that the “tone” or culture is set from the top and permeates throughout the organisation.

Technology

- We have recognised the increasing complexity and costs involved in being a viable participant in the market. We need to respond to the proliferation of browsers and devices and ensure our offer is configured correctly.
- We are also seeing the growing usage of the cloud and the replacement of in house hardware.
- From a consumer perspective, the transformational nature of the new social, local and mobile technologies means that winning new business and indeed maintaining share from our existing business will need to put technology at the forefront of our thinking.



Strategic Report (cont.)

Principal Risks and Uncertainties

Risk	Definition	Nature
Operational	This refers to the risk of loss resulting from weak internal processes, people and systems or from external events. It also includes such areas as product development, information technology, legal and regulatory risks.	<ul style="list-style-type: none"> The focused nature of our business model and its vulnerability to competitor and technological innovation. We had already determined that there was a risk of plateauing in membership growth by 2016-17.
Insurance	This refers to the risk of being an insurance company i.e. the likelihood that an insured event will occur, requiring the Society to pay a claim.	<ul style="list-style-type: none"> Trading risks including claims and lapses (net growth) remain significant.
Credit	This refers to the risk of loss if another party fails to meet its financial obligations in a timely manner.	<ul style="list-style-type: none"> The Society's exposure to Credit Risk results from financial transactions with investment counterparties.
Liquidity	This is the risk that the Society, although solvent, has insufficient liquid assets to meet payments as they fall due.	
Market	This includes the risks that arise from fluctuations in the values of, or income from, assets or interest rates.	<ul style="list-style-type: none"> The limitations of our capital base remain and our exposure to investment shocks, particularly rises in fixed income yields is a vulnerability which is addressed by continuing to adopt a conservative investment approach.

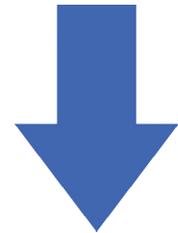
Mitigation

Change since 2013

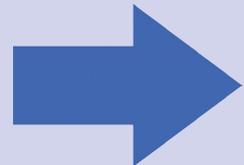
- We have been researching options to diversify our approach and rejected a number of these due to capital or capability constraints. We are pursuing pilots to break out of solely intermediated distribution.
- We have recruited a Non-Executive Director with significant knowledge of the IFA market and technology savviness to lead strategic thinking on technology as a business enabler.



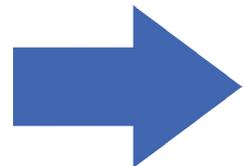
- Defined controls against KPIs are regularly reported to the Board to identify adverse trends and are accommodated within our agreed risk appetite.
- Actuarial models are used to determine the pricing of our products. This is carried out by the Actuarial Function Holder.
- The Society has an Underwriting Policy in place and this is used in the day to day decisions of applications for membership.
- Our claims rates continue to be in line with expectations and we could withstand any reasonable foreseeable insurance risk without compromising the solvency of the Society.
- In using the Annual Valuation prepared by the Actuarial Function Holder we take a very prudent view of future sickness rates, mortality and investment performance before declaring apportionment rates, interest rates and a terminal bonus rate.



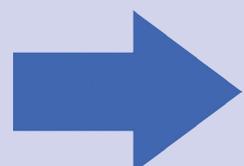
- The Society seeks to minimise Credit Risk by ensuring that all counterparties have strong credit ratings, hold investments in segregated client funds and maintain a diversified portfolio of investments, thereby reducing the potential impact of any one credit event.



- The Society's cash flows are generally predictable with the primary source of cash inflows being premium income from members.
- The outflows are to members in the form of benefit claims and capital account withdrawals.
- As the Society holds a minimum of 25% of its assets in cash, liquidity is not considered a significant area of risk.



- Market Risk for investments is managed by use of detailed investment guidelines which cover risk/reward relationships, limits on exposure by markets and asset classes and maturity profiles.
- The Society's investment objectives are to achieve medium term stability in bonus rates and to not put the members' capital at risk.
- The Society does not match its assets and liabilities precisely. Average duration benchmarks are set instead, which approximate the maturity profile of the liabilities but with a degree of mismatch to allow the Society some flexibility to enhance returns.



Strategic Report (cont.)

Member Relations

During 2014 we undertook a range of approaches to try and get closer to members to seek their feedback on how we are doing and how we can improve.

As well as the usual AGM information pack and regular newsletters, last year we undertook a full member survey with the AGM which gave us a much clearer insight into what matters to you. In examining what you said to us, it was clear that security and certainty both in terms of investment and claims were at the top of your agenda.

In the early months of this year we are undertaking a further strategic review of our engagement and communications strategy to look at all of our communications with you to ensure they are consistent and coherent and tell you what you need to know. I expect this to mean making further use of electronic and social media, from overhauling our member website to increasing our presence on Twitter and Facebook and indeed other emerging channels.

Key Performance Indicators

After the hiatus during 2012 and 2013 caused by the gender directive, 2014 has seen more activity in the Income Protection market than for many years. Friends Life, Canada Life and more pertinent to our target market, LV and Cirencester have all overhauled their product ranges and the latter two in particular have had an impact on our business.

Sales of new Income Protection policies remain overwhelmingly dominated by intermediated (rather than direct) distribution and this in turn is concentrated in the hands of a number of larger distributors.

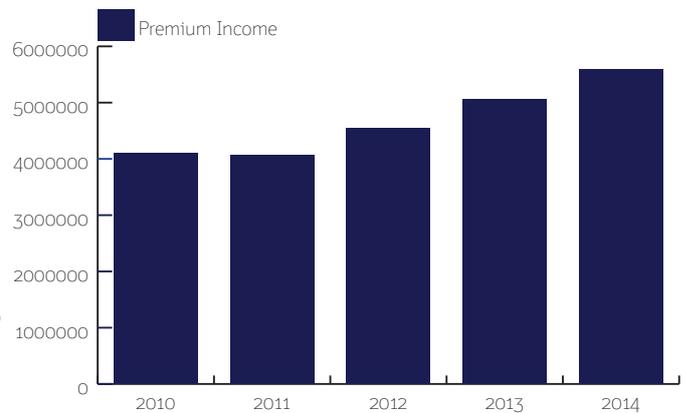
The market itself has increased in the first half of 2014 but only back to the levels seen in 2012. There is no evidence that the longer term trend in falling volumes has been halted. Against this backdrop we have delivered a creditable performance in business growth.



“security and certainty...of investment and claims were at the top of your agenda”

New Business

- Growth in new business volumes and premiums continued in the pattern we have seen over the last 3 years.
- However, the majority of the membership growth was in the first half of the year and the continued competitive pressure I have already referred to saw this slowdown in the second half. The final quarter did see a recovery as the counter measures we employed took effect, but we are budgeting for more modest growth over the next 3 years, and in 2015 in particular, as we explore new opportunities to take the Society forward.
- The slowdown in premium growth was not so pronounced and at 10.6% in 2014 we will remain amongst the fastest growing in our sector. Again for 2015 we have set more modest aspirations, before growth picks up again in 2016/2017 as our new initiatives come on stream.



Investment

- Investments have performed well above expectations and we are yet to see the anticipated rise in bond yields built into the 2014 budgets. In fact in contrast to the expectations of our Investment Managers and all market commentators, yields have fallen further during 2014 and the spread to gilts has reduced as corporate balance sheets have strengthened.
- However, our capital position restricts our flexibility to make alternative investments and therefore realise all these unanticipated gains. We should therefore expect a reduction in gains over the strategy period.

Capital Position

- The investment gains and reduced risk levels have increased our free assets. However, the rebasing to Solvency II means that although the level of free assets has increased, so has the solvency requirement.
- This confirms the need to continue to bolster the capital reserves.
- Nevertheless we ended the year in the strongest financial position we have seen for many years and intend to shepherd the capital carefully over the next period.

Operational fitness

- Operating costs are below budget through a combination of good control and deferred expenditure.
- A lot of work has been undertaken to improve our back office processes and this has produced productivity gains which are available to service an increase in future volumes without taking on additional staff.
- We have enhanced our Compliance and Risk Management functions both through recruitment and the introduction of new systems and this will increase our ability to deliver good outcomes for customers by addressing conduct issues earlier in the design process.
- Claims are below budget although we anticipate a pick-up in Protect claims in 2015, however recovery rates are good.
- We continue to support the development of key staff that have been with the Society for many years via courses and exchange visits to other organisations. They have made significant strides in the last 4 years, but demands on them to keep up the pace and be alive to changes in practice will only increase. We need to ensure we have the best team available (mindful of our cost constraints) to deliver on the agenda in this strategy.

Strategic Report (cont.)

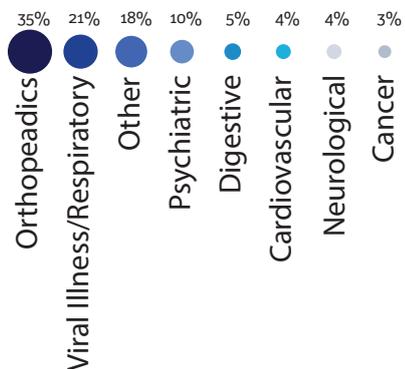
Underwriting and Claims Performance

Our number one priority is paying claims and this underpins how we underwrite new applications. We seek to be inclusive and offer terms to as wide a population as possible and balance this approach with a robust system of internal controls to ensure that our underwriting decisions are consistent with our own internal policies and competitive with wider market practice and trends.

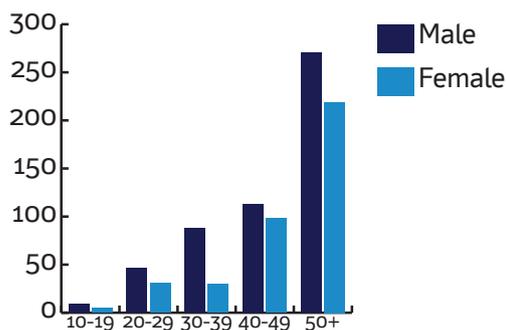
Since 2009, we have on average paid over 96% of more than 5,000 claims received. In 2014, we paid 96.7% of the 912 claims received.

Detailed below is a breakdown of the claims experience in 2014.

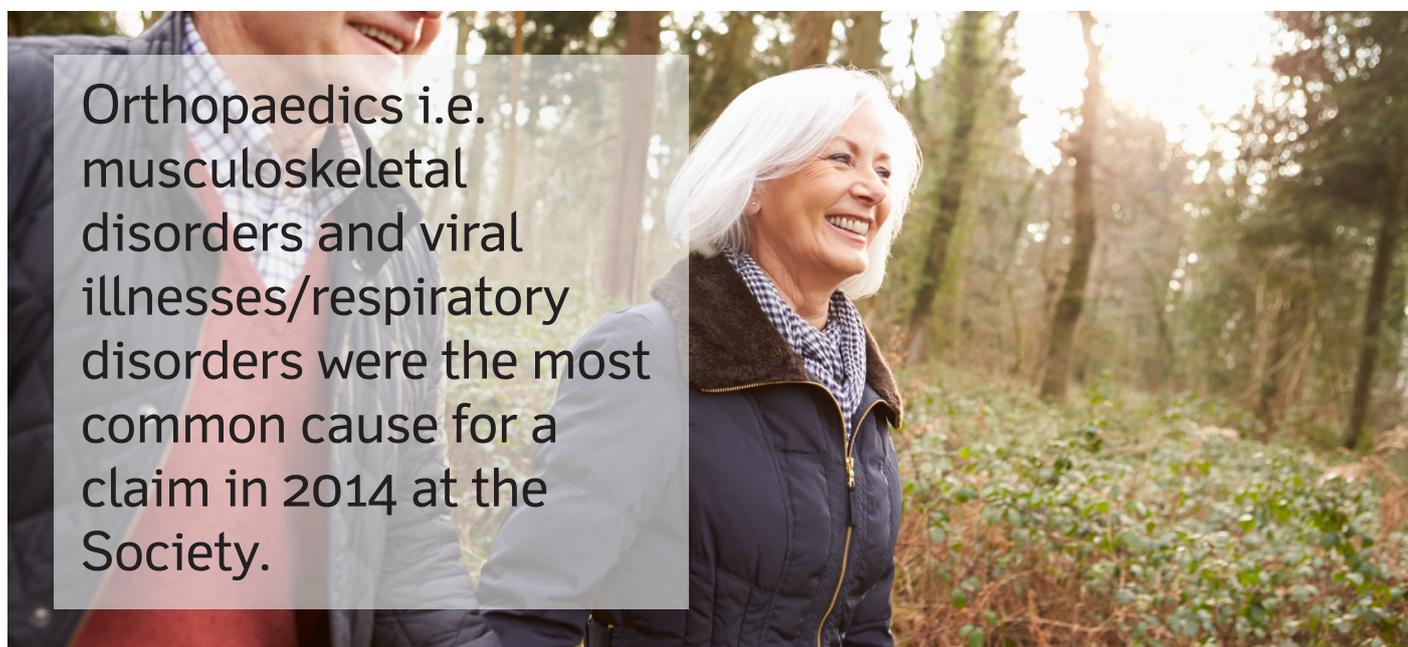
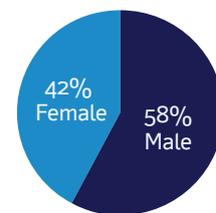
Claims Breakdown by Condition



Claims Breakdown by Age



Claims Breakdown by Gender



Orthopaedics i.e. musculoskeletal disorders and viral illnesses/respiratory disorders were the most common cause for a claim in 2014 at the Society.

Board and Staff Diversity

Diversity takes many forms whether it is in race, gender, sexuality etc. As a relatively small organisation we believe that it is critical that we seek talent without fear or favour and that is reflected in the makeup of our staff and Board. If anything the most critical area at board level is diversity of approach and ensuring we have a range of experience and different ways of thinking that encourage broad and deep consideration of the issues and challenges we face.

This year we have recruited a new Non-Executive and we intend to continue to refresh the Board regularly. Every year we undertake an assessment of our current makeup of skills and measure that against the strategy, to ensure we have the right team to deliver for you. We anticipate undertaking further recruitment this year and are confident that our open and transparent selection processes, will ensure we can attract the right calibre of candidate.

People and Community Matters

Our employees are our biggest asset and the genuine passion and commitment they demonstrate on a daily basis when dealing with members has contributed immensely to the success of the Society. As we look into the future, we will continue to support our employees with their professional and personal development to ensure that they have the right skills to provide you with a personal and specialist level of service that you have come to expect from the Income Protection specialists.

We are proud to have been one of the early supporters of the 7 Families Initiative, a campaign led by Disability Rights UK to provide a tax-free income for 1 year to 7 people who have lost their income because of a serious or long-term illness or disability. The purpose of the campaign is to highlight the need for people to plan financially in case they become too ill to earn an income.

Outlook

The strategy we have been pursuing since 2010 has produced good results and returned the Society to an organisation with a viable future. We had anticipated a plateauing of growth in circa 2016 and had begun the process of considering alternatives in channel, process and product range. Some of these initiatives are in progress.

Looking ahead there are a number of emerging issues which need monitoring and to which we will need to develop contingency plans if they become more apparent. These include:

- Distributor consolidation (particularly purchases by providers).
- Continued development of restricted panels.
- Development of non-advised/automated solutions which will act to drive down pricing and favour larger volume providers.

We believe we have the strategies and the people to respond to the challenges that face us provided we continually seek to improve what we do and compare ourselves against the best of our peers.

Corporate Governance

Your Board of Directors



Nick Bayley

Nick joined the Board in January 2008. With 26 years of Sales and Marketing experience in the Financial Services and Banking sectors, Nick has held a number of roles - from Independent Financial Adviser (IFA) to National Sales Manager of a large bank - responsible for generating £30m in annual revenue. He has worked for Barclays and The Woolwich, where he managed teams of up to 150 IFAs and set up the UK's first IFA Training Academy. Nick is now working as an Executive Business Development Consultant with St James's Place Wealth Management in the City, working with over 20 small and medium size businesses to develop their strategic and marketing plans and business generation. He is married with two children and his hobbies include mountaineering, skiing, running and golf.

The skills and experience Nick brings to the team include a deep understanding of the IFA and Wealth Management community, with a particular bias towards sales and marketing.



Julie Remmington

Julie joined the Board in September 2013 having worked in the insurance industry for over 20 years predominately specialising in claims for Travel Insurance and private healthcare. Julie's career has enabled her to travel the world working for various corporate organisations including Lloyd's of London and AXA Insurance. For the last 11 years Julie has worked as a consultant to the Travel Insurance industry and is a regular speaker at industry conferences. Julie is also a partner in a niche underwriting agency and direct sale operation. Away from work Julie enjoys playing netball and is involved in the running of a youth hockey team.

The skills and experience Julie brings to the team include, operational processes and the interaction with customers to ensure transparency, fairness and quick decision making whilst complying with all our regulatory obligations. Julie also brings claims handling experience to ensure claims are dealt with swiftly and fairly so that our members are supported in times of need.



Jeff Hayes

Born in 1953, Jeff joined the Board in April 2010. Following a 40 year career in the UK Fund Management industry, Jeff retired in January 2010. During his period in the City he was a dealer on the London Stock Exchange, managed Fixed Income portfolios, and took responsibility for delivering client service to clients in both the UK and internationally. For three years prior to his retirement, Jeff was one of the Society's Investment Managers, which gave him a clear insight into the Society's operations. In addition to his role with the Society, Jeff has a limited number of Non-Executive and Trustee roles for UK based pension funds and charitable organisations.

Jeff brings extensive investment and financial experience to the Society and chairs the Investment Committee. Jeff has been married to Rene for 42 years and has two children. He enjoys running, golf and photography.



Roy McLoughlin

Roy has now been in Financial Services for 27 years spending the last 17 as a practicing IFA. He is a multiple award winning adviser and a regular contributor to both the trade and consumer press. He is an original member and sits on the Executive of the Income Protection Task Force, a body established across all segments of the industry. As part of this he is one of the originators of the 7 Families Campaign which is proving to be a 'ground-breaking' campaign. He also sits on both corporate and individual industry forums and round tables.

The skills and experience he brings are that of being a 'real life' adviser providing a sales, marketing and brand interpretation of the protection market. His day job thus involves a constant interaction with customers enabling him to interpret and assess the ever changing requirements and needs which provide a valuable insight to the Society.

'Service to Members'



Chris Radford

Chris joined the Board in June 2010 and has over 35 years of experience in the Financial Services sector and currently owns a property lettings and management business. Prior to this he was Group Chief Executive of the TIS Group and the Lambeth Building Society and Managing Director of Legal & General's Unit Trust business. He has worked in a wide variety of business environments - major global and small local, plc and mutual, banking and insurance, retail and telesales. Chris has considerable experience in helping organisations to develop new strategies and achieve wide scale changes. He is married, has twin boys aged 24, and is an experienced alpine skier, a keen sailor, enjoys golf and plays in a blues band.

The skills and experience Chris brings to the Society include strategy development and implementation, change management, business planning and organisation, Executive development, operational efficiency and understanding the responsibilities to members of a mutual organisation.



Mark Myers

Mark was appointed Chief Executive in July 2010, at which time he joined the Board. Mark is also a Director of the Association of Financial Mutuals and chairs the Small and Medium Sized Societies Forum and the NED Conference. He has 30 years experience in Financial Services, the first 22 being in Sales and Marketing roles with Lloyds TSB, latterly as Sales Director for the Retail Bank. His time at Lloyds also included attachments to the DTI and the FSA, providing valuable governmental and regulatory experience. His most recent previous position was with Britain's largest Friendly Society – Liverpool Victoria – initially as Distribution Director and then Partnership Director.

The skills and experience Mark brings to the Board include strategic leadership, stakeholder management, change management, leading teams, financial management and sales and marketing.



Lee Schopp

Lee was appointed Finance Director and joined the Board in July 2010. Lee has recently qualified as a Chartered Director after 4 years of study and is also a Chartered Accountant who has operated at Board level for both AIM listed and private companies. He brings more than 17 years of strategic planning and execution experience to the Society and currently has executive responsibility for Finance, IT and Operations within the Society. Prior to joining the Society, Lee was with an Engineering Services firm for 10 years where he was instrumental in growing it from a small UK based business to one listed on AIM with operations in 7 countries. Lee lives in Toddington with his wife, Eilish and two boys Ben and Oscar where he has just finished building a new house for himself and his family.

The skills and experience Lee brings to the Board include financial management, strategic development, business planning, Board governance and change management.

Corporate Governance (cont.)

Management Team



Debbie Elms
(Head of Risk and Underwriting)

Debbie joined the Society in October 1982 having left school earlier that summer. Debbie initially worked as Office Junior and part of the New Business Team before becoming Claims Supervisor in 1988. In 1996, Debbie became the Society's first full-time underwriter whilst still remaining very much involved with the processing and payment of claims. Debbie now leads the Society's Underwriting and Claims Teams as part of her role as Head of Risk and Underwriting.

Debbie is married to George and they have 7 children between them. Outside work she is very much involved in family life and enjoys babysitting and spending time with her small grandchildren, nephews and nieces. Debbie enjoys reading and travelling abroad.



Lorraine Donald
(Head of Operations)

Lorraine joined the Society straight from school in June 1983. During the last 30 years Lorraine has held a number of roles within the company which has allowed her to gain a great knowledge of the business and the membership. With this wealth of experience Lorraine became Head of Operations in 2011.

Lorraine is married to Ian and has 3 children. Outside work she enjoys playing netball, watching her children participate in a number of sports and travelling abroad.



Steve Wanstall
(Head of Sales)

Steve joined the Society in 2010 and has worked in the Banking and Financial Services sector for over 25 years focussing on distribution and marketing. Steve is responsible for among other things managing the Society's relationships with a broad range of intermediary firms.

Steve enjoys spending time with his family and friends, especially when they get chance to holiday together and although it's been a few years he is keen to get back on a snowboard. Martial arts used to play a big part in Steve's life but these days it's mainly walking which keeps him fit. In quieter times he enjoys reading autobiographies or anything creative – he even won a garden design award once!



Ayo Salam
(Company Secretary)

Ayo joined the Society in 2014 having previously worked in a number of regulatory compliance roles for various organisations' in the Finance and Financial Services sector. He is the Society's Compliance Officer and is responsible for ensuring the Society operates within the confines of law and regulation. He is also responsible for advising the Board on governance, legal and regulatory matters. He has a background in law having obtained advanced degrees in the subject and in financial services compliance.

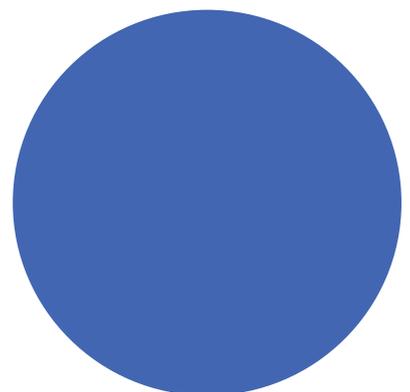
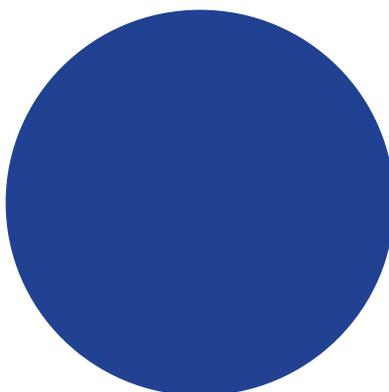
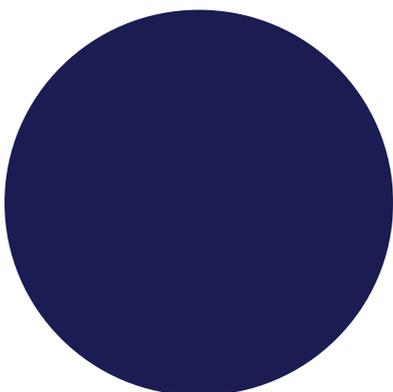
Ayo is passionate about community matters and is a Governor on a local academy school's Board. He spends his spare time with his young family.

Key Items in Board Terms of Reference

- Setting the strategic direction.
- Monitoring performance of the business and Executives.
- Establishing the framework of systems and controls.
- Monitoring risk via the framework of systems and controls.
- Agreeing the appointment and remuneration levels of Executive Members of the Board of Directors.

Corporate Governance is about how the Board carries out its duties and responsibilities. The Society is committed to delivering high standards of Corporate Governance and the Directors consider that the Society has complied with the Code (The UK Corporate Governance Code- An Annotated Version for Mutual Insurers) throughout the year, subject to comments in this report.

The Society adheres to the policy of 'Comply or Explain'. The main principles of the Code are outlined in the following section with a comment on the Society's compliance.



Corporate Governance (cont.)

Section A: Leadership

Every company should be headed by an effective Board, which is collectively responsible for the long-term success of the company. There should be a clear division of responsibilities at the head of the company between the running of the Board and the Executive responsibility for the running of the company's business.

Response

The Board's role is set out in the Memorandum and Rules of the Society. The Board has 4 sub-Committees being:

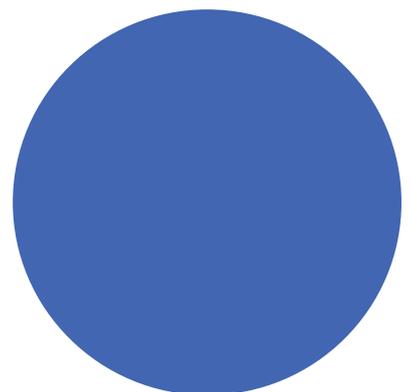
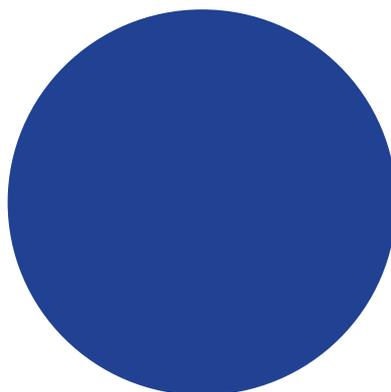
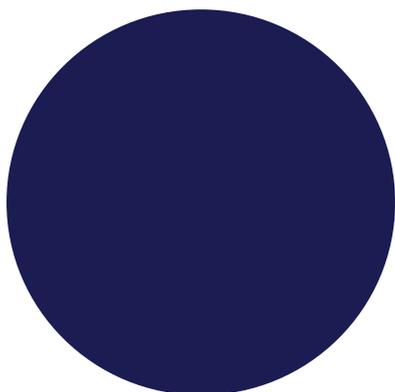
- **Audit and Compliance**
- **Risk**
- **Investments**
- **Remuneration and Nomination**

During 2014 the Board of Directors met on 7 occasions. The attendance record at meetings was as follows:

Name	AGM	Board of Directors	Audit & Compliance	Risk	Investment	Remuneration	Nomination
Nick Bayley (Chairman)	1/1	7/7	0/0	0/0	0/0	1/1	0/0
Tony Dormer (retired Oct 2014)	1/1	5/5	1/1	3/3	1/1	0/0	0/0
Roy McLoughlin (from Sept 2014)	0/0	3/3	0/0	0/0	1/1	0/0	0/0
Jeff Hayes	1/1	7/7	2/2	0/0	2/2	1/1	1/1
Mark Myers (Chief Executive)	1/1	7/7	2/2	3/3	2/2	0/0	1/1
Chris Radford (Senior Independent Director)	1/1	7/7	2/2	3/3	0/0	1/1	1/1
Julie Remington	1/1	7/7	1/1	3/3	2/2	1/1	1/1
Lee Schopp (Finance Director)	1/1	7/7	2/2	3/3	2/2	0/0	0/0
Mike Harding (retired 2014)	1/1	3/3	1/1	0/0	0/0	0/0	0/0

The main items the Board considered in 2014 were:

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Board self-assessment and external Board evaluation	Review of future IT needs and IT strategy update	Approval of E-business upgrade	ORSA Report
Approval of the Society's Financial Statements	Strategy review	Review of Operations and Claims	Strategic budget review
Approval of the Valuation Report	ICA and FCR results	Mutual Capital Report	Business plan
Solvency II readiness assessment	Investment Managers' Report		Threshold Conditions review



There is a clear division of responsibilities between the roles of Chairman and Chief Executive and they are conducted by different individuals. Each has a specific role and responsibilities which are set out in job descriptions which have been agreed by the Board. The Chairman is primarily responsible for the effective running of the Board and for ensuring a full and constructive participation of all Board members in discussions and the decision making processes within the remit of the Board. The Chief Executive is responsible for the Executive Management of the Society within specific guidelines established by the Board.

The Board of Directors comprises the Chairman, who is a Non-Executive, 4 other Non-Executives and 2 Executive members, being the Chief Executive and Finance Director.

Section B: Effectiveness

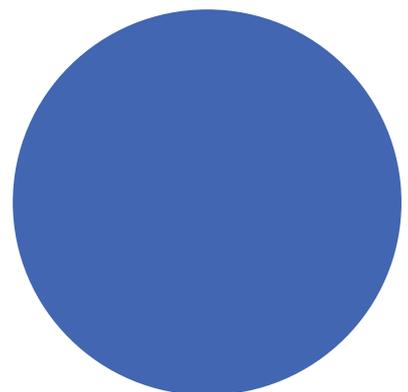
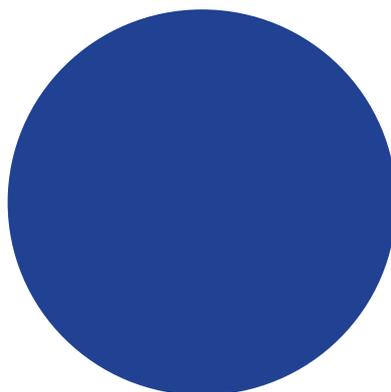
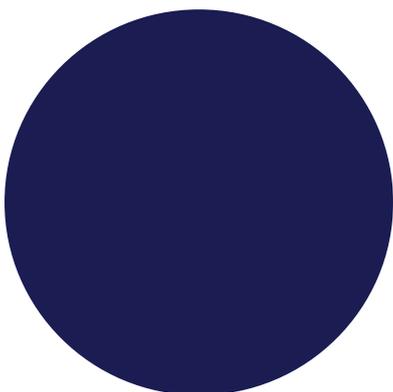
The Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities. There should be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Response

The Board is satisfied that it has the appropriate range of skills, experience, independence and knowledge to provide strategic leadership to the Society. Board members come from diverse and varied professional backgrounds and bring with them a wealth of commercial experience. During 2014, the Board recruited an additional Non-Executive Director following the retirement of Mr. Dormer. This followed a rigorous process of analysing the mix of skills available to the Board and the future strategy of the business. The Board advertised for this role in the national press and engaged the services of specialist Non-Executive recruitment consultant. The Board maintains a regularly reviewed induction plan for new Directors.

During the year, the effectiveness of the Board was evaluated by an external consultancy firm. The evaluator concluded that the Board demonstrated an excellent level of skills balance, challenge, energy and diligence. The Board continues to work through the further recommendations of the evaluator. The Code sets out certain requirements in determining whether a Non-Executive member of the Board is independent. Having regard to this the Board is of the opinion that all Non-Executive members of the Board were independent in character, judgement and relationships throughout the year. Members of the Board do not have any financial interest in the Society.

All members of the Board submit themselves for re-election annually.



Corporate Governance (cont.)

Section C: Accountability

The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.

Response

The Board is satisfied that it has appropriate systems of controls in place. Ultimate responsibility for risk management rests with the Board. However, it has delegated some risk management activities to its Committees who provide regular updates to the Board on those areas that fall within their remit. The Board has defined its appetite for risk in key areas of the business and receives updates from Executives on day to day risk management activities. The Board, under guidance of its committees regularly review the Society's risk management policies and procedures.

The Board considers that the proper management of risks will allow the Society to allocate its resources more effectively and use its capital intelligently.

The Board through its Committees approves the audit strategy for the internal audit allowing it to obtain assurance that there is a robust system of internal controls that safeguard members' interests and the Society's assets.

Section D: Remuneration

Executive Directors' remuneration should be designed to promote the long-term success of the company. Performance related elements should be transparent, stretching and rigorously applied.

Response

The Board is satisfied that the remuneration arrangements for Executives are tied to the long term success of the Society. Details of Executive remuneration can be found in the Board's Remuneration Report on pages 34-35.

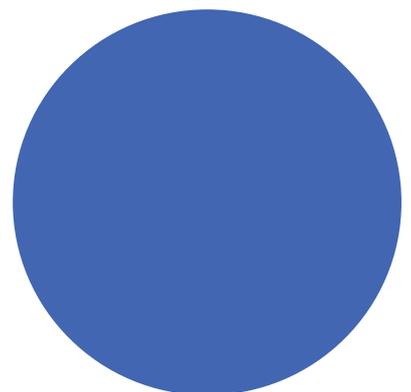
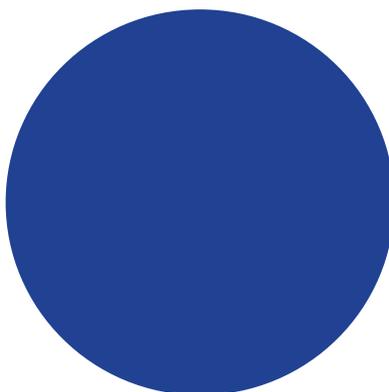
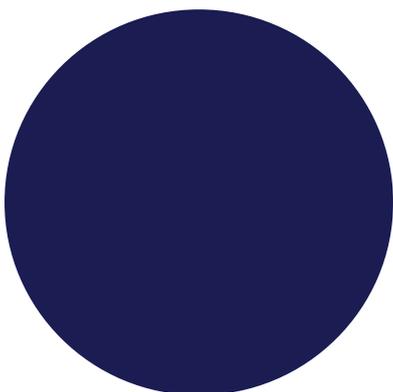
Section E: Relations with members

There should be dialogue with members based on the mutual understanding of objectives.

Response

The Board is committed to ensuring that there is a dialogue with all members of the Society. The Board communicates with members by letters, website, telephone, various questionnaires, annual apportionment statements, newsletters, AGM notices, and the Annual Report and Summary Financial Statements. A full copy of the Annual Report & Financial Statements is available online or by request to the Society.

An invitation to attend the Society's AGM is issued to every member who is aged 18 or over, together with a proxy voting form for members unable to attend the AGM. Members are encouraged to vote on all resolutions either in person or by appointing a proxy.

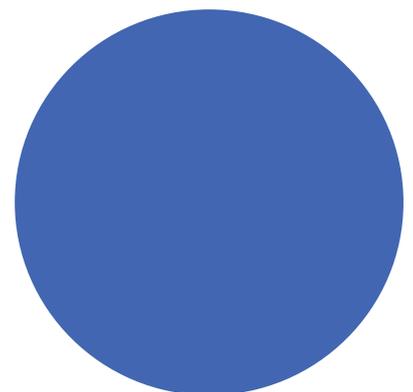
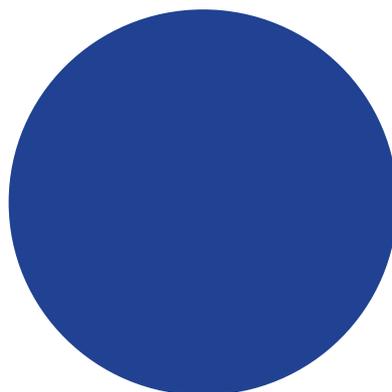
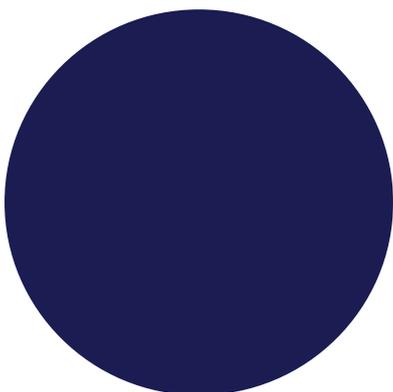


Non-Compliance

with the Annotated Corporate Governance Code for Mutual Insurers

The Board considers that, throughout the period under review, it had applied the relevant principles and complied with the relevant provisions of the Code. The following are exceptions to our compliance with the Code for the stated reasons:

- Q. Has the Board satisfied itself that at least 1 member of the Audit Committee has recent and relevant financial experience?**
- A. The previous Chair of the Audit Committee who was a qualified accountant retired from the Board during 2014. The Audit Committee currently comprises individuals with varying degrees of financial literacy with experience of corporate financial matters. None of the current members hold an accountancy qualification. The Board has identified this as a gap in its mix of skills and will be looking to address it in future recruitment.
- Q. Does the Chairman maintain contact, in relation to remuneration, with any forums (such as member forums or panels and/or delegate systems) and /or members with significant membership rights that may be in place for facilitating member dialogue?**
- A. Specific contact is not made with any group of members but all members over the age of 18 have the opportunity to vote on the remuneration report at the AGM.
- Q. Does the company have a forum or forums where discussion with members about member and company issues can take place (this might be via a member relations function or via member forums or panels and/or delegate systems and/or any members with significant membership rights)?**
- A. The Society does not have a member panel/forum but instead communicates via newsletters to all members over the age of 18.
- Q. Has the Chairman ensured that all new Directors meet with members, either via member forums or panels or individually, as part of their induction?**
- Q. Does the Chairman discuss governance and strategy with such a forum or forums?**
- Q. Are Non-Executive Directors offered the opportunity to attend scheduled meetings with such a forum or forums?**
- Q. Are Non-Executive Directors expected to attend scheduled meetings with such a forum or forums if requested by the forum or forums?**
- Q. Can the Board confirm that where a Senior Independent Director has been appointed and this Director attended sufficient meetings with a range of members in order to help develop a balanced understanding of the issues and concerns of members, or where no Senior Independent Director has been appointed another Independent Director(s) has fulfilled the same role?**
- A. In answer to the previous five questions, the Society does not have any member panels or forums. Member feedback received is always passed to the Senior Independent Director, who in turn passes it to the Board which keeps him and the Board aware of any issues and concerns of members. In addition, we proactively seek members views on important issues through a number of telephone and online surveys throughout the year. In 2014, we also launched our Social Media strategy and members are invited to engage with the Society in this way. We constantly review our member engagement strategy to ensure members have a say on how the Society is governed.



Report of the Board of Directors

Board of Directors' Report

Responsibilities of the Board

Under the Friendly Societies Act 1992, the Board is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for 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.

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

Principal Activities

The principal activity of the Society continued to be the provision of sickness cover for its members in times of illness or accident and, for those members with a Century, Holloway or a BA In Work Plan, a capital sum on retirement.

The Society does not offer new mortgages to members and the portfolio now consists of a very small number of accounts due to existing mortgages being redeemed. The provision of loan facilities to members continued, with loans being provided through the subsidiary company, BFS Member Services Limited.

The Board is of the opinion that all activities performed during the year by the Society and its subsidiary have been carried out within their respective powers.



Subsidiary Company

The results of the subsidiary company are disclosed in Note 6 to the full Financial Statements. As at 31 December 2014 the Directors were Nick Bayley, Mark Myers and Lee Schopp. The Company has no employees and no remuneration was paid to the Directors.

Charitable Donations

The Society made a charitable donation of £20,000 to Disability Rights UK in support of the 7 Families campaign to highlight the need for people to plan financially in case they become too ill to earn an income.

Solvency

The Society has maintained the required margin of solvency throughout 2014 in accordance with the Prudential Regulation Authority (PRA) regulations.

Treating Customers Fairly

The Society is committed to maintaining high standards of integrity and fairness in its dealings with members and ensures that all documentation and literature is clear, fair and not misleading.

Systems and documented procedures are in place to ensure that, if any member is dissatisfied, such problems will be handled with due care and sensitivity and will be thoroughly and impartially investigated. A member who feels dissatisfied with the result of such investigation has the right to refer the complaint to the Financial Ombudsman Service.

In 2014 we received 11 complaints or 0.06% of the total membership at the end of the year. During the year we received 64 unsolicited letters of praise.

Ayo Salam
Company Secretary



Report of the Board of Directors (cont.)

Audit and Compliance Committee Report

for the year ended 31 December 2014

Key Items in Terms of Reference

- Monitoring the performance and effectiveness of the internal and external audit functions.
- Reviewing the annual accounts and recommending to the Board whether or not to approve them.
- Ensuring effective governance of the Society's systems of internal controls
- Providing oversight and guidance to the Society on matters of compliance.

Committee Members

- Tony Dormer (retired October 2014)
- Chris Radford (Chairman)
- Julie Remington (from October 2014)
- Jeff Hayes

Also in attendance at meetings were the Chief Executive, Risk and Compliance Director and Finance Director.

During 2014 the Committee met formally on two occasions. In addition, the Committee also met to receive presentations for the Internal and External Auditors appointment.

Key Items Considered in 2014

March

Approval of Society's Financial Statements

Internal Audit Strategy

Review of Compliance Strategy and Plan

Review of Committee Terms of Reference and Effectiveness

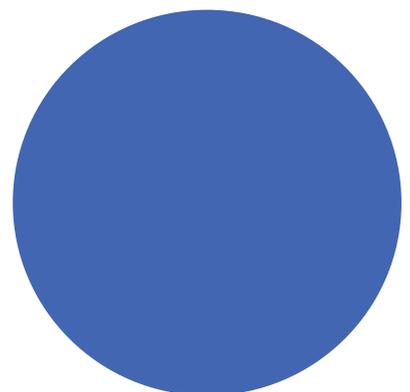
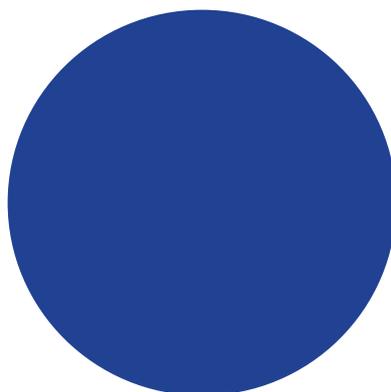
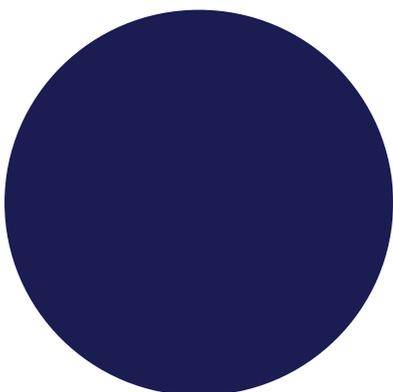
November

Report on product literature TCF compliance

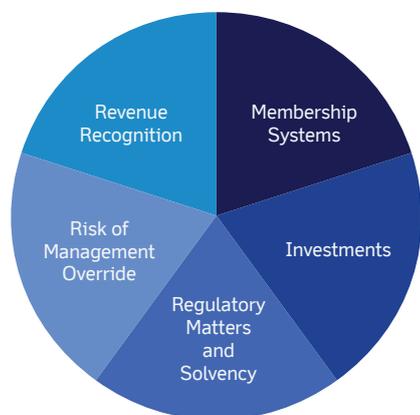
Review of Internal Audit Report

Review of Threshold Conditions

The role of the Audit and Compliance Committee is to assist the Board on matters of financial reporting and internal controls including regulatory compliance. The Committee members have been selected with the aim of providing a wide range of financial and commercial expertise necessary to fulfil the Committee's duties.



The key areas of internal systems and controls considered during the year and how they were addressed were as follows:



- The Membership Systems control collection of premiums, payment of claims and hold all the relevant personal data of members. Both internal and external audit functions tested the controls in place during the year to ensure they are robust and also that the balances reconcile to the numbers reported in the Financial Statements.
- The ownership and valuation of the Society's investment portfolio is a key risk due to the size of the investment it holds. The Committee sought independent confirmation of both ownership and valuation from the External Auditors during the year.
- The Society operates in a regulated industry and must comply with the regulations issued by the PRA and FCA. It also has minimum solvency criteria it must meet. The Committee reviewed all correspondence with the regulators along with a review of both the current and projected solvency positions in the future.
- There is an inherent risk in any organisation but more so in firms with fewer staff like the Society, of management override perpetrating fraud. Both Internal and External Audit reviewed and tested the internal controls in place to ensure they are robust and working.
- The risk of misstatement of revenue by recording income which relates to future periods was tested during the year and also at year end. Monthly and annual reconciliations revenue in the membership and accounting systems was carried out and tested during audit.

The Committee is satisfied that the work carried out by both internal and external audits was sufficient to address these key areas of risk and no significant issues were identified.

The Committee is further satisfied that the materiality levels used in the external audit were adequate to ensure that the accounts give a true and fair view of the position of the Society at the year end.

Moore Stephens have been the Society's External Auditor since 2004 (11 years). To satisfy itself on independence, the audit was put out to tender during the year and the Committee received proposals from a number of audit firms ranging from large to small practices. Based on a balanced scorecard of criteria a shortlist was agreed upon and those firms asked to present to the Committee. After these presentations Moore Stevens were unanimously re-appointed as Auditors.

The Committee also put out the internal audit function to tender during the year due to a change in the strategic direction of TIAA Ltd that resulted in the firm's resignation as internal auditors. The Committee received proposals from a number of internal audit firms and based on a balanced scorecard of criteria appointed Gateway Assure Limited as the Society's Internal Auditors.

Report of the Board of Directors (cont.)

Risk Committee Report

for the year ended 31 December 2014

Key Items in Terms of Reference

- Recommending to the Board the strategy and policy for Risk Management and monitoring its on-going implementation throughout the Society.
- Recommending annually to the Board for approval the Society's stated Risk appetite and risk limits / budgets / tolerances across the full range of risks to which the Society is exposed.
- Reviewing the processes and procedures for ensuring that all risks are properly identified, assessed, mitigated, monitored and reported in a timely, consistent and effective manner.
- Reviewing the procedures for risk evaluation in relation to existing and future business and the related capital requirements.

During 2014 the Committee met on 3 occasions.

Committee Members

- Julie Remmington (Chairman)
- Tony Dormer (retired October 2014)
- Chris Radford
- Roy McLoughlin (from October 2014)

Also in attendance at meetings were the Chief Executive, Risk and Compliance Director and Finance Director.

Key Items Considered in 2014

January	April	August
Review of the Risk Appetite Statement	Risk Report on Conduct Risk	Review of Risk Management Strategy
Deep dive into Underwriting processes	Deep dive into Data Protection Compliance	Approval of Own Risk and Solvency Assessment (ORSA) Report
		Review of terms of reference and committee effectiveness
		Recommendation of Risk Appetite Statement to the Board

The role of the Risk Committee is to support the Board and its other Committees in identifying, assessing and monitoring ongoing and emerging risks facing the Society. The Committee is also responsible for overseeing the adequacy of the Operational Risk Management framework. The Committee regularly report to the Board on the controls in place to manage key risks to the Society and makes recommendations it considers appropriate. The Committee is responsible for ensuring the Society's Risk Register and Risk Appetite Statement are updated regularly.

In addition to the matters noted above, the Committee considers emerging risks to the Society as a standing item during its meetings.

The Risk Committee is made up of 3 independent Non-Executive Directors. The Chief Executive Officer and Finance Director attend Committee meetings by invitation and provide updates to the Committee on key risks in their areas of accountability.

The internal audit function provides independent and objective assurance that the Society's Risk Management processes are appropriate and are effectively applied.

The key risks considered by the Committee during 2014 are outlined within the Society's Strategic Report on pages 14-15.

Investment Committee Report

for the year ended 31 December 2014

Key Items in Terms of Reference

- Appointing Investment Managers and undertaking a formal review every 3 years.
- Reviewing and recommending to the Board appropriate asset allocation of investments, having taken advice from the Actuary.
- Determining whether to authorise Investment Managers to deviate from strategic asset allocation ranges set by the Board, should Investment Managers request such deviation.

Committee Members

- Jeff Hayes (Chairman)
- Tony Dormer (retired October 2014)
- Julie Remmington
- Mark Myers
- Lee Schopp
- Roy McLoughlin (from October 2014)

During 2014 the Committee met on 2 occasions. They also held ad hoc meetings throughout the year to discuss specific issues arising at the time.

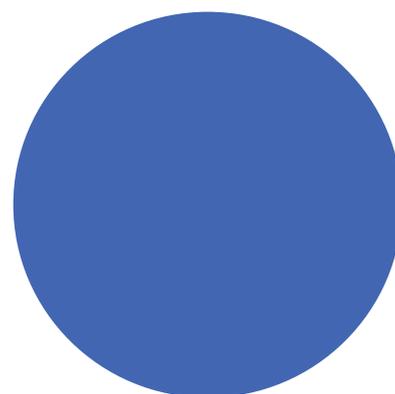
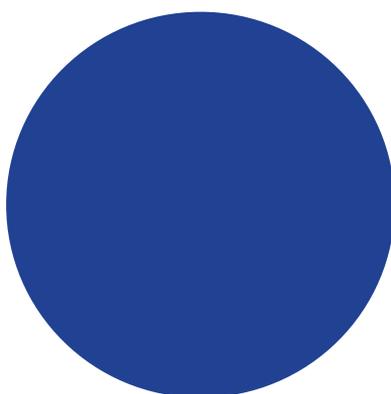
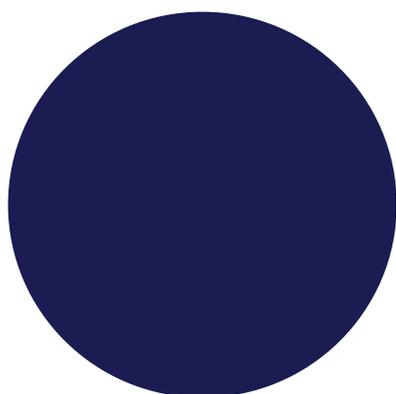
Key Items Considered in 2014

March	October
Society's Investment Strategy	Approval of Solvency II related policies
Review of Investment Property Portfolio	Review of Committee Terms of Reference and Effectiveness
	Review of investment ranges in light of Risk Appetite Statement

The role of the Investment Committee is to support the Board and its other Committees in reviewing, monitoring and recommending the Investment Strategy of the Society.

During the year the Committee recommended the reduction of the Society's maximum exposure to equities following work performed by the Risk Committee on Risk Appetite.

Following a strategic review of the Society's property portfolio the Committee approved the sale of a further Bedford property reducing the risk of investment property concentration in the Bedford area. Further non-office property was purchased outside the Bedford area.



Report of the Board of Directors (cont.)

Board of Directors' Report on Remuneration

for the year ended 31 December 2014

The Remuneration and Nomination Committee consists of three Non-Executive Directors and, only when sitting as the Nomination Committee, the Chief Executive.

Key Items in Terms of Reference

- Reviewing the on-going appropriateness and relevance of the Society's Remuneration Policy.
- Reviewing systems by which to identify the mix and level of overall competence of the Board annually.
- Establishing systems by which any identified skills gaps on the Board might be filled and/or addressed.
- Obtaining all requisite information and satisfactory responses to enquiries in support of nominations for service to the Board.
- Ensuring the continuing relevant personal development of Board members in conformity with the strategic aims of the Society.

Committee Members

- Chris Radford (Chairman)
- Tony Dormer (retired October 2014)
- Jeff Hayes
- Roy McLoughlin (from October 2014)

During 2014 the Committee met on 2 occasions.

Key Items Considered in 2014

January

Directors' succession planning and skills analysis

Directors' Remuneration Report

Executive and staff bonus

Review of Terms of Reference and effectiveness

May

Selection of interview candidate for NED role

The role of the Nomination and Remuneration Committee is to advise the Board on the structure, size and composition of the Board and make recommendations regarding Executive and staff remuneration.

The Committee undertook an annual skills analysis in respect of the Non-Executive Directors and this was used for recruitment in 2014 to fill the identified additional skills required. National newspaper advertising and specialist recruitment consultants were used and Roy McLoughlin was successfully recruited from a shortlist of 7 excellent candidates. The Board has adopted a transparent and independently managed process when making appointments to the Board of Directors. The external recruitment consultant, First Flight Non-Executive Directors Limited, introduced Roy to the Society. First Flight Non-Executive Directors Limited is independent of and has no other connection to the Society.

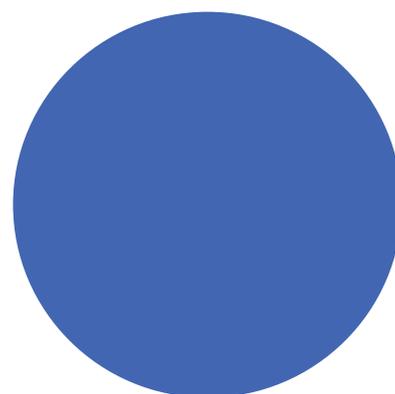
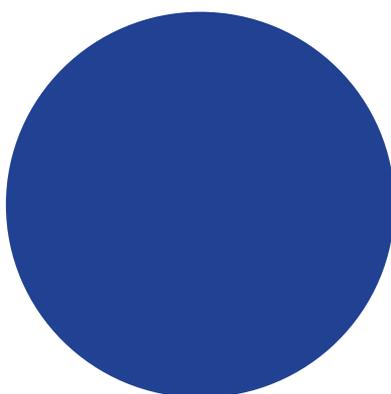
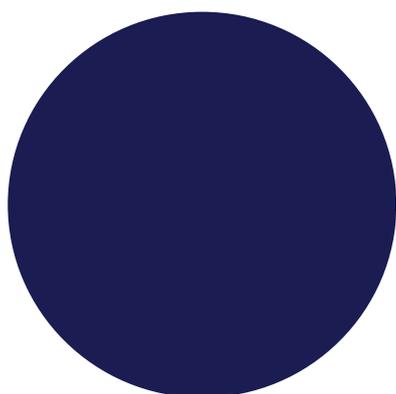
The Committee also considered the performance, independence and commitments of the existing Directors standing for re-election at this year's AGM and was satisfied that all those Directors listed within the notice of the AGM should be re-elected.

Details of the remuneration are shown below.

Name	Fee/Salary (£'000)	Bonus 2014 (£'000)	Benefits (£'000)	Total 2014 (£'000)	Total 2013 (£'000)
Nick Bayley (Chairman from 24 May 2013)	20			20	18
Tony Dormer (retired October 2014)	11			11	15
Michael Harding (retired September 2014)	38		13	51	68
Jeff Hayes	15			15	15
Roy McLoughlin (from October 2014)	5			5	0
Mark Myers (Chief Executive)	142*	7	13	162	161*
Chris Radford (Senior Independent Director)	17			17	17
Julie Remington (from October 2013)	15			15	4
Lee Schopp (Finance Director)	94	5	23	122	119
Total	357	12	49	418	430

* Payment includes allowance in lieu of pension contributions.

A new bonus scheme for 2013 and onwards was agreed by the Board, following a recommendation from the Remuneration and Nomination Committee. This requires performance over a longer term. It is designed to reflect both Executive performance and benefits for the membership. It is based on three-year targets such as reducing costs per member, growing the membership base and producing competitive returns for members.



Report of the Board of Directors (cont.)

Independent Auditor's Report

to the Members of the British Friendly Society Limited

We have audited the Financial Statements of The British Friendly Society Limited for the year ended 31 December 2014 which comprise the Income and Expenditure Account, Balance Sheet and the related Notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), having regard to the statutory requirement to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2014, and the effect of the movement in those provisions during the year on the fund for future appropriations, the balance on the general business technical account and on excess of income over expenditure before tax are disclosed in notes 9-11.

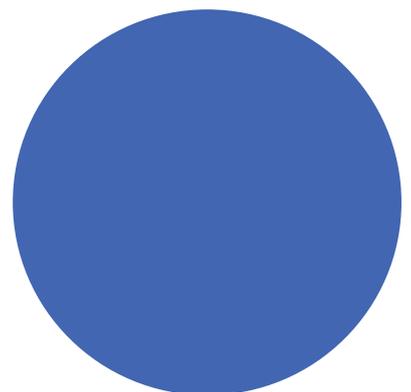
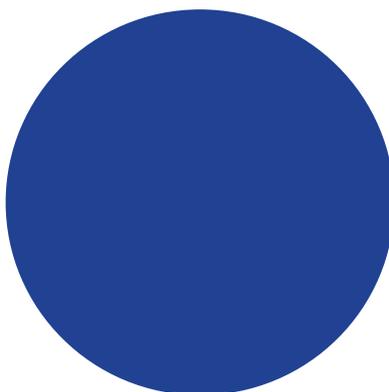
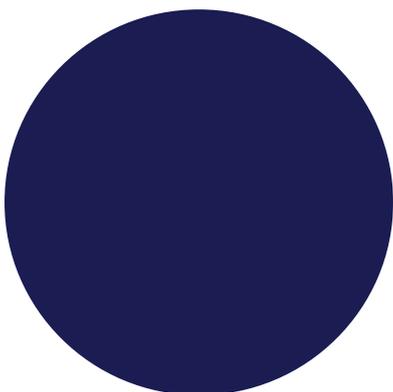
This report is made solely for the Society's members, as a body, in accordance with the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state, to the Society's members, those matters we are required to state to them in an auditor's report and for no other purpose. To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

Respective Responsibilities of the Board and Auditor

As explained more fully in the Responsibilities of the Board set out in Corporate Governance, the Board is responsible for preparing Financial Statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Our Assessment of Risks of Material Misstatement

We identified the following risks that we believe to have had the greatest impact on our Audit Strategy and Scope:

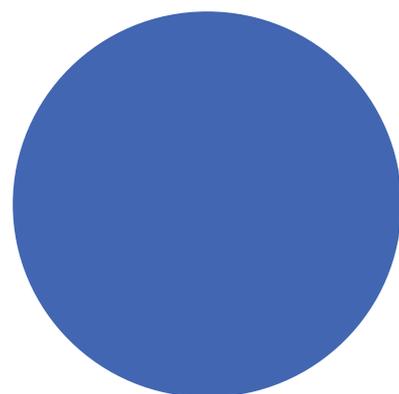
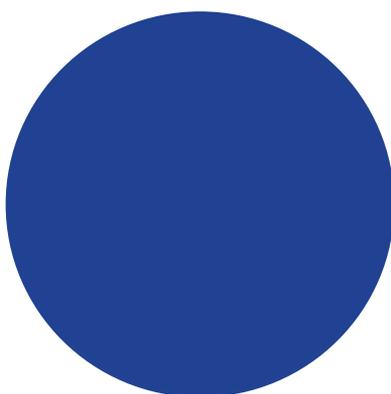
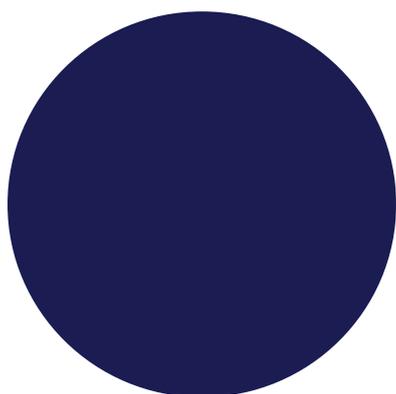
- the operation and effectiveness of the Society's Members system during the year and specifically the operation of the system over premium income and claims paid to members;
- the valuation and ownership of the Society's investments at the year end and the recording of transactions throughout the year;
- the Society's compliance with applicable regulations;
- the application of revenue recognition accounting; and
- the risk of fraud arising from management override of internal controls.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the Financial Statements. For the purpose of determining whether the Financial Statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the Financial Statements, would be changed or influenced. We also determine a lower level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the Financial Statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the Financial Statements as a whole. We determined materiality for the Society to be £200,000, which is approximately 2% of premiums earned and investment income; for misstatements that only affect balance sheet classification a higher amount of £900,000 is used, which is approximately 1% of gross assets. We use these measures to ensure the level of uncorrected misstatements does not materially impact the Society's solvency calculations.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement is that performance materiality should be 75% of materiality, namely £150,000 and £675,000 for misstatements that only affect balance sheet classification. Our approach is designed to have a reasonable probability of ensuring that the total of uncorrected and undetected audit differences does not exceed our materiality of £200,000 for the Financial Statements as a whole.



Report of the Board of Directors (cont.)

An Overview of the Scope of the Audit of the Financial Statements

The way in which we scoped our response to the risks identified above was as follows:

- In order to address risk around the operation of the Society's Member's system during the year we have tested the operating effectiveness of the controls over membership records, premium income and claims paid to members. The controls were tested on a sample basis, and the extent of testing varied depending on the frequency with which the control is operated.
- In order to address risk around ownership of the Society's investments held at the year end, we confirmed the entirety of the holdings to independent third party confirmations provided by the Society's custodians. These statements were compared to known movements in the investments holdings in the year through comparison to contract notes and testing of the management's monthly investment reconciliations.
- In order to address the risk around the valuation of the Society's investments we obtained from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 December 2014.
- In order to address the risk of associated with the recording of investment transactions through the year ended 31 December 2014 we have tested a sample of transactions to independent documentation.
- In order to address the risk over the Society's compliance with its regulatory environment we updated our understanding of the regulatory requirements and reviewed the Society's correspondence with its regulators, statutory filings and management's records of compliance with appropriate regulations.
- As part of our testing of the member's system we performed testing relating to controls over the recognition of premium income and the process for the ensuring the accuracy of changes to member's records, including new members. We also performed substantive testing on a sample of premium income and analytical procedures to validate whether revenue recognition procedures complied with UK Generally Accepted Accounting Practice.
- Finally we performed analytical procedures and journal entry testing in order to identify and test the risk of fraud arising from management override of controls.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 December 2014 and of the income and expenditure of the Society for the year then ended; and
- have been properly prepared in accordance with the Friendly Societies Act 1992.

Opinion on Corporate Governance Statement

In accordance with our instructions from the Society we review whether the Corporate Governance Statement reflects the Society's compliance with the nine 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.

Opinion on Other Matters Prescribed by the Friendly Societies Act 1992

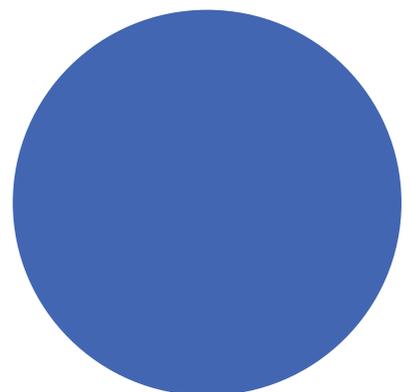
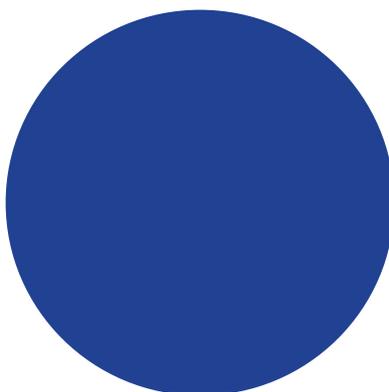
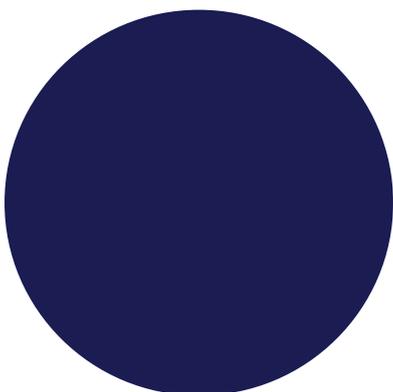
In our opinion the Report of the Board has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and the information given therein is consistent with the Financial Statements for the financial year.

Matters on Which We are Required to Report by Exception

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

- proper accounting records have not been kept; or
- the Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents that we require for our audit.

D T Slocombe FCA
Senior Statutory Auditor
For and on behalf of Moore Stephens
Chartered Accountants & Statutory Auditor



Financial Statements

Income and Expenditure Account

for the year ended 31 December 2014

Technical Account - Long-Term Business	Note	Total 2014 (£'000)	Total 2013 (£'000)
Earned Premiums, Net of Reinsurance:			
Gross premiums written		5,600	5,067
Investment Income	1	2,601	3,094
Gains on investments:			
Realised gains/(losses) on investments		780	1,331
Unrealised gains/(losses) on investments		1,745	(712)
Other technical income - forfeitures		62	87
Exchange gains		-	-
Total Technical Income		10,788	8,867
Claims Incurred, Net of Reinsurance:			
Sickness benefits to members		(1,220)	(958)
Change in Long-term Business Provision		994	1,818
Bonuses and rebates		(3,512)	(3,554)
Net Operating Expenses:			
Acquisition	2	(2,286)	(1,923)
Administration		(2,133)	(1,902)
Investment Management		(98)	(204)
Net Surplus for the Year		2,533	2,144
Transfer to Fund for Future Appropriations		(2,533)	(2,144)
Balance on Technical Account - Long-Term Business		-	-

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

Balance Sheet

at 31 December 2014

Assets	Note	Total 2014 (£'000)	Total 2013 (£'000)
Investments:	6		
Investment in subsidiary undertaking		-	-
Land and buildings		5,800	6,090
Other financial investments		82,674	80,956
Total Investments		88,474	87,046
Other Assets:			
Tangible fixed assets	7	899	1,246
Debtors	8	37	32
Deferred Acquisition costs		1,701	1,830
Cash at bank and in hand		805	1,024
Prepayments and Accrued Income:			
Accrued investment income		585	581
Other prepayments		77	137
Total Assets		92,578	91,896
Liabilities			
Fund for Future Appropriations	9	17,327	14,794
Members' Funds	10	63,246	64,016
Technical Provisions	11	10,936	11,930
Creditors	12	1,069	1,156
Total Liabilities		92,578	91,896

These financial statements were approved by the Board at their meeting held on 26 March 2015 and were signed on their behalf by:



Nick Bayley
Chairman



Mark Myers
Chief Executive

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Financial Statements (cont.)

Principal Accounting Policies

Policy	Description
Basis of Accounting	The accounts have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by the Regulations. The Society has taken advantage of the exemption not to produce consolidated Financial Statements on the grounds that its subsidiary, BFS Member Services Limited, is not material.
Premiums	Premiums are accounted for on a receivable basis and originate wholly within the United Kingdom. New business premiums are recognised when the policy liability is set up and the premium is due for payment.
Investment Income	Income from investments is included, together with the related tax credit, in the Technical Account - Long-Term Business. Account is taken of dividend income when the related investment goes "ex dividend", other investment income is included on an accruals basis.
Claims and Benefits	Claims payable on maturity are recognised when the claim becomes due for payment and on death are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long-term business provision. Where claims are payable and the contract remains in force, the claim or instalment is accounted for when due for payment.
Realised and Unrealised Gains and Losses	Realised gains and losses, being the difference between the net sale proceeds and the valuation at the previous Balance Sheet date or cost of acquisition if later, are included within Gains or Losses on investments in the Technical Account - Long-Term Business. Unrealised gains and losses are reported in the Technical Account - Long-Term Business.
Acquisition Costs	Agents commissions are expensed over the first 36 months following a policy sale in line with the period in which the commission can be clawed back in the event of cancellation. All other direct and indirect acquisition costs are expensed in the period in which they are incurred.
Acquisition Costs	Reversionary bonuses are recognised in the Technical Account - Long-Term Business when declared.
Pension Scheme Arrangements	The Society operates a defined contribution scheme, the assets of which are held separately from those of the Society in an independently administered fund.
Taxation	The Society is not subject to Corporation Tax on the business it transacts.
Investments	Investments are stated in the accounts as follows: <ul style="list-style-type: none"> • Investment property - at the latest independent valuation. Valuations are carried out triennially by an independent surveyor. Office premises occupied by the Society and included in investments are valued assuming vacant possession. In accordance with SSAP 19 'Accounting for Investment Properties' no depreciation is charged on freehold investment properties. • Quoted fixed interest and equity investments - closing year-end mid-market values.
Tangible Fixed Assets	Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life. The rates in force are as follows: <ul style="list-style-type: none"> • Computer software 3-5 years • Computer hardware 3-5 years • Office equipment 3-10 years • Motor vehicles 4 years
Fund for Future Appropriations	The Fund for Future Appropriations represents amounts which have yet to be allocated to policyholders. Transfers to and from the Fund reflect the excess or deficiency of revenues (including premiums and investment gains and losses) over expenses (including claims) in each accounting period.
Long-Term Business Provision	The Long-Term Business Provision is computed by the Society's Actuary, having due regard to the actuarial principles laid down in the Life Framework Directive (Council Directive 92/96/EC).
Cashflow statement	Under Financial Reporting Standard 1 the Society is exempt from the requirements to prepare a cashflow statement on the grounds that all major cash flows arise from long-term insurance business and are for the benefit of the long-term fund.

Notes Forming Part of the Financial Statements as at 31 December 2014

1. Investment Income

	2014 (£'000)	2013 (£'000)
Income from loans with subsidiary	56	71
Income from land and buildings	462	608
Income from listed investments	2,023	2,294
Income from other investments	60	121
	<u>2,601</u>	<u>3,094</u>

2. Operating Costs

a. Acquisition Costs

	2014 (£'000)	2013 (£'000)
Staff costs	836	755
System development	23	51
Marketing & Promotions	235	198
Underwriting & Medical reports	143	136
Commissions	1,049	783
	<u>2,286</u>	<u>1,923</u>

b. Administration Costs

	2014 (£'000)	2013 (£'000)
Staff costs	621	491
Board fees and expenses	126	97
Actuarial Function Holder's fees	123	96
Legal and professional fees	47	12
Depreciation of fixed assets	556	519
Maintenance of software and equipment	305	324
Other administration costs	355	363
	<u>2,133</u>	<u>1,902</u>

	2014 (£'000)	2013 (£'000)
c. Investment Management	98	204
	<u>4,517</u>	<u>4,029</u>
Net operating costs		

Financial Statements (cont.)

3. Net Surplus for the Financial Year

Description	2014 (£'000)	2013 (£'000)
Is Stated after Charging:		
Depreciation charge for the year	556	519
Auditors Remuneration (inclusive of VAT):		
Audit	25	25
In respect of costs of Reviewing Actuary	7	7
In respect of other services provided	2	2
Actuaries Remuneration (inclusive of VAT):		
Actuarial Function Holder & With Profits Actuary	83	79
Other fees	40	18

4. Staff Numbers and Costs

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

	2014 (£'000)	2013 (£'000)
Board	5	5
Staff - Administration	10	10
Staff - Acquisition	12	11
	27	26

5. Board Emoluments

	2014 (£'000)	2013 (£'000)
Total emoluments	418	430

The emoluments of the Chairman were £20,000 (2013 - £17,917), and the highest paid member of the Board received £161,434 (2013 - £161,416). The emoluments of the other members of the Board fell into the following bands:

£0 - £5,000	1	1
£10,001 - £15,000	3	3
£15,001 - £20,000	1	1
£50,001 - £55,000	1	-
£65,001 - £70,000	-	1
£115,001 - £120,000	1	-

The Chief Executive, Finance Director and Company Secretary are members of the Board, as such their remuneration is included above as well as in Note 4.

6. Investments

a. Subsidiary Undertaking

The Society owns 100% of the ordinary share capital of BFS Member Services Limited, a company registered in England and Wales, which are stated at a cost of £100.

The financial statements of that company show a profit of £nil for the year to 31 December 2014 (2013 - profit of £nil). The net liabilities of the subsidiary amounted to £nil at the year end (2013 - £nil).

In the opinion of the Board the aggregate value of the investment in the subsidiary is not less than the amount at which the investment is stated in the Society's Balance Sheet.

b. Freehold Land and Buildings

	Investment Property (£'000)	Office Property (£'000)	Total 2014 (£'000)	Total 2013 (£'000)
Valuation				
At 1 January 2014	5,840	250	6,090	7,265
Additions	430	-	430	-
Disposals	(720)	-	(720)	(1,175)
At 31 December 2014	5,550	250	5,800	6,090

The Society's land and buildings were valued at 31 October 2012 by Mr D J Tillison FRICS, MCI.Arb of Kirkby & Diamond, Chartered Surveyors, Bedford. Other investment assets are stated at market value.

The Society occupied property valued at £250,000 as at 31 December 2014.

b. Other Financial Investments

	2014 (£'000)	2013 (£'000)
Dated:		
Government Securities-1	8,964	9,153
Corporate Bonds	30,166	29,007
Bank deposits	4,000	4,000
Undated:		
Money Market Fund Deposits	9,000	10,500
Unit Trusts/ OEICs	4,198	3,616
Equities	13,089	8,116
Secured mortgages	269	323
Loan to Subsidiary	666	772
Cash awaiting reinvestment	12,322	15,469
	82,674	80,956
Total of Listed Investments Included Above:	56,417	49,893

Financial Statements (cont.)

7. Tangible Assets

	Fixtures and Fittings (£'000)	Computer Equipment and Software (£'000)	Motor Cars (£'000)	2014 Total (£'000)
Cost:				
At 1 January 2014	123	3,196	26	3,345
Additions	1	208	-	209
Disposals	-	(130)	(26)	(156)
At 31 December 2014	124	3,274	-	3,398
Depreciation:				
At 1 January 2014	90	1,984	26	2,100
Charge for the year	7	536	-	544
Disposals	-	(118)	(26)	(145)
At 31 December 2014	97	2,402	-	2,499
Net book value:				
At 31 December 2014	27	872	-	899
At 31 December 2013	33	1,212	-	1,246

8. Debtors Arising Out of Insurance Operations

	2014 (£'000)	2013 (£'000)
Members	21	21
Other debtors	16	11
	37	32

9. Fund for Future Appropriations

	2014 (£'000)	2013 (£'000)
Balance at 1 January 2014	14,794	12,650
Transfer from technical account	-	-
Long-term business	2,533	2,144
Balance at 31 December 2014	17,327	14,794

10. Members' Funds

	2014 (£'000)	2013 (£'000)
Bonuses and Rebates:		
Interest on members' balances	1,050	1,062
Apportionment	2,225	2,263
Interest and apportionment paid to withdrawn members	235	228
	3,510	3,553
Withdrawals During the Year:		
Death	773	876
Retirements	373	345
Resignations and lapses	2,081	2,600
Other withdrawals	991	891
Apportionments forfeited - taken to income	62	87
	4,280	4,799
Net Decrease in Member Funds During the Year:	(770)	(1,246)
Balance at 1 January 2014:	64,016	65,262
Balance at 31 December 2014:	63,246	64,016

11. Long-Term Business Provisions

	2014 (£'000)	2013 (£'000)
Balance at 1 January 2014	11,930	13,748
Transfer from/(to) Technical Account - Long-Term Business	(994)	(1,818)
Balance at 31 December 2014	10,936	11,930

12. Creditors and Accruals

	2014 (£'000)	2013 (£'000)
Creditors arising out of direct insurance operation	345	472
Unearned premiums	18	124
Other creditors including taxation and social security	137	80
Accruals and deferred income	569	480
	1,069	1,156

13. Pension Costs

The Society operates a staff pension scheme based on defined contributions whereby the Society contributes between 7.5% and 15% of the basic salary of qualifying members.

Financial Statements (cont.)

14. Capital Commitments

At 31 December 2014 the Society had no capital commitments (2013 - nil).

15. Board Members' Loans and Transactions

There were no amounts outstanding at either 31 December 2014 or 31 December 2013 in relation to loans to members of the Board and related parties. The register of loans to members of the Board is available for inspection at the registered office of the Society.

16. With-Profits Actuary

Statement in accordance with Rule 9.36 of the Accounts and Statements Rules

The Society has made a request to the With-Profits Actuary to furnish it with the particulars specified in Rule 9.36 of the Accounts and Statements Rules and the particulars furnished pursuant to the request are identified below:

- a. The With-Profits Actuary of the Society for the period 1 January 2014 to 31 December 2014 was C Critchlow FIA, an employee of OAC plc.
- b. He was not a member of the Society or the subsidiary of the Society at any time during the year.
- c. He had no pecuniary interest in any transactions with the Society subsisting at any time during the period.
- d. The only remuneration was the fees for professional services paid to OAC plc for the services provided by the firm, and the sum payable in this respect amounted to £102,542 (2013 - £80,114) exclusive of Value Added Tax.
- e. The With-Profits Actuary did not receive, nor will receive, any other pecuniary benefit.

17. Capital Statement

The following summarises the capital resources and requirements of the British Friendly Society as determined for UK regulatory purposes:

- The Society does not write with-profits business to the scale required to calculate a realistic balance sheet.
- Therefore the capital statement below covers all their life assurance business. There are no specific constraints on the capital of the Society.
- As the Society has no shareholders, all capital belongs to its members.

Life Business UK Non-Participating

	2014 (£'000)	2013 (£'000)
Total Capital Resources before Deductions	17,327	14,786
Adjustments to Assets	(2,333)	(2,918)
Total Available Capital Resources	14,994	11,868

Risk Management

Risk Management has a regular place on agendas for the Board and Senior Management Team meetings. Additionally, the Society uses its Financial Condition Report and Individual Capital Assessment to monitor current and potential risks that could affect its solvency adversely.

Capital Management

The Society's Free Asset position is regularly reviewed to ensure it maintains an acceptable level of solvency. As the capital belongs to its members, if the Society sees a large change in its available capital due to the morbidity experience of the members, it will amend the level of profit allocation and bonus payable to its members accordingly.

Basis for Technical Provisions

A gross premium method of valuation is used for calculating the Society's liabilities, aside from the capital accounts which are valued at face value. No allowance has been made to treat any individual policy as an asset except those arising on the BFS Protect and Breathing Space contracts where credit is limited to no more than 50% of those contracts' deferred acquisition costs.

Interest Rate 1.75% p.a. (2013 - 2.40% p.a.)

Mortality Rates Non-commuted - 30% of AMF92 (2013 - 30% AMF92)

Committed - 55 of AMF92 (2013 - 55% AMF92)

Sickness Rates Inceptions are set by reference to CMIR12 DP1 rates and vary by age and contract type as follows

Contract Type and Date	Holloway		Protect		Breathing Space	
	31 December		31 December		31 December	
Age range	2014	2013	2014	2013	2014	2013
Up to 20	20%	20%	45%	45%	As Protect business	As Protect business
20-24	30%	30%				
25-29	40%	40%				
30-34	50%	50%				
35-39	60%	60%				
40-44	70%	70%				
45-49	70%	70%				
50-54	70%	70%				
55-59	70%	70%				
Female load	40%	40%	Nil	Nil		

Recoveries are set by reference to CMIR12 DP1 rates as follows:

Contract Type and Date	Holloway		Protect		Breathing Space	
	31 December		31 December		31 December	
Week of sickness	2014	2013	2014	2013	2014	2013
0-4	70%	70%	30%	40%	As Protect business	As Protect business
4-8	80%	100%				
8-13	115%	130%				
13-26	180%	130%				
26-52	180%	130%				
52-156	180%	130%				
156+	85%	85%				

Lapses are assumed at 3.0% per annum for the Society's non-commuted Holloway Members, 4.0% per annum for the Society's commuted Holloway Members, and at a rate of 20% in the first year and 17.5% a year thereafter for the Society's Protect business.

The Society's expenses were analysed between acquisition and maintenance expenses, and the valuation expense assumed includes a prudent allowance for future years' expenses. The Society has no options or guarantees and accordingly holds no reserves for them.

Financial Statements (cont.)

Analysis of Change

There has been an increase in the available capital resources from 31 December 2013 to 31 December 2014. An analysis of change is set out below:

	Change in Available Capital (£'000)	Available Capital (£'000)
2013 Available Capital		11,868
Investment Gains	4,283	
Trading Surplus	3,168	
Change in Methodology and Basis	390	
Cost of New Business	(2,824)	
Impact of Lapses and Maturities	812	
Cost of Interest and Apportionment Bonus	(3,274)	
Change in Asset Admissibility	605	
Other	(34)	
2014 Available Capital		14,994

Sensitivity Analysis

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

Variable	Change in Variable	Change in Available Capital (£'000)
Morbidity	+10%	(1,253)
	-10%	477
Expenses	+10%	(1,216)
	-10%	1,193
Interest	+1% per annum	1,176
	-1% per annum	(1,491)
Fixed Interest Yields	+20%	(1,352)
Equities	-10%	(1,308)
Property	-20%	(1,997)

When interest rates change, any movement in the available capital is partially offset by an opposite change in the value of assets. This has not been reflected in the value of change above. In a situation where morbidity increased by the levels in the table above, the Society would review its allocation of profits accordingly. When interest rates change, any movement in the available capital is partially offset by an opposite change in the value of assets. This has not been reflected in the value of change above.

General Information

Notice of Annual General Meeting

Agenda for the Annual General Meeting Friday 22 May 2015

Dear Member,

The 2015 Annual General Meeting (AGM) of the British Friendly Society Limited will be held on Friday 22 May 2015 at No. 1 Trevor Street, Bedford MK40 2AB, commencing at 2.00pm.

As a Member of the Society you are invited to attend the AGM. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to exercise all or any of their rights at the meeting, including to attend, speak and vote on their behalf. A proxy need not be a Member of the Society. Only Members entitled to vote (or their duly appointed proxy) may take part in the meeting.

Agenda

1. Apologies.
2. To approve the Minutes of the Annual General Meeting held on 16 May 2014.
3. To receive and if approved, adopt the Board Report and Financial Statements for the year ended 31 December 2014.
4. To note the Board Remuneration Report.
5. To elect members of the Board.
6. To re-appoint Auditors- Moore Stephens.
7. To ratify amendments to the Holloway Tables and Century Tables (require a simple majority of the persons entitled to vote and voting at a general meeting).
8. Any other business.

Copies of the Annual Report & Accounts will be available at the meeting, or on application to the Society. They will also be displayed on the website.

To Elect Members of the Board

Biographies for all candidates standing for re-election or election are listed on pages 20-21 of this Report.

The following Directors are eligible for re-election and are proposed until the AGM 2016:

Nick Bayley
Chris Radford
Jeff Hayes
Julie Remmington
Mark Myers
Lee Schopp

The Board considers that all these candidates, following formal performance evaluation, continue to be effective and demonstrate commitment to the role.

The following candidate is proposed for election to the Board without nomination and appointed in accordance with Rule 10.5.

Roy McLoughlin

The Board considers that Roy would be a diligent and effective Director of the Society. The Board undertook a skills gap analysis and identified a need to enhance its collective skills set in IFA distribution in the protection market and how consumers and IFAs interact with new technology and media.

Roy is a founding member of the Income Protection Task Force and is on its current Executive team where he acts as a passionate advocate of the Protection industry. He brings with him a wealth of experience in new technology and media.

The Board believe that this experience will enhance and complement the skills of the Board.

Amendments to the Century Tables

Century Tables Applicable to Members Who Joined the Society Prior to January 2013

- This would remove the 3 month probation period on increases and mean that members will get paid sickness benefit at the increased level immediately after an application for an increase is accepted. This is consistent with the rules for members joining after 1 January 2013.
- This would be in members' interest as it allows for alternative payment arrangements without making withdrawals from members' capital account.
- This would clarify that the subsequent illness must be related to the previous claim in order to be taken as a continuation. This is fair to members as it means members can make multiple claims for benefit within the stipulated periods for unrelated illnesses.
- This would mean that members would begin accumulating apportionment from the first month of membership regardless of age.
- This would bring the penalty free withdrawal amount in line with that in Part G section 2.
- This would lower the age for penalty free withdrawal to 16 to allow students who go from school to college to benefit from this provision. This would bring the penalty free withdrawal amount in line with that Part G section 5.
- This would allow members who are 18 or older to make a penalty free withdrawal to cater for some key life milestones.
- This would allow members who may be mature students to make penalty free withdrawals to pay back related student debt and bring the rules in line with those for members joining after 1 January 2013.
- This would remove the probationary period before members can start claiming Sickness Benefit.

General Information (cont.)

Amendments to the Century Tables (cont.)

Century Tables Applicable to Members Who Joined the Society From 1 January 2013

- In Part C – PREMIUMS - In section 4 line 3, after the word, “available” insert, “unless the Member has agreed an alternative arrangement with the Society to settle the arrears.”

Explanation: This would be in members’ interest as it allows for alternative payment arrangements without making withdrawals from members’ capital account.

- In Part D – PAYMENT OF SICKNESS BENEFIT – In lines 2 of sections 11, 12 and 13: Insert ‘for a related illness’ after ‘of the expiry of a previous claim’.

Explanation: This would clarify that the subsequent illness must be related to the previous claim in order to be taken as a continuation. This is fair to members as it means members can make multiple claims for benefit within the stipulated periods for unrelated illnesses.

- In Part F – APPLICATION AND APPORTIONMENT OF FUNDS – In line 5 of section 2 paragraph 2: Delete ‘Century Members under the age of 11 shall begin to accumulate Apportionment from the first month of their Membership. Members having attained their 11th birthday shall begin to accumulate Apportionment from the thirteenth month of Membership’, and replace with ‘Members shall begin to accumulate Apportionment from the first month of membership’.

Explanation: This would mean that members would begin accumulating apportionment from the first month of membership regardless of age.

- In Part G – WITHDRAWAL OF FUNDS – In line 5 of section 4: Delete £800 and replace with £1200.

Explanation: This would bring the penalty free withdrawal amount in line with that in Part G section 5.

- In Part G – WITHDRAWAL OF FUNDS – In line 1 of section 6: Delete Between the ages of 16 and 21 and replace with ‘From the age of 16’. In line 2 of section 6: Delete £800 and replace with £1200.

Explanation: This would lower the age for penalty free withdrawal to 16 to allow students who go from school to college to benefit from this provision. This would bring the penalty free withdrawal amount in line with that Part G section 5.

- In Part G – WITHDRAWAL OF FUNDS – Add a new section 7: From the age of 18, a Century Member may apply to withdraw up to £1200 from his Capital Account without penalty in order to pay for items required in respect of his continued education at college or university, pay for costs related to the birth or adoption of a child, pay for costs related to a family bereavement or pay for costs related to the purchase of a home, providing the amount requested does not reduce his Capital Account below an amount equal to the Apportionment declared on the Units held for the previous two years.

Explanation: This would allow members who are 18 or older to make a penalty free withdrawal to cater for some key life milestones.

Amendments to the Holloway Tables

- In Part C – PREMIUMS - In section 10 line 2, after the word, “available” insert, “unless the Member has agreed an alternative arrangement with the Society to settle the arrears.”

Explanation: This would be in members’ interest as it allows for alternative payment arrangements without making withdrawals from members’ capital account.

- In Part D – BENEFITS OF SICK MEMBERS - In section 12 line 3, after the word, “on” insert, “for a related illness”.

Explanation: This would clarify that the subsequent illness must be related to the previous claim in order to be taken as a continuation. This is fair to members as it means members can make multiple claims for benefit within the stipulated periods for unrelated illnesses.

- In Part G – WITHDRAWAL OF FUNDS – In section 6 paragraph 2 line 1: Delete 21 and replace with 16. In line 2: Delete £800 and replace with £1200.

Explanation: This would lower the age for penalty free withdrawal to 16 to allow students who go from school to college to benefit from this provision. This would bring the penalty free withdrawal amount in line with that Part G section 5.

- In Part G – WITHDRAWAL OF FUNDS – In section 6: Add a new paragraph 3 “From the age of 18, a Holloway Member may apply to withdraw up to £1200 from his Capital Account without penalty in order to pay for items required in respect of his continued education at college or university, pay for costs related to the birth or adoption of a child, pay for costs related to a family bereavement or pay for costs related to the purchase of a home, providing the amount requested does not reduce his Capital Account below an amount equal to the Apportionment declared on the Units held for the previous two years”.

Explanation: This would allow members who are 18 or older to make a penalty free withdrawal to cater for some key life milestones.

- In Part G – WITHDRAWAL OF FUNDS – In section 6 new paragraph 4 line 1: Delete ‘between the ages of 21 and 25’ and replace with ‘ From the age of 21’.

Explanation: This would allow members who may be mature students to make penalty free withdrawals to pay back related student debt.

- In Part I – EXCLUSION FROM MEMBERSHIP OF THE HOLLOWAY SCHEME – In line 3: delete after Account, ‘and will be required to pass through a probationary period of 26 weeks’ before they shall again be eligible for Sickness Benefit’.

Explanation: This would remove the probationary period before members can start claiming Sickness Benefit.

General Information (cont.)

Board Members 2014

Nick Bayley	- Chairman from 24 May 2013.
Jeff Hayes	- Non-Executive from 16th April 2010.
Mark Myers	- Chief Executive from 12th July 2010.
Chris Radford	- Senior Independent Director from 24 May 2013.
Julie Remmington	- Non-Executive from 1 October 2013
Lee Schopp	- Finance Director from 12 July 2010.
Roy McLoughlin	- Non-Executive from 9th September 2014.

Professional Advisers 2014

Actuarial Function Holder and With-Profits Actuary

Christopher Critchlow,
OAC Actuaries & Consultants,
Portsocken House,
Minories,
London EC3N 1LJ.

Auditors – External

Moore Stephens,
Chartered Accountants,
30 Gay Street
Bath BA1 2PA.

Auditors – Internal

Gateway Assure Ltd,
MCH House,
Bailey Drive,
Gillingham
Kent ME8 0PZ.

Investment Managers

Vestra Wealth LLP,
14 Cornhill,
London EC3V 3NR.

Bankers

NatWest Bank plc,
81 High Street,
Bedford MK40 1NE.

Solicitors

Hogan Lovells,
Atlantic House,
Holborn Viaduct,
London EC1A 2FG.

Taylor Walton,
28-44 Alma Street,
Luton LU1 2PL.



Past Chairmen of the Society

1902/3 R A Matthews; 1904 E Parry Jones; 1905 Geo R Mason; 1906 W T Banks; 1907 J Colton Hall; 1908 C E Watson; 1909 E S Summer; 1910 B Pearcy; 1911 C E Shroeder; 1912 F Harrison; 1913 T McIlwrick; 1914 R H Ellis; 1915 A H Walton; 1916 A W Green; 1917 W F Brooks; 1918 T Hammersley; 1919 J J Hanson; 1920 E Penny; 1921 C E Dazell; 1922 W H Tomlin; 1923 E J Towler; 1924 Fred W Chalker; 1925 J Pollitt; 1926 A E Allin; 1927 H W Harrie; 1928 J G Sinton; 1929 H E Crocker; 1930 B O Jones; 1931 H E Penny; 1932 A Booer; 1933 H M Johnson; 1934 R C Ashworth; 1935 A Gooderidge; 1936 J McIntyre; 1937 F Clarke; 1938 F J Tilley; 1939 Chas Ashton; 1940 B Bevington; 1941 J H Richards; 1942 A Lamb; 1943 F Powell; 1944 J Stephens; 1945 T Taylor; 1946 TH Shearer; 1947 A F Reuter; 1948 R I Davies; 1949 J I Eadie; 1950 F C Stone; 1951 Frank Taylor; 1952 G Stanley Atkinson; 1953 Percy Jones; 1954 C H R Williamson; 1955 L Tracey; 1956 T E Sargent; 1957 A A Griffiths; 1958 W H Weston; 1959 H Young; 1960 C Irvine; 1961 H Berry; 1962 S E Moore; 1963 R Murray; 1964 F Leslie Ellis.

Year	Name	Branch	Elected at
1965	H Haworth	Nottingham	Jersey
1966	P Notman	Bristol	Buxton
1967	L Norman Wilson	Dudley & District	Blackpool
1968	G Robinson	Blackpool	Gt Yarmouth
1969	D A V Willis	Weston-super-Mare	Jersey
1970	W J L Twomey	Bromley	Bournemouth
1971	A G Marsh	Enfield & Barnet	Harrogate
1972	R Parker	Jersey	Brighton
1973	R Chambers	Cardiff	Jersey
1974	C H Lister	Maidstone	Blackpool
1975	A D Alden	Norwich	Plymouth
1976	F C Bradley	York	Scarborough
1977	W Mallinson	Leeds	Nottingham
1978	Derick C Smith	Basingstoke	Brighton
1979	J B Luccock	Bradford	Bournemouth
1980	S T Paskins	Birmingham	Jersey
1981	P F Ward	Hull	Blackpool
1982	N F Hanson	Eccles	Buxton
1983	S J Marks	Metropolitan Furniture	London
1984	A L Atack	Wakefield	Bristol
1985	D A Snoad	Harrow	Blackpool
1986	R J English	Norwich	Solihull
1987	Miss P Kirkwood	Belfast	Coventry
1988	R Luke	Leicester	Dunblane
1989	R Luke	Leicester	Plymouth
1990	Llewellyn Garner	Warrington	Solihull
1991	D A Cullington	Colchester	Dunblane
1992	J W Shea	Bromley	Solihull
1993	T Creighton	Belfast East	Plymouth
1994	T Creighton	Belfast East	Solihull
1995	T Creighton	Belfast East	Llandrindod Wells
1996	A L Atack	Wakefield	Portsmouth
1997	A L Atack	Wakefield	Solihull
1998	A L Atack	Wakefield	Plymouth
1999	A L Atack	Wakefield	Solihull
2000	A L Atack	Wakefield	Daventry
2001	R J English	Norwich	Solihull
2002	R J English	Norwich	Daventry
2003	R J English	-	Hinckley
2004 - 2008	R J English	-	Bedford
2009 - 2013	Fiona Gregory	-	Bedford
2013 - present	Nick Bayley	-	Bedford

Past Presidents of the British Commercial Travellers Sick Benefit and Thrift Society

1922 H G Bouch; 1923 S L Jordan; 1924 F S Ingham; 1925 A Leon Forseter; 1926/27 Wm E Tickle; 1928 Thos Young; 1929 A E Hodgson; 1930 W H Mursell; 1931 M R Wilson; 1932 J S Taylor; 1933 G C Hamilin; 1934 S L Jordan; 1935 J F Pyrah; 1936/37 H G Bouch; 1938 F J Seward; 1939/43 J S Taylor; 1944 Wm Tickle; 1945 H W Jaggard; 1946 F C Reynolds; 1947 G Parker; 1948 F E Constant; 1949 G Jones; 1950 H H Thomas; 1951 R T Griffiths; 1952 P L Browning; 1953 H A Pippett; 1954 H E Clark; 1955 W Bycroft; 1956 G E Corney; 1957 F W Mills; 1958 F E Constant; 1959 D A Weaver; 1960 P M Bennett; 1961 W E Tickle; 1962 E B Scott; 1963 W Cleland; 1964/65 H E Brown; 1966 E Emens; 1967/68 J W Walkinshaw; 1969 F W Mills.



British Friendly Society Limited

Registered Office: 1 Trevor Street, Bedford MK40 2AB

Telephone: 01234 358344

Fax: 01234 327879

E-mail: enquiries@britishfriendly.com

Website: www.britishfriendly.com

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Registered No. 110013.

Incorporated under the Friendly Societies Act 1992. Registered No. 392F.

Member of the Association of Financial Mutuals.

