Railway Enginemen's Assurance Society Limited

ANNUAL REPORT AND
FINANCIAL STATEMENTS

for the year ended

31 December 2025

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MANAGEMENT COMMITTEE

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J McKenna
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THE SOCIETY IS:

- Incorporated under the Friendly Societies Act 1992, Registered Number 708F
- Authorised by the Prudential Regulation Authority (PRA)
- Regulated by the Financial Conduct Authority (FCA) and the PRA (Firm Reference Number 110047)
- A participant in the Financial Services Compensation Scheme (FSCS)
- A member of the Association of Financial Mutuals (AFM)

MANAGEMENT COMMITTEE'S ANNUAL REPORT

The Management Committee has pleasure in presenting its Annual Report and Financial Statements of the Society for the year ended 31 December 2025. The Financial Statements have been prepared in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994, the Friendly Societies Act 1992 and United Kingdom Generally Accepted Accounting Practice. The Society's technical provisions have been calculated by the actuarial function, overseen by the Chief Actuary, in line with methods as set out in the PRA Rulebook for UK Solvency II firms.

BUSINESS OBJECTIVES AND ACTIVITIES

The Society's principal activity is to provide savings plans with life assurance through endowment policies which, in the case of those with relevant certification, can include cover against permanent disablement. The Society also has a single premium product, the Investment Bond. This enables members to invest a lump sum with the potential for capital growth over the medium to long term. The Society's core market is railway employees, although membership is also open to their friends and families and to the general public.

In accordance with the Financial Services & Markets Act 2000, the Management Committee confirms that all activities carried out by the Society during the financial year are believed to have been within its Rules and statutory powers.

MANAGEMENT COMMITTEE

The Society is always looking to strengthen the composition of its Management Committee by recruiting those with the appropriate skills and a strong desire to serve in the best interests of the membership.

The names of the Management Committee members are shown on page 2. Moira Casey retired from the Management Committee on 31 March 2025.

MANAGEMENT COMMITTEE RESPONSIBILITIES

Legislation requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Society at the year-end and of the income and expenditure of the Society for that year. In preparing the Financial Statements, the Management Committee is required to:

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

The Management Committee is also responsible for safeguarding the assets of the Society and for taking reasonable steps to prevent and detect fraud and other irregularities.

MANAGEMENT COMMITTEE RESPONSIBILITIES (CONTINUED)

The Management Committee is further responsible for ensuring that the Society:

- keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society; and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the regulators under the Financial Services and Markets Act 2000 and other applicable legislation.

The Management Committee confirms, to the best of its knowledge, that the Annual Report and Financial Statements provide a fair, balanced and understandable view of the Society's financial position and the Strategic Report provides a fair evaluation of the Society's performance and development during the year.

The Management Committee is responsible for the maintenance and integrity of the corporate and financial information included on the Society's website.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who is a member of the Management Committee at the date of this report confirms that, so far as each of them is aware, there is no information relevant to the audit of the Society's Financial Statements for the year ended 31 December 2025, of which the Auditor is unaware.

Each Director has taken all steps that they ought to have taken in their duty as a Director to make themselves aware of any relevant audit information and to establish that the Society's Auditor is aware of that information.

VIABILITY STATEMENT

The Management Committee has assessed the prospects of the Society and its ability to meet its liabilities as they fall due over the medium term. It has concluded that five years is an appropriate period for the assessment given that this is the key period of focus for the Society's strategic planning process. The purpose of the planning process is to look at the key strategic choices facing the Society and to consider various scenarios taking into account the principal risks and challenges.

The Society uses a five-year business planning model as part of its Own Risk and Solvency Assessment (ORSA). Assumptions are built in for the Statement of Comprehensive Income, the Statement of Financial Position and cashflow. Additionally, the Society's Chief Actuary undertakes actuarial modelling in the form of the Forward-Looking Assessment of Solvency. This report focuses on the Society's forecast of business activity over a ten-year period, stress tested with a variety of scenarios, risk analysis and consideration of the impact of changes to assumptions.

Since the year-end, the Management Committee has continued to assess the Society's business and performance. The Management Committee has also received management information that monitors progress against the Business Plan, particularly in relation to new business volumes.

Based on the results of these processes the Management Committee has a reasonable expectation that the Society will be able to continue in operation and to meet its liabilities as they fall due over the five-year period of its assessment.

In making this statement, the Management Committee has considered the resilience of the Society, its current and projected future financial position, the key risks and the effectiveness of mitigating actions.

COMPLAINTS PROCEDURE

The Society aims to provide the highest possible level of service to its members. We are committed to resolve any complaints that arise, quickly and efficiently. A complaint that cannot be resolved through the Society's internal process can be referred to the Financial Ombudsman Service, details of which can be obtained from the Society's registered office. Any complaints that might fall outside the scope of the Ombudsman's Scheme will be handled in accordance with the Society's Rules.

If members have concerns about the Society's business and consider that they have not been dealt with appropriately through the internal process they are encouraged to write to the Senior Independent Director or any member of the Management Committee. Correspondence should be marked "Strictly private and confidential" and addressed to the Committee member at the Society's registered office. This will be passed on, unopened, to the Committee member concerned.

THANKS AND APPRECIATION

The Management Committee never forgets that it is here to look after the interests of current and future members of the Society. We are indebted to our members for their continuing loyalty to the Society. Thank you for investing with us – your ongoing trust in us really matters. We are also most grateful to our hardworking Representatives and Introducers for promoting the Society's products and its values in the workplace.

During late 2025, the Society undertook a procurement exercise for the actuarial functions, which resulted in the appointment of Mr. Robert Kerry of Broadstone Regulatory and Risk Advisory Limited as Chief Actuary and With-Profits Actuary, subject to regulatory approval. Accordingly, Mrs. Alison Carr of SDA LLP stepped down from the roles of Chief Actuary and With-Profits Actuary on 20 November 2025. Mrs. Carr's expertise was invaluable in helping the Society to implement its new member-focused strategy and growth plan and she leaves the Society in a much stronger position than when she started in 2014. The Management Committee thanks Mrs. Carr for her outstanding contribution to the Society over the past 11 years.

The Society would not enjoy our current level of success and have achieved record new business levels without the continuing commitment, effort and dedication of our staff. Our people do a terrific job, treating members as they would wish to be treated themselves and the feedback we receive supports this. We would like to take this opportunity to thank them on behalf of the members for the excellent service they provide.

AUDITORS

Royce Peeling Green Limited has indicated its willingness to continue in office as auditor. A resolution will be proposed to reappoint Royce Peeling Green Limited at the forthcoming Annual General Meeting.

Approved by the Management Committee on 28 May 2026 and signed on its behalf.

JW Goolamier

J W Goolamier
Chair

STRATEGIC REPORT

Introduction

2025 was another year marked by significant uncertainty across the world, with geopolitical tensions affecting the global economy. Tariffs announced by the Trump administration, alongside conflicts in the Middle East and Ukraine, are maintaining apprehension about the long-term economic impact. In the UK, several years of high inflation continue to impact on people's finances and disposable income.

Two hundred years on from the opening of the world's first public railway at Stockton and Darlington, 2025 was a pivotal year for the railway industry, marked by significant network upgrades, an increase in ridership and arguably the most comprehensive structural reforms since privatisation in the mid-1990's and indeed nationalisation in 1948.

Progress on major projects included the Transpennine Route Upgrade, the Midlands Rail Hub, Northern Powerhouse Rail and HS2, whilst the city regions saw important developments in their transit networks, including South Wales Metro and Midlands Metro light rail. Passenger rail ridership surged in 2025, continuing its post Covid pandemic recovery, with May 2025 seeing an average of 104% of pre-Covid daily levels. On the financial front, the government took the unprecedented step of announcing a freeze in regulated rail fares to ease pressure on passengers. The government also took measures to grow the rail freight sector by setting an ambitious target of 75% growth in rail freight by 2050 as part of its decarbonisation and congestion relief agenda. In November 2025, the government introduced the long-awaited Railways Bill, which is legislation to create Great British Railways (GBR) as the new guiding mind for UK rail. Under the proposals GBR will be a publicly owned body responsible for managing both rail infrastructure and contracting passenger services, replacing Network Rail and overseeing operators in a more integrated structure.

Business Overview

The Society's key purpose is to support a long-term savings culture by providing affordable and well-performing savings and investment plans for our members, to help secure their financial future. Our business strategy is to grow our With-Profits Fund by attracting new business and further business from existing members. This will provide the Society with sufficient scale so that we can continue to improve financial returns for members, provide high levels of customer service, operate within regulatory requirements and protect our members' financial interests against risk.

2025 was a transformational year in terms of growth and an important milestone in the Society's journey of improvement and renewal as part of the new member-focused strategy which started in 2021. Through careful stewardship by the Management Committee, leadership from the Chief Executive and exceptionally hard work by the office team and our workplace Representatives, 2025 was another record-beating year for new business, building on a highly successful 2024, which had itself been the best year for new business in the Society's history.

Significant developments included the following:

- Total membership increased by over **12%** to **5,214**.
- Premium income increased by over **16%** to **£5.5million**.
- Average weekly new regular premium business increased by **24%** to **£562** per week.

Taking a longer-term perspective, regular premium new business levels were well over three times as high as they were in 2021. At the same time, the significant cost savings made in late 2020 following the

Business Overview (continued)

office restructure continued to be maintained, whilst the Society made necessary investments to improve its operational resilience and IT security and modernise its systems and processes. As a mutual society, we are wholeheartedly focused on improving financial returns for our members and were pleased to, once again, increase final bonus rates for members.

Over the course of an exceptionally busy year, our small office team has also continued to provide an exceptionally high standard of personal service to our members. We recognise that we are extremely fortunate to have a membership with a strong ethos of self-provision when it comes to their families' futures. This financial discipline is one of which they are rightly proud and encourage amongst their colleagues.

Key Performance Indicators

We use a range of financial metrics to measure and assess our performance, including the Society's financial strength. These are set out in the table below:

	31 December 2025	31 December 2024
Assets in excess of capital requirements as at 31 December	£8,948k	£7,827k
Minimum Capital Requirement / Solvency Capital Requirement coverage %	311%	285%
Average weekly new regular premium business	£562	£454
Sum assured in respect of new regular premium business	£14,909k	£12,066k
Premium income	£5,551k	£4,750k
Operating costs	£1,101k	£1,049k
Operating costs during the year as % of total assets at year-end	3.0%	3.1%

Society Solvency Position

The Society's solvency position was closely monitored throughout the year and remains strong. The Solvency II balance sheet is set out below:

	31 December 2025 £000	31 December 2024 £000
Total Assets	36,147	34,116
Technical Provisions	22,243	21,406
Other Liabilities	708	652
Own Funds	13,196	12,059
Capital Requirements	4,248	4,232
Assets in excess of Capital Requirements	8,948	7,827

Society Solvency Position (continued)

Asset values have risen due to market movements. Technical provisions have increased due to increased bonus assumptions, including the allowance for future surplus distribution, and increased surrender factors. This has been partly offset by decreased expense assumptions.

With assets of £8.9m in excess of capital requirements, the Society's solvency position remains well-placed to protect members from market volatility. Our focus on operating with a strong balance sheet whilst actively managing cost efficiencies has enabled us to maintain a surplus that is higher than our risk appetite, despite a conscious decision to boost maturity values and surrender payouts for members by paying out more than would be justified by asset shares alone.

New Business Performance

We have continued to offer our products on a non-advised basis only, through our network of Representatives and Introducers and via our direct distribution channels.

Prior to 2022, the traditional Area Representative channel had been in decline for several years and the Society had encountered difficulty in recruiting new Representatives as existing ones retired. This problem was further exacerbated by the Covid-19 pandemic and the associated lockdown restrictions. However, since late 2023 and continuing into 2024 and 2025, the Society has seen the most significant expansion of the Representative channel since it was first created in the 1990's. This has been achieved by making a series of fundamental changes to the way in which the Representatives are supported by the Society. This includes assistance in gaining access to stations, support in working more effectively with members and local Depot Introducers and flexibility to work across wider geographical areas, through contribution towards expenses. Alongside, there has been a significant strengthening of the Society's approach to sales compliance.

In the year, 6,006 (2024: 4,828) new policies were admitted. These policies accounted for combined new sums assured of £14,908,662 (2024: £12,066,054).

We welcome the FCA's new targeted support approach, which we believe will enable consumers who currently sit outside the reach of full, individualised financial advice, to receive actionable financial guidance. We are currently assessing how targeted support could operate within the context of the Society's distribution channels.

New Business Analysis

The following table shows a comparison of the Society's average weekly new business levels over the last 5 years:

Year	Average New Business Weekly Premium Per Week £
2025	562
2024	454
2023	297
2022	257
2021	154

Policies Summary	2025	2024
Number of regular premium policies at 31 December	23,192	20,102
Number of Investment Bonds at 31 December	652	448
Number of members	5,214	4,635

Premiums earned for the year were £5,551,344, over 16% higher than the £4,749,798 achieved in 2024. The main driver of this was very strong growth in sales of the regular premium product.

Claims

Claims amounting to £5,143,866 were incurred during the year against £4,578,458 incurred during 2024. The vast majority of claims represent maturity payments for policies taken out 10 or more years ago. Maturity payouts were £4,065,717 during the year compared to £3,662,214 in 2024.

Payouts as a result of members surrendering their policies totalled £872,875 compared to £649,374 in 2024. During the period 2019-2023, surrender payouts per year averaged £928,685, so 2025 was more in line with long-term trends, although it should be noted that the percentage return to members surrendering early in 2025 was substantially higher than that given during the period 2019-2023.

Disablement claims were significantly lower in 2025 at £119,265 compared to £182,559 in 2024. Life assurance claims in 2025 at £86,009 were broadly similar to the amount incurred in 2024 at £83,805.

We are proud of the efficient way in which our friendly and professional head office team process claims. We strive to be there for our members when they need us most.

Investment Performance

We are pleased to report that in 2025 the investment portfolio managed by LGT Wealth Management delivered a robust total return of 7.9% after fees. This positive result was driven by our increased equity allocation, a strategic decision by the Management Committee in mid-2024, following a very substantial improvement to the Society's solvency position in recent years and in response to market analysis.

Following positive returns in 2023 and 2024, equity markets performed strongly, supported by ongoing corporate earnings growth, positive economic trends and declining central bank interest rates in major economies. The equity element of the portfolio returned +11% over 2025, with UK equities leading the way at 21.1%. Notably, Rio Tinto, HSBC and Astra Zeneca each delivered impressive returns of over 35%, whilst we also saw solid contributions from BP (+17%) and Shell (+15%). In North America, our diversified holdings produced a healthy +12.6% in sterling terms, despite an 8% drop in the value of the US dollar against sterling. US equity performance was led by Alphabet (+53%), Eli Lilly (+30%) and JP Morgan (+27%).

Fixed term investments remained stable, with overall returns of +5.6% over 2025, outpacing inflation. Gilts and corporate bonds delivered +5.1% and +6.7% respectively.

The overall movement of asset allocation towards a greater percentage in equities was a decisive factor in improved performance as equity outperformed fixed income. The higher equity weight contributed an estimated £340k in investment gains for the Society in 2025 alone. These gains directly support our mission to deliver value to members, as the ultimate owners of the Society.

Investment Performance (continued)

Investment income of £965,888 was generated in 2025 compared to £1,009,903 in 2024. Investment disposals incurred net realised losses in 2025 of £215,904 compared to £63,325 in 2024. At the end of the year, there were unrealised gains of £1,921,845, compared to £505,483 at the end of 2024.

The Society continued to work well with our property advisors, Walker Singleton, in the management of our commercial property portfolio. Despite the widely-reported challenges faced by some elements of the commercial property sector, the Society's portfolio delivered a solid performance in terms of income generation. The total rent generated from the property portfolio was higher than in the previous year at £338,282 compared to £305,789 in 2024. In November 2025, the Society completed the purchase of a new 2-bedroom terraced residential property near Burton-on-Trent, Staffordshire, for a total initial cost of £197,578.

The combined value of the Society's investment property holdings and its mixed-use head office property totalled £5,308,994 compared to the 2024 valuation of £5,048,041.

The With-Profits Fund generated an overall return of 7.9%.

A breakdown of the Society's investments by asset class, based on year-end values is shown below:

Asset Class	**2025**	**2024**
	%	**%**
Property	15.2	15.3
British Government / Local Authority Stocks	21.1	22.7
UK and Overseas Equities	18.0	14.2
UK and Overseas Fixed Interest Securities	18.1	18.7
Unit and Investment Trusts	25.9	27.0
Policy loans	1.7	2.1
Total	**100.00**	**100.00**

Investment Outlook

Looking forward, we believe that markets are currently focused on three main themes: geo-political developments, the impact of AI on global companies and monetary policy. Ongoing US political developments, including President Trump's actions and policy shifts continue to bring uncertainty. The US Supreme Court's ruling on import duties and subsequent tariff changes, as well as the more recent conflict in the Middle East, have led to market volatility, as the impact on inflation and economic growth remain unknown. In light of these dynamics, we continue to prioritise careful risk management and a close dialogue with our investment managers and Chief Actuary to ensure the resilience of our portfolio.

Net Operating Expenses

A key strategic priority for the Society over recent years has been to strengthen cost control and significantly reduce operating expenses as a proportion of premium income so as to improve the returns that our members receive on their policies.

Overall, net operating expenses increased from £1,049,454 in 2024 to £1,101,332 in 2025. Within this, acquisition costs increased from £297,739 in 2024 to £335,166 in 2025; this increase was mainly driven by an increase in new business, offset slightly by a more robust approach to the crediting of commission to Representatives and the imposition of commission clawback. Administrative expenses were broadly similar year-on-year at £766,166 in 2025 compared to £751,715 in 2024.

Net Operating Expenses (continued)

Taking a longer-term perspective, it is pleasing to note that administrative expenses as a proportion of premium income have fallen from 19% in 2019 (one year before creation of the new strategy) to 13.8% in 2025. Similarly, non-commission acquisition costs as a proportion of annualised new business generated have fallen from 21% in 2019 to just 5% in 2025.

Risk

The Management Committee is satisfied that strong risk management arrangements are in place and there is sufficient capital to mitigate the risks that the Society currently faces or may face in the future. The principal risks facing the Society and the procedures in place to manage them are as follows:

Counterparty risk – this is the risk that investment counterparties will not meet their obligations to the Society as they fall due. This risk is minimised by dealing only with counterparties having strong credit ratings, restrictions on the types of assets held and spreading the investments over a diverse portfolio. This acts to dilute the impact of any single default occurrence.

Liquidity risk – is where there are insufficient readily available assets to meet liabilities to policyholders as they fall due. The nature of the Society's claims is such that we are able to plan for when policies mature and the cashflows of premium collections through the train operating companies are monitored closely. Additionally, the Society maintains holdings of cash and other easily realisable assets. It is considered that this risk is minimal.

Market risk - can stem from fluctuations in the valuations of assets, income from assets or interest rates. Whilst benefiting from a significantly stronger balance sheet in recent years, the Society's investment strategy remains balanced and we work closely with our Chief Actuary and investment managers to maximise income streams whilst managing our exposure to sectors, asset classes and maturity spreads. The Society is able to map policy maturity profiles and where appropriate match investment maturities to suit.

Life Underwriting risk – is where the actual claims experience might be different to what had been predicted. This could be in respect of death or disability claims, policy surrenders or lapses. Claims experience is reported to the Management Committee and deviation from expectations and adverse trends is monitored. The Society's Chief Actuary uses claims data when undertaking the actuarial valuations as does the With-Profits Actuary when making recommendations on bonus rates and surrender value factors.

Operational risk – this refers to potential loss arising from inadequate or failed internal processes, people, systems or external events. It also encompasses legal, information systems and regulatory risks. The Society's Chief Executive and Finance Manager have a responsibility to understand how operational risks can impact all areas of the business and to put in place measures to mitigate these risks. It also applies to weaknesses, both perceived or real, in the business model and the effectiveness of the distribution channels. Given that the Society has stable systems that it has operated for many years, this is considered to be a low risk.

Investment performance – this is particularly relevant during a prolonged period of market volatility. Weak investment performance can lead to a reduction in the value of assets and a reduced solvency position. To mitigate these risks, professional investment managers and property managers are engaged to manage the Society's investment portfolio. They work within the asset allocation parameters agreed with the Management Committee and the Chief Actuary and on a regular basis provide data to the

Risk (continued)

Society's management. The Management Committee also reviews the fund performance on a regular basis. The Society performs stress tests and has detailed plans in place to deal with any unexpected adverse market movements.
Climate change risk – this being the risk that the Society does not adapt to and mitigate the impacts of climate change in all affected areas of its business. In line with recent regulatory guidance, the focus is on the physical risk (e.g. our property holdings); risk management (ensuring our systems and processes take climate change into account) and member assets (ensuring our investment portfolio has a responsible Environmental, Social and Governance (ESG) approach that incorporates climate change). Further detail on the Society's approach to climate change is set out in the Climate Change section of this Strategic Report.

Cyber security risk – this being the risk of data loss or a severe reduction in customer service as a result of a cyber event. Disruptive attacks, such as ransomware, are a lucrative revenue source for criminals and rogue states. The threat of external cyber-attacks remained high during 2025, particularly for small and medium-sized businesses. The Society took measures to strengthen its cyber security during the year, including upgrading its server and having robust cloud back-up arrangements in place.

Conduct risk – this is the risk of poor member or customer outcomes. During 2025, we took measures to improve customer outcomes following a review of our Fair Value Assessments and Target Market Statements, as part of the ongoing implementation of the FCA's Consumer Duty. The Management Committee and With-Profits Advisory Arrangement also considered the implications of the FCA's thematic review of the mutual sector.

Member Reward

At Railway Enginemen's we never lose sight of the fact that our sole purpose is to serve the needs of our members by providing them with relevant products and services, supported by first class customer service. We have always sought to share our success with the membership through the addition of bonuses to their policies. The Management Committee is pleased to maintain annual bonus rates on both the regular premium policies and the Investment Bond for 2025. In addition, the Management Committee is pleased to report further increases to final bonus rates. This mechanism, which was first introduced in 2018, aims to reward members by giving them a fair share at maturity or when making a death or disability claim of the investment returns earned over the lifetime of their policies, after taking into account, for example, expenses and the effects of smoothing.

Annual (reversionary) bonuses on regular premium policies, which apply as a percentage of the sum assured, are set out in the following table, together with the annual bonus rate for the Investment Bond product, which applies as a percentage of the bond fund value:

	2025 **Bonus Rate %**	**2024** **Bonus Rate %**
Regular premium policies issued before 2018	2.25	2.25
Regular premium policies issued after 2017	2.50	2.50
Investment Bond	3.75	3.75

Member Reward (continued)

The final bonus rates (as a percentage of sum assured and annual reversionary bonuses already applied) applicable to regular premium policies during 2025 were as follows:

Maturity or Death / Disability Claim 01/01/25 – 30/06/25		Maturity or Death / Disability Claim 01/07/25 – 31/12/25	
Inception Year	**Final Bonus Rate %**	**Inception Year**	**Final Bonus Rate %**
1985-1997	26.50	1985-1992	32.50
1998-2000	20.50	1993-2000	27.75
2001-2006	21.00	2001-2006	28.00
2007-2013	11.00	2007-2014	16.25
2014-2019	7.75	2015-2019	13.25
2020-2023	18.25	2020-2024	25.75

Climate Change

Climate change is becoming an increasingly important issue for people and policymakers across the world. The Management Committee recognises that climate change is a fast-moving issue that will require ever greater attention in the years to come. Tackling climate change is a shared global responsibility and all organisations have a part to play. As a mutual insurer, Railway Enginemen's is conscious of the impact of climate change on our members, the railway industry and the wider community and is actively working to reduce its own environmental impact whilst seeking in a very small way (given our limited scale) to contribute to the transition to a low carbon economy through the management of its investment assets.

<u>Governance</u>

The Management Committee has overall responsibility for setting the risk appetite and strategic direction of the Society, including climate-related risks and opportunities. It can confirm that climate change was discussed at Management Committee level during 2025. The Management Committee has received updates from LGT Wealth about the risks and opportunities of climate change and has developed its understanding of the risk exposure of the Society's investments from various Environmental, Social and Governance (ESG) perspectives.

The Chief Executive has overall responsibility for managing the financial risks of climate change as a Senior Management Function holder.

We are looking to develop our governance, risk management and target setting as we recognise the impact that climate related changes have on our business and the wider environment.

<u>Strategy</u>

Climate change issues are very important to the Society and bring both risks and opportunities to our business and those that we invest in.

The Society's exposure to climate-related risks is largely through its investment portfolio. Most of the portfolio is managed by LGT Wealth. LGT Wealth integrate ESG factors when managing the portfolio. A sector-specific risk assessment is used, which is tailored to the unique features of each sector. This aims to identify potential risk and opportunities, ensuring a nuanced understanding of each company's long-term viability and financial performance. This considers environmental stress factors, such as extreme weather risks, resource requirements and potential litigation.

Climate Change (continued)

Operational

As a responsible member-owned business, we are also firmly committed to playing our own part, however small, in helping to tackle climate change. We have reviewed the Society's operating model to identify changes to working practices which will lower our carbon footprint. This has included taking the following specific actions:

- made increased use of electronic communications with our members and train operating companies to reduce postage and paper usage
- sales literature and application forms are printed on sustainably sourced paper
- video-conferencing is used for various business meetings to reduce carbon emissions
- Management Committee members normally travel by train to board meetings to reduce our carbon footprint
- sustainability principles are considered when choosing suppliers, outsourcers and other business partners

The Society has also made significant efforts in recent years to reduce its energy consumption and make long-term sustainable improvements to energy efficiency within its own office building. The impact of this has been very significant. For example, between 2019 and 2025, the Society's gas usage fell by approximately 55% from 70,532 kwh to 31,569 kwh, whilst electricity usage fell by approximately 51% from 13,903 kwh to 6,758 kwh.

At the present time, the Management Committee does not believe that the potential impacts of climate-related risks will have any material impact on the Society's overall strategy. However, this position will be kept under regular review.

Risk Management

- The Society has identified the climate change related risks and opportunities as shown in the following tables:

Climate Change Risks	
Transition Risks	**Description and Impact**
Market	There is a risk to the value of equities and bonds held by the Society due to lower economic growth arising from the transition to a low carbon economy. Certain equities and bonds could fall disproportionately e.g. extractors of fossil fuels. This could lead to a weakening of the Society's solvency and lower returns for members.
Property	Income from the property portfolio could be impacted by adaptation costs necessary to transition assets to low carbon technology and exposure to tenants that are negatively impacted by climate change. This could lead to a weakening of the Society's solvency and lower returns for members.
Regulatory	The Society could incur higher than expected costs to comply with climate-related regulatory requirements. This could lead to pressure on the Society's overall cost base.

Climate Change Risks (continued)	
Physical Risks	
Property	The property portfolio could be impacted by the extent of resilience of physical assets to changing weather and climate, their energy efficiency and compliance with climate-related legislation. This could lead to a weakening of the Society's solvency and lower returns for members.
Underwriting	The physical impact of climate change could cause changes to mortality and/or morbidity rates. This could lead to increased death and disability claims and an increase to the Society's technical provisions.
Market	The railway industry could decline if a move to home working reduces commuter journeys. This could lead to lower new business levels.
Operational	The physical impacts of climate change could result in disruption to our distribution channels and business critical suppliers. This could lead to lower new business levels and increased costs.

The Society's exposure to climate change risks is assessed through its risk management arrangements, including the Forward-Looking Assessment of Solvency and Reverse Stress Testing exercises. Actions to protect the With-Profits Fund could be taken in accordance with the Risk and Capital Management Policy and the Solvency Management Action Plan. Operational risks are also considered as part of business continuity / disaster recovery arrangements.

Climate Change Opportunities	
Opportunities	**Description and Impact**
Market	The Society could look to further develop the ESG measures for its With-Profits Fund and promote this to members. This could lead to higher new business levels.
Market	The Society could look to increase its exposure to companies that are more likely to benefit from the transition to a low carbon economy. This could lead to higher returns for members.
Operational	A move to flexible home working could lead to lower operating costs.

Scenario Analysis

The PRA indicated in Supervisory Statement 3/19 that insurers should be scenario testing for the potential effects of climate change. As part of the Forward-Looking Assessment of Solvency exercise undertaken in 2025 relating to 31 December 2024, the following combination of scenarios was considered:

- New business premium is 50% of that expected, with a consistent drop in the number of policies
- Expenses in general are 20% higher than expected, plus inflation increasing by 2.5% pa above that expected in the central run base case
- Increase in mortality and morbidity of 50%
- 20% sudden drop in equity and property values (at 31 December 2024) and no change in respective yields (i.e. income reduced by 20%)
- 3.0% pa fall in bond yields, including risk-free rates throughout projection.

Climate Change (continued)

This combined scenario would have a very adverse impact on the Society's solvency. In reality, it is unlikely that the effects would happen at the same time and as quickly as modelled and the Society should be able to take measures to protect its solvency in accordance with the Solvency Management Action Plan and Risk and Capital Management Policy.

Future Developments

Over the past five years, the Society has made transformational progress by returning to the values and principles on which it was founded in 1865 and putting members at the heart of everything we do. This has resulted in positive performance across all areas of the business, with substantial growth in premium income, policy numbers and membership. In 2025, the combined impact of new distribution channels gaining traction and the renewal and rapid growth of our traditional Representative channel has led to the highest levels of new business in the Society's history. Whilst early surrenders of policies are higher than in 2024, they are significantly below average historic levels, meaning that members are, in general, retaining their policies for a longer period of time.

Over the same period, the Society has operated with a significantly lower cost base (excluding commission payments and as a proportion of premium income) than it had done for many years, despite the effects of high inflation and conscious decisions to invest in key priority areas for the business, including ICT, cyber security, regulatory compliance, business development and operational resilience.

The Society has also achieved a substantial improvement to its solvency position in recent years, with surplus in excess of capital requirements at the end of 2025 of over just under £8.9million, compared to just £2.1million at 31 December 2016. Most importantly, this improvement to business performance and financial strength has enabled the Society to share its success with its members through significant improvements to maturity and surrender payouts. The Society has implemented plans to reduce its large surplus over the next 5-10 years through paying out bonuses and surrender value factors above those that are justified from asset shares alone.

The outlook for Railway Enginemen's looks very positive. Our focus continues to be on ensuring that the Society remains a strong, sustainable, member-focused business for many years to come. We are confident of being able to deliver our growth plans without placing undue pressure on our capital resources. The strategy will continue to be to grow the business organically at a manageable rate, whilst keeping a tight control on costs. We will also make investments in technology to improve our efficiency and operational resilience and comply with regulatory requirements as we build a modern mutual friendly society ready to face the ongoing challenges of the 21^{st} century.

Our people are our greatest strength and we would like to thank our staff for their continued dedication in supporting the membership. Finally, to our members, we would like to thank you for your loyalty and support and for placing your trust in the Society. We have been here since 1865 and we look forward to continuing to play a valuable role for Railway Enginemen's members today and for generations to come.

Approved by the Management Committee on 28 May 2026 and signed on its behalf.

J W Goolamier
Chair

REPORT ON CORPORATE GOVERNANCE

The Society is committed to adopting best practice in Corporate Governance. As a member of the Association of Financial Mutuals (AFM) it uses the AFM's Corporate Governance Code to demonstrate this. The Code comprises six Principles:

- Purpose and Leadership
- Board Composition
- Director Responsibilities
- Opportunity and Risk
- Remuneration
- Stakeholder Relationships and Engagement.

The Management Committee confirms that the Society has applied the AFM Code throughout the year ended 31 December 2025.

The Principles of the AFM Code are not designed to override or be intended to interpret directors' duties as set out in the Companies Act 2006; rather they are there to support directors in meeting the requirements in section 172 of the Companies Act which apply to all directors regardless of ownership or size of organisation. The Principles themselves are designed to provide a tool to help the Society to raise its corporate governance standards to a higher level and help improve engagement with stakeholders.

This report sets out how the Principles of the Code were adopted by the Society during 2025.

PRINCIPLE ONE: PURPOSE AND LEADERSHIP

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

Purpose

The Society was founded in 1865 when its sole purpose was to provide support to railway workers. At a time when the country did not operate as a welfare state and when railway companies offered little or no financial support in times of loss or distress, this is where the Society could lend a hand. The initial aim was to provide financial support to its members and their families in situations of death or of permanent incapacitation from carrying out their normal duties.

Although we have seen the subsequent introduction of the welfare state, provision of employer schemes and the abundance of other private financial planning opportunities, Railway Enginemen's has continued to this day to remain true to the philosophy of its original concept, aims and purpose. The Society remains committed to providing competitive products that work for its members. The principal activity of the Society is the provision of insurance-based investment products that meet the needs of existing and prospective members. The Society aims to grow its scale to maximise member value.

The Management Committee is responsible for the promotion of a clear and collective vision for the Society. It is firmly committed to ongoing dialogue with members, employees and other stakeholders about the Society's purpose.

Values and Culture

The Society is committed to the mutual model of doing business. The Society's values and culture place members at the heart of everything we do. The Management Committee firmly believes that this culture

Values and Culture (continued)

is critical to the Society's competitive advantage and the creation and protection of long-term value. The Society lives out its values through practices that ensure that the business acts with integrity, treats people fairly, is open and transparent, is commercially focused and acts with due care at all times.

The Management Committee sees its role as being to set the tone from the top for the Society's governance, culture and values and take responsibility for its long-term success. It aims to ensure that the culture and values are demonstrated throughout the Society, including by staff, Representatives and Introducers. It also strives to comply with all relevant laws and regulations and administer the business in accordance with high standards of internal control and risk management.

A healthy culture is critical to the success of any business, especially for a friendly society. The Management Committee monitors indicators of a healthy culture throughout the year including feedback from members. The very positive feedback that the Society receives from its members reflects the loyalty, professionalism and dedication of our staff.

Strategy

The overall aims of the Society are to:

- meet its contractual obligations to members,
- provide its members with competitive products that meet their needs,
- maintain a strong financial position to protect members from changes in investment conditions,
- provide first class customer service.

During 2025, the Management Committee continued to develop the business strategy and the opportunities that it presents for our members. All staff, led by the Chief Executive, hold collective responsibility for its implementation; they regularly consider how they can contribute to its delivery through their everyday work. Further information about the Society's strategy, objectives and performance can be found in the Strategic Report.

PRINCIPLE TWO: BOARD COMPOSITION

"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation."

Balance and Diversity

The function of the Management Committee is to oversee the business of the Society in accordance with its Rules, statute and regulatory requirements. The Society believes that the Management Committee is more likely to be effective if Directors come from a range of backgrounds and contribute a breadth of perspectives and experiences.

At 31 December 2025, the Management Committee comprised a Chair, Chief Executive, two Independent Professional Non-Executive Directors and three Member Non-Executive Directors. All Directors have equal voting rights when making decisions, except the Chair, who has a casting vote. An 'Independent Professional Non-Executive Director' is classed as one who possesses an appropriate professional qualification or who has recent and relevant experience within the financial services industry. A 'Member Non-Executive Director' is classed as one who is drawn directly from the membership and has a knowledge of the railway industry in which the Society mainly operates.

Balance and Diversity (continued)

The Management Committee believes that the balance of knowledge, experience, skills and independence is appropriate, although it continues to monitor the situation to comply with regulatory requirements and to reflect the Society's strategy.

The Management Committee has adopted a Diversity Policy and recognises that greater diversity in gender and ethnic background could benefit the Society. The Management Committee also recognises that diversity of thought brings a richness of debate that is vital to its effectiveness. It specifically takes account of diversity principles in Management Committee succession and recruitment activity. However, competence relevant to the needs of the business remains the overriding criterion for appointment.

Size and Structure

Non-Executive Directors of the Management Committee are elected by the membership at Annual General Meetings. In addition, between Annual General Meetings the Committee has the power to co-opt other Non-Executive Directors. All members of the Management Committee are required to hold a policy with the Society. The size of the Committee is determined by the Society's Rules and is currently within the range of a minimum of 6 and a maximum of 12.

Members co-opted to the Management Committee are required to put themselves forward for election at the Annual General Meeting following their co-option. Appointments, initially for a three-year period, are based on objective criteria and aimed at providing the overall balance of skills and experience necessary for an effective Committee. Each Non-Executive Director is required to seek re-election at regular intervals and at least once every three years.

The Management Committee does not consider that the use of external recruitment consultants is essential in the identification and selection of Non-Executive Directors.

Independence

The Management Committee has assessed the independence of each Director against the criteria set out in both the AFM Code and the Financial Reporting Council (FRC) Corporate Governance Code. As at 31 December 2025, three of the six Non-Executive Directors have served on the Management Committee for terms of nine consecutive years or more and therefore cannot be deemed to be fully independent; in all cases it is considered that this has not adversely influenced their judgement, integrity or independence of mind. All three were re-elected to the Management Committee by the membership at the Annual General Meeting in June 2025. The specific railway industry experience and knowledge acquired by each of them are believed to enhance the contribution they are able to make to the Society and to the membership.

The Management Committee considers all its Non-Executive Directors to be independent in character and judgement as per the criteria set out in the Code.

In order to open the matter for decision by the Society's members, any Non-Executive Directors who have served for more than nine years will put themselves forward annually for re-election.

Succession Planning

The Management Committee considers succession planning on a regular basis. Appointments to the Management Committee are subject to a formal and transparent process, are based on merit and objective criteria, and seek to promote diversity of gender, social and ethnic backgrounds as well as cognitive and personal strengths.

Lee Davies, who also serves as Senior Independent Director (SMF 14), informed the Management Committee in late 2025 that he intends to retire from the Management Committee in June 2026. Since the year-end, the Management Committee has started a process to determine his successor as Senior Independent Director.

Effectiveness

The Management Committee undertakes periodic evaluations of its performance as a Committee. The results of this exercise help to inform the training requirements of Committee members and skills gaps that need to be addressed through succession planning.

Members of the Management Committee participate in training, which is designed to address, amongst other issues, regulatory developments, product awareness, money laundering, data protection, corporate governance, actuarial concepts and the Society's Financial Statements. Additionally, presentations made by the Society's Actuary and by the Investment Managers are designed to further enhance Committee skills.

The Society carries insurance that indemnifies members of the Management Committee, the Chief Executive and the Finance Manager to the extent permitted by law in respect of liabilities incurred as a result of their office.

Chair

The Chair is responsible for the leadership of the Management Committee, the conduct of its meetings and for ensuring that it acts effectively in the discharge of its duties. The Chair is responsible for creating a culture of mutual respect and openness so that all Committee members are able to make an effective contribution. Ethical leadership and the promotion of the highest standards of integrity, probity and governance are key duties of the Chair.

The Chair is Non-Executive and there is a clear division of responsibilities between the Chair leading the Management Committee and the Chief Executive being responsible for running the Society's business.

The Code indicates that the Chair on appointment should meet specific independence criteria. In 2013, Joe Goolamier was elected as Chair, having been appointed to the Committee in 2002. Consequently, at the time of his appointment, he did not meet the independence criteria as specified by the Financial Reporting Council.

Senior Independent Director

The Senior Independent Director supports and acts as a sounding board for the Chair and is able to act as an intermediary for members, stakeholders and other directors. One aspect of this role, in line with the requirements of the Code, is to provide members with a point of contact other than the Chair or Chief Executive. Members having concerns about the Society's business are encouraged to write to the Senior Independent Director, care of the Society's head office. The correspondence will be passed on unopened

Senior Independent Director (continued)

to him. The current Senior Independent Director, Lee Davies, has now served for more than nine years and so cannot be classed as fully independent in accordance with the criteria specified by the Financial Reporting Council. As previously stated, Mr. Davies intends to step down from this role in June 2026.

Non-Executive Directors

Non-Executive Directors participate fully in decision-making and provide advice, support and challenge to the Chief Executive and senior management, as appropriate.

Combination of Society Secretary and Chief Executive Roles

The Chief Executive and Society Secretary is Marc Bicknell. The Management Committee remains satisfied, based on the scale and nature of the business, that this combination of the Chief Executive and Society Secretary roles is appropriate.

Society Secretary

Members of the Management Committee have access to the Society Secretary who is responsible for ensuring that the Committee follows proper corporate governance processes. Independent external professional advice is also available to all Committee members, at the Society's expense, where it is deemed to be appropriate in the discharge of their duties and responsibilities as Committee members. The Society Secretary is responsible for advising the Chair and the Management Committee on all governance matters, ensuring that meetings are properly minuted, procedures are followed and that there is a good flow of information.

Chief Executive

The Chief Executive leads the day-to-day management of the Society, within authorities delegated by the Management Committee to meet its strategy and purpose. He ensures that the Society operates within high ethical standards and regulatory requirements. He is accountable for the Society's financial and operational performance and is responsible for the appointment and dismissal of staff.

PRINCIPLE THREE: DIRECTOR RESPONSIBILITIES

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

Accountability

Good governance ensures that the Society has the right safeguards in place and enables every decision it takes to be underpinned by relevant considerations. The Society's Corporate Control Manual and Management Responsibilities Map provide clear lines of accountability and responsibility. The Society's Rules include matters relating to the authority, role and conduct of Management Committee members and the principal rights and responsibilities of members of the Society.

As a financial services business, the directors are bound by the Financial Conduct Authority's Code of Conduct which sets out certain rules to be adhered to. These regulatory responsibilities include acting with integrity, acting with due skill, care and diligence, being open and co-operative with the regulators,

Accountability (continued)

paying due regard to the interests of customers and treating them fairly and observing proper standards of market conduct.

The Society operates under the direction of the Management Committee, with day-to-day operational responsibility for the business delegated to the Chief Executive. The strategic direction of the Society, performance against annual and long-term plans and targets, monitoring of the business and reviewing the Terms of Reference of sub-committees remain within the remit of the Management Committee. The Management Committee has ultimate responsibility for ensuring that the Society is run efficiently for the benefit of its members and that all its members are treated fairly.

There are certain decision-making powers that are reserved for the Management Committee. These include:

- Declaration of bonus rates and the exercise of discretion in the management of the With-Profits Fund
- Approval of the Annual Report and Financial Statements
- Approval of the Own Risk and Solvency Assessment
- Appointment and dismissal of the Chief Executive
- Approval of the Business Plan and budgets

All Directors declare their interests on a periodic basis and any potential conflicts of interests are openly documented and managed. Were potential conflicts to arise, appropriate safeguards would be put in place.

Integrity of Information

The Management Committee receives regular and timely information on all key aspects of the business, including financial performance, strategy, operations, risks, market conditions and compliance. There are formal and robust internal processes to ensure that systems and controls are operating effectively.

Management Committee papers are expected to be high quality and are used to generate appropriate discussion and challenge, leading ultimately to well-documented and effective decision making.

Members of Management Committee

Details of the members of the Management Committee of the Society who have served during the year are as follows:

Joe Goolamier	Joe joined the Management Committee in 2002 and currently serves as Chair. He is retired from his role as Duty Resources Manager with WAGN operating at Kings Cross. Joe holds the full FPC qualification.
Moira Casey	Moira joined the Management Committee in 2016. She served as Deputy Chair and as a member of the Audit & Risk Management sub-Committee. Moira is a retired Actuary and brought substantial experience of life and pensions office operations and Solvency II project work to the Society. Moira retired from the Management Committee on 31 March 2025, having served for nine years.

Members of Management Committee (continued)

Joe McKenna	Joe joined the Management Committee in 2006 and currently serves as a member of the Audit & Risk Management sub-Committee. A driver with Cross Country Trains operating out of Manchester, Joe is a law graduate and a qualified solicitor.
Marc Bicknell	Marc joined the Management Committee in 2017 following the granting of regulatory approval for his appointment as Chief Executive. Marc, a graduate and Chartered Accountant, has substantial management and Board level experience, including non-executive experience within the friendly society sector. He is a Non-Executive Director of Central England Co-operative Society Limited.
Lee Davies	Lee joined the Management Committee in 2013 and has served as the Society's Senior Independent Director since 1 August 2019. He is qualified to FPC 1 level and is a driver with Cross Country Trains operating out of Newcastle.
David Storrie	David joined the Management Committee in 2017 and currently serves as a member of the With-Profits Advisory Arrangement. An operational driver trainer with Northern Trains Limited based at Leeds, David has also previously served as a national list football assistant referee.
Andrew Townsley	Andrew joined the Management Committee in April 2019 and currently serves as Chair of the Audit & Risk Management sub-Committee. Andrew has over 40 years' experience in the financial services industry, most of which have been spent in the mutual sector. In 2016 he retired as Chief Executive of Kingston Unity Friendly Society Limited. During his career he also served as Chief Executive of Sheffield Mutual Friendly Society, Deputy Chief Executive of Vernon Building Society and General Manager of Barnsley Building Society.
Simon Jeffery	Simon joined the Management Committee in November 2024 and currently serves as a member of the With-Profits Advisory Arrangement. Simon is a qualified actuary and a fellow of the Institute and Faculty of Actuaries. Simon has over 35 years' experience of actuarial work, including in both proprietary and mutual life offices. His specific areas of expertise include product development and pricing, reinsurance, Solvency II reporting and With-Profits management. Outside of work, he is a South-West Blood Bikes rider and a Dartmoor National Park voluntary warden.

Senior Management

Chief Executive & Society Secretary:

Marc Bicknell	Appointed 2017. Chartered Accountant

Finance Manager:

Lynsey Inglis	Appointed 2012. Chartered Accountant

Attendance at Meetings

Individual attendances at meetings during the year were as follows:

	Management Committee	Audit & Risk Management sub-Committee	With-Profits Advisory Arrangement
J W Goolamier	3/4	N/A	N/A
J McKenna	4/4	5/5	N/A
M A Bicknell *	4/4	5/5	4/4
M A Casey **	1/1	1/1	N/A
L P Davies	2/4	N/A	N/A
D I Storrie	4/4	N/A	4/4
R A J Townsley	4/4	5/5	N/A
S L Jeffery	4/4	4/4	4/4

* Marc Bicknell, the Chief Executive, is not a member of the Audit & Risk Management sub-Committee or the With-Profits Advisory Arrangement but participated in meetings as Secretary.
** Moira Casey retired from the Management Committee on 31 March 2025.

Audit & Risk Management sub-Committee

The main responsibilities of the Audit & Risk Management sub-Committee are to:
- review the effectiveness of the Society's financial and regulatory reporting;
- review the arrangements for identifying and evaluating risks in relation to the Society's current and future activity in accordance with the Business Plan;
- monitor the role and effectiveness of the external audit process including a review of the external auditor's appointment, fees and independence;
- monitor the role and effectiveness of the internal audit function including a review of the internal auditor's appointment, fees and independence.

The Audit & Risk Management sub-Committee met five times during the year. The sub-Committee has unfettered access to both the internal and external auditors and, equally, the audit firms have open access to the sub-Committee and to the Management Committee as deemed appropriate.

In addition to monitoring the external audit from the outset of the planning stage, the sub-Committee also considers the significant findings and recommendations arising from the audit of the Society's Annual Report and Financial Statements.

It is considered that the members of the sub-Committee possess the necessary mix of skills and knowledge of the Society that enables them to exercise appropriate judgements and bring challenge and debate to issues as appropriate. Two out of three members of the Audit and Risk Management sub-Committee, including the Chair, are Independent Professional Non-Executive Directors, one of whom is a qualified actuary.

Review by the Audit and Risk Management sub-Committee of Significant Judgements, Key Assumptions and Estimates

The Audit & Risk Management sub-Committee pays particular attention to matters it considers to be important by virtue of the impact on the Society's results or the level of complexity, judgement or estimation involved in their application to the Financial Statements. The main areas of focus are set out in the table below:

Area of Focus	Audit and Risk Management sub-Committee Action	Conclusion / Outcome
Actuarial valuation data quality	The sub-Committee reviewed the year-end valuation Data Report, as produced by the Chief Actuary, which provided assurance on the controls in place around the year-end valuation.	The sub-Committee was satisfied with the controls in place around the valuation of assets and liabilities.
Key assumptions	The sub-Committee reviewed the Advice on Assumptions and Methodology Report, as produced by the Chief Actuary in relation to the year-end valuation. Key areas of focus included mortality, morbidity, lapses, risk-free rates, expenses, tax, volatility of assets, surrender values, bonus rates, loss absorbency and capital requirements.	The sub-Committee was satisfied with the assumptions and methodology which were used.
Valuation of assets	The sub-Committee reviewed the processes and practices followed in valuing assets and ensured that these were based on or derived from externally available data, with external confirmation in those areas more open to judgement, for example property valuations.	The sub-Committee was satisfied with the processes and practices in place for the valuation of assets.
Financial and Regulatory Reporting	The sub-Committee received drafts of the Annual Report and Financial Statements and the Solvency and Financial Condition Report (SFCR). The sub-Committee considered whether the reports taken as a whole were fair, balanced and understandable, providing information necessary for members, regulators and other stakeholders to assess the Society's performance and strategy.	The sub-Committee determined that the reports did meet these criteria and could be recommended to the Management Committee for approval.

With-Profits Advisory Arrangement

The purpose of the With-Profits Advisory Arrangement (WPAA) is to protect the interests of With-Profits policyholders and ensure that the With-Profits Fund is managed in accordance with the Principles and Practices of Financial Management (PPFM). The WPAA is advisory in nature i.e. it is not a decision-making body; instead its role is to inform the decision-making of the Management Committee.

Up to 23 February 2025, the WPAA comprised four members of the Management Committee, including a retired actuary. From 24 February 2025, the WPAA has comprised two members of the Management Committee, one of whom is a qualified actuary, acting in their capacities as SMF 15 Chair of With-Profits Committee. It is supported by the With-Profits Actuary.

The main responsibilities of the WPAA are to:

- assess, report on and provide advice to the Management Committee on the manner in which the With-Profits business is administered in accordance with the PPFM;
- review the way in which the Management Committee exercises its discretion in the administration of the With-Profits Fund including matters relating to the calculation and application of asset shares, smoothing and bonus calculations;
- challenge any significant changes to the risk profile or investment strategy of the Society;
- assess the performance of the With-Profits Actuary.

The WPAA met four times during the year. The WPAA has unfettered access to the With-Profits Actuary and, equally, the With-Profits Actuary has open access to the WPAA and Management Committee as deemed appropriate.

It is considered that both members of the WPAA possess the necessary mix of skills and knowledge of the Society that enables them to exercise appropriate judgements and bring challenge and debate to issues as appropriate.

Remuneration Committee

The Society does not have a separate Remuneration Committee. The functions of a Remuneration Committee are carried out by the Management Committee. This arrangement is considered appropriate given the scale and nature of the business.

Nominations Committee

The Society does not have a separate Nominations Committee. The functions of a Nominations Committee are carried out by the Management Committee. This arrangement is considered appropriate given the scale and nature of the business.

PRINCIPLE FOUR: OPPORTUNITY AND RISK

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

Opportunity

The Management Committee assesses how the Society can create and preserve value for its members within an agreed risk appetite. Its focus is to promote and deliver long term value and the Management Committee retains the responsibility for strategic decision making and the approach to business opportunities that arise.

The Management Committee regularly reviews progress against the Business Plan, both at formal meetings and through monthly management reporting. For any material issues impacting the strategy, the Management Committee considers the resilience of the business from a financial, capital and operational perspective and assesses whether any tactical or strategic changes are needed.

Risk

Effective risk management is fundamental to the Society's strategy as it protects members' funds, ensures the efficient use of capital and helps to deliver the Business Plan. The Society manages its risks within a defined framework. The framework comprises the Risk Appetite Statement, the Capital Assessment of Risks and the Key Risks Summary.

The Society assesses its risks on an ongoing basis throughout the financial year. Key risks, and the mitigating actions and controls in place to manage them, are recorded in the Key Risks Summary.
The Society's Risk Appetite is reviewed on a regular basis as new risks emerge, or at least annually. The Risk Appetite Statement is translated into risk thresholds and risk trigger points, which are used to manage the Society's solvency.

The Society's Own Risk and Solvency Assessment (ORSA) is a rolling process that provides a detailed analysis of the Society's capital adequacy, risk management and forward-looking perspective. This is achieved using a combination of internal, actuarial and regulatory documents and information to report appropriately on the Society's financial position. The ORSA is carried out in accordance with the Society's ORSA Policy. The intention of the ORSA is to develop an understanding of the risks that the Society is exposed to and the associated capital requirements, thereby improving business decision-making processes.

Further information on the principal risks facing the Society can be found in the Strategic Report.

Responsibilities

Ultimate responsibility for identifying and managing the risks faced by the Society rests with the Management Committee whilst the Audit & Risk Management sub-Committee has responsibility for the detailed scrutiny of risk management issues.

The Society has adopted Three Lines of Defence principles in its risk management framework. The First Line of Defence is the management activity, checking and validation carried out in accordance with established policies and procedures. The Chief Executive is responsible for the First Line of Defence. The Second Line of Defence is the Risk Management function, which seeks to ensure conformity with risk, actuarial and compliance policies and procedures. The Finance Manager, as Chief Risk Officer, is

Responsibilities (continued)

responsible for the Second Line of Defence and maintains the Key Risks Summary. The Third Line of Defence is the Internal Audit function, which provides an independent, objective and critical assessment of the design and effectiveness of the Society's internal control, risk management and governance arrangements. The Chair of the Audit & Risk Management sub-Committee has regulatory responsibility for ensuring the effectiveness and independence of Internal Audit. An independent firm of Chartered Accountants is engaged to provide Internal Audit services to the Society. Their programme of work is agreed in advance with the Audit & Risk Management sub-Committee to which they report their findings.

Internal Control

The Management Committee is responsible for the Society's system of internal control and for reviewing its effectiveness, including outsourced activities. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material loss or misstatement. The Management Committee actively seeks to minimise the exposure to unnecessary risks and, in doing so, takes into consideration the materiality of the risks to be managed and the cost effectiveness of risk mitigations.

There is a clear organisational structure with defined authority limits and reporting mechanisms to the Management Committee, which supports a strong control environment. There is a monthly financial and operational reporting system that enables monitoring against annual and long-term budgets and business plans and the identification of variances which can be measured and reported upon. There are annual reports by the Chief Actuary, who is operationally independent of the Society, on the Society's technical provisions, capital requirements and solvency position.

PRINCIPLE FIVE: REMUNERATION

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

Remuneration Policy

The principles underlying the remuneration policy of the Society apply to all employees. These include the following:

- the total remuneration package needs to be sufficient to attract and retain high-calibre individuals, whilst demonstrating value for money for the Society,
- the remuneration package should be appropriately constructed so that it contributes to the retention and motivation of key individuals,
- remuneration packages should reflect the individual's role and responsibilities.

All employees receive a fixed salary that is appropriate to their role. In addition, employees may be awarded small bonus payments to reflect their performance and contribution to the Society's objectives.

The Society is an equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives fair treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit.

Remuneration Policy (continued)

Non-Executive Directors of the Management Committee are remunerated by way of an annual fee and a meeting attendance allowance. In addition, reasonable expenses, e.g. travel and subsistence incurred in the course of Society business, are reimbursed. Non-Executive Directors are not entitled to join the Pension Scheme.

Further information on the remuneration of the Management Committee and the Chief Executive is set out in the Remuneration Report.

PRINCIPLE SIX: STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

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

General

The Management Committee is clear that stakeholder engagement is central to good governance. It is vital to the delivery of the Society's purpose and to protect its brand, reputation and relationships with all our stakeholders, including members, employees, suppliers and the railway industry in which we operate.

Members

The Society is fully committed to maintaining a strong relationship with its entire membership and encourages feedback and comment on the way it conducts its business. Several of the Non-Executive Directors on the Management Committee work in the railway industry from which the vast majority of the membership is drawn and have regular contact with them. They are directly aware of the issues affecting the membership, particularly with regard to employment issues and train operating company franchises. They actively seek members' comments, feedback and participation.

Members can attend the Annual General Meeting and notice is provided at least 20 working days in advance of the Meeting, in accordance with the Society's Rules. Members of the Management Committee and the Society's senior managers are available to answer questions at the Meeting. It is the Society's policy that each substantive issue is the subject of a separate resolution at the Annual General Meeting.

The Management Committee is keenly focused on ongoing implementation of the FCA's Consumer Duty and is committed to dealing with its members fairly and appropriately. The Management Committee firmly believes that all customers, including those in vulnerable circumstances, should receive fair treatment from financial services providers. In this regard, the Society operates in accordance with its Vulnerable Customers Policy. During 2025, the Society further updated the Fair Value Assessments and Target Market Statements of all of its products.

We are proud of the strength of the relationship we have built up with the membership, which we recognise as fundamental to the Society's future success.

The Society is active in the friendly society movement and is proud of its membership of the AFM. The Society derives enormous benefit from the AFM, particularly in the implementation of regulatory requirements and corporate governance best practice.

Employees

Our employees are vital to the ongoing success of the Society. They are one of the main reasons our members value being with the Society due to the personal service we provide. We have a policy of being as flexible as we can with working arrangements, both to ensure we fulfil member expectations and to help maximise opportunities for staff. The Society recognises the importance of diversity in creating an inclusive culture amongst the workforce and the Management Committee is committed to promoting the inclusion of a range of perspectives, ideas and talents. The Management Committee is firmly committed to promoting equality of opportunity for its employees and supporting them in their career development.

Members of staff are invited to meetings of the Management Committee as required and when deemed appropriate. The Chief Executive is responsible for ensuring effective communication between the Management Committee and staff. Frequent meetings with staff take place to ensure that they are aware of the key strategic plans for the Society and how they can contribute to their delivery.

All five of the Society’s employees are based at the Birmingham office. Due to the scale of the business, the Chief Executive is able to be very close to operations and usually has daily direct engagement with employees.

Suppliers

The practice of the Society is that its core policy administration, customer service and finance functions are managed in-house. Outsourcing is generally restricted to key areas where either professional expertise is not available from within the Society’s own resources or where the third-party provision of a service or function is preferable, for example to help demonstrate independence.

The key areas where management functions are currently outsourced are:

- Internal Audit
- Actuarial Functions
- Investment Fund Management
- Investment Property Management
- IT software and hardware support

All outsourced providers are based in the United Kingdom. In determining the award of an outsourced contract, the Society undertakes due diligence to establish a provider’s financial stability and track record in providing similar services. In this regard, background endorsements are sought from amongst the Society’s friendly society peer group. When the Society enters into outsourced arrangements, contracts for services, except in exceptional circumstances, do not extend beyond one year. All outsourced services are reviewed periodically and, when considered appropriate, are re-tendered or re-negotiated.

Payments to suppliers are always within the requested payment period unless there are outstanding queries.

Regulators

As a financial services business, we are regulated by both the Financial Conduct Authority and the Prudential Regulation Authority. We are committed to continue having a constructive and open relationship with both regulators.

Community

We are proud of the railway community in which we operate and maintain good relationships with the train operating companies and with the drivers' trade union, ASLEF. We are looking to develop links with the other key trade unions in the railway industry, notably RMT, TSSA and Unite and with relevant charitable organisations, such as Railway Benefit Fund and Transport Benevolent Fund.

Approved by the Management Committee on 28 May 2026 and signed on its behalf

J W Goolamier
Chair

REMUNERATION REPORT

Membership of the Management Committee is a significant responsibility. It requires Directors to undertake research and training in order to ensure compliance with regulatory standards and to maintain the skills and experience necessary for safeguarding the interests of the Society's members. The remuneration of Management Committee members and the Society's staff is determined annually by the Committee and is subject to the approval of the Committee as a whole. Non-Executive Directors on the Management Committee are provided with a daily allowance for attending Committee meetings. In addition, they are paid an annual retainer fee. Travel and subsistence expenses are also paid where appropriate.

The daily meeting allowance for 2025 was £337. The annual retainer fees for 2025 were as follows: Chair: £10,127; Independent Professional Non-Executive Directors: £6,750; Member Non-Executive Directors: £3,375. Additional annual fees of £1,126 were paid to those members of the Management Committee who hold Senior Management Function roles e.g. the Chair of the Audit & Risk Management sub-Committee, the Chair of the With-Profits Advisory Arrangement and the Senior Independent Director.

Salaries are maintained at levels to enable the Society to attract, motivate and retain suitably qualified and committed staff who are able to deliver the Society's strategy, purpose and values whilst not taking inappropriate risks that could damage its viability. The Society does not operate long-term incentive schemes.

Fees, allowances, introducer payments, salary and pension costs for 2025 were as follows:

	Fees and allowances	Introducer Payments	Salary	Pension cost	Total 2025	Total 2024
	£	£	£	£	£	£
J W Goolamier	11,138	-	-	-	11,138	10,918
M A Casey*	2,883	-	-	-	2,883	8,511
L P Davies	4,651	180	-	-	4,831	5,833
J McKenna	5,084	-	-	-	5,084	5,898
D I Storrie	4,723	40	-	-	4,763	4,109
R A J Townsley	9,337	-	-	-	9,337	9,207
S L Jeffery **	9,179	-	-	-	9,179	983
M A Bicknell	-	-	140,541	22,457	162,998	155,962
	46,995	220	140,541	22,457	210,212	201,421

*Moira Casey retired from the Management Committee on 31 March 2025.

**Simon Jeffery was appointed to the Management Committee on 26 November 2024.

REMUNERATION REPORT (CONTINUED)

Some members of the Management Committee are also Depot Introducers for the Society and receive a payment for each policy introduced by them. It is considered that the relatively small value of these payments does not impact the independence of the individual Committee members concerned.

A separate advisory resolution to accept this Remuneration Report will be put to the Society’s members at the 2026 Annual General Meeting.

Approved by the Management Committee on 28 May 2026 and signed on its behalf.

J W Goolamier
Chair

Opinion on the financial statements
We have audited the financial statements of the Railway Enginemen’s Assurance Society Limited for the year ended 31 December 2025, which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard FRS 102 *The Financial Reporting Standard applicable in the UK* and *Republic of Ireland* and FRS 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Society’s affairs as at 31 December 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it.

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with International Standards on Auditing (UK) (“ISAs (UK)”).

Basis for opinion
We conducted our audit in accordance with ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (‘FRC’) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

- Reviewing budget financial information for the financial year ending 31 December 2026, and up to date post year end management accounts;
- Reviewing the Society’s 5-year business plan 2025-2030;
- Reviewing the Society’s Own Risk and Solvency Assessment and Forward-Looking Assessment of Solvency reports;
- Reviewing Management Committee and Subcommittee minutes;
- Discussing with our external actuarial experts (“the Reviewing Actuary”) the appropriateness of assumptions and potential sensitivities in the Technical Provision and Solvency Capital Requirement calculations; and
- Discussing such matters and post balance sheet events which may impact the going concern status with management and the Management Committee.

Conclusions relating to going concern (continued)
From the work undertaken, we noted that the Society's solvency position at the year-end was in excess of 300% and well above the risk thresholds management has set to initiate a responsive action. The Society is also projected to remain solvent over the 5-year business planning period, taking into account several potential downside scenarios. However, like many other societies, the Society's solvency position is sensitive to movements in the risk-free rates and changes in the investment market which are largely outside its control.

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

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

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Society and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Management Committee that may have represented a risk of material misstatement. All audit work was performed directly by the audit engagement team with the assistance of the Reviewing Actuary.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Management Committee made subjective judgements, for example in respect of the valuation of the technical provisions which are subject to management judgement and estimation.

Materiality: 2025: £362,000 (2024: £347,000) being 3% of the prior year Fund for Future Appropriations in both years.

Key audit matter: Valuation of the Technical Provision (2025 and 2024) and Management override of controls (2024 only).

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement on our audit and the financial statements. For the purposes 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 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 audit strategy, we determined an overall level of uncorrected misstatement that we judged would be material for the financial statements as a whole. We determined planning materiality for the Society at £362,000 (2024: £347,000) which is approximately 3% of the prior year Funds for Future Appropriation. Funds for Future Appropriation is deemed the most appropriate benchmark in that it serves as a key measure of Society's financial strength, as viewed by the members of the Society.

Our application of materiality (continued)
On the basis of our risk assessment, together with our assessment of the Society's overall control environment, our judgement is that the performance materiality level should be 70% of planning materiality, namely £253,000 (2024: £243,000).

We also determined an overall level of uncorrected misstatement that we judged would be material for transactions and balances in the Statement of Comprehensive income other than changes in Technical provisions. We determined planning materiality for the Society to be £130,000 (2024: £113,000) which is approximately 2% of income and performance materiality level of 70% of planning materiality, namely £91,000 (2024: £79,000).

We agreed with the Management Committee that we should report to them misstatements in excess of £13,000 (2024: £12,000) that we identify through the course of the audit, together with any qualitative matters that warrant reporting.

At the conclusion of the audit, we re-assess the materiality levels based on the audited financial statements and then compare this with the planning materiality. The result of this assessment showed there was no significant change to final materiality and we are satisfied that the levels set at the planning stage remain appropriate.

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Technical Provision As at 31 December 2025, the financial statements include long term insurance provisions (the "Technical Provisions") of £22.2m (2024: £21.4m) that were calculated in line with the Society's accounting policies. Due to the size and nature of the Technical Provisions, we consider these to be material to the financial statements. The Technical Provisions are calculated using policy data held on the Society's administration system and assumptions set using internal and external data as inputs to the actuarial valuation model. Through the selection of appropriate assumptions the Management Committee is required to make significant judgements in conjunction with the	In assessing the valuation of the Technical Provisions, we performed the following procedures: • We engaged the services of a Reviewing Actuary to review and report on the methodology and assumptions applied by the Management Committee in the calculation of the Technical Provisions, and on the accuracy of the calculation itself. • We substantively tested the integrity of the Society's policy administration data to ensure the data provided to the Chief Actuary was accurate. The testing included sample checks on controls over policy exits, new policies and changes to existing policies. • We reviewed the reasonableness of the assumptions used in the calculation and considered the advice of the Reviewing Actuary as to whether those assumptions were reasonable and the impact they had on the calculation.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Technical Provision (continued) advice of the Chief Actuary. These judgements involve considering whether the assumptions appropriately reflect the Society's experience, circumstances and future expectations.	• We challenged the assumptions for the levels of projected new business and expenses and compared previous budgets to actual results to assess the reliability of the Society's budgeting process. We also reviewed post year end management information.
Our conclusion Overall, based on the assumptions and methodology used at 31 December 2025, we consider the valuation of the Technical Provisions recognised in the financial statements to be reasonable.	

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Friendly Societies Act 1992
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Management Committee report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Management Committee report have been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it.

In light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Management Committee report.

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, and 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.

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

At the planning stage of the audit we gain an understanding of the laws and regulations which apply to the Society and how management seek to comply with them. This helps us to make appropriate risk assessments. We focused on laws and regulations that could give rise to a material misstatement in the Society's financial statements, including but not limited to, the Friendly Societies Act 1992, regulations issued by the Prudential Regulation Authority and Financial Conduct Authority, the Solvency II directive and UK tax legislation.

Our audit focused on relevant risk areas and we reviewed compliance with laws and regulations through making relevant enquiries and corroboration by, for example, review of Management Committee and Subcommittee Minutes, review of correspondence with and reports to the regulators, enquiries of management, review of reports by internal auditors and compliance consultants and review of complaints received by the Society.

We assess the risk of material misstatement in the financial statements including as a result of fraud and undertake procedures including:

- Review of controls set in place by management;

Extent to which the audit is considered capable of detecting irregularities including fraud (continued)

- Enquiry of management as to whether they consider fraud or other irregularities may have occurred or where such opportunity might exist;
- Challenge of management assumptions with regard to accounting estimates; and
- Identification and testing of journal entries, particularly those which may appear to be unusual by size or nature.

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

A further description of our responsibilities is located on the FRC’s website at www.frc.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Other matters which we are required to address

- **Auditor tenure** – We were appointed by the Management Committee on 13 September 2021 to audit the financial statements for the year ended December 2021 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ending 31 December 2021 to 31 December 2025.
- **Non-audit services** – We have provided no non-audit services prohibited by the FRC’s Ethical Standard to the Society and we remain independent of the Society in conducting our audit.

Use of our report

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

Royce Peeling Green Limited

Martin Chatten (Senior Statutory Auditor)
For and on behalf of Royce Peeling Green Limited

Chartered Accountants
Statutory Auditor

The Copper Room
Deva City Office Park
Trinity Way
Manchester M3 7BG

28 May 2026

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

Technical Account - Long Term Business	*Notes*	2025 £	2024 £
Income			
Earned premiums		**5,551,344**	4,749,798
Investment Income	4	**965,888**	1,009,903
Net (losses) on realisation of investments		**(215,904)**	(63,325)
Unrealised gains on investments		**1,921,845**	505,483
		2,671,829	1,452,061
Total Income		**8,223,173**	6,201,859
Expenditure			
Claims incurred	5	**5,143,866**	4,578,458
Change in technical provisions	13	**836,672**	92,225
		5,980,538	4,670,683
Operating Expenses			
Acquisition costs		**335,166**	297,739
Administrative expenses	7	**766,166**	751,715
		1,101,332	1,049,454
Total Expenditure		**7,081,870**	5,720,137
Excess of income over expenditure before taxation	6	**1,141,303**	481,722
Taxation	10	**(3,816)**	(4,331)
Transfer to Own Funds	13	**1,137,487**	477,391

All income and expenditure arises from continuing operations.

	Notes	2025	2024
		£	£
Investments	11		
Land and buildings		**4,858,994**	4,598,041
Other financial investments - long term fund		**29,585,468**	27,915,753
		34,444,462	32,513,794
Debtors			
Debtors from direct insurance operations - Members		**342,253**	339,062
Other debtors		**88,254**	49,462
		430,507	388,524
Other assets			
Property, plant and equipment	12	**458,547**	462,496
Cash at bank and in hand		**604,701**	530,978
		1,063,248	993,474
Prepayments and accrued income			
Accrued interest		**185,556**	195,060
Other prepayments and accrued income		**23,228**	25,536
		208,784	220,596
TOTAL ASSETS		**36,147,001**	34,116,388

Railway Enginemen’s Assurance Society Limited

STATEMENT OF FINANCIAL POSITION - LIABILITIES

31 December 2025

	Notes	2025	2024
		£	£
Own Funds	13	**13,196,119**	12,058,632
Technical provisions			
Technical provisions	13	**22,242,840**	21,406,168
Claims outstanding		**197,416**	224,064
		22,440,256	21,630,232
Creditors			
Other creditors including taxation and social security	14	**267,699**	198,161
Accruals and deferred income		**242,927**	229,363
TOTAL LIABILITIES		**36,147,001**	34,116,388

Approved and authorised for issue by the Management Committee on 28 May 2026

J W Goolamier - Chair

L P Davies - Senior Independent Director

M A Bicknell - Chief Executive & Secretary

1 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

As permitted by FRS 103 on Insurance Contracts, the Society has applied accounting practices for insurance contracts as disclosed in Note 3.

The financial statements have been prepared on the historical cost basis, except for the modification to a fair value basis for certain investments as specified in the accounting policies below.

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

Going Concern

After reviewing the Society’s forecasts and projections, the Management Committee has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Society therefore continues to adopt the going concern basis in preparing its financial statements.

Earned Premiums

Earned premiums represent individual periodic member contributions due in the accounting period and lump sum investment bond premiums received during the period.

Investment Income

Investment income includes dividends, interest, gains and losses on the realisation of investments, and property rents. Dividends are included as investment income on receipt and are grossed up for applicable tax credits. Fixed interest income, property rents and bank deposit interest are accounted for on an accruals basis. Income received in foreign currencies is translated at the rates ruling at the date of the transaction.

Realised and Unrealised Gains and Losses on Investments

Realised gains and losses are calculated as the difference between net sale proceeds and the valuation at the previous statement of financial position date or their purchase price, if acquired during the year.

Unrealised gains and losses represent the net difference between the valuation of the investments at the year end, and their valuation at the previous statement of financial position date or their purchase price, if acquired during the year.

Claims

Claims payable on maturity are recognised when the claim becomes due for payment and on death are accounted for on notification. Disability claims are accounted for at the earlier of the payment date or when the policy ceases to be included within the technical provisions. The value of claims includes

Claims (continued)
bonuses paid or payable. Surrenders are accounted for at the payment date. Provisions are adjusted at the statement of financial position date to represent an estimate of the expected outcome.

Bonuses
The provision for bonuses is included within the calculation of the technical provision.

Acquisition Costs
Acquisition costs comprise the amount of direct and indirect costs arising from the obtaining and processing of new business. All acquisition costs are expensed in the periods in which they are incurred.

Pension Contributions
The Society contributes to defined contribution personal pension plans for staff. The contributions are charged on an accruals basis.

Taxation
Taxation is provided at current rates in respect of the taxable element of the Society's business. As a Friendly Society the Society is subject to tax on only part of its life and endowment business, on realised gains on the disposal of its investments and in respect of the increase/decrease in the value of its listed fixed interest securities.

Deferred Taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the Society's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in the tax assessments in periods different from those which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that they are recoverable. They are considered to be recoverable if it is more likely than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Investment Property
Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss for the period in which they arise.

If a property is classed as a leasehold investment property it is valued at fair value in line with the treatment prescribed by FRS 102 i.e. the item accounted for at fair value is the leasehold interest and not the underlying property. The asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability, any premium paid for the lease is treated as part of the minimum lease payments for the fair value of the asset but is excluded from the liability.

External independent valuers, with appropriate recognised professional qualifications and current experience of the location and type of building being valued, value the Society's investment property annually. Fair values are based on market values. Market values are the estimated amount for which a

Investment Property (continued)
property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing.

Other Financial Investments
Quoted fixed interest and equity investments are valued at the closing year end mid-market values.

Other loans, comprising policy loans, are stated at capital advanced less provision for any potential losses.

Property, Plant and Equipment
Property, plant and equipment are stated at cost less accumulated depreciation, except for land and buildings which are measured at fair value as set out below.

Depreciation is provided on all tangible assets, excluding one asset as detailed below, to write down each asset to its estimated residual value evenly over its expected useful life using the straight-line method. The rates applicable are:

Fixtures, fittings and equipment	5 years

Any asset deemed to have a high residual value and a very long useful economic life will remain at cost. Any such asset will be subject to an annual impairment review.

The Society's head office property is now shown as land and buildings within Property, Plant and Equipment as it is a mixed use asset. It was previously included as an investment property. It is measured using the fair value model in accordance with section 17 of FRS 102. Fair value represents the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and is determined by reference to market-based evidence. Valuations are undertaken by independent, professionally qualified valuers with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the reporting date. See Note 12 for further details.

Long Term Insurance Liabilities
The Society's technical provisions are valued on a Solvency II basis, comprising the best estimate of liabilities plus the risk margin.

The technical provisions are determined by the Management Committee on the advice of the Chief Actuary as part of the annual actuarial valuation of the Society's assets and liabilities. The technical provisions are calculated on a Solvency II basis in accordance with the requirements of the PRA Rulebook for UK Solvency II Firms.

The technical provisions in the financial statements reflect the results of the valuation. The best estimate method makes sufficient provisions for all future cash flows including claim payments, expenses and premiums due. The risk margin element is intended to be the balance that another insurer would require in addition to the best estimate to take on all of the liabilities at the valuation date.

Cash Flow Statement
Under Section 7 of FRS 102 the Society is exempt from the requirement to prepare a cash flow statement on the grounds that it is a mutual life assurance company.

Foreign Currencies
Investment assets denominated in foreign currencies are translated to sterling at rates of exchange at the end of the year. Purchases and sales of investments denominated in foreign currencies are translated at the rates prevailing at the date of the transactions. Exchange differences are recognised in profit or loss as part of the realised and unrealised gains and losses on investments in the period in which they arise.

Own Funds
The Own Funds represent the excess of assets over and above the long-term insurance contract liabilities and other liabilities. The balance is the surplus accumulated that has not yet been allocated to policies. It forms the working capital of the Society and is available to meet risk and capital requirements, as well as any uncertain additional liabilities that may arise. Any surplus or deficit for the year arising through the statement of comprehensive income is transferred to or from Own Funds.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these financial statements requires the Society to make certain estimates and assumptions that have an impact on the carrying value of assets and liabilities reported in the financial statements. Estimates and judgements are reviewed annually and are based on past experience and expectations of future events that are believed to be reasonable under the circumstances, although actual experience may vary from these estimates.

Key estimates
In the opinion of the Management Committee there are two key estimates and assumptions which carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. These are discussed in more detail below:

1) **Technical Provisions - Valuation of long-term insurance contract liabilities**
   The valuation of the Society's technical provisions is a best estimate of future cash flows discounted to present value plus a risk margin using an actuarial valuation model. A number of significant judgements are required when determining the underlying assumptions for this process.

   The assumptions used for mortality are based on standard industry tables, adjusted where appropriate to reflect the Society's own experience. The assumptions for morbidity are based on the Society's past disability experience. The assumptions used for investment returns, volatility of assets, lapse and surrender rates are based on risk-free rates, product characteristics and relevant claims experience. The assumptions used for expenses are based on budgets. The assumptions used for bonus rates are a combination of asset share and the approach to the distribution of surplus as determined by the Management Committee.

   The valuation interest rates used to discount projected cashflows are a duration-specific risk-free yield curve specified by the Bank of England under Solvency II regulations. Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty.

   Further details on specific assumptions are provided in Note 3 to these financial statements.

2) **Valuation of Financial Assets:**

   a. **Land and buildings**
      The Society owns a number of investment properties that are held for rental yield and capital growth. The properties are valued annually on a fair value basis by experts appointed by the Society. The valuations have been prepared in accordance with the RICS Valuation Standards. In preparing these valuations a number of factors are

Land and buildings (continued)

reviewed including the lease terms, rental yield, void periods, floor areas and local market conditions and are used as judgements in arriving at the fair value.

b. Other financial assets
The Society holds a number of financial assets which are all valued at fair value. Such assets are measured at market prices, prices consistent with market ratings should no price be available, or prices valued by independent agents for privately traded assets. Any unrealised or realised gains or losses are taken to the appropriate Income and Expenditure Account as they occur.

2 CAPITAL AND RISK MANAGEMENT

This section details the capital and risk management approach of the Society. The Society seeks to create value for its members by investing in the development of the business while maintaining an appropriate level of capital.

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

The Society's appetite for risk is limited. The Society uses a Risk Appetite Statement to monitor key risks against appropriate benchmarks and trigger points that prompt management actions where necessary.

Measurement and Monitoring of Capital
The capital position of the Society is monitored on a regular basis and reported formally to the Management Committee on a monthly basis. The Society maintains a benchmark for the assets in excess of the technical provision and solvency capital requirement.

In the event that insufficient capital is available, actions would be taken in accordance with the Society's Risk Appetite Statement. This would include, but not be limited to, changes to investment strategy, bonus rates, surrender values or business volumes.

Fund Valuation
The whole of the Society's assets and liabilities are subject to an annual actuarial valuation in accordance with the Solvency II Directive using assumptions and methods in line with the PRA Rulebook for UK Solvency II Firms. Allowance is made for actions that management would take in adverse conditions, such as making changes to investment strategy, bonus rates, surrender values or business volumes.

3 FRS 103 LONG TERM INSURANCE CONTRACTS

The technical provisions have been calculated by the actuarial function, overseen by the Chief Actuary in line with methods as set out in the PRA Rulebook for UK Solvency II Firms. The technical provision disclosed within the statement of financial position comprises the best estimate element and the risk margin as detailed in the summary section of this note.

Summary

The total assets in excess of capital requirements:

	2025	**2024**
	£'000	**£'000**
Market value of assets	**36,147**	34,116
Other liabilities	**(708)**	(652)
Total available capital resources	**35,439**	33,464
Technical provisions:		
Best Estimate	**(22,109)**	(21,257)
Risk Margin	**(134)**	(149)
	(22,243)	(21,406)
Own funds	**13,196**	12,059
Capital requirement (SCR)	**(4,248)**	(4,232)
Assets in excess of capital requirements	**8,948**	7,827
SCR Coverage Ratio	**311%**	285%

Basis of Capital Requirement

The capital requirement is the higher of the Minimum Capital Requirement (MCR), set by the UK Solvency II Regulations, and the Society's Solvency Capital Requirement (SCR). The MCR is set at a minimum £3.5m. The MCR as at 31 December 2025 was £3.5m.

The calculated SCR for the Society as at 31 December 2025 was £4,248,225 (2024: £4,232,048), meaning that the SCR is above the £3.5m absolute floor and is shown as the capital requirement in the table above.

3 FRS 103 LONG TERM INSURANCE CONTRACTS (CONTINUED)

Movement in Technical Provisions
The Society’s total technical provisions moved from £21,406,168 at 31 December 2024 to £22,242,840 at 31 December 2025.

The table below summarises the movement in technical provisions during the year:

Movement in technical provisions:	**2025**
	£'000
Technical provisions at 1 January 2025	21,406
Modelling changes	(26)
Change in lapse assumptions	138
Change in expense assumptions	(425)
Roll forward to 31 December 2025	(251)
Updated data, excluding new business	37
Change in discount rates	170
Change in volatility assumption	(10)
Change in Bonus Rates	846
Change in surrender factors	502
2025 New business	(128)
Change in Risk Margin	(15)
Balance at 31 December 2025	22,243

There is a large increase in the technical provisions due to the increased bonus assumptions including the allowance for future surplus distribution, and increased surrender factors. This has been partly offset by decreased expenses assumptions.

3 FRS 103 LONG TERM INSURANCE CONTRACTS (CONTINUED)

The assumptions used in calculating the technical provisions are as determined by the Management Committee having regard to the advice of the Chief Actuary. An overview of the method used to set the assumptions is included in the following table.

Assumptions
The key assumptions are as follows:

Valuation Basis Summary	31 December 2025	31 December 2024	Process for setting assumptions
Methodology	Best estimate and risk margin	Best estimate and risk margin	The method is prescribed by the regulations.
Allowance for expenses **Investment management fees**	9.29% of gross premiums 0.380% of policy reserves	11.33% of gross premiums 0.334% of policy reserves	The allowance for expenses is based on the assumed maintenance expenses as a percentage of earned premiums. This is to ensure that the projected expenses in the cashflows used to calculate the technical provisions are sufficient on average over the average duration of five years to cover the projected budget expenses. For Investment Bonds, these are spread over an assumed duration. The investment management expenses are assumed to be a percentage of policy reserve explicitly allowed for in the model. Acquisition expenses are assumed to be absorbed by new business, so no assumptions are included for acquisition expenses.
Allowance for future bonus **Reversionary bonus rates:** Post 31 December 2017 inceptions Post-1984 to 31 December 2017 inceptions	 2.50% pa 2.25% pa and sustainable rates thereafter	 2.50% pa 2.25% pa and sustainable rates thereafter	The actuarial valuation has assumed that future reversionary bonuses will be set to ensure that they are sustainable, with future returns equal to the risk-free rate. In practice, we expect higher returns than risk-free rates and are planning to distribute additional surplus and would aim to reward policyholders through both reversionary and final bonuses where appropriate. This year the long-term bonus rates are set at the sustainable rates as the best estimate liabilities are lower than asset shares if zero long term bonuses were assumed. Final bonus rates are set to equal current rates until the end of June 2026, revised rates until the end of June 2027 and zero thereafter.

3 FRS 103 LONG TERM INSURANCE CONTRACTS (CONTINUED)

Valuation Basis Summary	31 December 2025	31 December 2024	Process for setting assumptions
Allowance for future bonus (continued)			
Investment Bond regular bonus	3.75% and reducing thereafter	3.75% and reducing thereafter	The actuarial valuation has assumed that future regular bonuses will be set to ensure that they are sustainable, with future returns equal to the risk-free rate. In practice, we expect higher returns than risk-free rates and would aim to reward policyholders through both regular and final bonuses where appropriate.
Mortality			
Aged 17 and over	90% AMC00/AFC00 ultimate	90% AMC00/AFC00 ultimate	The mortality and morbidity assumptions are based on the Society's average experience, considering the last five years and taking into account the reported but not yet paid claims.
Under age 17	55% ELT15	55% ELT15	AMC00 is generated by the actuarial profession based on experience of UK insured lives during 1999-2002. ELT15 is based on the mortality experience of the population of England and Wales during 1990-92.
Morbidity	35% of the rates derived from the Society's past disability experience	35% of the rates derived from the Society's past disability experience	
Tax			
Taxable policies	0%	0%	Based on the Society's experience and expected future tax position.
Tax exempt policies	0%	0%	

3 FRS 103 LONG TERM INSURANCE CONTRACTS (CONTINUED)

Lapses

The lapse assumptions are set by carrying out a review of the last four years' experience analysed by the factors that have been used at the previous year end. The significant factors that were used to set the assumptions were policy type, duration in force, age, tax status and exposure year. The bands are merged within each factor where they are not statistically different from each other or where there is only limited exposure. For Saver and Saver & Disability products, this resulted in 48 groups, split by three age bands, four duration bands and two tax status bands.

For the Childs policies, which all mature by age 25, there was no experience over age 25, and only limited experience over age 19. Hence age is not used as a factor resulting in 8 groups split by four duration bands and two tax status bands.

The investment bond policies were only launched in 2022 and only one policy has been surrendered, meaning there is no experience on which to set lapse assumptions separately. Instead, assumptions have been based on comparison of experience of other insurers, taking into account the MVR-free dates on every 5^{th} policy anniversary.

The significant factors identified in 2024 were policy type, duration in force, age, tax status and exposure year. Once the significant factors were determined, the bands are merged within each factor where they are not statistically different from each other. This resulted in 72 groups, split by three age bands, four duration bands, three policy types, and two tax status bands.

Risk Management and Control

A key part of the Society's risk management strategy is its system of internal controls. The Management Committee has overall responsibility for the Society's systems of internal control and for reviewing their effectiveness. Their implementation and maintenance is the responsibility of the Chief Executive and Finance Manager. The Society's policies and procedures are documented and are subject to regular review.

The Society has a risk management strategy in place. This aims to:

- identify key risks
- specify risk thresholds in line with the Society's risk appetite
- put measures in place to maintain risks within specified risk thresholds
- monitor risks appropriately
- highlight necessary action to mitigate risks and their impact

The Society has a Risk Appetite Statement, a Key Risks Summary and an assessment of the capital required to cover the risks. The Society has a target level of capital greater than that required to cover capital requirements, with the aim of ensuring that the Society can still meet its liabilities and capital requirements in a wide range of future circumstances.

3 FRS 103 LONG TERM INSURANCE CONTRACTS (CONTINUED)

Solvency Capital Requirement (SCR)

In addition to the technical provisions, the Regulations require the calculation of the SCR. The SCR is assessed based on the Society's risks as being sufficient to cover possible losses due to those risks. The Society uses the standard formula methodology approach; this is outlined in the Regulations.

Under the standard formula methodology each individual capital risk, with the exception of operational risk, must be stressed by a factor given within the Regulations. The individual SCR calculated for each risk module is then correlated to provide a gross base SCR (BSCR). The overall SCR is then calculated by adjusting the BSCR for the loss absorbency of technical provisions plus the SCR for operational risk. The following four risk modules apply to the Society's policies:

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate because of the volatility of market prices. The market risk module considered for the Society's asset portfolio consists of the asset stresses below:

Interest rate

This stress allows for movements in the risk-free rates used for discounting within the calculation of the technical provision. The impact of the change in risk-free rates is measured against both the assets and liabilities to give a net impact.

Equity

The PRA Rulebook requires an immediate fall of 39% plus a symmetric adjustment for equities listed on regulatory markets in countries that are members of the EEA or OECD (and 49% for other equities).

Property

The asset stress allows for an instantaneous fall of 25% in the value of property, including property held via real estate investment trusts.

Spread

The spread is an additional return over the risk-free rate earned on bonds and is a representation of the riskiness of bond returns.

Currency

The currency risk considers the impact of a sharp rise or fall in the currency exchange rates. The currency stress allows for an instantaneous fall of 25% in the sterling market value of non-sterling assets.

Concentration

Concentration risk considers the impact of a large exposure with a particular counterparty.

The Regulations take into account the diversification within the asset portfolios by using a correlation matrix. This is because it is unlikely that all these risks (major and individual) will occur simultaneously.

3 FRS 103 LONG TERM INSURANCE CONTRACTS (CONTINUED)

Solvency Capital Requirement (SCR) (continued)

Counterparty Risk

The counterparty risk module considers the risk of potential losses due to unexpected default, or deterioration in the credit standing of counterparties and debtors over the ensuing year. The method within the Regulations assesses the probabilities of default and losses given default based on current credit ratings.

Life Underwriting Risk

The life underwriting risk considers the risk arising from the underwriting of the Societies policies. For each risk, the stress is considered only for those policies where this increases the technical provisions.

The particular risks to be considered are listed below:

Lapse

This stress covers the change in technical provisions as a result of the unexpected change in policyholder surrenders and lapses.

The lapse stress is based on three scenarios, with the scenario having the greatest impact in total liabilities being used to calculate the additional capital to cover lapse risk:

- future lapses 50% higher than expected
- future lapses 50% lower than expected
- mass lapse of 40% of in-force business, a one-off event

Mortality

This stress covers the loss or change in technical provisions following a permanent 15% increase in the expected mortality.

Longevity

This stress covers the loss or change in technical provisions following a permanent 20% decrease in the expected mortality.

Morbidity

This stress covers the loss or change in technical provisions following a permanent increase in expected morbidity. The disability inception stress is based on 35% increase in disability claims in the first 12 months from the valuation date and then 25% thereafter.

Expense

This is the stress that expense levels of administering the in-force policies are higher than assumed. This can arise from an increase in expenses through inflation or unexpected costs.

The expense stress is a permanent 10% increase in administration and investment expenses plus a 1% increase per annum in expense inflation.

3 FRS 103 LONG TERM INSURANCE CONTRACTS (CONTINUED)

Life Underwriting Risk (continued)

Life Catastrophe
This stress relates to the risk of loss or change in the technical provisions relating to the outbreak of major epidemics as well as the unusual accumulation of risks under extreme circumstances.

The life catastrophe stress is a 0.15% increase in mortality rates, for the next twelve months, for each policy where the payment of benefits is dependent on the policyholders' survival or death.

Correlation
The Regulations take into account the diversification of life underwriting risks within the business by using a correlation matrix. This is because it is unlikely that all these risks (major and individual) will occur simultaneously.

Operational Risk
Operational risk is the risk of loss arising from the inadequate or failed internal processes from personnel and systems, or from external events.

4 INVESTMENT INCOME

	2025	2024
	£	£
Income from investments:		
Listed	**580,890**	652,692
Land and buildings	**338,282**	305,789
Other interest receivable	**46,716**	51,422
	965,888	1,009,903

5 CLAIMS INCURRED

		2025	2024
		£	£
Expenditure for the year comprises:			
Claims for benefit:			
Age related endowments	(aged 65)	**72,463**	66,218
	(aged 60)	**208,577**	279,685
Disabled members		**119,265**	182,559
Deceased members		**86,009**	83,805
Endowments		**3,784,677**	3,316,311
Surrenders		**872,875**	649,374
Investment bond withdrawal		**-**	506
		5,143,866	4,578,458

6 EXCESS OF INCOME OVER EXPENDITURE BEFORE TAXATION

	2025	2024
	£	£
Excess of income over expenditure before taxation is stated after charging:		
Depreciation (Note 12)	**3,949**	6,820
Property management charges	**41,424**	36,600
Fund management charges	**93,198**	91,534
Auditor's remuneration:		
Audit services – RPG	**59,630**	58,305
Actuary's remuneration	**94,214**	100,727

7 ADMINISTRATIVE EXPENSES

	2025	2024
	£	£
Staff costs	**287,947**	273,067
Premium collection services	**44,418**	38,003
Committee fees and expenses	**51,204**	47,996
General office expenses	**81,192**	90,172
Professional fees	**301,405**	302,477
	766,166	751,715

8 EMPLOYEES

	2025	2024
	No.	No.
The average monthly number of persons employed by the Society during the year was:	**4**	4

	2025	2024
	£	£
Staff costs for above persons:		
Wages and salaries	**274,784**	263,817
Social security costs	**26,289**	26,384
Pension and other costs	**48,016**	42,596
	349,089	332,797

The Society contributes to staff personal pension plans. Contributions are charged to the Income and Expenditure account on an accrual basis.

The pension charge for the year amounted to £38,578 (2024: £36,772).

9 CHIEF EXECUTIVE AND COMMITTEE MEMBERS

Emoluments comprise a fee for committee responsibilities and an allowance for attending committee meetings.

	2025	2024
	£	£
Emoluments paid to members during the year:		
Fees and allowances	**46,995**	45,219
Salaries and benefits in kind	**140,541**	134,151
Pension costs	**22,457**	21,811
	209,993	201,181

The number of committee members whose emoluments (excluding any pension contributions and other costs) fell within each of the bands below is as follows:

	2025	2024
	No	No
More than £Nil but not more than £15,000	**7**	7
More than £130,000 but not more than £135,000	**-**	1
More than £140,000 but not more than £145,000	**1**	-
	8	8

	2025	2024
	£	£
Chairman:		
Emoluments J W Goolamier	**11,138**	10,918

	2025	2024
	£	£
The highest paid member:		
Remuneration	**140,541**	134,151
Pension costs	**22,457**	21,811
	162,998	155,962

10 TAXATION

Current tax:	**2025**	2024
	£	£
UK Corporation tax on profits of the period	**-**	-
Foreign tax suffered on dividend income	**3,816**	4,331
Adjustment in respect of previous periods	**-**	-
Total current tax	**3,816**	4,331
Deferred tax:		
Origination and reversal of timing differences		
current year	**-**	-
prior year	**-**	-
Total deferred tax	**-**	-
Total tax	**3,816**	4,331

	2025	2024
	£	£
DEFERRED TAX:		
Movement in deferred tax for the period:		
At 1 January	**-**	-
Charge to statement of comprehensive income	**-**	-
At 31 December	**-**	-

	Provided		Unprovided	
The deferred tax (asset) comprises:	**2025**	2024	**2025**	2024
	£	£	**£**	£
Unrealised gains on investments	**558,805**	451,720	**-**	-
Accelerated capital allowances	**1,243**	1,820	**-**	-
Excess management expenses	**(560,048)**	(453,540)	**(8,112)**	(185,907)
Deferred acquisition expenses	**-**	-	**(17,688)**	(28,250)
	-	-	**(25,800)**	(214,157)

The Society has taken the view that there is sufficient uncertainty that the net deferred tax asset will be recoverable as it is dependent on offsetable taxable income and gains. The Society has therefore chosen not to recognise the deferred tax asset.

11 INVESTMENTS

	2025	2024
	£	£
Land and buildings		
Investment property	**4,858,994**	4,598,041

The Society's commercial investment properties were professionally valued at 31 December 2025 by Walker Singleton, Chartered Surveyors, on an open market basis and comprises freehold property of £3,840,000 (2024: £3,790,000) and a leasehold interest of £561,417 (2024: £567,010).

The Society purchased a new residential property on 14 November 2025, this has been valued at the purchase price (including directly attributable expenditure) of £197,578 at 31 December 2025.

The Society's residential property that was purchased in 2024 has been valued at 31 December 2025 by Abode Midlands, Estate Agents, on an open market basis.

Other financial investments:

	2025	2024
	£	£
Listed:		
British Government and Local Authority stocks	**7,377,979**	7,532,063
UK and Overseas Equities	**6,266,562**	4,669,430
UK and Overseas Fixed Interest Securities	**6,303,981**	6,155,833
Unit and Investment Trusts	**9,033,301**	8,876,707
	28,981,823	27,234,033
Unlisted:		
Other loans	**603,645**	681,720
	29,585,468	27,915,753

All listed investments are listed on a recognised investment exchange.

It is the Society's policy to let land and buildings to tenants through operating leases. The minimum future rental income expected to be received under non-cancellable operating leases is as follows:

	2025	2024
	£	£
Future minimum lease payments receivable under non-cancellable operating leases:		
Not later than one year	**314,608**	282,109
Later than one year and not later than five years	**664,911**	700,458
Later than five years	**173,940**	313,371
Total	**1,153,459**	1,295,938

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Fixtures, fittings and equipment	Total
	£	£	£
Cost / valuation			
1 January 2025	450,000	124,800	574,800
Additions	-	-	-
Disposals	-	(7,866)	(7,866)
31 December 2025	450,000	116,934	566,934
Depreciation / revaluation			
1 January 2025	-	112,304	112,304
Charge for the year	-	3,949	3,949
Eliminated on disposals	-	(7,866)	(7,866)
31 December 2025	-	108,387	108,387
Net book value / fair value			
31 December 2025	450,000	8,547	458,547
31 December 2024	450,000	12,496	462,496

The net book value of the land and buildings relates to the office property which is measured at fair value.

The Society occupied office property was professionally valued at 31 December 2025 by Plant Bolton Gough, Chartered Surveyors, on an open market basis.

The office property is a mixed use asset which comprises of ground floor office space and upper floor residential flats leased to tenants. As the portions cannot be reliably measured as separate assets the entire property is classified as land and buildings, it had previously been included as an investment property within financial assets.

13 RESERVES AND TECHNICAL PROVISIONS

	Own Funds	Technical Provisions
	£	£
1 January 2025	12,058,632	21,406,168
Transfer to technical account	1,137,487	836,672
31 December 2025	**13,196,119**	**22,242,840**

The whole of the Society's assets and liabilities are subject to an annual actuarial valuation in accordance with the PRA Rulebook for UK Solvency II Firms.

The valuation is carried out by the Chief Actuary, Mr R Kerry of Broadstone Regulatory & Risk Advisory Limited. The Reserves and Technical Provisions in the financial statements reflect the results of the valuation.

14 CREDITORS

Included in other creditors is an amount of £163,994 which is due in greater than one year. This liability is the present value of minimum lease payments determined at the inception of a property lease acquired in 2023. The liability was discounted using the PRA risk-free rate applicable for the remaining term of the lease at the date of inception. This is in line with the discount rate applied in the valuation of the Society's long term insurance liabilities, although this is based on the risk-free rate for the average duration of policies. The outstanding term of the lease at the year-end is 107 years.

15 APPOINTED CHIEF ACTUARY AND WITH-PROFITS ACTUARY AND REMUNERATION

The Chief Actuary and With-Profits Actuary of the Society was Mrs A E Carr, an Actuary with Steve Dixon Associates LLP until 20 November 2025. The Society has requested Mrs Carr to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Mrs Carr has confirmed she was not a member of the Society, and that neither she nor her family, nor any of her partners, nor any corporate body of which she is a director or is controlled by her, has any financial or pecuniary interests in the Society, other than fees paid to Steve Dixon Associates LLP for professional services, which in 2025 totalled £93,408 (2024: £100,727).

The Chief Actuary and With-profits Actuary is Mr Robert Kerry FIA, Consultant Actuary at Broadstone Regulatory & Risk Advisory Limited ("Broadstone"). Mr Kerry was appointed on 12 December 2025. The Society has requested Mr Kerry to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Neither Mr Kerry, his wife or his child, were members of the Society and have no other financial or pecuniary interests in the Society, with the exception of fees paid to Broadstone for professional services, which amounted to £7,001 in 2025. No other benefits, emoluments, pensions or compensation were paid.

16 TRANSACTIONS WITH COMMITTEE MEMBERS, OFFICERS AND THEIR CLOSE FAMILY MEMBERS

The following transactions have been undertaken as part of the normal business of the Society. These transactions were originally made on the same terms and conditions as applicable to other members of the Society, or on commercial terms.

	2025		2024	
	Number of persons	**Amount £**	Number of persons	Amount £
Life assurance policies:				
Premiums paid during the year	**14**	**18,884**	14	20,059
Total sum assured as at 31 December	**13**	**262,532**	14	276,885
Investment Bonds:				
Lump sums invested during the year	**-**	**-**	1	1,000
Value as at 31 December	**7**	**17,149**	8	20,715

Commission of £220 (2024: £240) has been paid to some Committee members in relation to their duties as Depot Introducers. Further details are provided in the Remuneration Report on page 32.

A register of transactions or arrangements made for a Committee Member or person connected with a Committee Member is maintained and is available for inspection at the Registered Office.