

Sheffield Mutual Friendly Society

Report & Accounts 2008



CONTENTS

	Page
1. Society Information	2
2. Report of the Committee of Management	3 - 8
3. Income and Expenditure Account	9
4. Balance Sheet	10
5. Notes to the Financial Statements	11 - 18
6. Independent Auditors' Report	19

REGISTERED OFFICE

3 Maple Park, Maple Court, Wentworth Business Park, Tankersley, Barnsley,
South Yorkshire S75 3DP
Tel: 01226 741000 Fax: 01226 741222

COMMITTEE OF MANAGEMENT

Chairman: THOMAS BURTON
Vice Chairman: PETER JESSOP
STEPHEN BIRCH
MARIAN BURTON
WILLIAM M. KENNERELL
BARRIE STANILAND
ANDREW TOWNSLEY (Chief Executive - resigned 6 March 2009)
ANTHONY BURDIN (Chief Executive - appointed 2 March 2009)

TRUSTEES

KENNETH R. HARTLEY
DAVID MARSHALL

CHIEF EXECUTIVE / SECRETARY

ANDREW TOWNSLEY (resigned 6 March 2009)
ANTHONY BURDIN (appointed 2 March 2009)

REGISTERED AUDITOR

BARBER HARRISON & PLATT
2, Rutland Park, Sheffield S10 2PD.

SOLICITORS

HILL DICKINSON,
50 Fountain Street, Manchester M2 2AS.

ACTUARY

DAVID LECHMERE, F.I.A. - Oxford Actuaries and Consultants,
Pond House, Mill Lane, Marston Village, Oxford OX3 0PY.

STOCKBROKERS

PILLING & Co.
RENSBURG SHEPPARDS

BANKERS

NATWEST BANK Plc

Registered under the Friendly Societies Act 1992 (Reg. No. 810F)

Authorised and regulated by the Financial Services Authority

Report of the Committee of Management for the year ended 31 December 2008

COMMITTEE OF MANAGEMENT

The following have served as members of the Committee of Management during the year:

Mr T Burton	- Chairman
Mr J P Jessop	- Vice Chairman
Mr K R Hartley	- Trustee
Mr D Marshall	- Trustee
Mr S Birch	- Committee
Mrs M Burton	- Committee
Mr W M Kennerell	- Committee
Mr B Staniland	- Committee
Mr R A J Townsley	- Committee/Chief Executive (resigned 6 March 2009)

Review of the Year

The Society continues to provide a small range of saving, investment and protection policies to meet the needs of members. These products are available through the following distribution channels:-

- Direct from the Society
- Via our Website www.sheffieldmutual.com
- Local lodges
- Or from Independent Financial Advisers (IFAs)

Despite the economic problems experienced during the year, the Society has seen further growth in membership and premium income, which is shown in the following tables. This has probably been aided by a requirement for stability in personal savings which is provided by the guaranteed sum assured on most of our policies.

The following tables show how membership has developed in recent years:-

Year Ending	Number of Members	Number of policies
31.12.06	4,867	5,827
31.12.07	5,229	6,188
31.12.08	5,710	6,660

Year Ending	Number of New Members	Number of New Policies
31.12.06	457	554
31.12.07	524	629
31.12.08	644	799

Premium income has grown steadily in recent years and having exceeded £1 million for the first time in 2006, 2008 saw the Society breaking the £2 million barrier. Again we have seen a continuing demand for regular savings products, particularly the Tax Exempt Savings Plan, and this type of business is now contributing over £0.75 million each year, providing stable and long term income for the Society. The difficulties experienced in equity markets have also created a rise in interest for our ISA which gives access to other assets in addition to equities. The fall in equity values has resulted in a reduction in total Assets at the end of the year when we show the reduction in value as unrealised losses in the accounts. However, these assets are still held and we should see their value increasing again when markets improve.

Year Ending	Premium Income £000's	Assets £m
2006	1,285	20.4
2007	1,955	21.6
2008	2,514	20.5

Investments

2008 has been a very difficult year for all types of business and the Society has not been immune from these challenges. As mentioned earlier, the drop in stock markets has resulted in unrealised losses reducing our Reserves, though even after all the turmoil, these still stand at 535% of the minimum regulatory margin, leaving us with a lower but still very sound financial base. The Society's investment return for the year as a consequence of the global conditions was -10.7%, but in the context of equity falls of between 20% to 30%, our position could have been much worse. At the beginning of the year, we had decided to switch some of our equity holdings into fixed interest, eg gilts and bonds, which helped to reduce the impact, and cash holdings also increased. 2009 could see us starting to buy equities again on a gradual basis in order to participate in the growth in that Asset class as markets recover. However, our investment decisions will be taken with a view to providing security for member funds in addition to overall returns.

Report of the Committee of Management for the year ended 31 December 2008

The economic conditions have had an impact on bonus rates for 2008, which are lower than 2007. However, the fact that we have been able to declare bonuses in such challenging times for the world economy demonstrates the value of our mutual business model. We do hope that this will be a short term problem and it is our continuing aim to provide above average returns for members over the life of their policy.

The next table shows the investment split of our investment fund at the end of 2008 with previous years' figures for comparison purposes. This table excludes Child Trust Fund investments, which are part of a separately managed Unit Linked fund.

	2008	2007	2006
	%	%	%
Property	37.66	38.58	26.98
Mortgages on land and buildings	18.25	15.55	16.57
Listed investment - equities	21.62	32.33	34.55
- fixed interest	13.70	9.91	10.06
Cash	8.77	3.63	11.84
	100.00	100.00	100.00

The Society seeks to adopt an ethical approach to investing and it is our policy not to invest in industries relating to armaments, tobacco and pornography.

Future Strategy

The Society's Committee of Management is committed to a policy of long term growth for both our membership and premium income. In order to achieve this, we will continue to develop our connections with IFAs, but we are also keen to attract more direct business by increasing awareness of the Society. We will shortly be refreshing our website to provide a better experience for visitors to the site and this will include improvements to e-mailing capacity to allow over time, a more efficient electronic communication means.

In December 2008, we launched a Stakeholder Child Trust Fund (CTF) and it is envisaged that this will add, in addition to our normal business, around 12,000 new members per year and income in the region of £3 million to £5 million.

The Society is well placed to achieve its future ambitions, being soundly based financially and having a growing membership.

Responsibilities of the Committee of Management

The following statement is made by the Committee of Management in relation to the preparation of the annual financial statements, annual business statement and Committee Report.

The Committee of Management is required by the Friendly Societies Act 1992 ('the Act') to prepare for each financial year, annual financial statements, which give a true and fair view of the state of affairs of the Society as at the year end and of the income and expenditure of the Society during that year.

In preparing those financial statements, the Committee is required to:

- select appropriate accounting policies and apply them consistently.
- make select judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, and any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis, unless it is inappropriate to assume that the Society will continue in business.

In addition to the financial statements, the Committee is responsible for ensuring that the Society:

- keeps accounting records in accordance with the Act.
- 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 Financial Services Authority under the Financial Services and Markets Act 2000.

They also have general responsibility for safeguarding the assets of the Society and to take reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Committee of Management for the year ended 31 December 2008

Going Concern

The Committee is satisfied that the Society has adequate resources to continue in business for the foreseeable future. The financial statements are therefore prepared on a going concern basis.

Operating Powers

It is the opinion of the Committee of Management that no activities have been carried on outside its powers during the financial period.

Solvency

The Society had the required margin of solvency as prescribed in Regulations made under Section 48(2) of the Friendly Societies Act 1992 for its relevant classes of business at 31 December 2008.

Complaints by Members

The Society has a documented complaints procedure and aims to treat its members fairly. There has been one complaint this year.

Corporate Governance

In 2008, the Committee comprised of the Chairman, two Trustees, five non-executive members and one executive member (Chief Executive). Biographies for each of these are shown on page 8 and the Committee believes that the balance of skills and experience of the members is appropriate to the requirements of the business.

The Committee determines the strategic direction of the Society and reviews its operating and financial position. During 2008, they met on eleven occasions when they considered a range of information which is provided to enable them to carry out their duties. The Chief Executive is responsible for carrying out the agreed strategy and the day to day running of the Society.

There are certain decisions that are reserved for the Committee and these include:

- declaration of annual bonus rates
- acquisition/disposal of significant assets
- committee succession planning
- approval of the annual report and accounts
- remuneration policy

Sub-Committee

The Society has a Finance Sub-Committee which meets on a monthly basis and is comprised of the two Trustees, Society's Chairman and two other Committee members by rotation, plus the Chief Executive. Occasionally, matters which are dealt with by this Sub-Committee are discussed by the full Committee depending upon the timing of meetings. The Sub-Committee is not chaired by the Society's Chairman and the position of Sub-Committee Chairman is rotated on a bi-annual basis. The Sub-Committee's main responsibilities are:

- to review monthly Income & Expenditure
- to review the Balance Sheet on a quarterly basis.
- to consider and review recommendations from, and performance of, the Society's Stockbrokers and agree sales and purchases as necessary.
- to monitor the Society's property portfolio and agree sales and purchases within delegated limits.

Internal Controls

The Committee reviews the effectiveness of its internal control systems by receiving reports from the external Compliance Consultant and our Internal Auditors. The Internal Auditors visit for a total of ten days per year and work to a programme designed to examine the risks identified in the Society's Risk Management analysis.

Their reports are considered by the full Committee and action taken where appropriate.

Committee Evaluation

The Chairman carried out a formal review of each Committee member by obtaining and co-ordinating responses to individual questionnaires which were circulated to all members. The results were then discussed individually as appropriate. In addition, each member was consulted to assess the performance of the Committee as a whole and the Sub-Committee.

Report of the Committee of Management for the year ended 31 December 2008

Committee Evaluation - Continued

The Vice Chairman co-ordinates the responses to a questionnaire relating to the performance of the Chairman in carrying out his duties and the results were discussed. The Chief Executive's performance is reviewed by the Committee.

The Committee has continued to develop its knowledge by receiving specialist presentations from the Actuary and Stockbrokers, and some individuals have also attended seminars on relevant topics. The Chairman has met with other non-executive Committee members without the Chief Executive being present.

There is a succession plan in place which has identified potential replacement dates and skills requirements.

Subject also to the Society's rules, new appointments to the Committee are being made on the basis of three year terms. Where Committee members have held their position for more than nine years, they will be subject to re-election at the Society's Annual General Meeting on a year by year basis.

The Committee has not replaced Judith Brisco who resigned at the beginning of January 2008 choosing to reduce its size. In addition, Peter Jessop will not be renewing his contract as a Committee member and will retire from the Committee on 31 May 2009. Individuals with relevant skills will therefore be sought to replace Mr Jessop and for retirements identified in the Society's succession plan.

There are several Committee members offering themselves for re-election at the Annual General Meeting and the Chairman confirms that each individual's performance remains effective and that they continue to demonstrate commitment to the role. He recommends therefore that they should be re-elected.

In March 2009, the Society's Chief Executive, Andrew Townsley, left to take up a similar role as Chief Executive of another Friendly Society. His successor is Tony Burdin who has broad experience in the mutual sector and joins us from the Channel Islands subsidiary of a Building Society, where he was Managing Director.

Annotated Combined Code

The Society has adopted the Annotated Combined Code for Governance in Mutual Insurers and submits a monitoring questionnaire, along with other Friendly Societies, to the Association of Friendly Societies, who will in turn report to the Financial Services Authority. The Society has complied with the Code during 2008, with the exception of the following, which we identify under the 'comply or explain' regime.

1. Due to our size, the Chief Executive also holds the position of Secretary. However, the Committee is confident that it receives the necessary guidance and support, and feels that the cost of employing a separate Secretary would not at this stage be an appropriate use of funds.
2. Again due to size, we do not have distinct Nominations and Remuneration or Audit Committees, but matters which would be dealt with by these are reviewed by the full Committee.
3. There is no Senior Independent Committee member, but the Vice Chairman has been nominated to receive any items from members where they do not feel that an issue can be resolved by either the Chief Executive or Chairman.
4. Several Committee members have served in their position for more than nine years. The code questions whether after this period, an individual can be viewed as being independent, but it is the Committee's ongoing opinion that all of the individuals in this category still provide balanced views on issues facing the Society. As stated earlier in the report, these Committee members will offer themselves for re-election on an annual basis.
5. The Chairman did not meet the independence criteria set out in A.3.1 of the Code on his appointment, as there was a close family tie with another member of the Committee. However, this was accepted by the Committee as it was not considered to be detrimental of the role.
6. The Committee does not assess remuneration levels relative to other companies as it prefers to act independently.

Report of the Committee of Management for the year ended 31 December 2008

Attendance at Meetings

	Committee		Finance	
	Number of Meetings	Attended	Number of Meetings	Attended
T Burton	11	11	6	5
J P Jessop	11	11	6	6
K R Hartley	11	10	6	4
D Marshall	11	11	6	6
S Birch	11	10	4	3
M Burton	11	11	6	4
W M Kennerell	11	10	6	6
B Staniland	11	11	5	5
R A J Townsley	11	11	6	6

Report on the Committee Members' Remuneration

The salary of the Chief Executive is reviewed annually by the Committee without him being present. He received an additional benefit of private medical insurance and was a member of the Society's Money Purchase Pension Scheme.

Chairman and Committee

Committee members are remunerated for their attendance at meetings and other time spent on Society business based on a predetermined hourly rate. The remuneration of the Chairman is decided by other Committee members and the Committee agrees their own fee rate. Fee levels are reviewed annually and in order to reflect the growing responsibility, it was decided that in addition to the hourly rate which was increased by 8.7% for the Chairman and 6.8% for Committee members, an annual fee would also be introduced. Initially, this will be £750 for the Chairman and £500 for other Committee members.

Committee Members' Emoluments

	Salary/Fees & Expenses £	Taxable Benefits £	Pension Contributions £	Total £
Chairman				
T Burton	4,918	-	-	4,918
Trustees				
K Hartley	1,432	-	-	1,432
D Marshall	1,978	-	-	1,978
Committee				
J P Jessop	2,616	-	-	2,616
S Birch	2,779	-	-	2,779
M Burton	2,844	-	-	2,844
M Kennerell	2,424	-	-	2,424
B Staniland	1,748	-	-	1,748
Chief Executive				
R A J Townsley	64,976	2,194	6,750	73,920

Committee of Management

Thomas Burton, Grad RIC, FPC1, Age 62 - Chairman

Tom joined the Committee in 1999 and has served as Chairman during the last four years. He retired from full-time employment four years ago after working in the nuclear fuels industry for 39 years as a team leader. One of his specialities then was dealing with compliance issues, which has turned out to be very useful when serving on the Board. He lives in Lytham St Anne's with his wife, Marian, and his hobbies include gardening, photography and home computing.

John Peter Jessop, ACMA, Age 59 - Vice Chairman

Peter is a member of the Chartered Institute of Management Accountants. For 21 years he was Finance Director and Secretary of a Building Society until July 2005 when he took early retirement. He joined the Committee of Sheffield Mutual in 2006 to fill a skill gap that had been identified. Peter has extensive practical experience of risk management, accounting, treasury, savings and loan products. He is a keen supporter of mutuality, especially from his time in Building Societies.

Kenneth Richard Hartley, Age 66 - Trustee

Ken became a Lodge Secretary in 1969 and was elected to the Committee in 1982. He was the Society's President in 1986/87, has been a Trustee since 1990, and holds FPC1. In 1995, he became a Magistrate and currently sits on the Barnsley Bench.

David Marshall, Age 69 - Trustee (Retired Community and Youth Worker)

David has worked for the Society as a Lodge Secretary and member of the Committee of Management for the past 28 years. During this time he has had the honour of serving two terms as President and the past seven years as a Trustee.

Stephen Birch, Age 54

Stephen started work at 16 as an apprentice craftsman in the power supply industry and now works as an Electrical Power Engineer for the National Grid. He has been a Lodge Secretary for 28 years and served on the Committee since 1989, including two years as President from June 1998 to 2000. His hobbies include DIY, gardening and historic vehicles.

Marian Burton, Age 64

Marian has been associated with Sheffield Mutual (formerly Independent Druids FS) for the majority of her life, her father being a former President and Trustee. She also had the honour of being the Society's first woman Chairman and was heavily involved in the Society's modernisation. Before retirement, she had spent her working life in the law, and, as a Legal Executive, headed a Matrimonial Department. Since then she has been appointed a JP and her hobbies include singing, gardening and charity work.

William Michael Kennerell, Age 66, Married with 2 Children

Mick's entire employment has been in Engineering from Toolmaker to Engineering Services Manager for a large Automotive Company. He is now retired. Mick has been a member of the Society since he was a child. Mick was elected to the Committee of Management in 1988 and has served as President for 3 1/2 years and as a Lodge Secretary until the end of May 2005. Many changes have taken place since Mick joined the Committee of Management and he looks forward to playing a part in the future success of the Society.

Barrie Staniland, Age 68, Married to Eileen for 46 years, 2 Children aged 38 and 41

Barrie worked in the Electrical Supply Industry as an Electrician/Technician in various departments and on different projects for 38 years, before taking early retirement in 1999. He was first introduced into the Friendly Society as a member 40 years ago and served as Lodge Secretary from 1977 to 2005. Barrie joined the Committee of Management in 1990 and was elected President in 2000/2002. He passed FPC1 (Financial Planning Certificate) in 2003.

Andrew Townsley, BA, Cert PFS, Age 56 - Chief Executive (resigned 6 March 2009)

Andrew has been involved in the Financial Services sector for 32 years, half of them in Senior Management positions within Building Societies. He joined Sheffield Mutual in October 2001 as Chief Executive. He has been a Director of the Association of Friendly Societies, which is the trade body for all Friendly Societies, since October 2004, and currently holds the position of Past President.

Anthony Robert Burdin, DipM MCIM, Age 47 - Chief Executive (appointed 2 March 2009)

Tony joined the Society on 2 March 2009, replacing Andrew Townsley as Chief Executive. He has worked in the mutual sector for nearly 30 years and has held a number of senior positions with two top-twenty building societies. Tony is a qualified member of the Chartered Institute of Marketing and has a broad base of relevant management skills. Originally from South Yorkshire, Tony now lives in Harrogate with his wife Jenny.

By Order of the Committee

T Burton - Chairman 18 April 2009

Income and Expenditure Account for the Year ended 31 December 2008

	Note	2008 £	2007 £
Contributions		2,513,522	1,954,610
Investment income	2	1,317,619	1,055,714
		3,831,141	3,010,324
Claims	3	(703,583)	(602,467)
Management and administrative expenses	4	(586,487)	(521,916)
Operating result		2,541,071	1,885,941
Taxation	5	(51,622)	(25,401)
Changes in long term business provisions	14	(1,501,561)	(1,811,290)
Impairment of property value	9	(93,694)	-
Unrealised (losses)/gains on investments	6	(3,480,867)	(739,111)
Change in fund for future appropriations	14	2,586,673	689,861
		-	-

**Balance Sheet
as at 31 December 2008**

	Note	2008 £	2007 £
ASSETS			
Investments	8	19,182,213	20,749,628
Tangible fixed assets	9	456,442	548,054
Debtors	11	46,603	98,132
Cash at bank and in hand		739,510	171,272
Prepayments and accrued income	12	55,404	27,017
		20,480,172	21,594,103
 LIABILITIES			
Creditors, accruals and deferred income	13	(167,533)	(196,352)
Long term business provisions	14	(15,926,600)	(14,425,039)
		4,386,039	6,972,712
 FUNDS FOR FUTURE APPROPRIATIONS	 14	 4,386,039	 6,972,712

The financial statements were approved by the Committee of Management on 18th April 2009.

T Burton
Chairman

A Burdin
Chief Executive

Notes to the Financial Statements for the year ended 31 December 2008

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994, made under the Friendly Societies 1992 and applicable United Kingdom accounting standards. They have also been prepared under the historical cost convention as modified by the revaluation of the investment properties and listed investments, and include the results of the Society's operations, all of which are continuing.

(b) Premium income

Premiums and contributions are accounted for on a cash basis. The difference between this and the accruals basis is considered to be immaterial.

(c) Claims

Claims and benefits are included in the financial statements on an accruals basis.

(d) Investment income

Dividends receivable are accounted for on a cash basis. All other investment income is accounted for on an accruals basis, with property rents received in advance at the year end being deferred to the subsequent period.

(e) Investments

Investments other than property and listed investments are stated at cost.

All investment properties are revalued every three years and included at the latest valuation. In accordance with SSAP 19, no depreciation is provided on the investment properties.

Listed investments are restated to market value at each year end and the adjustment is shown in the Income and Expenditure Account as unrealised gains or losses.

(f) Fixed assets and depreciation

Office and computer equipment are included at cost less depreciation. Depreciation is provided at rates calculated to write off the cost over each assets expected useful life, as follows:-

Computer equipment	33.33%	per annum straight line
Office equipment	15%	per annum straight line
Plant in buildings (within freehold property)	10%	per annum straight line

The Society's freehold property (other than plant in buildings) is included at valuation and is not depreciated on the grounds of immateriality.

(g) Taxation

The Society continues to supply both tax exempt policies, which according to current legislation do not attract tax, and taxable policies which attract a tax charge.

(h) Pension contributions

The Society operates a group personal pension scheme, available for the majority of employees. The Scheme is invested within the Society in an earmarked fund.

(i) Long term business provisions

Long term business provisions have been included in the 2008 accounts for the first time in order to comply with Financial Reporting Standard 27 'Life Assurance'. See note 14. The 2007 figures have also been restated for comparative purposes.

Notes to the Financial Statements for the year ended 31 December 2008

2 INVESTMENT INCOME	2008		2007	
	£	£	£	£
Rents receivable	538,082			451,809
Cost of maintaining properties	-			-
		538,082		451,809
Mortgage income	229,654			209,661
Income from listed investments	439,508			387,957
Bank and building society interest	103,938			86,618
		773,100		684,236
		1,311,182		1,136,045
Profit on sale of leasehold property	79,339			-
(Loss)/Profit on sale of listed investments	(72,902)			(80,331)
		6,437		(80,331)
		1,317,619		1,055,714
3 CLAIMS PAID				
		2008		2007
		£		£
Endowments on maturity		605,731		453,845
Death benefits		88,813		135,040
Sickness benefits		2,641		6,872
Additional benefits		1,754		1,735
Cessation grants		4,644		4,975
		703,583		602,467
		703,583		602,467

Notes to the Financial Statements for the year ended 31 December 2008

4 MANAGEMENT AND ADMINISTRATIVE EXPENSES	2008	2007
	£	£
Salaries including national insurance	185,242	175,664
Pension contributions	8,947	9,852
Internal auditor's fees	9,282	8,676
Actuary's fees	43,761	25,707
Auditor's fees - external audit	12,000	9,520
Auditor's fees - accountancy	6,414	7,238
Auditor's fees - underprovision re-prior year	5,403	1,146
Legal and professional fees	43,555	47,814
Committee of Management fees and expenses	20,738	17,203
AGM expenses	3,859	3,423
Computer running costs	12,631	22,961
Postage	4,730	5,973
Printing and stationery	12,593	5,638
Insurance	7,828	9,786
Motor vehicle and travel costs	7,179	9,256
Subscriptions	3,298	2,882
Lodge expenses	1,113	2,136
Bank charges	5,944	4,896
Pensions paid to former employees	-	598
Miscellaneous expenses	1,898	2,832
Office expenses	40,628	40,072
Advertising and promotional costs	31,373	18,394
Personnel and Training	10,495	11,498
Commissions paid	108,034	78,358
Depreciation - freehold property	3,114	2,972
Depreciation - computer equipment	5,688	8,633
Depreciation - office furniture and equipment	4,975	3,160
Recoverable VAT on expenses	(14,235)	(14,372)
	586,487	521,916
	586,487	521,916

5 TAXATION

The tax charge on the excess of income over expenditure for the year was as follows:-

Current Tax:	2008	2007
	£	£
UK corporation tax	48,500	25,707
UK corporation tax re prior years	3,122	(306)
	51,622	25,401
	51,622	25,401

Notes to the Financial Statements for the year ended 31 December 2008

6 UNREALISED (LOSSES)/GAINS ON INVESTMENTS	2008	2007
	£	£
Unrealised (losses) on properties	(493,955)	-
Unrealised (losses) on listed investments	(2,986,912)	(739,111)
	<u>(3,480,867)</u>	<u>(739,111)</u>

The Society's properties are revalued every three years as detailed in note 8.

7 COMMITTEE EMOLUMENTS	2008	2007
	£	£
Remuneration and fees	88,673	79,651
Expenses	5,986	6,049
	<u>94,659</u>	<u>85,700</u>
Chairman	4,918	3,922
Highest paid member	<u>73,920</u>	<u>67,036</u>

The emoluments of the Committee, excluding pension contributions, fell within the following bands:

	2008	2007
	No	No
£0 - £5,000	8	9
£5,001 - £10,000	-	-
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-

Certain Committee members also received commission for introducing new business totalling £744 for the year.

8 INVESTMENTS	Note	2008	2007
		£	£
Summary			
Land and buildings	(a)	7,175,000	8,004,206
Mortgages on land and buildings	(b)	3,476,583	3,226,583
Listed investments	(c)	6,860,437	8,765,645
Bank and money market deposits		1,670,193	753,194
		<u>19,182,213</u>	<u>20,749,628</u>

Notes to the Financial Statements for the year ended 31 December 2008

8 INVESTMENTS (continued)	Freehold Properties £	Leasehold Properties £	Total £
(a) Land and buildings			
Cost or valuation:			
Balance as at 1 January 2008	7,668,956	335,250	8,004,206
Additions	-	-	-
Disposals	-	(335,250)	(335,250)
Revaluation in year	(493,956)	-	(493,956)
Balance as at 31 December 2008	<u>7,175,000</u>	<u>-</u>	<u>7,175,000</u>

The freehold and leasehold properties were revalued by Brownill Bateman, Chartered Surveyors, in December 2008 on an open market value.

(b) Mortgages	£
Commercial:	
Balance as at 1 January 2008	3,226,583
Advances during the year	250,000
Repaid during the year	-
Balance as at 31 December 2008	<u>3,476,583</u>

(c) Listed investments at valuation	2008 £	2007 £
British Government securities	560,581	337,561
Other listed investments - equities	4,117,774	6,371,811
- fixed interest	2,049,332	2,056,273
Child Trust Fund investments	132,750	-
Balances as at 31 December 2008	<u>6,860,437</u>	<u>8,765,645</u>
Cost of listed investments:		
British Government securities	519,627	337,543
Other listed investments	8,745,104	7,879,216
Unit linked investments	132,750	-
	<u>9,397,481</u>	<u>8,216,759</u>

Notes to the Financial Statements for the year ended 31 December 2008

9 TANGIBLE FIXED ASSETS	Freehold property	Office furniture & equipment	Computer equipment	Total
Cost or valuation	£	£	£	£
Balance as at 1 January 2008	536,150	28,173	70,359	634,682
Additions	-	12,997	2,862	15,859
Disposals	-	-	-	-
Impairment in year	(93,694)	-	-	(93,694)
Balance as at 31 December 2008	<u>442,456</u>	<u>41,170</u>	<u>73,221</u>	<u>556,847</u>
 Depreciation				
Balance as at 1 January 2008	9,342	16,399	60,887	86,628
Disposals	-	-	-	-
Charge for the year	3,114	4,975	5,688	13,777
Balance as at 31 December 2008	<u>12,456</u>	<u>21,374</u>	<u>66,575</u>	<u>100,405</u>
 Net book value				
As at 31 December 2008	<u>430,000</u>	<u>19,796</u>	<u>6,646</u>	<u>456,442</u>
As at 31 December 2007	<u>526,808</u>	<u>11,774</u>	<u>9,472</u>	<u>548,054</u>

An impairment provision has been made against the freehold property on the basis of a valuation undertaken by Brownill Bateman, Chartered Surveyors, in December 2008 on an open market value.

10 CAPITAL COMMITMENTS	2008	2007
	£	£
At 31 December 2008, the Society had capital commitments as follows:-		
Contracted for, but not provided for in the financial statements	-	-
	<u> </u>	<u> </u>
 11 DEBTORS		
	2008	2007
	£	£
Rents due	8,185	68,374
Mortgage interest due	31,144	23,409
Property Insurance premiums recoverable	-	495
VAT	4,624	3,204
Income tax recoverable	2,650	2,650
	<u>46,603</u>	<u>98,132</u>
 12 PREPAYMENTS AND ACCRUED INCOME		
	2008	2007
	£	£
Prepayments	35,623	22,549
Accrued income	19,781	4,468
	<u>55,404</u>	<u>27,017</u>

Notes to the Financial Statements for the year ended 31 December 2008

13 CREDITORS, ACCRUALS AND DEFERRED INCOME	2008	2007
	£	£
Accruals and deferred income	107,726	159,983
Amounts due re matured policies	5,300	4,947
Amounts due to lodge officers	543	525
Corporation tax	48,500	25,707
PAYE and National Insurance	5,464	5,190
	<u>167,533</u>	<u>196,352</u>

14 (a) LONG-TERM BUSINESS PROVISIONS	With profits	Unit linked	Other	Total
	£	£	£	£
At 1 January 2008	8,271,259	-	6,153,780	14,425,039
Transfer from Income & Expenditure Account	2,468,287	132,750	(1,099,476)	1,501,561
At 31 December 2008	<u>10,739,546</u>	<u>132,750</u>	<u>5,054,304</u>	<u>15,926,600</u>

(b) FUND FOR FUTURE APPROPRIATIONS	£
At 1 January 2008	6,972,712
Deficit for the year	(2,586,673)
At 31 December 2008	<u>4,386,039</u>

15 ACTUARIAL VALUATION AND TECHNICAL PROVISION

An Actuarial Report on the assets and liabilities of the Society was last prepared as at 31 December 2008 and a copy of this Report may be inspected at the Registered Office of the Society. A further valuation will be prepared as at 31 December 2011.

16 CAPITAL STATEMENT

The Society is required to comply with Financial Reporting Standard (FRS) 27 for Life Assurance. The main impact is to require detailed disclosure of the liabilities and financial strength of the Society. The capital statement illustrates the financial strength of the Society's life business and shows an analysis of the available capital resources calculated on a regulatory basis for the Society. The actuarial valuation was carried out in conformity with Liability Valuation Rule 5 in Appendix 5 of the Interim Prudential Sourcebook for Friendly Societies ('IPRU (FSOC)'), and so limitations apply to many of the key assumptions used.

	2008	2007
	£	£
Funds for future appropriations	4,386,039	6,972,712
Adjustment onto regulatory basis - Resilience reserve	(750,000)	(1,300,000)
Total available capital resources	<u>3,636,039</u>	<u>5,672,712</u>

Notes to the Financial Statements for the year ended 31 December 2008

16 CAPITAL STATEMENT - Continued

Total available capital resources are 535% of the required minimum margin, which was £679,620 as at 31 December 2008.

At the end of the year, approximately 37% of the fund was held in property and approximately 22% of the fund was held in equities. These are sensitive to market movements in general. About 14% was held in UK bonds, and changing market conditions can affect bond values and future returns. Each bond also has its own individual credit risk. About 18% is held in the form of commercial mortgages and these are subject to default risk.

The valuation interest rate is determined by the overall return achieved on the assets held by the fund. Adjustments have been made to the assumed yield to allow for current market conditions.

The basis for valuing the technical provisions has been set by the Actuary. The main assumptions are:

- **Valuation Interest Rate**

Traditional Benefit Tables, Death Benefit and Sickness Tables: 3.25%

Tax Exempt With-Profits Business: 3.00%

Taxable With-Profits Business: 2.50%

- **Mortality**

All applicable tables: 80% of ELT15

- **Sickness**

All applicable tables: 150% of Manchester Unity (AHJ)

- **Expenses**

The allowance in the premium rates plus a specific reserve

- **Tax**

20% on interest and expenses for relevant taxable business

The main variable in the calculation of the technical provisions is the valuation interest rate. This rate varies by class of business, as shown above. An increase in the assumed interest rate of 0.50% would lead to a reduction of £250,000 in the technical provisions, and a decrease in the assumed interest rate of 0.50% would lead to an increase of £358,000 in the technical provisions.

The main variable in the assets is a change in the market value. The Actuary has modelled the effect of changes in the assets backing the liabilities. The more onerous scenario is one where a fall in interest rates is combined with a fall in the value of equities and properties. The resilience reserve established for this is £750,000.

There has been a decrease in the available capital resources from December 2007 to December 2008. The main reason for this has been the fall in market values of investments during the year. An analysis of the change is set out below:

Analysis of change in capital resources:	2008	2007
	£,000	£,000
Total available capital resources at 1 January 2008	5,672	7,362
Premiums less claims and expenses	1,224	830
Investment income less tax	1,266	1,010
Unrealised losses on investments	(3,481)	(739)
Impairment of property value	(93)	-
Change in mathematical reserves	(1,059)	(1,444)
Cost of bonus	(243)	(367)
Change in general reserves	(200)	-
Change in resilience reserve	550	(1,000)
Total available capital resources at 31 December 2008	<u>3,636</u>	<u>5,672</u>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SHEFFIELD MUTUAL FRIENDLY SOCIETY

We have audited the financial statements of Sheffield Mutual Friendly Society for the year ended 31 December 2008, which comprise the income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under accounting policies set out therein. We are also required to report on the Report of the Committee of Management for the year ended 31 December 2008.

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

Respective responsibilities of the Committee of Management and Auditors

The Committee of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of the Committee of Management's Responsibilities.

Our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it. In addition, we report to you if, in our opinion, the Society has not kept proper accounting records, or if we have not received all the information, explanations and access to documents that we require for our audit.

We also report to you our opinion as to whether the Report of the Committee of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and as to whether the information given therein is consistent with the financial statements.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Committee of Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 December 2008, and of its income and expenditure for the year then ended, and have been properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it.

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

Barber Harrison & Platt

Chartered Accountants
Registered Auditors
Sheffield
18 April 2009

Notes

A series of horizontal dotted lines for taking notes.



Authorised & regulated by the Financial Services Authority