Report & accounts

2023

Sheffield Mutual

Est. 1892

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Sheffield Mutual Est. 1892

Overview

94% of members are likely to recommend us to a friend or relative

4.94 rating on REVIEWS.io

Asset base increased to a record **£215m**

Total number of policies increased to **19,002**

Including the CTF we now have **80,727** policies and accounts

What our members say

Gemma

★★★★★

“This is a lovely company to do business with - they pick up the phone! Quickly! I know that is so basic, but nowadays, a lost art. They are also engaged, intelligent team workers who make notes on your file and when they say they'll call you back, they do! Amazing. We cannot rate them any higher. They are local to the area their HQ is in which is lovely and you can hear their lovely accents. Great products, and great service. Thanks so much.”

Clive Edwards

★★★★★

“The best kept secret in financial services?! I have been dealing with them again recently - superb as always. I've only just noticed the intention to allow policyholders access to online valuations on our investments which is a brilliant idea.”

John Smith

★★★★★

“I can assure potential investers that customer service at Sheffield Mutual is second to none, they are always very polite as well as being knowledgeable. I am always happy to reinvest, and have always been satisfied with the returns. I cannot speak more highly of them.”

Our customers say
Excellent ★★★★★
4.94 out of 5 based on **547** reviews
REVIEWS.io

Chair's welcome

> Our members know that in terms of quality of service and putting people first, friendly societies are hard to beat.

A warm welcome to all our members to our Strategic Report for the year 2023.

This is my first opportunity to write to members since I took over the role as Chair of the Board from Stephen Hindmarsh at the 2023 AGM.

I would like to thank Stephen for his time at Sheffield Mutual. Stephen was Chair for five years and faced a number of challenges leading the Board during the Covid pandemic and delivering the Society safely through. Stephen's contributions at meetings will be missed and the Board and I wish him well with his future plans.

2023 has been a difficult year for everyone. The Society has experienced the effects of the inflation and interest rates on its existing and potential members who have drawn on savings and searched for the best rates of return. During periods of high interest rates, the Society is challenged to immediately compete with the high street banks and building societies. But as a mutual society we take a longer term view and smooth returns to members (removing the peaks and troughs) with the aim of providing superior returns over the long term. Our members know that in terms of quality of service and putting people first, friendly societies are hard to beat. We are grateful for the continuing support we receive from members.

I joined the Society in 2019 but have worked directly in or for mutual businesses since the 1990s. An attitude of responsibility towards members and their best interests is a fundamental part of mutuality. That respect for members is what caught and held my attention. I see that 'care' deeply embedded at Sheffield Mutual. Mutuality is about the long term and at Sheffield Mutual we see through the challenges at hand and think about what we can do better for all members.

The Society's investments have performed well, particularly towards the end of the year. The early months of the year saw significant volatility in investment markets as persistent inflation, but mixed messages on other economic factors, caused uncertainty about the future trend of interest rates. But over the year (and with a good deal of help from the 'Santa run' in December) performance improved to deliver a good outcome.

Complementing the Society's market investments is a portfolio of commercial property investments. Commercial property helps the Society smooth the effects of share price movements and is an integral part of the long term view necessary for a stable mutual. The Society is lucky to have on its Board access to the skill and experience necessary to manage these properties directly or with the assistance of its external adviser.

In the five years I have served on the Society's Board there has been considerable change in the expertise and experience that Board members have to offer to the Society. We now have a broad range of skills available to help the executive team. I am pleased to confirm that the governance of the Society continues to strengthen. The new FCA Consumer Duty regulations became effective for the Society in 2023. I can report that many of the requirements of the regulations were already, naturally, effective in our principles and processes but we have made improvements where possible to comply with the requirements.

Our CEO, Jamie Bellamy, will discuss in more detail below some of the areas I have touched on. The Society is proud to be a mutual society. We want our members to feel special when they deal with us. We believe that investing in the Society is for the benefit of both existing and future members and we hope that current members feel safe in trusting Sheffield Mutual to contribute to their financial security.

I would like to thank everyone at Sheffield Mutual for their contribution towards the ongoing strength and success of the Society. 2024 will be exciting and I look forward to talking to you about it at our next AGM.

Stuart Hately
Chair of the Board
22 March 2024

Chief Executive's review

At the start of 2023 the Prime Minister set out five priorities for the UK, with the top ambition being to halve inflation by the end of the year due to the effect it was having on our day to day spending habits. As at December 2022 it was 10.5%, and at the end of 2023 it was 4.0%, therefore meeting this particular target. However, the Bank of England's policy of increasing the base rate up to 5.25% in August and maintaining at that level was arguably the largest contributor to driving down inflation. We are unable to exert any control over inflation but we have found that robust expenditure oversight through third party contract management has been essential throughout this period, ensuring every expense is justifiable.

The steadily rising base rate understandably increased competitive pressure within the sector to raise savings rates. Indeed, we have been monitoring market rates and seen some providers use aggressive strategies to bring in new business. We also raised our product rates during the year but our ultimate aim is to ensure that our members receive 100% of their fair share of the pooled fund boosted by final bonuses. Our historic performance demonstrates that we offer stable, competitive bonus rates.

Member feedback

Through our conversations with members, the cost of living has continued to be a concern for many and we have provided prompt access to funds if required. It has been heartening to receive positive feedback about our team's personable approach; we recruit and train our people with this in mind.

We regularly send out satisfaction surveys and measure member retention, providing the following results:

- Satisfaction score of 95%
- 94% of members are likely to recommend us to a friend or relative
- 95% of all policies remain open after one year and 86% of policies still remain open after four years

A new piece of regulation, the 'Consumer Duty', was introduced by the FCA during the year, aiming to set 'higher and clearer standards of consumer protection across financial services.' This is by no means a tick box set of requirements and is well aligned to our ethos of putting the member first. Data such as that provided above becomes even more essential to demonstrate that providers are doing what they say they are. It is a welcome regulatory ambition that the bar is raised across the sector.

During the year our new Product Development and Training Specialist formed the Member Forum where our product range and service are discussed and feedback provided. If you would like to join and offer your input, please feel free to contact us.

The Society's membership base remains over 12,000 and the total number of active policies is now over 19,000. The following tables show how membership has developed in recent years:

Year ending	Number of members (excl CTF)	Number of policies (excl CTF)
31.12.21	12,627	18,498
31.12.22	12,738	18,978
31.12.23	12,645	19,002

Policy returns and bonuses

The Board declared annual policy bonuses worth in excess of £5.1 million for members in 2023 and all with-profits bond, ISA and endowment policies had their interim bonus rates declared in full. The Board also paid terminal bonuses on qualifying years for the Investment ISA and bonds opened prior to 2017, and maintained final bonus rates on maturing regular premium endowments.

With-profits asset mix

The table below shows the asset split of the Society's investment fund at the end of 2023, with previous years' figures for comparison purposes. This table excludes Child Trust Fund and Sustainable ISA investments, which are part of separately managed unit-linked funds.

		2023	2022	2021
		%	%	%
Property		31.33	33.88	33.83
Mortgages on land and buildings		1.27	1.72	1.65
Listed investments:	- equities	29.62	32.08	26.09
	- fixed interest	32.47	28.01	26.99
	- alternative assets	1.72	0.84	3.39
Cash (excluding current account funds)		3.59	3.47	8.05
		100.00	100.00	100.00

Financial performance

Our asset base now stands at a record £215.5m.

The Society received £13.7m of premium income in 2023 (2022: £17m). Premium income levels were lower than the previous year as members were more cautious over rising day to day costs, which led to a higher level of claims. As we've seen historically at the Society, premium income levels can fluctuate depending on economic conditions.

Subscriptions and external transfers to the Investment ISA and Junior ISA generated circa £7.6 million (55%) of the total (2022: £10m). Our Investment Bond and Income Bond received £3.6 million over the year (2022: £4.2m), making up around 26% of premium income. Contributions to our regular savings products, including the Tax Exempt Savings Plan, amounted to £2.6 million (2022: £2.6m) and, therefore, accounted for around 19% of the total.

The Society's unit-linked Stakeholder Child Trust Fund attracted premium income of £0.66 million during the year (2022: £0.63m), made up of transfers from other providers and additional subscriptions to existing accounts.

"We also raised our product rates during the year but our ultimate aim is to ensure that our members receive 100% of their fair share of the pooled fund boosted by final bonuses. Our historic performance demonstrates that we offer stable, competitive bonus rates."

Investments

The Society's investment income was £9.7 million and after taking account of the unrealised gains and losses on investment values the overall return on the non-CTF assets for the year was a healthy 9.01%. Our available capital increased from £17.4 million to £21.4 million and remains more than 6 times the required minimum capital requirement; thereby maintaining a strong financial base.

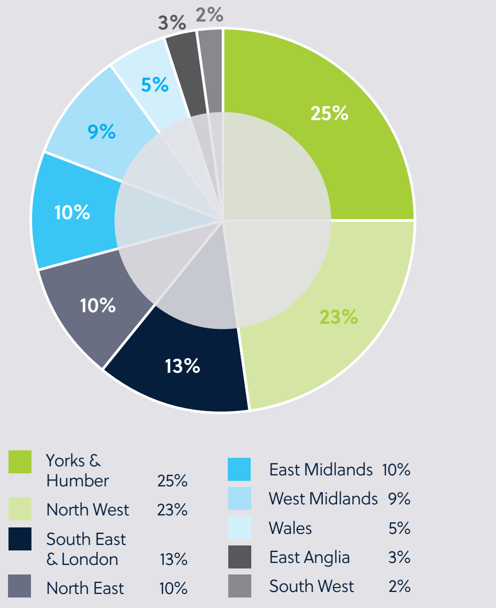
After a disappointing 2022 across most investment asset classes, a rebound was expected. Despite a negative return that year, an independent report carried out by Barnett Waddingham highlighted that the Society's fund still yielded the 9th highest return out of the 68 small to large funds included in the analysis. Several tweaks were made to the asset mix early in January, as recommended by Russell Investments, our Outsourced Chief Investment Officers. These changes were mainly to reduce our reliance on UK markets, with performance analysis showing that this decision enhanced the subsequent yield. As recently as October, mainly due to hostilities escalating in the Middle East, equity markets were at their lowest point in the year. However, a shift in the outlook for interest rates in 2024 and improvements in inflation data spurred equities in the final two months of the year.

In the US, despite the first-quarter regional banking crisis, once it became apparent that the end was in sight for the Federal Reserve's interest rate hikes equity stocks rallied by 25%. Technology stocks also jumped significantly during the year mainly due to the emerging boom in AI tech. UK markets don't have a similar exposure to tech stock and overall didn't perform as strongly as the US or Europe. Within emerging markets, India performed well due to market friendly government policies whilst China's main equity market fell 9%.

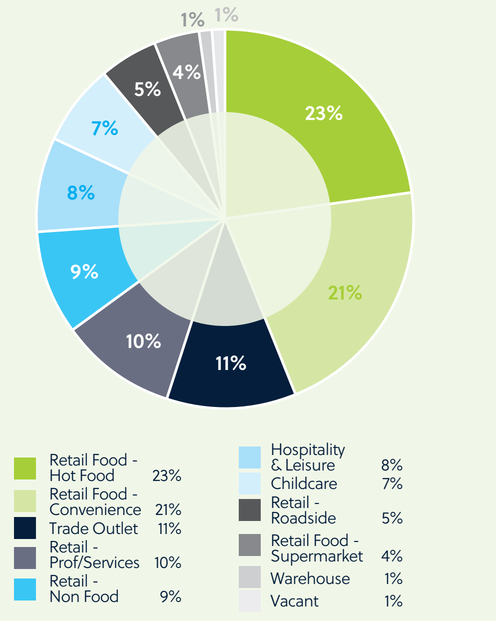
With regards to fixed interest investments performance has correlated with equities rather than acting as a risk diversifier within a portfolio as it has historically done. The US 10-year Treasury was 3.87% for the year, whilst UK gilts yielded 3.6%. Global high yield bonds delivered 3.5%. As inflation falls we should hopefully see a return to gilts and bonds assuming their role as a counter-balance to equities.

Our commercial property portfolio achieved a strong return over the year at 7%. During 2023 the Society started the process of purchasing a new build childcare nursery in Faringdon, Oxfordshire and a Central England Co-Operative store in Scunthorpe, North Lincolnshire. We also bought a further unit on our existing headquarters site to future proof our growth. Two smaller retail units were sold during the year. The Society owns 42 geographically diversified commercial properties, with a total value of circa £49 million. As can be seen by the charts, we hold properties throughout the country, with a higher concentration in regions closer to the Society's heartland. Vacancy is low at 1% of the portfolio value.

% of property portfolio value within each region



% of property portfolio value within each sector



Child Trust Fund (CTF) maturities

Since the first maturities in September 2020, only approximately 23% of matured policies have been paid out / transferred to a separate Sheffield Mutual policy, with the rest still held in a matured CTF account. This is an improvement on last year when 20% had been paid out - our CTF team has sent communications to all maturing account holders and aimed to improve engagement to ensure that all savings are handled in line with how the policyholder would like their investment to be dealt with at the age of 18. All policyholders are urged to contact us should their details change or they wish to discuss CTF related issues.

On maturity, the policyholder has a number of options, including remaining invested with us in our adult Investment ISA or Sustainable ISA, claiming the money or keeping the money held within a 'matured CTF' account until they're ready to decide.

Year ending	Number of CTF accounts (Incl. matured)	Fund due to policyholders (£'m)
31.12.21	62,766	43.35
31.12.22	62,429	43.25
31.12.23	61,725	45.72

Community Partnerships

In December we announced that we will be the title sponsor of the Sheffield Half Marathon (7th April) and Sheffield 10K (29th September), supporting Jane Tomlinson's Run For All for at least the next two years. Employees, including myself, will be participating in the events where we will hopefully be joined by some of our members.

As part of the 2023 Charity Award, we donated to three charities (The Ben Saunders Foundation, Cleft Lip and Palate Association and Medical Detection Dogs Charity). Through the popular Community Fund we also donated to 11 charities, which included support for Hallam FM Cash for Kids, wheelchair accessible days out with Fulfil the Wish, a nebuliser for Buttons Cat Rescue and the development of an educational outdoor area for the Whirlow Hall Farm Trust.

Employees chose the Barnsley Animal Rescue Charity (BARC) as their charity of the year, donating £2,500, with further monies raised throughout the year via additional employee fundraising.

Looking ahead

Throughout 2024 we will be completing a number of key projects. In terms of new products, we launched our new unit-linked Sustainable ISA. This product sits outside the with-profits fund and is underpinned by approximately 15 sustainability focused funds managed by Fidelity. The objective of the fund is financial growth through investing in companies that are involved in economic activities that are considered environmentally or socially sustainable.

Our new member portal will also be available, enabling members to view, make payments and update their policies online. Existing members will be invited to sign up to the portal. If you wish to gain access, please contact the Member Services Team to make sure that we have your most recent email address and mobile telephone number.

Changes made by the Government will allow savers to now contribute to more than one ISA of the same type each year from April 2024, offering a bit more flexibility. We'll also no longer need to request a fresh ISA application where an existing ISA account has received no subscription in the previous year.

Economically, we should see inflation further stabilising and there is an expectation that the base rate will be pulled back during the course of 2024. The Spring Budget offered National Insurance contributions cuts as the election looms.

I would like to finish by thanking our loyal members and the Board for their continued support. We have much planned for 2024 and I'm looking forward to speaking with our members throughout the year and receiving your valuable feedback.

Jamie Bellamy
Chief Executive
22 March 2024

Environmental, Social and Governance (ESG) Report

The Society adopts a proactive stance in mitigating the environmental impact our activities have on climate change. There is a growing emphasis on businesses to closely monitor and report this impact. In our 2022 Report and Accounts, we adhered to the Taskforce on Climate-related Financial Disclosure (TCFD) framework, offering insights into our activities that may influence climate change and detailing the measures we are undertaking to address it. We anticipate that our disclosures will evolve over time as we deepen our understanding of climate change, our role in it, and potential solutions. The 2023 report will once again assess the specific areas of the Society's environmental impact using the TCFD framework.

What is ESG?

Environmental, Social and Governance (ESG) is a set of standards that guide business culture. It is used as a tool for socially conscious investors, such as Sheffield Mutual, for screening investments and for promoting ethical practices and holding companies accountable for their actions.

- **Environmental** – looks at the controls and disclosures an organisation has in place to limit its impact on environmental factors.
- **Social** – places an onus on how an organisation acts within its community, does it do the right thing? Does it support the community in which it operates, through things like charity and community work?
- **Governance** – scrutinises an organisation's leadership, such as the diversity, equality, inclusionary makeup of the business, including the Board.

ESG: Environmental and climate change

Climate change risk is seen as one of the biggest systemic risks to market stability.

The Society has an environmental impact and footprint through its operations: travel, energy usage, waste, and water and through our commercial property and investment portfolios. We continue to implement initiatives and policies in line with recommendations from the Climate Financial Risk Forum (CFRF) and our regulators.

The PRA states that financial risks of climate change can be categorised as:

- **Transition risk** – is the implication of transitioning to a low carbon economy and the impact that could have on businesses and investments. For example, if an organisation is not seen to be transitioning away from polluting activities, then this may have an impact on their business, commercials and even turn potential investors away.
- **Physical risk** – is the actual physical risks caused by climate change, such as increased intensity of storms, high temperatures or sea levels rising.
- **Liability risk** – is the risk of compensation for losses being sought in response to physical or transition risks from climate change.

Taskforce on Climate-related Financial Disclosures (TCFD)

Governance

As required by our regulators the PRA and the FCA, the Chief Operating Officer is the Senior Manager responsible for the financial risks of climate change at the Society. It is within my remit to ensure that the Board and its sub-committees discuss climate change implications where necessary.

Through the Chief Actuary and the Own Risk and Solvency Assessment (ORSA) the Board models the potential impact that climate change may have on the Society through scenario based testing at least annually. The Chief Executive and Chief Operating Officer work with the actuary to produce such scenarios before working with the wider Board.

The Finance and Investment Committee (FIC), discusses the implications of the financial risks of climate change at its monthly meetings. Climate change forms a key element of the discussions in this sub-committee regarding the property and investment portfolios, future purchases, and relationship with the Outsourced Chief Investment Officer (OCIO), Russell Investments.

Strategy

The Society's climate change strategy and objectives were approved by the Board in 2021 and were highlighted again as an objective for the three year strategy 2022 to 2024. The Board continues to meet face to face at least six times a year, but the monthly sub-committees are conducted virtually, unless the date coincides with a face to face Board meeting.

Office operations (excluding the new expansion) used 5.35 tonnes of CO_2e in 2022, this was reduced to 4.14 tonnes of CO_2e in 2023. With the inclusion of the expanded office overall CO_2e for office operations came to 9.27 tonnes of CO_2e in 2023 against an estimated total of 10.71 tonnes CO_2e in 2022. 100% of the electricity used at the Society's main office is from renewable sources meaning the actual CO_2e produced is in fact significantly less than reported above. Including employees and director travel to the office the total CO_2e emissions in 2023 was 38.24 against 2022's of approximately 42.04 CO_2e. The Society offset 40 tonnes of CO_2e following tree planting in the Peak District National Park. The offsetting includes all scope 1 emissions and employees commuting to the office (scope 3 emissions) and the level which would be produced if the Society used a non-renewable source of electricity; therefore, offsetting more than the Society's total emissions.

Work continues to reduce paper within the office, as the development of the member portal and website progresses. This however is not expected to be a quick change due to our internal security processes and the protection of our members. The Society is committed to this reduction and will be working with our members over the next couple of years to ensure email addresses are up to date to allow for more electronic communications. Paper used for member correspondence, product literature and statements is produced using Forest Stewardship Council (FSC) responsible sources.

"Throughout 2023 efforts continued to reduce the Society's carbon footprint. Lights in the new expanded office were replaced with LED lights and a collective commitment amongst team members continues to ensure that pc, laptop and monitor lights are switched off at the end of the day"

Risk Management

Climate change has been reported to the Audit and Risk Committee (ARC) since 2020 as a principal risk through the risk management system. This has allowed climate change risks to be monitored and discussed regularly by both the ARC and the Board throughout 2023. However due to the nature of climate change the risk is also an emerging risk; the ARC therefore monitor at every meeting and any immediate emerging risks are highlighted.

Metrics and Targets

Climate change metrics are built into the Chief Executive and Chief Operating Officer's annual bonus scheme. Carbon offsetting continued throughout the year with the planting of trees in our Yorkshire heartland.

Carbon emissions are categorised under three scope levels:

Scope 1 – own consumption emissions - Throughout 2023 efforts continued to reduce the Society's carbon footprint. Lights in the new expanded office were replaced with LED lights and a collective commitment amongst team members continues to ensure that pc, laptop and monitor lights are switched off at the end of the day. An electrician assessed electricity usage in the office and collaborated with the team to identify and reduce usage. An in-depth examination of the office's electricity needs led to the creation of a report proposing solar panels as the primary energy source. Following the report's recommendations, solar panels were installed on the main office at the beginning of 2024 to further curtail the carbon footprint. The Society has one pool car which is used only for meetings which cannot be held virtually; the vehicle has a small eco-friendly petrol engine and fuel consumption is tracked and offset annually.

The Society has a target of continuing to reduce its scope 1 emissions to reach or get closer to net zero over the next 10 years.

Scope 2 – indirect emissions - The Society oversees a property portfolio directly managed by the Society and the Board, with assistance from Commercial Property Partners (CPP). In 2023, a thorough assessment of all properties' Energy Performance Certificates (EPC) was completed. Throughout 2024, collaborative efforts with tenants will be initiated to improve EPC scores of D or below. Attaining an optimal EPC target is challenging given the nature of commercial properties and potential cost implications for members. Nevertheless, ongoing cooperation with tenants will continue to implement environmentally friendly changes.

Scope 3 – Investment portfolio / employee commuting- Russell Investments as the Society's Outsourced Chief Investment Officer (OCIO) is part of the UK Stewardship Code and has been a signatory of the UN Principles for Responsible Investment since 2009. The with-profits investment portfolio is targeting a net zero carbon emissions goal by 2050. There are no direct holdings within oil and gas sectors within the portfolio. Our OCIO excludes companies that are significantly involved in coal production from all underlying funds, capturing both the risks and opportunities of the transition from traditional to renewable energy sources, excluding companies generating over 25% of their revenue from coal-related activities.

The Weighted Average Carbon Intensity (WACI) is a measure of carbon emissions normalised by revenues. The WACI on the Society's with-profits fixed income and equity investments, as provided by Russell Investments, was 113.9 tonnes of CO_2 in 2023. The WACI on the Sustainable ISA fund, as provided by Fidelity International, was 79.1 tonnes of CO_2 in 2023.

All our team members live locally and a short distance away from the office, hence their commute has a very minimal impact on our carbon footprint, where there are emissions these are offset via tree planting activity.

ESG: Social

The Social element of ESG refers to the relationship Sheffield Mutual has with its stakeholders, its community, and its people. At the top of the Society's social strategy is charitable activities. The Chief Commercial Officer leads this through various schemes:

- The Community Fund – a pot of money to support the social needs of the local community. In 2023 the fund donated just over £2,500 to 11 charities, including: Buttons Cat Rescue, Whirlow Hall Farm Trust and Fulfil the Wish.
- The Charity Award – is an annual award for our members and the general public to nominate a charity to be given the chance to be awarded with financial funding and an opportunity for the charity to gain exposure. In 2023 the Society donated £7,500 between three charities: Ben Saunders Foundation, Cleft Lip and Palate Association and Medical Detection Dogs.
- Employee charity of the year – The team at Sheffield Mutual select a charity each year, which in 2023 was Barnsley Animal Rescue Charity (BARC), one of Yorkshire's largest animal rescue charities. The chosen charity is awarded with £2,500. The team also raises money through various social and event activities throughout the year.
- The Social and Events team organised a collection of items to be sent to Ukraine to support those escaping the war.
- A couple of Board members hold charity trusteeships outside of Sheffield Mutual, including RSPCA Sheffield and Sheffield Hospitals Charity.
- The Finance and Investments Committee has a strategy of acquiring several community based commercial properties, such as medical centres and childcare nurseries.

ESG: Governance

The Governance element of ESG refers to how a business is governed particularly around board diversity and board compensation.

In 2021 Sheffield Mutual introduced two sub-committees to the Board which are made up of independent non-executive directors.

- The Nominations Committee, chaired by the Senior Independent Director, is responsible for the Board diversity and nomination process. It was formed to establish a diverse and inclusive Board, including ensuring independence of its members is maintained. In 2023 female representation on the Board was maintained at 25%.
- The Remuneration Committee advises the Board on non-executive, executive and employee remuneration based upon extensive research of the industry and market.

Paul Galloway
Chief Operating Officer
22 March 2024

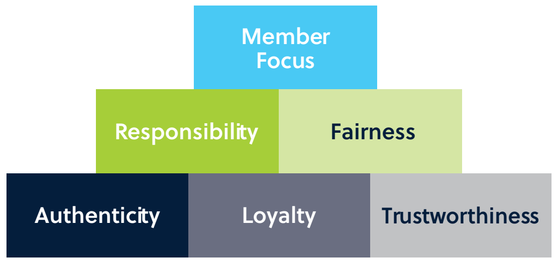
Strategic management

Business model

Our Purpose: "Prioritising our members' interests, we aim to provide an exceptional and trustworthy service through easy to understand products, with the strongest returns possible."

Our Vision: "To be the UK's most trusted and member focussed independent mutual friendly society."

Our core values:



The Society provides a range of long term savings, investment and protection policies to meet the needs of members and their families, including the popular Tax Exempt Savings Plan (which is exclusive to friendly societies), ISAs, Junior ISAs, Investment/Income Bonds and the Whole of Life Plan. These products are available through the following distribution channels:

- **Direct** - Online, postal and telephone applications, digital advertising, printed heartland advertising and newspaper editorials
- **Social** - Member referrals (Tell-a-Friend), advocates, Community Fund, social media
- **Intermediaries** - Financial Adviser advised and non-advised sales and non-advised referrals
- **Events** - Attendance at events and shows across the region

The Society seeks to attract members by demonstrating higher potential investment returns over the life of a policy and aims to retain them through a combination of performance, following high standards of ethics and principles, and delivering consistently high levels of personal service.

The Society strives to be efficient relative to its scale and this is achieved through robust cost management. The pursuit of controlled growth and consistent investment yields are seen as key drivers of sustainability and stability in terms of ongoing financial strength. This financial strength is augmented by a mutual model, which allows the Society to distribute returns to members by way of policy bonuses.

The Society's key strategic priorities are as follows:

- Meet its contractual obligations to policyholders
- Deliver higher potential returns over the life of a policy
- Maintain a healthy solvency ratio

Principal risks and uncertainties

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and the Board seeks to adopt a low-to-medium risk appetite in accordance with the scale and nature of the Society's business. It seeks to undertake a structured approach for the effective management of risk and aims to employ proportionate tools and techniques to enable it to deliver its objectives in a controlled manner. The principal risks are operational and financial, with the latter including solvency risk, market risk, credit risk, insurance risk and liquidity risk. The risk management framework is explained within the Board's Report and the Board is satisfied that the Society has robust risk and governance procedures and sufficient capital to deal with a range of risks and adverse scenarios, both now and over the business planning period.

> *"The Board's medium term strategy is to grow the Society's business organically at a controlled rate and, in addition to developing our various channels of distribution, we will continue to remain vigilant for new product areas."*

Future prospects and viability statement

The formal analysis of risks, which is carried out at least annually as part of the Own Risk and Solvency Assessment (ORSA) process, is used to assess whether the Board has a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the three-year business planning period. The Board believes that three years is an appropriate period given the Society's scale and scope of operations. This process, which includes appropriate stress and scenario testing, together with the Board's ongoing monitoring of risks and controls, suggests that there are no current, emerging or anticipated risks which could materially alter the Society's risk profile, strategy or viability in the medium term. This assessment is unqualified and based on realistic planning assumptions as outlined in the Society's approved business plan.

Strategy and objectives

The Board's medium term strategy is to grow the Society's business organically at a controlled rate and, in addition to developing our various channels of distribution, we will continue to remain vigilant for new product areas which may complement the Society's core activities, such as the unit-linked Sustainable ISA, which was launched in March 2024.

We are attracting over 78% of our new policies direct from members of the public through advertising campaigns, online marketing and recommendations. New policies are applied for via our website (**www.sheffieldmutual.com**), by post, in person at our office or by telephone. We continue to invest in our IT infrastructure, as demonstrated through the launch of the member portal.

The Society's with-profits Investment ISA, which offers investors a potentially higher return over the long term than a cash ISA but without the risks normally associated with a stocks & shares ISA, is expected to continue to generate a significant proportion of our premium income. Intermediaries remain an important part of our distribution mix and we will retain a focus on maintaining mutually beneficial relationships with introducers and financial advisers.

In 2023 we implemented various initiatives and policies, in line with recommendations made by the Climate Financial Risk Forum (CFRF). Our Chief Operating Officer has provided more details in our earlier ESG report.

In line with our history, heritage and ethical values, Sheffield Mutual is committed to helping good causes in the course of doing business. During 2023 we donated more than £17,500 to various charities and good causes and we have made a commitment to maintain our support in 2024. We are also implementing our largest sponsorship deal in our history, partnering with Jane Tomlinson's Run For All.

Board of Directors

Jamie Bellamy
Chief Executive

Jamie joined the Society in 2014 as Finance Manager, became the Finance Director in 2015 and the Chief Executive in 2019 and continues to oversee the Society's finance function. Jamie qualified as a certified accountant within a large regional accountancy firm, assisting small to medium businesses and preparing statutory financial accounts. Jamie also has experience of working within Risk Management at a global law firm. Jamie enjoys running and playing a variety of sports and lives with his wife, son and daughter in South Yorkshire.

Anthony Burdin
Non-executive director

Tony joined the Society in 2009 as Chief Executive and retired in 2018, leading the Society through a period of significant growth and development. Tony oversaw a substantial increase in the Society's assets and premium income, whilst delivering market-leading returns for members. After retiring Tony was invited to remain on the Board as a non-executive director. He has worked in the mutual sector for over 40 years and has held a number of senior positions in the building society and friendly society sectors. Tony has a broad base of executive management skills and holds professional qualifications in sales and marketing.

Janet Burdin
Non-executive director

Jan has over 20 years' experience in the mutual financial services sector, having held various senior positions in two medium-to-large building societies. Jan served as Chair from 2015 - 2018 and brings a wealth of relevant skills to the Board, particularly in the areas of customer services, sales management, team performance and regulatory compliance. Having been semi-retired since 2009, Jan now spends her spare time gardening, walking and bowling.

Paul Galloway
Chief Operating Officer

Paul joined the Society in 2018 as Chief Operating Officer and is responsible for Risk and Compliance Management, Member Services, Operations, IT, HR, managing the risks associated with climate change and is the Society's MLRO. Paul has held various management positions in products, risk, governance, and compliance at a large building society, as well as various roles at a global insurance and pensions firm. Externally Paul is the Chair of Trustees for RSPCA Sheffield branch. Paul enjoys music, films, comedy and hiking, and lives in South Yorkshire with his partner and their two cats.

Stuart Hately
Chair

Stuart joined the Society in 2019 and has extensive investment, risk and control management experience. Stuart previously held a directorship at Investec Wealth & Investment Fund Managers Ltd and was Head of Investment Operations at Royal Liver Assurance Ltd and CFO and COO of Royal Liver Asset Managers Ltd. Stuart also has friendly society experience working as a national specialist with KPMG. Stuart enjoys mountain biking, swimming and skiing.

Faye Lageu
Non-executive director

Faye has represented the interests of financial mutuals around the world for over 25 years as a strategy advisor, bringing extensive knowledge in a range of areas from marketing and corporate governance to leadership development and claims management, but focusing on her key specialisms of sustainability and member value. She is also an associate consultant working with life and health insurers in Europe and the Gulf region; a board member for a Canada-based organisation that promotes executive education for mutuals; and is an external supervisor for MBA students from mutual companies. She joined the Society's Board in 2022 and is the Ambassador for Members. She is an avid walker, yogi, Argentine tango dancer and silversmith, and loves live music and theatre.

Courtney Marsh
Non-executive director

Courtney is a qualified actuary with a rounded knowledge of the financial services and insurance sector. He consulted for Mercer and Oliver Wyman for 12 years with a focus on the mutual space and then joined Health Shield Friendly Society as Chief Risk Officer in 2010. Courtney went on to hold Chief Operating Officer and Commercial Director roles before becoming Chief Executive in 2018. For a period he ran his own consulting firm, specialising in the health, wellbeing and cash plan arena before joining BHSF Group as Chief Pricing & Underwriting Officer. When not working Courtney acts as a taxi service for his children, exercising on his Zwift bike and planning out his next holiday.

Neil Spawforth
Chair of the Finance & Investments Committee

Neil has over 20 years' experience as a Chartered Surveyor and his knowledge of commercial property is of great value to the Society. Neil has previously served as a Trustee from 2017 to 2021 and as Vice-Chair from 2012 to 2015. Neil is employed by Equitix Management Services and is involved in the management of various health and education projects across Yorkshire and the North of England. Neil has been a member of the Society since 2007 and lives in West Yorkshire, with his wife and their two children.

Adrian Stone
Chair of the Audit & Risk Committee

Adrian was born and raised in Matlock joining KPMG in Sheffield direct from university. He became a partner in 1997. He specialised in audit throughout his career firstly in Sheffield, then Leeds before spending the latter part of his career in London. He's worked on companies of all shapes and sizes and which reflect the diversity of the Sheffield and Yorkshire economy. He held a variety of leadership roles within KPMG from 2004 including the UK Head of Audit from 2015 to 2017. Since retiring from KPMG in 2018 he has become the Chair of the Sheffield Hospitals Charity which raises funds for the Northern General and Hallamshire hospitals in Sheffield. Adrian is married with three children in their early twenties. He is a keen gardener, a keen golfer and a long time season ticket holder at Sheffield United.

Andrew Thorpe
Senior Independent Director

Andrew has been on the Board since 2019 as a non-executive and currently works for Nuance Communications as a Solution Architect. Previously he was employed by HSBC from 2005-2022, most recently acting as their Head of Contact Centre Infrastructure for the EMEA region, which involved oversight of data security/integrity and supervising the migration of telecommunications services solutions. IT & Data Security expertise is increasingly important within any organisation and Andrew was identified by the Board as having the necessary knowledge to advise the Society on these areas.

Dawn Webb
Chief Commercial Officer

Dawn joined the Society in 2008 and is responsible for the creation and execution of commercial strategies in line with the business plan and ongoing future growth of the Society. Dawn is responsible for the leadership of both the Marketing & Communications and Business Development teams. Dawn has over 25 years' experience in the retail/financial services sector, spending several years in a management level role at a large UK bank before joining Sheffield Mutual. Dawn is a certified professional chartered marketer having completed qualifications via the Chartered Institute of Marketing. Dawn is a keen birdwatcher who loves nature and spending time with her husband and their two dogs.

Corporate Governance Report

Association of Financial Mutuals (AFM) Corporate Governance Code incorporating the Section 172 Companies Act Statement

The Society has applied the AFM Corporate Governance Code for Mutual Insurers (the "Code"). The Code sets out a series of principles of good corporate governance using an 'apply and explain' approach, focusing on culture within an organisation and employee and stakeholder engagement. The Chair, supported by the Board, ensures that the Code's principles are appropriately and proportionately applied throughout the year. Set out below is how we believe we achieve the respective principles:

Principle	How SMFS has applied the Principle
Purpose and leadership An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	The Society's purpose, vision statement and core values are agreed annually and were last reviewed in September 2023. The Executive Team propose how they expect to achieve the vision, setting out a three year strategy, which is monitored by the Board on an ongoing basis. A business plan is prepared annually, reflecting on emerging risks and opportunities, and is aligned to the overarching strategy. The objectives are updated to account for the external economic circumstances. As a smaller financial institution we're able to adapt fairly quickly, bearing in mind longer term targets and our commitments to members.
	A Board effectiveness review was carried out in 2022, with a working group formed by the Chair to set actions and timescales for the recommendations made. All recommended actions have now been implemented.
	The ethos of the Society has been refined over a number of years and regularly discussed with employees during inductions, team meetings, appraisals and embedded through our Customer Excellence (CEP) programme. To maintain our culture for the long term we aim to empower employees by promoting internally.
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.	Our Chair, Stuart Hately, has insurance, investment and audit management experience and can draw on this to facilitate constructive discussion during meetings. The Society has a separate Chair and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained.
	The Board consists of 11 members: three executives and eight NED's, with each member bringing a range of expertise, including property management, risk and compliance, sales and marketing and accountancy. All directors have equal voting rights when making decisions, except the Chair, who has a casting vote.
	Board members are subject to election every three years at the AGM in accordance with the Society's Rules. 63% of the Board's NED's were assessed as independent as at the year-end, and therefore in line with the Code guidance. The Nominations Committee discuss the Board's composition of skills and diversity, conscious of the long term nature of the business, and ensure a succession plan is in place.
	Internal Board appraisals are carried out annually with written feedback given to each member individually on a confidential basis. The SID also carries out the annual appraisal of the Chair's performance. The Chair leads an annual evaluation of the Board and its sub-committees. Training requirements are assessed by the Chair with the assistance of the Chief Executive and Chief Operating Officer throughout the year, to ensure all non-executives complete at least a minimum of 15 hours CPD. Non-executives are asked to attend external seminars and conferences and internal training sessions are held and presented by a number of organisations including compliance consultants and investment managers. A separate online training facility is also available.

Principle	How SMFS has applied the Principle
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.	All directors and non-executive directors complete an annual fit and proper person test to ensure that they are suitable and able to carry out their roles and to provide transparency with regards to any potential conflicts of interest. The Board also reviews the Management Responsibilities Map on a quarterly basis to ensure that all Board members are aware of their responsibilities under the SM&CR and that there are clear lines of accountability.
	The ARC enhances independence in communication and oversight particularly around the internal and external audit process. The separate Nominations and Remuneration sub-committees also improve independence and Board accountability. Terms of reference are in place for each of the Board's sub-committees and are subject to annual review with any recommended changes submitted for Board approval.
	Our internal auditors, RSM, present to the ARC on a quarterly basis. The internal audits carried out during 2023 demonstrated that we have effective governance arrangements and robust operational resilience procedures in place. The Executive Team provide management responses and timeframes for actions to recommendations made. The external audit also provides strong assurance to the Board and the Society's members that solid processes are in place to confirm the integrity of information provided. The Board receives regular reports (at least monthly) from the Executive Team, Outsourced Chief Investment Officers, property managers etc. on all key areas of the business and its performance.
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.	Using the Own Risk and Solvency Assessment (ORSA) report and business planning, the Board debates the Society's risk appetite, carrying out scenario testing and identifies how any potential threats can be successfully managed and converted into opportunities. The oversight of the Society's risks is carried out by our ARC on at least a quarterly basis, with the Chief Operating Officer monitoring risks throughout the year via the risk register and reverse stress testing. The Society's key risks are outlined later in this report. The Society has invested and increased its resources in risk management over recent years, with more third party assessments on cyber security, expertise in IT security, and further recruitment within the Risk & Compliance teams. Through monitoring risks and identifying how they can be mitigated we are invariably able to turn them into opportunities and build them into business planning. For example, IT systems are continually improving but can present risks if investment isn't made. We saw an opportunity in 2022 to expand our office site further to better accommodate our plans to grow the team through 2023, also offering a more welcoming environment for our members and Board to visit our head office. We were also able to utilise the space to minimise storage and archiving costs.
	Throughout the business there are strict controls in place to mitigate risk, as set out mainly within our ORSA, Internal Controls, Board Manual and Compliance Manual, detailing approval limits on transactions, user permissions, etc. These controls are reviewed at least annually and approved by the Board. An Audit Assurance Map has been developed to aid debate around areas of risk within the business and to better plan for internal audits over the medium to long term. An increased number of audits will be carried out in 2024 to provide further assurance.

Principle	How SMFS has applied the Principle
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.	Employees and executive directors are remunerated based on market rates and bonuses are paid based on the Society's performance to encourage a common goal. Directors' bonuses include targets linked to the success of the three yearly strategic review aligning to longer term success. Executive bonus schemes are linked to environmental, social and governance targets to improve executive accountability on these issues. Each employee's job specification is considered in isolation and an appropriate remuneration package designed depending upon the nature and seniority of the position. Director and senior management remuneration is developed around principles that align with the Society's culture, values and long term success.An internal review was carried out on the Society's bonus scheme to make it more focussed on individual and departmental objectives to encourage ownership and accountability. Specific Board remuneration is detailed later in the report. Further to an independent third-party review and a recommendation from the Remuneration Committee, a revised remuneration structure was implemented in 2022.
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.	Our team is one of the main reasons our members value being with the Society due to the personal service we provide. All employees have pension policies and the option to open a Society Pension Plan invested in the with-profits fund or into the Aviva pension plan. The appointment of an HR Manager early in 2024 has also improved our employee policies and communications with our team. Faye Lageu is our NED Ambassador for member engagement and Consumer Duty Champion, which involves regularly monitoring feedback from members through various avenues and discussing with the Board on a quarterly basis. All 24 employees are based at the Tankersley head office. We aim to hold full team meetings at least every two weeks. The Executive Team each have responsibility for the various departments within the business and are therefore very close to operations and have direct daily engagement with employees.
	The Society, in conjunction with the AFM, regularly liaise with our regulators and the government to seek improvements to friendly society law. Our Chief Operating Officer is on the AFM (trade body) Regulatory Compliance and Governance Committee and our Chief Commercial Officer sits on the AFM Consumer Strategy Committee.
	In line with our history, heritage and ethical values, Sheffield Mutual is committed to helping charities and good causes, as documented earlier in the Strategic Report. Also, each year the Society aims to make funds available for donations to smaller local charities, community groups and voluntary organisations from the Sheffield Mutual Community Fund. The partnership with Jane Tominson's Run For All will also build our relationship with external stakeholders within the local community.
	Payments to our suppliers are always within the requested payment period unless there are outstanding queries.

Chair's Statement on Corporate Governance

It is my responsibility to ensure that the Society applies the principles of the Code across the business appropriately. The Board aims to apply the spirit of the principles of the Code and it is the Board's intention to adopt the highest standards of corporate governance for an organisation of our scale and in the best interests of our members.

Stuart Hately
Chair
22 March 2024

Risk management

The day-to-day operations of running a mutual organisation expose the Society to risk. The Society approaches the limiting of risk exposure in several ways:

- The Society operates a three lines of defence model for risk management.
- The oversight and direction of the Board remains central to risk management. The Board has delegated oversight of risk management to the ARC. The ARC ensures that appropriate policies, procedures, and processes are implemented across the business to control and monitor both the actual and potential risk exposures which arise from the Society's operations.
- The ARC ensures risks are aligned to the Society's risk appetite and that any unacceptable risk exposures are identified and either eliminated or where appropriate mitigated.
- Through the Risk Register the Society has identified areas of potential risk and considered how they can be either accepted, mitigated, or removed. The Risk Register also contains trigger points for each risk at which certain management actions must be implemented. The Chief Operating Officer and Chief Executive along with the ongoing assessment of known risk exposures, monitor external and emerging risks within the Risk Register. The ARC reviews the Society's Risk Register in detail at least quarterly.
- The Board reviews the Society's risk appetite and principal risks at least annually, covering areas of risk such as solvency, liquidity and operational risk.
- Risks which could threaten the Society's business model are assessed, managed, and mitigated through a process known as reverse stress testing.
- The ORSA is also central to the risk management framework. The ORSA report brings together the Society's business strategy, risk appetite and capital planning processes and is owned and monitored by the Board. It is used in:
  - Reviewing and setting strategy
  - Business planning
  - Capital management
  - Risk management
  - Product pricing and development

Financial risk management

The Society is exposed to a range of financial risks through its financial assets, financial liabilities, and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk, credit risk and liquidity risk. However, the Society also faces financial risks in respect of property valuations, concentration of investments and counter-party exposures.

Market risk

Market risk is the risk of losses arising from changes in the value of assets or in the income from the assets. The Society manages market risk so that the returns generated are in line with members' long term expectations and support the Society's future strategic and operational objectives.

For assets backing member liabilities, market risk is managed by matching, within broad parameters, the duration and profile of the assets with the underlying liabilities.

The Society's Finance & Investments Committee (FIC) oversees the investment policy and strategy, and ensures that the asset mix aligns to the Society's Principles and Practices of Financial Management (PPFM).

Russell Investments oversee the Society's investment asset allocation taking account of capital requirements, investment return required and market volatility. They look to choose the most appropriate investment managers on our behalf, at a significantly reduced cost compared with the Society directly approaching the manager, which also reduces reliance on one investment manager's expertise and can offer diversification in additional asset classes.

Concentration of market risk for with-profits fund

The following table provides details of the Society's equities (including alternative assets).

Region	%	£
Global Equities	76.48	35,742,139
UK	18.52	8,651,862
Emerging Equity	5.00	2,338,075
Total		46,732,076

Interest rate risk

The Society is exposed to interest rate risk where changes in interest rates result in changes to market values or cash flows and where this is not matched by the change in the value of liabilities. This risk can be greater if the term of fixed interest investments is not well matched to the term of the liabilities. The risk is mitigated through holding a diversified investment mix. Members of the Society bear most of the market risk through the annual bonuses allocated to them.

Credit risk

Credit risk is the risk of loss due to failure by another party to perform in meeting its financial obligations. The Society adopts a medium tolerance to credit risk in support of the Society's strategic objectives and in matching policyholder liabilities. This means that modest losses would be tolerated in order to secure higher potential returns. The Society seeks to minimise other forms of credit risk, in particular those related to deposit takers. The Society has taken the following steps to mitigate credit risk:

- bond holdings adhere to minimum credit rating criteria i.e. must be mainly 'A' rated and above;
- defined commercial lending policy with strict underwriting guidelines;
- counterparty limits are in place for cash deposits.

Concentration of credit risk for with-profits fund

The following table provides details of the Society's bonds.

	%	£
Overseas fixed interest	90.56	46,383,228
UK fixed interest	9.44	4,835,001
Total		51,218,229

Liquidity risk

Liquidity risk is the risk that the Society, although solvent, is unable to meet payments as they fall due from cash or near cash holdings. The Society's objective on liquidity risk management is to ensure that sufficient funds are available over the short and medium term to meet the needs of the Society. This includes new business costs, planned strategic activities, member withdrawals, claims payments and day to day cash flow requirements. Cash flows are generally predictable with fixed amounts due on fixed dates. Deaths and surrenders are less predictable but (under normal circumstances) are subject to well established trends. The increase in ISA balances requires the Society to hold additional liquidity to meet withdrawal requests.

Any significant mismatch between cash inflows and outflows would be identified by the Executive Team and this would trigger a Board review of the level of liquid assets (particularly cash holdings) and the impact on the liquidity situation of writing new business.

The Society has a medium tolerance to liquidity risk, which means that cash and near cash holdings are kept at relatively modest levels so that yields are not adversely affected. Liquidity risk is considered relatively low given the predictable nature of most policy claims. The Society is currently, and for the foreseeable future, cash generative allowing it to meet the expectations of members without recourse to reserves.

Liquidity risk is managed as follows:

- budgets are prepared to forecast short term and medium term liquidity requirements;
- monthly analysis is provided to the FIC illustrating levels of liquidity and trend analysis;
- assets of suitable marketability and maturity are held to meet the member liabilities as they fall due; and
- credit risk of deposit takers is managed by having appropriate counterparty and credit limits in place.

Insurance risk

Insurance risk is the risk of loss due to uncertainties over timing, amounts and occurrence of events insured by the Society. Insurance related risks include mortality risk, persistency risk (in force policies after a certain duration), taxation, new business and renewal expense risk - with persistency risk being the main item. The Society has no exposure to longevity risk, nor does it have any reinsurance arrangements.

The Board has adopted a low tolerance to insurance risk by taking a low risk view on product development and applying high standards of life underwriting.

The Society manages insurance risk by:

- a structured approach to product development and pricing, including provision for expenses;
- a formal actuarial analysis of the performance of the insurance portfolio which feeds into the development of products and the calculation of technical provisions;
- robust management and challenge of expenses;
- proactive management of new business flows; and
- monitoring persistency rates, which are reported to the Board at least bi-annually.

Concentration of with-profits insurance risk

All long term business is conducted in the UK therefore geographical segmental analysis is not applicable.

The concentration of long term business provisions by the type of contract is set out below. This analysis excludes unit-linked liabilities and includes an apportionment of the expense reserve.

	2023	2022
	£000	£000
ISA	82,678	81,007
Investment bond	39,332	36,232
Pure endowments	14,605	13,454
Taxable saving plans	6,497	5,617
Sickness and death	772	787
Endowments	798	731
Other	789	701
Pension bond	120	139
Total	145,591	138,668

Additional business risks

Risk type	Description	Mitigation
Strategy	Strategic risk is the risk the Society will not be able to achieve its overarching objectives and long term goals.	The Board has a well established strategic planning process. The three-year strategy is approved by the Board and monitored annually.
Operational	Operational risks include risks such as systems and controls, governance, emerging, regulatory and legal and employees risk.	The Society has in place policies and internal controls which outline how its operational risks are mitigated. The annual Operational Resilience Board attestation delivers tolerances for these risks.
Cyber	Cyber risk is the exposure the Society has to IT and cyber security risks leading to harm to the Society and members or losses through data breaches or cyber-attacks.	Cyber is an ever evolving risk and high on the Society's risk agenda. The Society continues to invest in this area through team development and training, IT systems and other tools.
Conduct	Conduct risks relate to the ability of the Society to conduct its business fairly and properly in relation to its members and employees.	The ARC has oversight of conduct risk, with data and updates provided to the Board at least annually. Internal management meetings include a standing agenda item on conduct.
Member treatment	The fair treatment of members is at the heart of everything the Society does.	Management information is presented to the Board twice-annually, and individual risks to ARC at least quarterly.
Climate change	Climate change risks include transitional and physical risks which may directly or indirectly impact the membership.	Climate change risks are monitored in the Risk Register. Work is ongoing to reduce carbon emissions of the Society.

Directors' Report

Responsibilities of the Board

In 2023 the Board comprised of eight non-executives; Chair, Senior Independent Director (SID), six other non-executive members; and three executive members (Chief Executive, Chief Operating Officer and Chief Commercial Officer). The Chair believes that the balance of skills and experience of Board members is appropriate to the current requirements of the business.

The Board determines the strategic direction of the Society and reviews its operating and financial position. The Board met on six occasions during 2023 and there is a schedule of regular reports and information, which they consider at the meetings and which is agreed annually. Reports are provided to the Board in advance of each meeting. The Chief Executive is responsible for carrying out the agreed strategy and the day to day running of the Society and there is a clear division of responsibilities between the roles of the Chief Executive and Chair.

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

- declaration of annual bonus rates
- acquisition/disposal of significant assets
- succession planning
- approval of the annual report and accounts
- approval of the Own Risk and Solvency Assessment (ORSA)

The Chair is responsible for ensuring that members of the Board receive accurate, timely and clear information in order to discharge their duties effectively and the Society's Secretary is responsible for ensuring good information flows within the Board and between senior management and the Board. The roles of Chief Executive and Secretary should ideally be split but the Board is confident that it received good information flows and guidance and supports the Chief Executive currently holding the Secretary title, with assistance from the Member Services Team manager preparing the Board and subcommittee minutes. The Board and Sub-Committees can also obtain assistance from the Chief Operating Officer, Chief Commercial Officer and other employees if required.

The following statement is made by the Board in relation to the preparation of the annual financial statements, Strategic Report and Corporate Governance Report.

The Board 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 Board is required to:

- select appropriate accounting policies and apply them consistently
- make 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 Board 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 regulators under the Financial Services and Markets Act 2000

The Board also has general responsibility for safeguarding the assets of the Society and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board confirms that it has complied with the above requirements and considers that the Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for members to assess the Society's position and performance, business model and strategy.

Attendance at meetings

Board meeting and sub-committee meeting attendance during the year is set out below. The number of meetings that each director could have attended is shown in brackets.

	Board	FIC	ARC	NC	RC	WPAA
J Bellamy	6 (6)	11 (11)	4 (4)	2 (2)	2 (2)	3 (3)
A Burdin	6 (6)	4 (4)	3 (4)	-	2 (2)	-
J Burdin	6 (6)	3 (4)	-	2 (2)	2 (2)	-
P Galloway	6 (6)	11 (11)	4 (4)	-	-	-
S Hately	6 (6)	7 (7)	2 (2)	1 (1)	1 (1)	-
S Hindmarsh	3 (3)	4 (5)	-	1 (1)	-	-
F Lageu	6 (6)	5 (5)	2 (2)	-	-	3 (3)
C Marsh	6 (6)	4 (4)	4 (4)	-	-	-
N Spawforth	6 (6)	11 (11)	-	-	-	3 (3)
A Stone	6 (6)	6 (6)	4 (4)	2 (2)	-	-
A Thorpe	6 (6)	11 (11)	1 (1)	2 (2)	2 (2)	3 (3)
D Webb	6 (6)	7 (7)	-	-	-	-

S Hindmarsh retired from the Board at the 2023 AGM.

Finance & Investments Sub-Committee (FIC)

The Society has a FIC which meets on at least 11 occasions during the year and consists of the FIC Chair, the Society's Chair, SID and one other Non-Executive Board member by rotation, plus the Chief Executive and Chief Operating Officer. The sub-committee's main responsibilities are:

- to review monthly income & expenditure and budget performance
- to review the Balance Sheet on a quarterly basis
- to consider and review recommendations from and performance of the Society's investment managers and agree sales, purchases and investment mandates as necessary
- to monitor the Society's property portfolio and agree sales and purchases within delegated limits

The FIC assists the Board of Directors in the oversight of the Society's:

- Annual accounts and financial records;
- Annual budget;
- Monthly budget performance;
- Monthly performance in regards to financial matters, such as premium income;
- Liquidity;
- Cash flow forecast;
- Unit-linked child trust fund performance;
- Outsourced Chief Investment Officer (OCIO) performance;
- Money markets funds performance;
- Property portfolio performance, including the review of new propositions;
- Performance of commercial mortgages, including new propositions;
- Integrity of investments with consideration given to environmental, social and governance (ESG) and the Society's ethical stance;
- Investment decisions are made in accordance with the Business Plan / Triennial Strategy and alignment to the PPFM;

The FIC does this in the following ways:

- Consider the annual budget and when agreed make recommendations to the Board for approval
- Monitor monthly performance in relation to the budget, investigating any material differences
- Review liquidity, cash flow forecasts, policy statements, and recommend changes as necessasry
- Review the performance of the Society's OCIO (invited to attend FIC meetings on a monthly basis) and their recommendations
- Ensure that investments are held in accordance with the investment policy statement and PPFM issued to the OCIO
- Review the performance of the Society's property portfolio and make recommendations to the Board as necessary
- Consider commercial mortgage propositions and make recommendations as necessary
- Consider other property transactions for investment purposes and make recommendations
- Approval of property acquisitions and commercial mortgages
- Approval of new leases and changes to existing lease agreements, including rent reviews
- Review the Society's lending policy in respect of commercial mortgages
- Ensure that the Society's financial records and annual accounts are maintained and prepared in accordance with best practice and statute
- Review funds held in money market and variable rate deposit accounts
- Consider the various investment options available to the Society, ensuring alignment with the Business Plan and Triennial Strategy. Where a deviation from the Business Plan / Strategy is deemed appropriate a recommendation to the Board will be made

Audit & Risk Sub-Committee (ARC)

This sub-committee monitors and oversees the Society's risk management function, financial reporting process and internal controls. It comprises of at least four non-executive members and meets on at least four occasions during the year. Executives attend by invitation only. The sub-committee is not chaired by the Society's Chair and the position of sub-committee Chair is held by a non-executive having an accountancy qualification. The sub-committee's main responsibilities are:

- to review the external auditor's qualifications, independence and performance
- to review the integrity of the Society's financial statements
- to monitor the performance of the Society's outsourced internal audit function
- to review the Society's internal accounting and financial controls
- to review the selection and formal tendering process for internal auditor and external auditor, as required
- to oversee the Society's risk position and policies and regularly review the Risk Register

The ARC assists the Board in the oversight of:

- The Society's internal risk and compliance controls
- The Society's Risk Register
- The Society's reverse stress testing
- Reports from the Chief Operating Officer regarding risk and compliance
- The Compliance Manual
- Horizon risks
- Risk hot topics

The ARC does this in the following ways:

- Provide to the Board such information and materials as it may deem necessary to make the Board aware of significant financial matters that require their attentions, without breaking independence
- Examine and monitor the appropriateness and effectiveness of the Society's systems and controls.
- Changes to authority limits or internal controls and procedures
- Examine the arrangements for compliance with the regulatory system
- Have oversight of the second and third lines of defence
- The nature and composition of management information including quantity and frequency
- Monitor potential conflicts of interest

The key areas of risk that have been identified and considered by the Audit Committee in relation to the business activities and financial statements of the Society are as follows:

Financial statement area	Judgement required/key controls
Management override of controls	The ARC received regular reports regarding the operational effectiveness from the Risk and Compliance team and the Internal Auditors. The ARC is satisfied that the controls were in operation and effective throughout the year.
Investments	The Society holds a number of financial investments with its investment managers Russell Investments, Legal & General and Fidelity International. It also holds investment properties, mortgage investments and cash deposits. It is the Society's responsibility to ensure the valuation of these investments in the financial statements is correct. Management reported to the ARC on the controls in place which ensure the accuracy and completeness of financial investments valuations for the period. The ARC is satisfied that appropriate controls are in place and that the correct valuations have been reported in these financial statements.

The ARC is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the Financial Statements. The ARC can confirm that there were no significant issues to report to the Board in respect of the audit of the Financial Statements for the year ended 31 December 2023.

Nominations Sub-Committee (NC)

The NC advises the Board on the appointment of new members and the tenure of existing members as well as the perceived skills balance required on the Board, whilst promoting equality and diversity throughout the Society. It comprises of at least three non-executive members and meets on at least two occasions during the year. Executives attend by invitation only. The sub-committee is chaired by the SID. The sub-committee's main responsibilities are:

- Review the structure, size and composition of the Board; to include skills, knowledge, experience, length of tenure, and diversity
- Be responsible for identifying and nominating, for the approval of the Board, suitable candidates to fill Board vacancies as and when they arise or are expected to arise on retirements
- Make recommendations to the Board in relation to drafting the Society's Board recruitment policy - covering matters such as recruitment, advertising, composition, tenure, diversity, equality and succession

Remuneration Sub-Committee (RC)

The RC advises the Board on levels of remuneration. It comprises of at least three non-executive members and meets on at least two occasions during the year. Executives attend by invitation only. The sub-committee is chaired by the Society Chair. The sub-committee's main responsibilities are:

- Review Executive remuneration and incentive schemes
- Review NED remuneration
- Review global awards for pay increases to employees

Internal controls

The Society has an established framework of internal controls for the management of risk within the business and to safeguard the interests of members. The Executive Team is proactive in monitoring the efficiency of internal controls and the Board reviews the effectiveness of its internal control systems throughout the year by receiving reports from an external compliance consultant and our internal auditors, RSM. The internal auditors carry out an independent risk-based audit in accordance with industry standards and guidance, including days on site, and work to a Board approved programme designed to evaluate and improve the effectiveness of risk management, controls and governance processes. Their reports are considered by the Board and action taken where appropriate.

External audit

Royce Peeling Green Limited (RPG) was initially appointed by the Board as external auditors on 30 July 2021, following recommendation by the ARC, and subsequently formally appointed by the Society's members at the June 2022 AGM and reappointed in 2023. They will be offering themselves for re-election at the 2024 AGM. RPG provides no non-audit services.

The effectiveness of the external audit process is assessed by the Board based on a comprehensive audit strategy and methodology, which was reviewed and approved by the Board prior to the audit commencing. The auditors liaised with the Chair of the ARC during the audit planning and completion stages. The Board receives a report and presentation of the audit findings at its conclusion. The appointment and re-appointment of the external auditors is subject to a resolution at the Society's AGM.

With-profits governance

The Society's With-Profits Advisory Arrangement ("WPAA") is made up of the Society's SID and the FIC Chair, supported by the Ambassador for Members', the With-Profits Actuary and Chief Executive and its role is to act in an advisory capacity to inform the decision making of the Board in relation to the with-profits fund. In particular, the role of the WPAA is to consider the interests of with-profits policyholders, ensuring they are treated fairly and that the fund is managed in accordance with the Society's Principles and Practices of Financial Management ("PPFM"). The WPAA also oversees the Society's governance arrangements for closed-book business. A copy of the terms of reference of the WPAA and the PPFM can be obtained from the Society's website **www.sheffieldmutual.com**.

Report of the Board to with-profits policyholders

The Board is required to produce a report to all with-profits policyholders explaining how it has managed its with-profits business, complied with the PPFM and how the Board has exercised discretion in its decisions. This report will be available from the Society's website before 30 June 2024.

Going concern

After making enquiries and reviewing processes as set out in the Future Prospects and Viability Statement, the Board is satisfied that the Society has adequate resources to continue in business for the foreseeable future. The Board considers it appropriate, therefore, to prepare the financial statements on a going concern basis.

Complaints by members

The Society has a documented complaints procedure and aims to treat its members fairly. There were eight upheld reportable complaints in 2023, 16 made in total.

Disclosure of information to the auditor

The Strategic Report and Governance Report are approved by order of the Board.

It is the responsibility of the Board to ensure that applicable accounting standards have been followed and that the accounts are prepared in an accurate and timely manner.

The Board members who held office at the date of the approval of the Report and Accounts confirm that, as 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 2023 of which the auditors are unaware;

And,

They have taken all steps they should have taken as Board members to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Jamie Bellamy
Secretary
22 March 2024

Board Evaluation Report

The Chair carried out a formal review of each Board member by obtaining and coordinating responses to individual questionnaires which were circulated to all members. The results were then discussed individually, with future action points and training requirements noted, as appropriate. In addition, each member was consulted to assess the performance of the Board as a whole and the sub-committees. The SID co-ordinates the responses to a questionnaire relating to the performance of the Chair in carrying out his duties and the results are discussed without the Chair being present. The performance of the Executive Team is reviewed by the Board.

The Board has continued to develop its knowledge by receiving specialist presentations from the Actuary, Internal Auditors, Investment Managers, solicitors, property specialists and through attending various industry seminars. The Chair has met with other non-executive Board members without the Chief Executive being present.

The Nominations sub-committee has made further improvements to various governance policies, including the succession plan. Subject also to the Society's rules, new appointments to the Board are being made on the basis of three-year terms. Where Board members have held their position for more than nine years, they will be subject to re-election at the Society's AGM on a year by year basis. Justification for remaining after nine years will be based on the skills matrix and agreed by the Nominations sub-committee. The Society has a formal diversity policy for Board appointments.

The Society sees diversity at Board level as an important consideration in maintaining a balanced and cohesive governing body. The Society will seek to utilise different skills, industry experience, background, race, gender, sexual orientation and other qualities of Board members. These factors will be considered in deciding the best composition of the Board and, when possible, should be balanced appropriately. All Board appointments will be made on merit based on the skills and experience required to best meet the role specification and make an effective contribution.

There are two Board members offering themselves for re-election at the AGM having served a three year term and three offering themselves for re-election having served for more than nine years. With regards to those offering themselves for re-election having served more than nine years, the Chair and SID confirm that, following formal performance evaluations and the completion of a skills matrix, the individuals continue to demonstrate commitment and due skill to the role and therefore recommend that they should be re-elected. Neil Spawforth's knowledge of commercial property is of considerable value to Board deliberations on investment matters. Anthony Burdin has relevant experience within our specific sector and offers useful input into the with-profits model. Janet Burdin has held senior positions within the mutual financial services sector and continues to use that experience for the benefit of the Society. All three Board members remain effective.

"The Board has continued to develop its knowledge by receiving specialist presentations from the Actuary, Internal Auditors, Investment Managers, solicitors, property specialists and through attending various industry seminars."

Board Remuneration Report

Board remuneration is reviewed in accordance with the Society's remuneration policy. The overriding principle of the policy is to ensure that remuneration is aligned to the long term objectives of the Society and that there are no arrangements that would adversely affect the financial position of the Society or its risk profile. The Board is sensitive to pay and employment conditions elsewhere, although does not fully assess remuneration levels relative to other organisations, preferring instead to act with an element of independence. It may use remuneration data provided by the AFM or any other such organisation, as a comparable measure, to ensure salaries and fees remain attractive.

In 2021 the Remuneration Committee appointed an independent consultant (Reward Risk Ltd) to review non-executive fee levels. The review was updated for Board remuneration in 2023. For 2024, the Board has amended some of the annual fees to better reflect the number of meetings attended during the year and time commitment:

	2023	**2024**
	£	£
NED flat annual fee	11,000	**11,250**
Chair of Society	4,950	**7,000**
Chair of FIC	3,650	**6,000**
Chair of ARC	5,750	**6,000**
Chair of NC	3,650	**3,650**
Chair of RC	3,650	**3,650**
Attendance at ARC / FIC	2,100	**3,000**
Attendance at NC / RC	2,100	**2,100**
WPAA	2,100	**2,100**

The fees are neither pensionable nor performance related.

The Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Commercial Officer (CCO) are employed on salaried contracts, which require six months' notice for the CEO or three months' notice for the COO and CCO. Their salary packages are reviewed annually by the Board without them being present. As with non-executives, the Remuneration Committee requested that the independent consultant also review Executive salaries. The Executive Team are members of the Society's Group Personal Pension Scheme and are eligible for a discretionary performance related annual bonus payment of up to £11,000 for the CEO and up to £7,000 for the COO and the CCO, which may be paid as pension contributions. An additional element is included within the Executive Team bonus scheme relating to longer term business targets. If certain objectives are attained throughout the three-year period 2022-24, up to £2,000 per annum will be awarded to the CEO and £1,000 per annum to the COO and CCO, paid in 2025. Discretionary Christmas awards are also paid to the Executives (and all other employees). None of the Executive Team served as remunerated non-executive directors elsewhere during the year.

The Board believes that the current remuneration structure, introduced following an independent third-party review, provides appropriate levels of remuneration sufficient to reflect the workloads and responsibilities of non-executives, whilst also ensuring we can recruit, retain and motivate executives with the required skills, experience and qualities to continue to run the Society successfully for the benefit of its members.

Board Members' emoluments

	Salary/fees & expenses	Bonus	Taxable benefits	Pension contributions	2023 total	2022 total
	£	£	£	£	£	£
Chairman						
S Hately (appointed June 23)	21,026	-	-	-	21,026	15,353
S Hindmarsh (retired June 23)	12,080	-	-	-	12,080	21,954
Board						
S Birch (retired June 22)	-	-	-	-	-	6,436
A Burdin*	18,754	-	-	-	18,754	14,462
J Burdin	15,250	-	-	-	15,250	17,451
F Lageu	12,465	-	-	-	12,465	5,121
C Marsh	13,670	-	-	-	13,670	9,688
N Spawforth	16,961	-	-	-	16,961	15,389
A Stone	17,115	-	-	-	17,115	13,872
A Thorpe	23,159	-	-	-	23,159	18,366
Chief Executive						
J Bellamy	140,000	9,500	467	8,400	158,366	139,821
Chief Operating Officer						
P Galloway	95,000	6,375	448	5,700	107,523	98,787
Chief Commercial Officer						
D Webb	68,000	6,250	461	4,080	78,791	71,856

*A Burdin received a payment of £500 per month from January to June 2023 relating to consultancy work on the Sustainable ISA project.

Independent Auditor's Report to the Members of Sheffield Mutual Friendly Society Limited

Opinion on the financial statements

We have audited the financial statements of Sheffield Mutual Friendly Society Limited ('the Society') for the year ended 31 December 2023, which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard FRS 102 and 103.

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2023 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 opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board'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 2024, and up to date post year end management accounts
- Reviewing the Society's business plan 2024 including medium term forecast to 2027
- Reviewing the Society's Own Risk and Solvency Assessment and Forward-Looking Assessment of Own Risk reports
- Reviewing Board and Sub-committee minutes
- Discussion with our Reviewing Actuary on the appropriateness of assumptions and potential sensitivities in the Technical Provisions and Solvency Capital Requirement calculations
- Discussions with management and the Board on such matters and post balance sheet events which may impact the going concern status

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 12 months from when the financial statements are authorised for issue.

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

Our approach to the audit

The scope of the audit for the financial statements has been determined by our application of our materiality to the financial statements in association to the risks of the Society when determining the level of work to be performed. All audit work was performed directly by the audit engagement team with the assistance of appointed external actuarial experts ('Reviewing Actuary').

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

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 set 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 set an overall level of uncorrected misstatement that we judged would be material for the financial statements as a whole. We set planning materiality for the Society at £535,000 (2022: £724,000) which is approximately 3% of the prior year Fund for Future Appropriations. 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.

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 75% of planning materiality, namely £402,000 (2022: £543,000). We agreed with the Board that we shall report to them misstatements in excess of £20,000 (2022: £27,000) that we identify through the course of the audit, together with any qualitative matters that warrant reporting.

We also determined that for items in the Income and Expenditure Account, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users. As a result, we determined a specific materiality for certain items in the Income and Expenditure Account to be £468,000 (2022: £340,000) based on 2% of earned premium income. We further applied a performance materiality of 75%, an amount of £351,000 (2022: £255,000), to ensure that the risk of errors exceeding this specific materiality was appropriately mitigated.

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

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 (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of the long term business provision As at 31 December 2023, the Society recognised a long term business provision of £144.6m (2022: £137.3m) in respect of its non unit-linked insurance business. Due to the size and nature of the provision, we consider this to be material to the financial statements. The provision is 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 Board is required to make significant judgements in conjunction with the advice of the Chief Actuary. These judgements involve considering whether the assumptions appropriately reflect the Society's experience, circumstances and future expectations.	In assessing the valuation of the long term business provision, we performed the following procedures: • We engaged the services of a suitably qualified, independent and experienced actuary to review and report on the methodology and assumptions applied by the Board in the calculation of the long term business provision, and on the accuracy of the calculation itself. • We tested the integrity of the Society's policy administration data to ensure the data being used by the Chief Actuary was accurate. The testing included sample checks on premium income streams, claims paid, data integrity checks on key fields and reconciliation of policy numbers. • 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. • We challenged the Board's assumptions in terms of future budgeted expenses and levels of projected new business 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 2023, we consider the valuation of the long term business provision recognised within the financial statements to be appropriate and reasonable and properly disclosed.	

Key audit matter	How our audit addressed the key audit matter
Management override of controls Auditing Standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	In assessing the risk that accounting records and the financial statements are materially misstated through management overriding controls, we have performed the following procedures: • Using data analytical software, we identified higher risk transactions in the general ledger and substantiated them to underlying evidence. We are satisfied that the journals and general ledger transactions tested were complete and did not indicate any potential misstatements or indications of fraud. • We reviewed bank transactions throughout the year and since the year end for material and round sum amounts and evidenced these back to appropriate documentation and authorisation. • We reviewed the completeness and reasonableness of accounting estimates (in conjunction with work performed on the long term business provision noted earlier). • We checked the consistency and appropriateness of accounting policies and disclosures in the financial statements.
Our conclusion Overall, we are satisfied that the accounting records and financial statements are free from material misstatement in this respect.	

Other information

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

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

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' 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 Directors' 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, 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 Board

As explained more fully in the Board's responsibilities statement, the Board 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 Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board 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 Board either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 focuses on relevant risk areas and we review compliance with laws and regulations through making relevant enquiries and corroboration by, for example, review of Board and sub-committee meeting 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 the Society's Complaints and Dissatisfaction Register.

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
- 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
- Identification and testing of journal entries, particularly those which may appear to be unusual by size or nature

There are inherent limitations of an audit, 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 for the audit of financial statements is located on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**. This forms part of our auditors' report.

Other matters which we are required to address

- **Auditor tenure -** We were appointed by the Board on 30 July 2021 to audit the financial statements for the year ended December 2021 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ending 31 December 2021 to 31 December 2023.
- **Independence -** We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
- **Non audit services -** We have not provided any non- audit services prohibited by the FRC's Ethical Standard to the Society.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an 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.

Royce Peeling Green Limited

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

Date: 22 March 2024

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

Income and Expenditure Account

	Note	2023	2022
		£	£
Technical account - long term business			
Income			
Earned premiums	4	**13,739,509**	17,010,020
Investment and other income	5	**6,539,650**	5,715,982
Realised investment gains	6	**3,169,120**	133,115
Unrealised investment gains	7	**8,420,332**	348,409
Total income		**31,868,611**	23,207,526
Expenditure			
Claims incurred	8	**(14,322,688)**	(11,946,008)
Net operating expenses			
Administration and acquisition expenses	9	**(2,382,898)**	(2,074,310)
Investment related charges	10	**(753,564)**	(92,446)
Taxation attributable to long term business	11	**(246,853)**	661,471
Realised loss on disposal of investment properties		**-**	(50,984)
Unrealised losses on with-profits investments		**-**	(15,445,284)
Unrealised losses on unit-linked investments		**-**	(343,823)
Change in long term business provision	17	**(9,959,935)**	(241,443)
Transfer (to) / from fund for future appropriations	18	**(4,202,673)**	6,325,301
Balance on the Technical Account		**-**	-

All income and expenditure relates to continuing operations.

The above results relate wholly to continuing activities. The Society had no other recognised gains or losses other than those included above in the Technical Account and the movements in the Child Trust Fund Stakeholder Fund as shown in note 16(b).

The Society is a mutual organisation and therefore has not presented a Statement of Changes in Equity.

Balance Sheet

	Note	2023	2022
		£	£
Assets			
Investments	14		
Land, buildings and commercial mortgages		**51,442,483**	51,247,674
Listed & OEIC investments		**100,659,556**	86,666,804
Assets held to cover linked liabilities		**54,036,102**	50,276,988
Other financial investments		**5,662,242**	6,042,941
		211,800,383	194,234,407
Other assets			
Fixed assets	15	**840,720**	612,140
Cash at bank and in hand		**1,643,515**	4,563,542
Corporation tax incuding deferred tax		**206,051**	457,099
Prepayments and accrued income			
Accrued interest and rent		**259,463**	267,924
Other prepayments and accrued income		**720,728**	956,419
Total assets		**215,470,860**	201,091,531
Liabilities			
Technical provisions	17		
Long term business provision - with-profits		**(144,654,415)**	(137,346,110)
Unit-linked liabilities		**(45,713,498)**	(43,248,011)
Fund for future appropriations	18	**(22,052,178)**	(17,849,505)
Creditors			
VAT and Social security		**(148,069)**	(158,662)
Accruals and deferred income	19	**(2,902,700)**	(2,489,243)
Total liabilities		**(215,470,860)**	(201,091,531)

The financial statements were approved by the Board on 22 March 2024

S Hately	**J Bellamy**	**P Galloway**	**D Webb**
Chair	Chief Executive	Chief Operating Officer	Chief Commercial Officer

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with the Friendly Societies Act 1992, the Friendly Societies (Accounts and Related Provisions) Regulations 1994, and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) issued by the Financial Reporting Council.

In accordance with FRS 103, the Society has applied existing accounting policies for insurance contracts.

The Board of Directors has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board continues to apply the going concern basis of accounting in preparing the Annual Report and Financial Statements.

(b) Earned premiums

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

(c) Claims paid

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

(d) Investment income

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.

Rentals receivable under operating leases, including any lease incentives provided, are recognised in the Income and Expenditure account on a straight line basis over the term of the relevant lease.

(e) Investments

The Society classifies all of its investments upon initial recognition as financial assets at fair value and subsequent valuation movements are recognised in the Income and Expenditure Account.

Assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership. Financial assets at fair value through the Income and Expenditure Account include listed investments, and units in collective investment vehicles. Fair value is based on the bid value at the year end.

All investment properties are formally revalued every five years and interim desk-top valuations are performed in the intervening years. Included within investment properties are nine leasehold properties where the lease is greater than 50 years.

Bank deposits represent variable rate deposits with interest paid annually.

Money market deposits represent fixed rate deposits with a maturity of overnight deposits up to three months in duration.

Mortgage assets are included at cost, and interest charged at a commercial rate over a fixed period of time, and security held over the underlying asset.

The Society has not held any derivative financial instruments at any point during the reporting period.

(f) Fixed assets and depreciation

All assets excluding freehold property are included at cost less depreciation. Depreciation is provided at rates calculated to write off the cost over each asset's expected useful life as follows:

Office furniture and equipment
15% per annum straight line

Motor vehicles
25% per annum reducing balance

Computer equipment
33.33% per annum straight line

Website development*
20% per annum straight line

Software development
20% per annum straight line

*The Society conducted a review of depreciation accounting estimates in 2023, which resulted in a change to the Website Development estimate from 33.33% per annum straight line to 20% per annum straight line, in line with the expected useful economic life of the asset. All other depreciation estimates were deemed fit for purpose.

The Society's freehold property is included at fair value and it is not depreciated on the grounds of immateriality. It is revalued each year using the same approach as the Society's investment properties detailed in note 1(e). Any change in fair value is reflected in the Income and Expenditure Account.

(g) Impairment of assets

Assets other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Income and Expenditure account.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(i) 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.

(j) Pension contributions

The Society operates a group personal pension scheme, available for the majority of employees. The scheme is invested in the Society's Group Personal Plan or in a separately earmarked fund with Aviva. The Society's contributions in respect of the year are shown in Note 12. None were outstanding at the year end.

(k) Cash flow statement

The Society, being a mutual life assurance company, is exempt from the requirements under FRS 102 Section 7.1A (3.17[d]) to produce a cash flow statement.

(l) Fund for future appropriations

The Fund for Future Appropriations incorporates amounts which have yet to be allocated to participating policyholders. Any surplus or deficit arising in the Income and Expenditure Account is transferred to or from the fund on an annual basis. Surpluses are allocated by the Board to participating policyholders by way of bonuses. Any unallocated surplus is carried forward in the Fund for Future Appropriations.

(m) Long term business provisions

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

The best estimate liabilities for with-profit and unit-linked policies are equal to the accumulated value of policyholders' investments, taking into account premiums, claims and expenses, with allowance for the future cost of any guarantees provided and a provision for any future expenses in excess of the costs charged to the value of policyholders' investments. The best estimate liabilities for non-profit policies are the present value of future benefits and expenses, less future premiums. The risk margin allows for the cost to a third party of holding Solvency II capital until all contracts are settled. Regulation requires the assumptions made for future experience (eg lapses, mortality, expenses and inflation) to be realistic and the valuation rate of interest used to discount the expected future cash flows is prescribed.

(n) Deferred acquisition costs

In accordance with section 3.7 FRS 103, deferred acquisition costs are not separately accounted for as the Society applies the Prudential Regulatory Authority (PRA) realistic capital regime.

(o) Functional currency

The functional currency of the Society continues to be pounds sterling because that is the currency of the primary economic environment in which the Society operates.

2. Critical accounting estimates and judgements

In the application of the Society's accounting policies, the Board is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the Board, 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 on the following page.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

(i) Valuation of long term insurance contract liabilities:

The liability relating to long term insurance contracts, included within the technical provisions, is based on assumptions reflecting the best estimate at the time allowing for a margin of risk. The assumptions used for mortality, morbidity and longevity are based on standard industry tables, adjusted where appropriate to reflect the Society's own experience. The assumptions used for investment returns, expenses, lapse and surrender rates are based on current market yields, product characteristics and relevant claims experience. The assumptions used for discount rates are based on current market risk rates. Due to the long term nature of these obligations, the estimates are subject to significant uncertainty.

(ii) Valuation of financial instruments:

The Board uses its judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. However, where observable quoted prices are not available, the Society adopts the fair value hierarchy set out in FRS 102 section 11. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- **Level 1 –** Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- **Level 2 –** When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- **Level 3 –** If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

3. Capital statement

The Society's capital management plan extends to the Society having appropriate procedures in place to identify correctly the components of its own fund items which is done by the Society's Actuarial Function. Additionally the Society reviews, as part of its regular ORSA process, the current and likely future capital position of the business and whether there is a material risk that its solvency may be threatened. In the event that the Society's projected solvency position is at risk, defined as not having sufficient capital resources to cover the Solvency Capital Requirement, then the Society will draw up appropriate plans to rectify that position. These plans will be appropriate to the Society's circumstances at the time but might include:

- Taking such management actions as may be anticipated within its SCR calculations.
- Reviewing and refocusing its strategic objectives and priorities.
- Re-pricing its contracts of insurance.
- Reviewing its expense base, including potentially closing to new business.
- Seeking a transfer of engagement.

The Society is required to comply with Financial Reporting Standards 102 and 103. 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. A valuation was carried out at 31 December 2023 in conformity with the requirements of Solvency II.

The Society was in compliance with capital requirements imposed by regulators throughout the financial year.

The capital requirement of the Society is determined by its exposure to risk and solvency criteria established by management and statutory regulations. The table below sets out the capital resources requirement and the Society's available capital.

	2023	2022
	£000	£000
Solvency capital requirement	**12,808**	10,725
Available capital resources	**22,052**	17,850
Less assets inadmissible for Solvency II	**(614)**	(423)
Total available capital resources	**21,438**	17,427
Solvency cover	**167%**	162%

The table below sets out the capital that is managed by the Society on an FRS and regulatory basis:

	2023	2022
	£000	£000
Opening fund for future appropriation	**17,850**	24,175
Transfer to / (from) fund for future appropriations	**4,202**	(6,325)
Closing fund for future appropriation	**22,052**	17,850

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

(a) Basis of calculation of available capital resources

The available capital of the Long Term Insurance Fund has been determined in accordance with the Solvency II requirements and includes the fund for future appropriation. The fund for future appropriation represents surplus funds of the Society which have not been allocated to members and is available to meet regulatory and solvency requirements of the Society. Adjustments have been made to restate the assets and liabilities in line with Solvency II.

As shown above, the Solvency Capital Requirement amounts to £12.81m and is determined in accordance with capital requirements as defined by Solvency II. As at 31 December 2023 the Society's capital resources were 167% of its capital requirements.

Approximately 31% of the fund excluding the Child Trust Fund business is held in property and approximately 31% is held in equities. These are sensitive to market movements in general. About 33% is held in bonds and gilts, and changing market conditions can affect bond values and future returns. Each bond also has its own individual credit risk. About 1% is held in the form of commercial mortgages. The remaining assets are invested in cash and deposits which are subject to default risk.

The valuation interest rate is set in reference to risk-free rates specified by the PRA as at 31 December 2023.

(b) Statutory valuation assumptions

- **Valuation interest rate**
  Solvency II risk free yield curve
- **Mortality**
  All applicable tables: 40% of ELT17 Males
- **Expenses**
  The allowance in the premium rates plus a specific reserve based on expected per policy costs and inflated in line with RPI-0.25%
- **Lapses**
  Realistic rates based on the actual experience for each product
- **Bonuses**
  A continuation of the currently declared interim rates
- **Tax**
  10% on interest and expenses for relevant taxable business

(c) Available capital sensitivity analysis

The table below gives the change in the available capital in different scenarios:

Variable	Change in variable	Change in available capital £'000s
Expense allowances	10%	(1,030)
Expense allowances	-10%	1,027
Change in rate of mortality (%ELT)	10%	(103)
Change in rate of mortality (%ELT)	-10%	100
Change in fixed interest yields	PRA Interest shock up	848
Change in fixed interest yields	PRA Interest shock down	(3,293)
Fall in fixed interest asset value	-10%	(1,380)
Fall in equity values	-10%	(2,025)
Fall in property values	-10%	(1,282)

Falls in fixed interest, equity and property values reduces the available capital considerably because the falls in asset values are not fully reflected in the liabilities due to the presence of policyholder guarantees. However, the biggest reduction in capital comes from a 10% fall in fixed interest yields which reduces capital by £3.29m. Falling yields increase the cost of policyholder guarantees considerably on the valuation basis.

A change in mortality rates does not have any material effect on the available capital. This is because the two largest classes of contract are pure endowments (where the premiums are returned with interest on death), and single premium bonds where the valuation method generally holds the surrender value as the reserve.

The PRA shock to increase the yields and 10% reduction in expenses increase the available capital.

(d) Analysis of change in capital resources

	2023	2022
	£000	£000
Total available capital resources at 1 January	17,850	24,175
Premiums less claims and expenses	(2,966)	2,984
Investment income less tax	8,708	6,367
Unrealised gains / (losses) on investments	8,420	(15,097)
Change in long-term business provision	(9,960)	(579)
Total available capital resources at 31 December	22,052	17,850

(e) Technical provision reconciliation

	2023	2022
	£000	£000
Technical provision at 1 January	137,346	136,808
Methodology change	(152)	44
Impact of data movements in reserves	(7,197)	(2,047)
Change in discount rates	17	(1,002)
Change in expenses and inflation	1,246	2,611
Change in lapse assumption	221	332
Change in mortality assumption	0	211
Change in investment returns	4,553	(10,886)
Change in bonus rates	186	30
New business and risk margin	8,434	11,245
Technical provision at 31 December	144,654	137,346

4. Earned premiums

	2023	2022
	£	£
Single premium income	10,247,902	13,429,581
Regular premium income	3,491,607	3,580,439
	13,739,509	17,010,020

5. Investment and other income

	2023	2022
	£	£
Rental income receivable	3,218,475	3,105,082
Income from listed investments	2,172,333	1,650,683
CTF Unit Linked management charges received	735,556	697,590
Bank interest receivable	279,490	53,255
Mortgage interest receivable	133,547	148,773
Other income	249	60,599
	6,539,650	5,715,982

6. Realised investment gains

	2023	2022
	£	£
Gain on the sale of listed investments		
With-profits	**3,086,677**	-
CTF Unit-linked	**27,792**	-
Gain on the sale of UK Real Estate Fund	**35,864**	133,115
Gain on the sale of investment properties	**18,787**	-
	3,169,120	133,115

7. Unrealised investment gains

	2023	2022
	£	£
Unrealised gain on listed investments		
With-profits	**4,663,310**	-
CTF Unit-linked	**3,035,763**	-
Sustainable ISA Unit-linked	**60,003**	-
Unrealised gain on revaluation of investment properties	**611,256**	348,409
Unrealised gain on revaluation of Society's office	**50,000**	-
	8,420,332	348,409

8. Claims incurred

	2023	2022
	£	£
ISA withdrawals	**6,855,960**	5,524,790
Endowments and matured policies	**4,623,189**	3,999,172
Death benefits	**1,874,958**	1,392,423
Surrendered policies	**794,489**	873,036
Income Bond withdrawals	**163,747**	147,087
Additional benefits	**10,345**	9,500
	14,322,688	11,946,008

9. Admin & acquisition expenses

	2023	2022
	£	£
Salaries, including national insurance and pension contributions	**1,061,465**	853,344
Board fees and expenses	**150,479**	140,125
Personnel and training	**22,296**	31,834
Advertising and promotional costs	**178,841**	145,582
Intermediary fees and commissions paid	**111,744**	133,088
Actuary's fees	**177,869**	184,567
External auditors' fees	**77,894**	69,868
Internal auditors and compliance consultant's fees	**69,749**	39,627
Legal and professional fees	**53,147**	52,235
PRA / FCA Regulatory fees	**47,269**	58,865
Office expenses	**105,915**	51,711
Computer running costs	**78,983**	70,959
Printing, postage and stationery	**75,049**	61,137
Insurance	**49,153**	31,402
Charitable donations and gifts	**12,176**	13,622
Operating lease	**22,542**	9,699
Bank charges	**24,563**	32,889
AGM expenses	**12,531**	12,693
Subscriptions	**10,689**	10,130
Motor vehicle and travel costs	**5,250**	1,848
Miscellaneous expenses	**9,066**	5,920
Entertaining	**1,465**	1,730
Depreciation	**72,591**	82,141
Recoverable VAT on expenses	**(47,828)**	(20,706)
	2,382,898	2,074,310

10. Investment related expenses

	2023	2022
	£	£
Investment manager charges / commission*	**627,578**	2,946
Property related charges	**93,135**	89,500
Irrecoverable debt on investment property	**32,851**	-
	753,564	92,446

*£15,832 of investment management charges relating to 2021 and £209,419 relating to 2022 have been recognised in 2023. Following the move to the new PPFM in January 2023, the underlying cost of Russell Investments managed funds is charged directly. Prior to the PPFM change, 30-35% of the fees were implicitly taken out of the Net Asset Value, rather than being explicitly charged as a direct fee.

11. Taxation

	2023	2022
	£	£
Current Tax:		
UK corporation tax due re prior years	**(47,930)**	(29,834)
Movement in deferred tax	**294,783**	(631,637)
Taxation attributable to long term business	**246,853**	(661,471)

12. Employee costs

		2023	2022
		£	£
Salaries and wages		**890,630**	711,857
Social security costs		**98,944**	81,648
Pension costs		**71,891**	59,839
		1,061,465	853,344
Average number of employees:	Executive	**3**	3
	Management	**3**	3
	Administration	**19**	13
		25	19

13. Board of Directors emoluments

		2023	2022
		£	£
Remuneration and attendance fees		**450,549**	396,791
Society pension contributions to defined contribution schemes		**18,180**	15,666
Bonuses		**22,125**	32,570
Expenses		**2,930**	2,401
Taxable benefits		**1,376**	1,128
Total emoluments		**495,160**	448,556
Chair			
S Hindmarsh (up to June 23)		**12,080**	21,954
S Hately (from July 23)		**12,426**	-
Highest paid member:	Salary	**149,500**	132,425
	Pension contributions	**8,400**	7,020
	Taxable benefits	**466**	376

Board members receive expenses for travel to and from Board meetings and for attending external meetings on Society business. Sub-committee meetings not held on the same day as full Board meetings as they are held by video conference.

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

	2023	2022
	No.	No.
£0 - £25,000	**9**	10
£25,001 - £50,000	**0**	0
£50,001 - £100,000	**1**	2
£100,001 - £150,000	**2**	1

14. Investments

	Note	2023	2022
		£	£
Summary			
Measured at fair value			
Land and buildings	(a)	**49,441,483**	48,775,424
Measured at cost			
Mortgages on land and buildings	(b)	**2,001,000**	2,472,250
		51,442,483	51,247,674
Measured at fair value			
Listed & OEIC Investments (excluding CTF)	(c)	**100,659,556**	86,666,804
Measured at fair value			
Unit linked assets - CTF		**52,976,099**	50,276,988
Unit linked assets - Sustainable ISA		**1,060,003**	-
	(c)	**54,036,102**	50,276,988
Measured at cost			
Money market deposits		**5,500,000**	5,000,000
Bank deposits		**162,242**	1,042,941
	(d)	**5,662,242**	6,042,941
		211,800,383	194,234,407

14(a). Land and buildings

	Investment properties
	£
Cost or valuation	
Balance as at 1 January 2023	**48,775,424**
Additions	**504,803**
Disposals	**(450,000)**
Revaluation in year	**611,256**
Balance as at 31 December 2023	**49,441,483**

The freehold and leasehold properties were revalued by Mr Chris Stott MRICS, Director at Brownill Vickers Limited. Mr Chris Stott MRICS is a fully qualified chartered surveyor and an RICS Registered Valuer. A formal valuation took place in December 2021 on an open market basis. This was updated by a desk-top valuation in December 2023 with the property valuations being adjusted accordingly.

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

Future minimum lease payments receivable under non-cancellable operating leases	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	£000	£000	£000	£000
As at 31 December 2023	3,076	9,802	8,162	20,040
As at 31 December 2022	3,040	10,052	9,821	22,913

14(b). Mortgages on land and buildings

	Commercial
	£
Balance as at 1 January 2023	**2,472,250**
Advances during the year	**-**
Repaid during the year	**(471,250)**
Balance as at 31 December 2023	**2,001,000**

14(c). Investments at valuation

	2023	2022
	£	£
Global equity funds	**44,394,001**	-
Investment grade fixed income	**24,689,362**	-
Government bond fund	**21,426,825**	-
High yield fixed income	**5,102,041**	-
Emerging market equity fund	**2,338,075**	-
Listed infrastructure fund	**1,506,436**	-
Unlisted infrastructure fund	**1,202,816**	-
Sterling strategic bond fund	**-**	30,884,749
Multi asset growth strategy fund	**-**	27,797,331
UK equity fund	**-**	22,974,453
Global low carbon equity fund	**-**	5,010,271
	100,659,556	86,666,804
Child Trust Fund investments	**52,976,099**	50,276,988
Sustainable ISA investments	**1,060,003**	-
	54,036,102	50,276,988
Balances as at 31 December	**154,695,658**	136,943,792

An analysis of movements in investments during the year is provided below:

	Valuation as at 01.01.23	Purchases	Sales	Realised gains / (losses)	Unrealised gains / (losses)	Valuation as at 31.12.23
	£	£	£	£	£	£
Global equity funds	-	41,958,836	(1,720,000)	39,879	4,115,286	44,394,001
Investment grade fixed income	-	27,895,011	(3,433,688)	(16,329)	244,368	24,689,362
Government bond fund	-	23,505,659	(2,361,189)	(12,892)	295,247	21,426,825
High yield fixed income	-	6,641,565	(1,680,000)	(19,370)	159,846	5,102,041
Emerging market equity fund	-	2,406,261	-	-	(68,186)	2,338,075
Listed infrastructure fund	-	2,817,408	(1,200,000)	(27,721)	(83,251)	1,506,436
Unlisted infrastructure	-	1,202,816	-	-	-	1,202,816
Sterling strategic bond fund	30,884,749	283,661	(31,942,593)	774,183	-	-
Multi asset growth fund	27,797,331	336,439	(28,751,372)	617,602	-	-
UK equity fund	22,974,453	76,606	(24,583,222)	1,532,163	-	-
Global low carbon equity fund	5,010,271	11,169	(5,125,496)	104,056	-	-
	86,666,804	**107,135,431**	**(100,797,560)**	**2,991,571**	**4,663,310**	**100,659,556**
Unit-linked - CTF	50,276,988	-	(1,100,000)	27,792	3,771,319*	52,976,099
Unit-linked - Sustainable ISA	-	1,000,000	-	-	60,003	1,060,003
	136,943,792	**108,135,431**	**(101,897,560)**	**3,019,363**	**8,494,632**	**154,695,658**

*Includes CTF Unit Linked management charges received – see note 5

14(d). Movement in cash investment accounts

	Valuation as at 01.01.23	Cash contributions	Purchases	Sales	Realised gains / (losses)	Management charges	Valuation as at 31.12.23
	£	£	£	£	£	£	£
Money Market Deposits	5,000,000	500,000	-	-	-	-	5,500,000
Russell Investments	1,042,941	3,250,000	(105,627,822)	101,739,912	95,106	(337,895)*	162,242
	6,042,941	**3,750,000**	**(105,627,822)**	**101,739,912**	**95,106**	**(337,895)**	**5,662,242**

*Management charges paid through the Russell Investments cash account in 2023 do not include charges accrued for or unpaid as at 31 December 2023.

Fair value

The principal financial assets held at 31 December 2023, analysed by their fair value hierarchies were:

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Equity securities - CTF unit linked	52,976	-	-	**52,976**
Debt securities - with-profits	51,218	-	-	**51,218**
Directly held investment properties	-	-	49,441	**49,441**
Equity securities - with-profits	46,732	-	-	**46,732**
Real Estate (exc. direct property)	-	2,709	-	**2,709**
Equity securities - Sustainable ISA	802	-	-	**802**
Debt securities - Sustainable ISA	258	-	-	**258**

Please refer to note 2(a)(ii), for further details regarding the fair value hierarchies.

15. Fixed assets - summary

	Note	Cost	Depreciation	Value 31/12/2023	Value 31/12/2022
		£	£	£	£
Tangible	(a)	580,149	(161,024)	419,125	374,150
Intangible	(b)	613,063	(191,468)	421,595	237,990
Total		**1,193,212**	**(352,492)**	**840,720**	**612,140**

15(a). Tangible fixed assets

	Land & buildings	Fixtures & fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 01/01/2023	300,000	117,314	73,956	22,282	513,552
Additions	-	15,218	3,099	1,086	19,403
Disposals	-	(2,806)	-	-	(2,806)
Revaluation	50,000	-	-	-	50,000
At 31/12/2023	350,000	129,726	77,055	23,368	580,149
Depreciation					
At 01/01/2023	-	75,234	61,847	2,321	139,402
Disposals	-	(2,806)	-	-	(2,806)
Charge for year	-	9,995	9,277	5,156	24,428
At 31/12/2023	-	82,423	71,124	7,477	161,024
Net book value					
At 31/12/2023	**350,000**	**47,303**	**5,931**	**15,891**	**419,125**
At 31/12/2022	300,000	42,080	12,109	19,961	374,150

The freehold property has been revalued in accordance with the details in Note 14(a).

15(b). Intangible fixed assets

	Website development	Software development	Total
	£	£	£
Cost			
At 01/01/2023	222,269	179,503	401,772
Additions	195,171	36,595	231,766
Disposals	(20,475)	-	(20,475)
Revaluation	-	-	-
At 31/12/2023	396,965	216,098	613,063
Depreciation			
At 01/01/2023	65,426	98,356	163,782
Disposals	(20,475)	-	(20,475)
Charge for year	11,074	37,087	48,161
At 31/12/2023	56,025	135,443	191,468
Net book value			
At 31/12/2023	**340,940**	**80,655**	**421,595**
At 31/12/2022	156,843	81,147	237,990

16. Capital commitments

At 31 December the Society had capital commitments as follows:

	2023	2022
	£	£
Contracted for, but not provided for in the financial statements	**4,643,092**	-

17. Technical provisions

	Long term business provision With-Profits	Unit linked liabilities	Total
	£	£	£
At 1 January	137,346,110	43,248,011	180,594,121
Change in year	7,308,305	2,651,630	9,959,935
Other movements	-	(186,143)	(186,143)
	144,654,415	**45,713,498**	**190,367,913**

Other movements in respect of CTF unit linked liabilities comprise earned premiums of £664,341 and maturities and transfers to other CTF providers of £850,484.

18. Fund for future appropriations

	2023	2022
	£	£
At 1 January	**17,849,505**	24,174,806
Surplus / (deficit) for the year	**4,202,673**	(6,325,301)
At 31 December	**22,052,178**	17,849,505

19. Accruals and deferred income

	2023	2022
	£	£
Lapsed / matured / death policy claims outstanding	**1,744,647**	1,657,755
Administrative and acquisition expenses	**614,988**	284,950
Deferred rental income	**519,065**	522,538
Rent deposits held on account	**24,000**	24,000
	2,902,700	2,489,243

20. Actuarial valuation and technical provision

An Actuarial Report on the assets and liabilities of the Society was last prepared as at 31 December 2023 and a copy of this Report may be inspected at the Registered Office of the Society.

21. Related party transactions

The Society's Board members (including executives) are able to be members of the Society and pay monthly or annual premiums, all such transactions are conducted at arm's length.

A Burdin (NED) received an additional payment of £500 per month from January to June 2023 relating to consultancy work on the Sustainable ISA project.

ACTUARY STATEMENT IN ACCORDANCE WITH SECTION 77 OF THE FRIENDLY SOCIETIES ACT 1992

The following information has been provided in accordance with Section 77 of the Friendly Societies Act 1992:

The Chief Actuary and With-profits Actuary is Ms. Cara Spinks FIA, Consultant Actuary at OAC PLC ("OAC"). The Society has requested Ms. Spinks to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Ms. Spinks is not a member of the Society and has no other financial or pecuniary interests in the Society, with the exception of fees paid to OAC PLC for professional services, which amounted to £177,869 in 2023 (2022: £184,567).

Society Information

Registered office	3 Maple Park Maple Court Wentworth Business Park Tankersley Barnsley S75 3DP Tel: 01226 741 000 Fax: 01226 741 222 Email: **enquiries@sheffieldmutual.com** Web: **www.sheffieldmutual.com**
Board of Directors	Jamie Bellamy (Chief Executive) Anthony Burdin Janet Burdin Paul Galloway (Chief Operating Officer) Stuart Hately (Chair) Faye Lageu Courtney Marsh Neil Spawforth (Chair of FIC) Adrian Stone (Chair of ARC) Andrew Thorpe (Senior Independent Director) Dawn Webb (Chief Commercial Officer)
Chief Executive/Secretary	Jamie Bellamy
External auditors	Royce Peeling Green Limited The Copper Room, Deva City Office Park Trinity Way Manchester, M3 7BG
Internal auditors	RSM Risk Assurance Services LLP Fifth Floor, Central Square 29 Wellington Street Leeds, LS1 4DL
Solicitors	Hill Dickinson 50 Fountain Street Manchester, M2 2AS
Actuarial function holder and with-profits actuary	C Spinks BSc FIA OAC Actuaries and Consultants PLC 141-142 Fenchurch Street London, EC3M 6BL
Investment managers	Russell Investments Ltd
Bankers	NatWest Bank plc

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

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register no. 139855)

Correspondence to the Board should be addressed to the Society's registered office

Glossary

Abbreviations

AFM	Association of Financial Mutuals
AGM	Annual General Meeting
ARC	Audit and Risk Committee
CTF	Child Trust Fund
EIOPA	European Insurance and Occupational Pensions Authority
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FIC	Finance and Investments Committee
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
GDPR	General Data Protection Regulation
IDD	Insurance Distribution Directive
ISA	Individual Savings Account
ISAs (UK)	International Standards on Auditing (UK)
NC	Nominations Committee
OCIO	Outsourced Chief Investment Officer
OEIC	Open Ended Investment Company
ORSA	Own Risk and Solvency Assessment
PPFM	Principles and Practices of Financial Management
PRA	Prudential Regulation Authority
RC	Remuneration Committee
RPI	Retail Prices Index
SCR	Solvency Capital Requirement
SID	Senior Independent Director
SM&CR	Senior Managers & Certification Regime
WPAA	With-Profits Advisory Arrangement

Notes

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Issued by Sheffield Mutual Friendly Society. Sheffield Mutual is the trading name of Sheffield Mutual Friendly Society Limited, 3 Maple Park, Maple Court, Wentworth Business Park, Tankersley, Barnsley S75 3DP. The Society is incorporated and registered under the Friendly Societies Act 1992 (register no 810F) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register Number 139855).

FSCS Protected

May 2024