

Report & accounts

2025





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Overview

Net Promoter Score (NPS) of **83** (excellent)



4.95 rating on
★REVIEWS.io

83% of members are likely to recommend us to a friend or relative



Asset base increased to a new record **£247.2m**

Including CTF we now have **77,688** policies and accounts



What our members say

Julian



“ During a recent visit to Wortley Hall I had a chat with two representatives of Sheffield Mutual Friendly Society at the stall they were staffing.

Both were very friendly and extremely knowledgeable.

The following day I phoned their office and was dealt with promptly.

I cannot fault my experience with Sheffield Mutual. ”

Andrew



“ I have been with Sheffield Mutual for many years. They offer great, honest policies that deliver exactly what they set out to do. Nothing hidden, just perfect. Would highly recommend. ”

Phil



“ A great trustworthy company with top class service and staff that genuinely care.

I've been with the society for ten years now and have started at least one policy per year.

The first is due to pay out this year and I'm delighted with the performance and have decided to reinvest.

Can't recommend highly enough - a refreshing change to talk to real people and have unflinching confidence. ”

Our customers say
Excellent ★★★★★
4.95 out of 5 based on **1,035** reviews
★REVIEWS.io

Chair's Welcome



Welcome to our strategic report for the year 2025.

I've decided to take a different tone this year. I'm not going to comment on the activities of politicians or the vague randomness of economics and markets, I'm going to write about the people who make the Society what it is.

I am pleased to let you know that 2025 has been another excellent year for Sheffield Mutual Friendly Society. As our CEO, Jamie, details in his statement that follows, the Society has ended the year in a stronger and financially more resilient state than it started. Although those facts are not everything that the Society wants to achieve, it is unquestionable evidence that it is possible to fully combine the principle of 'members first' with a commercially vibrant business; something that many businesses struggle with.

At the start of 2025 the Bank of England base rate was 4.50% and our Investment ISA bonus rate was 4.25% after charges. At the close of the year the base rate had fallen to 3.75% but our ISA rate was declared at 4.50%. This is the benefit of being a friendly society, we can smooth the effects of interest and market movements and deliver a stable rate of return through the choppy waters of economic and geopolitical uncertainty.

It takes good people and sound business sense to be successful. Sheffield Mutual has a loyal and dedicated team of people who repeatedly receive written praise from members. Those members report that Sheffield Mutual is easy to contact, easy to deal with and that staff members are knowledgeable and friendly (just as it says on the tin!). Without our staff, the good work of the executive team and the Board would result in nothing. I'd like to take this opportunity to thank the team for their hard work and say that it's always a pleasure to speak to them.

Sheffield Mutual has a young and highly talented executive team. I know from the insights that I have as Chair that the executives work hard, are diligent and embody the aims and objectives of the Society. We are lucky to be able to rely on their day-to-day management of the Society.

As Chair I lead the governance of the Society most visibly through the Board. The Board is made up of the executive team and the non-executive directors (NEDs). The role of the NEDs is to set and monitor the direction of the Society and support the executive team by offering a pool of experience and specialist knowledge. As I was preparing to write this welcome, I took the time to think about the Society's NEDs. The Society is highly fortunate to have available such high-quality, experienced people.

“ Sheffield Mutual is easy to contact, easy to deal with and staff members are knowledgeable and friendly (just as it says on the tin!). ”

Sheffield Mutual prides itself on being a low-cost society and we do give thought to every pound. That means that we don't reward our NEDs nearly as highly as comparable financial businesses. So how do we attract and retain them? I think it's because the NEDs see the good that the Society does, and they want to help it do better and be better for more people.

This is a good point to thank Tony Burdin for his work at the Society. Tony was CEO from 2009 to 2018 and a NED from 2019 until the AGM in June 2025. We all wish Tony a happy and long retirement. I'd also like to take this opportunity to welcome Jane Hudson and Andrew Healy to the Board. Jane and Andrew's experience are captured nicely in their mini biography on page 16 - we have added specialisms and experience that strengthen the Board and Society even further.

This year I have focused on the Society's people. Please come and meet some of them at the Annual General Meeting in June. The AGM is an important date in the Society's calendar, and it is your

opportunity to meet with members of the team. It is also your opportunity to ask questions about the Society directly to the people who know the answers. It would be great to see more members at the AGM because I know that those who do come tell their friends and family and that those conversations help us to attract more members. There is no better recommendation than word of mouth, it costs the Society nothing but holds great value to us.

Thank you.

Stuart Hatley
Chair of the Board

Chief Executive's Review



I am delighted to share an overview of what has been another year of progress for Sheffield Mutual. Our Society has continued to deliver strong outcomes for members and uphold our values of mutuality.

The asset base of the business has grown, mainly boosted by the return on our investment mix, enabling us to pay competitive rates across our product range. Total premium income increased 13% compared to last year, with ISAs continuing to be the most popular product. In response to member feedback, we are pleased to be introducing additional ISA features during 2026. Last year we also launched the new Three Year Fixed Bond to broaden our product range, and this has been well received by members who value certainty and predictability in their savings. Importantly, through engagement with our members we've also received positive feedback that our team has continued to offer an exemplary service. Across the team at Sheffield Mutual we have knowledgeable individuals that genuinely care about their role and how we can keep improving what we do.

These achievements are set against a UK economy facing persistent cost pressures and businesses navigating weak productivity growth. Inflation remained stubborn at 3.4% by December, still above the Bank of England's (BoE) 2% target. The BoE continued its monetary easing cycle, cutting the base rate from 4.50% in February to 3.75% by December.

The Government's Autumn Budget focused on reducing the cost of living, while maintaining fiscal discipline to cut debt and borrowing. The Chancellor also announced that for those under the age of 65, the annual tax-free allowance for cash ISAs will be

reduced from £20,000 to £12,000, effective from April 2027. The reform is a positive step because it nudges savers to think beyond cash and consider investments that can help outpace inflation over time. More important than further reform, however, should be additional support and guidance around the current savings options available. For example, a stocks & shares ISA doesn't mean "high risk", there are a spectrum of options. History has also shown us that stocks and shares generally deliver higher returns over the long term.

Helping savers to choose what suits their goals is essential and we believe that through our personable service we're able to discuss our savings and investment products in an easy to understand manner.

Members & service

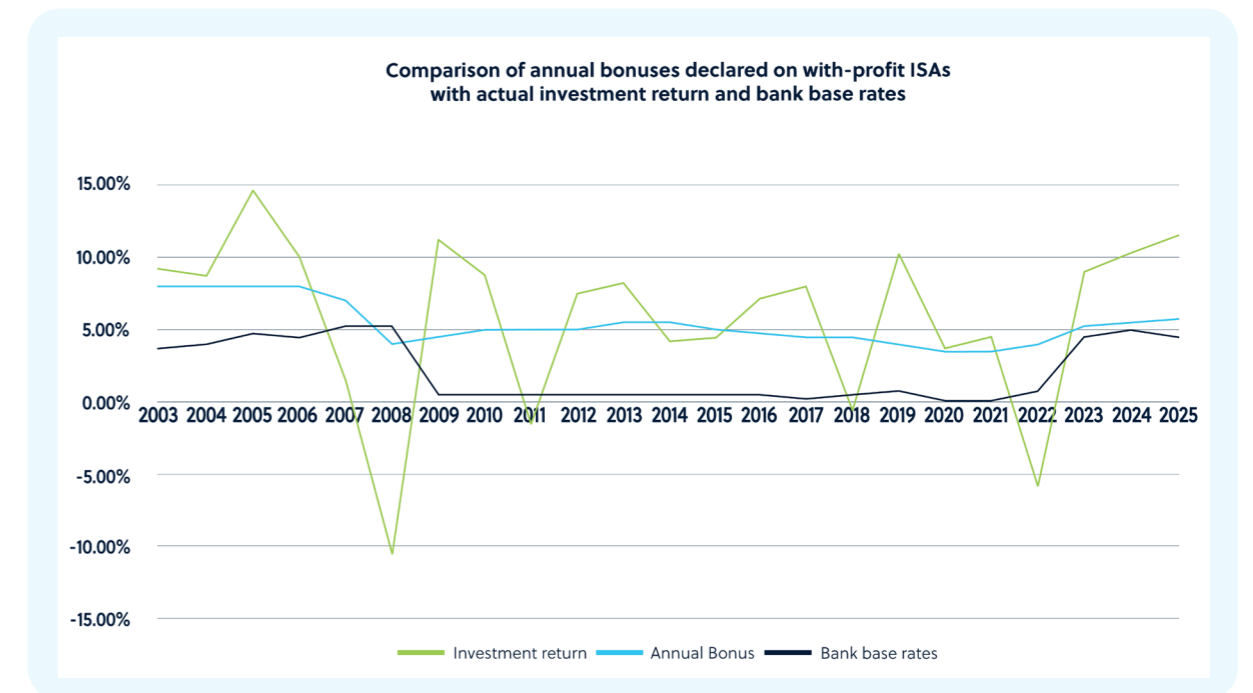
- Reviews.io score of 4.95
- Net Promoter Score (NPS) of 83 (excellent)
- 83% of members are likely to recommend us to a friend or relative

We improved our online portal and website to make managing your policies easier, while continuing to provide personal service for those who prefer traditional channels. Optical, hearing and dental benefits were enhanced, offering a 'pot' of up to £50 per member per year.

We are committed to ensuring every member receives a fair share of profits each year. In 2025, we declared annual policy bonuses totalling more than £6.13 million for our members, our highest ever declaration. All with-profits bond, ISA and endowment policies had their full interim bonus rates applied, and we also paid and expanded the final bonuses on qualifying investments, including Investment ISAs, bonds and maturing regular premium endowments.

'Smoothing' is a process that enables us to target 100% of each member's fair share of the profits and to provide stable returns to our members, even during periods of economic difficulty. When the economy is strong and we have a surplus of profits, we will hold some of that money back. Then, during periods of economic difficulty, we can use this saved surplus to top up our members' bonuses, smoothing the impact of an economic downturn on their investments. This is best demonstrated through the following chart showing our ISA rate over the last 20 years compared with the actual investment return:

Smoothing over time



Investments

We've continued with the strategy of maintaining a diverse portfolio of assets in the with-profits portfolio, which aligns to the fund management guidelines (our 'PPFM' document). Russell Investments have managed our equity and fixed interest investments throughout the year, with the commercial property portfolio managed internally.

The table below shows the asset split of the Society's investment fund at the end of 2025, with previous years' figures for comparison purposes. This table excludes the Fixed Bond, Sustainable ISA/JISA and Child Trust Funds, which are part of separately managed funds.

	2025	2024	2023
	%	%	%
Listed investments:			
- equities	31.86	30.42	29.62
- fixed interest	33.55	33.90	32.47
- alternative assets	1.41	1.67	1.72
Commercial property	28.60	30.97	31.33
Mortgages on land and buildings	1.07	1.08	1.27
Cash (excluding current account funds)	3.51	1.96	3.59
	100.00	100.00	100.00

After taking account of the unrealised gains and losses on investment values the overall return on the with profits assets for the year was a strong 11.6%. Our available capital reduced from £22.2 million to £21.6 million; although there was a small reduction, the Society still maintains a strong financial base.

“ The asset base of the business has grown, mainly boosted by the return on our investment mix, enabling us to pay competitive rates across our product range ”

Overall, 2025 rewarded diversified portfolios, though persistent geopolitical and policy risks underscored the need for active management.

Global equity markets delivered strong gains despite a turbulent start to the year. Early volatility, driven by tariff shocks, gave way to a robust rally. The MSCI All Country World Index surged over 21%, marking one of its best years on record. International equities outpaced the US, while technology and industrial sectors benefited from investment in AI infrastructure.

In the US, the S&P 500 posted a gain of approximately 17%. Performance was again concentrated in the 'Magnificent 7' (Alphabet, Amazon, Apple, Meta, Microsoft, Tesla and Nvidia) with AI remaining a dominant theme. Rate cuts by the Federal Reserve and resilient corporate earnings underpinned this strength, even as trade tensions and political uncertainty often unsettled markets.

UK equities enjoyed their strongest year since the financial crisis recovery. The FTSE 100 climbed by roughly 21%, driven by commodity producers and banks. Elevated interest rates also supported financials.

Fixed income markets also improved after two challenging years. The Bloomberg Global Government Bond Index advanced by about 4%, as falling yields and stabilising inflation restored confidence. High yield corporate bonds outperformed, returning over 10%, while investment grade corporates delivered modest gains at 5%.

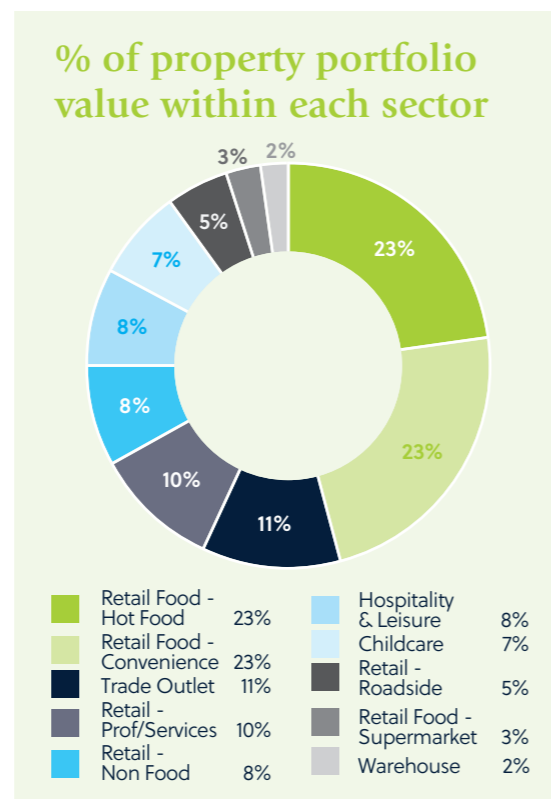
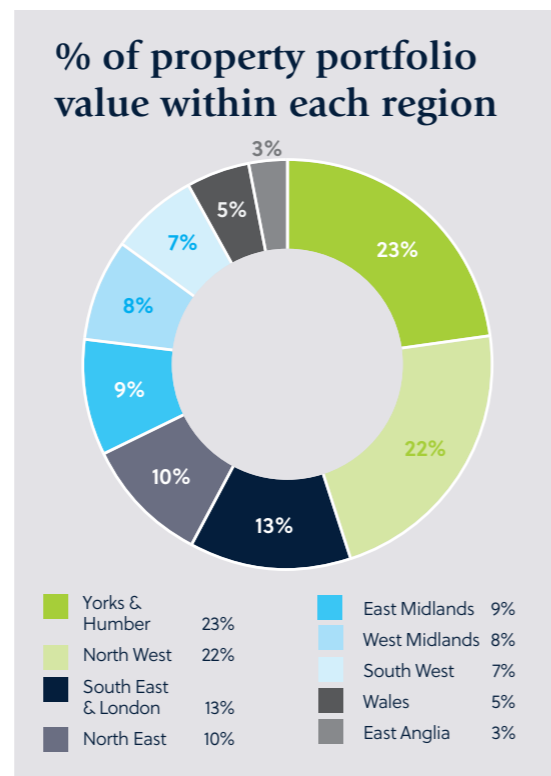
Our UK based commercial property portfolio achieves a consistent return to provide stability for our investment portfolio, achieving 7.5% in 2025, 6.7% over a three year period and 6.8% over five years. During 2025 the Society continued with the purchase of a new build childcare nursery in Faringdon, Oxfordshire and a new build convenience store in Bristol, Avon & Somerset (completed early 2026). The Society owns 42 geographically diversified commercial properties, with a total value of £51.3 million.

Fixed Bond

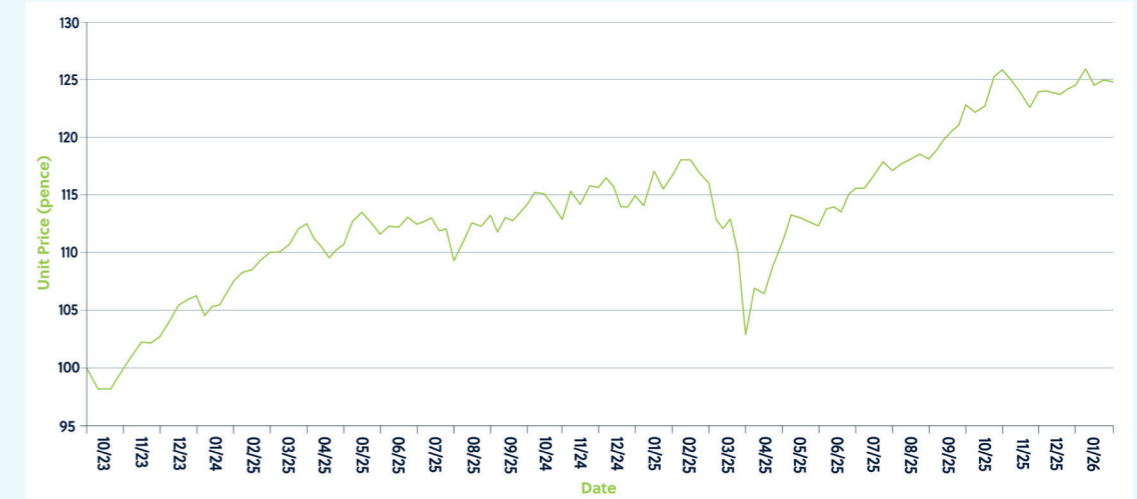
We launched our new Three Year Fixed Bond product in March 2025, which stood at a rate of 4.1% throughout the year. This proved to be very popular and achieved over £2m premium income, with over 100 new policies opened. We reduced the rate to 3.9%, after the Bank of England base rate reduction in December, which continued to attract business at the start of 2026.

Sustainable Savings

We enhanced the Sustainable ISA product in March 2025 when the fund received the "Sustainability Mixed Goals" label. This indicates that the investments pursue or improve positive environmental or social outcomes and are aligned to strict criteria set by the FCA and their anti-greenwashing rules. The label recognises our commitment to investing in assets that support and actively contribute to the ongoing improvement of a better society and healthier environment. We also launched the Junior ISA version of the product in September.



Sustainable ISA performance (published unit price)



Child Trust Fund (CTF)

Since the CTF policies started maturing in September 2020 we have paid out over £4.6m on over 3,300 policies. We've also made it more straightforward for parents with disabled children to access the fund and minimise burdensome legal barriers. The number of policies maturing has now increased from around 100 per month to over 1,000 per month, which will continue until 2029 at the earliest. Policies that are not matured or transferred into another Society plan are held in a matured CTF account and therefore do continue to benefit from the performance of the fund. We partner with The Tracing Group and The Share Foundation to enable young people to find their CTF through the CTF Register. This has resulted in an increase of policyholders being acquainted with their fund, but we are working to further increase engagement.

Year ending	Number of CTF accounts (Incl. matured)	Fund due to policyholders (£'m)
31.12.23	61,725	45.72
31.12.24	61,217	49.35
31.12.25	58,989	57.47

Community partnerships

We were again the title sponsor of the Sheffield Half Marathon (23rd March) and Sheffield 10K (28th September). Team members, family and friends took part in the event to support Jane Tomlinson's Run For All. I unfortunately didn't manage to beat my PB but the crowds throughout the course provided a much needed adrenaline boost.

Through our Charity Award, we donated to three charities - Footprints Conductive Education Centre, Luna's Fund and Beacon South Yorkshire. We also received and funded many applications into the Community Fund, including specialised resources for The Family Works for children suffering various forms of trauma, medical equipment bags for the Yorkshire Air Ambulance and facilitator fees for woman and girls therapy sessions through Vida Sheffield.

Employees chose Sheffield Mind as their charity of the year, donating £2,500, with further monies raised throughout the year via additional employee fundraising.

More information on these great charities and projects will be included within our annual newsletter.

Looking ahead

Through 2026 and beyond our priorities include:

- **Enhancing Member Benefits:** We will continue to improve our member benefits offering, including discounted legal assistance such as will writing and conveyancing.
- **Product Innovation:** Exploring new savings and investment options tailored to member feedback.
- **Infrastructure Investment:** Further improvements will be built into the website and portal, while maintaining our personal service.
- **Community Support:** Adapting and improving our charitable partnerships and member engagement initiatives.
- **Awareness:** The government and our regulators continue to take on board our feedback, working with our trade body (AFM) to boost the profile of mutuality and its importance in driving a competitive market.

I'm also looking forward to working alongside Andrew Healy and Jane Hudson on our Board, both starting in 2025 and joining the newly formed Business Development Committee to discuss strategic commercial ideas with the senior management team. As our Chair stated earlier, we're lucky to have a knowledgeable, supportive Board that embed members interests in all decisions.

Thank you for your continued trust and support. I suspect many feel fatigued by the continual swirl of political commentary, which so often leans towards the negative and the short-term. We'll continue to do what we do best and won't stray from our long term goal: to remain a trusted, forward-thinking mutual that delivers value for members. Sheffield Mutual exists for you, and everything we do is guided by that principle. We look forward to another successful year.

Jamie Bellamy
Chief Executive
20 March 2026

Environmental, Social and Governance (ESG) Report



Our Approach

As a mutual friendly society, our obligation has always been to take the long view of protecting our members' futures while supporting the community we serve. In 2025, we continued beyond simply establishing climate, social and governance frameworks to actively embedding them into every decision we make. Whilst we are a smaller organisation, we adhere to the spirit of the Prudential Regulation Authority's (PRA) enhanced expectations for managing climate related financial risks, ensuring our approach remains proportionate but robust.

Environmental: Metrics & Targets

Scope 1 – Direct Emissions (Operational)

Following the installation of solar panels at our Tankersley office in early 2024, 2025 was our first full year benefitting from self-generated renewable energy.

Progress: We have reduced our grid reliance significantly during daylight hours. Combined with our existing LED lighting and "switch-off" culture, our Scope 1 emissions remain on a downward trajectory.

Offsetting: While our priority is absolute reduction, we continue to partner with *Make it Wild* to offset residual emissions through local biodiversity and tree-planting projects. We also plant trees internationally via Ecologi for every Sustainable ISA and Sustainable Junior ISA opened. We view this not as a solution, but as a necessary interim step as we strive for Net Zero.

The scope 1 emissions for 2025 were approximately 0.46 t e.

Scope 2 – Indirect Emissions (Property Portfolio)

Commercial properties energy performance: We have calculated these based upon the average kWh/m²/year for the tenant's sector type:

Sector	Typical
Retail	150-250 kWh/m ² /year
Leisure	350-450 kWh/m ² /year
Offices	140-220 kWh/m ² /year
Fast food	450-650 kWh/m ² /year
Hotels	250-350 kWh/m ² /year
Charity shops	120-180 kWh/m ² /year

Source: CIBSE TM46 Energy Benchmarks

Working with Hillway, our property consultants, we have continued to engage with tenants to improve Energy Performance Certificate (EPC) ratings. Overall, based upon typical energy benchmarks, the commercial property portfolio equates to an estimated 997.80 t CO₂e / year. We are exploring and considering ways to reduce this figure with Hillway.

Head office electricity purchased from the grid:

We have worked throughout the year to continue to reduce our electricity usage in the office. The emission figures are based on the latest Department for Energy Security and Net Zero's electricity conversion figures of 0.177 kg CO₂e, this gives us our equivalent location based emissions of 5.33 t CO₂e. However, when considering that one half of our head office uses 100% renewable energy, we can use the market base of 0 Kg CO₂e, resulting in 3.82 t CO₂e for our headquarters, which is a decrease on our 2024 figures of 7.78 t CO₂e.

Scope 3 – Investments (Financed Emissions)

Our most significant environmental impact lies in how we invest our members' funds.

Sustainable ISA accreditation: A major milestone in 2025 was the Fidelity fund which our Sustainable ISA invests in achieving the FCA's Sustainability Mixed Goals™ label. This assures members that at least 70% of the fund's assets are invested in accordance with robust, evidence based sustainability objectives, targeting a mix of environmental and social outcomes.

With-profits fund: Working with our Outsourced Chief Investment Officer (OCIO), Russell Investments, we report the Weighted Average Carbon Intensity (WACI) of our portfolio. We have maintained our exclusion policy on thermal coal and oil, and Russell's active stewardship, engaging with companies to encourage credible transition plans rather than solely divesting. The investment portfolio managed by Russell Investments at the end of 2025 was equivalent to 63.3 t CO₂e.

Risk Management: In line with the PRA's focus on Climate Scenario Analysis (CSA), we have deepened our understanding of future risks. Moving beyond simple stress testing, we are reviewing how to utilise the "Early Action" and "Late Action" scenarios defined by the Network for Greening the Financial System (NGFS) and used by the Bank of England's Climate Biennial Exploratory Scenario (CBES).

For example:

- **Physical Risk:** model the impact of extreme weather events on our property insurance and asset values.
- **Transition Risk:** assess how a sudden introduction of carbon taxes could impact the value of our investment holdings. These scenarios inform our Risk Appetite Statement, ensuring we hold sufficient capital to withstand future climate shocks.

Staff and Director commuting: We operate a hybrid model where most staff work at least one day at home and four in the office (flexibility is applied if more are required). This reduces the commuting time for staff who may live further away but also supports a work/life balance. We calculate the monthly t CO₂e for all those driving to the office, including Non-executive directors. Although there's an increase in the number of staff who now drive electric cars, we have seen a slight increase in scope 3 commuting emissions to 26.40 t CO₂e (2024, 25.43 t CO₂e). We will be rolling out an electric car scheme as a staff benefit during 2026, which may increase the number of electric cars used.

Social

Our mutual ethos drives our social impact. Our partnership with Run For All for the Sheffield Half Marathon and 10K helped to strengthen our ties to the local community throughout 2024 and 2025. Furthermore, considering the rising cost of living, we have focused on the "S" in ESG by ensuring our products remain accessible and provide fair value, aligning with the Consumer Duty requirement to avoid foreseeable harm. During 2025 we continued engaging in a number of community partnerships. All staff have access to a charity day, which in 2025 was split between painting a flat for the Snowdrop Project and speaking with vulnerable people for the SCCC, a Sheffield based charity. Several members of the Board hold charity trusteeships, including the Chair of RSPCA Sheffield and the Chair of the Sheffield Hospitals Charity.

Governance & Diversity

Strong governance underpins our sustainability and diversity strategy. The Nominations and Remuneration Committee continues to monitor Board diversity and skills.

Future Outlook

Looking ahead to 2026, we aim to expand our reporting to include nature related risks (aligning with the Taskforce on Nature - Related Financial Disclosures (TNFD) framework) and improve the data quality regarding our supply chain emissions. We remain committed to transparency, acknowledging that while we have made significant progress, the transition to a sustainable future is an ongoing journey.

Paul Galloway
Chief Operating Officer
20 March 2026

Strategic Management

Strategy and objectives

In the final quarter of 2025 we reviewed our three year (2025-2027) strategy. Based on our discussions we renewed our commitment to our purpose, vision and core values as set out below.

Our Purpose: "To support members' long-term financial stability by maximising investment returns, delivering a personable service and offering trusted products."

Our Vision: "To set the benchmark in delivering a reliable, member focussed service."



The Society's key strategic priorities are as follows:

1. Maintain financial strength as we grow
2. Membership growth through offering an excellent service and products

Long-term financial resilience enables us to offer consistently competitive product rates. We achieve this by:

- Maintaining healthy solvency levels
- Robust cost control through setting strict budgets and regular oversight
- A diversified investment strategy

The Society strives to be efficient relative to its scale and this is achieved through robust cost management. This financial strength is augmented by a mutual model, which allows the Society to distribute returns to members by way of policy bonuses.

Membership growth enables us to:

- Spread our costs across a larger base
- Increase investment back into improved business services
- Mitigate external risks

The Society seeks to attract members by maximising 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, as evidenced through reviews and member communications.

Products

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, Bonds and life insurance.

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 generates a significant proportion of our premium income.

In March 2025, we introduced the Three Year Fixed Bond, and in September 2025, we expanded our Sustainable ISA range by launching a Junior version. We remain committed to enhancing our product offering through ongoing engagement with our members.

“The Society provides a range of long-term savings, investment and protection policies to meet the needs of members and their families.”

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

We attract the majority 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, by post, in person at our office or by telephone. We continue to invest in our IT infrastructure to continually improve our service.

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.

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.

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.



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, focussing 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, using the updated 2025 guidance:

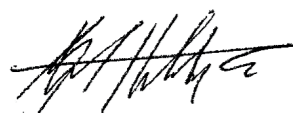
Principle	How SMFS has applied the Principle
Purpose and leadership An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	The Society's purpose, vision statement, core values and objectives were reviewed in September 2025 as part of the triennial strategic review. The executive team propose how they expect to achieve the vision, 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 September 2025 with a working group formed by the Chair to set actions and timescales for the recommendations made. The summary stated "Sheffield Mutual's Board operates from a strong foundation of effective governance, clear values, and a culture of openness and care for its members. It is a well-chaired, cohesive Board where challenge is constructive, debate is inclusive, and regulatory expectations are taken seriously."
	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 Hatley, has investment, insurance 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.
	As at 31 December the Board consisted of 10 members: two executives and eight NEDs, 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. 88% of the NEDs were assessed as independent as at the year-end, and therefore in line with the Code guidance. The NRC 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. Where NEDs are deemed non-independent, an annual assessment is performed by the Chair and SID to ensure annual AGM member approval is appropriate. NED recruitment is aimed at appealing to a diverse range of candidates.
	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. NEDs also act as mentors to senior management. 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 regularly reviews the Management Responsibilities Map to ensure that all Board members are aware of their responsibilities under the SM&CR and that there are clear lines of accountability. The CEO carries out an induction with all incoming NEDs prior to their first meeting.
	The ARC enhances independence in communication and oversight particularly around the internal and external audit process. The separate NRC also improves independence and Board accountability. The Chair of the ARC is a Chartered Accountant and all members of the NRC are independent. 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 the year demonstrated that we have effective governance arrangements and robust operational resilience procedures in place. An overarching opinion is provided and the executive team provide management responses and timeframes for actions. 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, OCIO, 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. The ORSA document feeds into the annual strategic review. 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 and further recruitment within the Risk & Compliance teams. Through monitoring risks and identifying how they can be mitigated we are invariably able to convert 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. Also, rather than see regulation as a hindrance the Society is able to demonstrate strong compliance through transparent reporting which in turn improves member confidence and trust in our products.
	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. The Board believes the material controls to be effective. An Audit Assurance Map is maintained 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 audit days will be completed in 2026 to provide further assurance.

Principle	How SMFS has applied the Principle
<p>Remuneration</p> <p>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.</p>	<p>Employees are remunerated based on market rates and bonuses are aligned to the Society's strategic aims to encourage a common goal. 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. The executive bonus scheme was removed in 2025 after carrying out research on how executives are remunerated in global mutuals.</p> <p>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. We carry out analysis on gender pay and report to our trade body.</p> <p>Specific Board remuneration is detailed later in the report.</p>
<p>Stakeholder relationships and engagement</p> <p>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.</p>	<p>Our members value being with the Society due to the personal service we provide; our workforce is therefore a critical stakeholder in fulfilling our purpose. We developed a 'People Plan' and an engagement survey to enhance communications between the team. 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. Management training programmes are taken on by team members looking to progress within the Society.</p> <p>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.</p> <p>All 27 employees are based at the Tankersley head office. We aim to hold regular full team meetings. The executives each have responsibility for the various departments within the business and are therefore very close to operations and have direct daily engagement with employees.</p> <p>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.</p> <p>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 Tomlinson's Run For All also built on our relationship with the local community.</p> <p>The Society prepares an environmental, social and governance report each year within its report and accounts, incorporating climate reporting on its activities.</p> <p>Payments to our suppliers are always within the requested payment period unless there are outstanding queries.</p>

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 Hatley
Chair
20 March 2026

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 through the Risk Register and that any unacceptable risk exposures are identified and either eliminated or where appropriate mitigated.
- ✔ 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. 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 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.

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;
- maximum exposure to non-investment grade credit;
- defined commercial lending policy with strict underwriting guidelines;
- counterparty limits are in place for cash deposits.

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;
- maximum member holding limits and maximum annual product subscription;
- 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.

All investments other than property are readily realisable at full current market values as they are traded on recognised stock exchanges. Assets are assessed as to how quickly they can be transferred into cash, i.e. primary, secondary and illiquid assets.

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 to the right. This analysis excludes unit linked liabilities and includes an apportionment of the expense reserve.

	2025	2024
	£000	£000
ISA	89,139	82,394
Investment bond	43,655	40,910
Pure endowments	16,624	15,825
Taxable saving plans	8,442	7,492
Endowments	844	847
Other	760	725
Sickness and death	681	692
Pension bond	56	86
Total	160,201	148,971

Additional business risks

Category	Risk definition	Mitigation
Strategy	The Society will not be able to achieve its overarching objectives and long-term goals.	The Board has a thorough strategic planning process. The three year strategy is approved by the Board and monitored annually. Investment in change is generally made when the outcome is known, or the cost and implications of failure is low. The Society would not normally deviate from well established markets or products, and, therefore, the risk of initiatives being unsuccessful is negligible.
Operational	This includes risks around systems and controls, governance, emerging, regulatory and legal and employees. The main risks are around the ongoing provision of our service to members.	The Society has a Board approved Operational Resilience Self-Assessment report. The Important Business Services (IBS) are agreed, with tolerance levels set for each IBS. Regular testing and continuous improvement takes place to confirm the validity of the tolerances and ensure we remain within the tolerance limits over the longer term. We have a documented Business Continuity Plan and have invested in outsourced disaster recovery facilities to minimise any impact on customer service.
Cyber	Exposure 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 workforce training, IT systems and cyber audits. An external cyber security third party completes regular vulnerability scans and penetration tests.
Conduct	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. Wherever possible the Society will develop its own employees to enable them to undertake anticipated future roles. Consumer Duty is embedded to ensure the Society achieves good outcomes for its members.
Member treatment	The fair treatment of members through the Society's actions.	Management information is readily accessible to the Board through an online dashboard, and individual risks are reviewed by the ARC at least quarterly. The Society's policies, systems and staff culture are geared to avoiding issues that would lead to complaints and every case is escalated to the executive team.
Climate change	This includes transitional and physical risks which may directly or indirectly impact the business.	Monitored through the Risk Register. Work is ongoing to reduce carbon emissions of the Society and its investment portfolio. Stress testing is carried out through our ORSA to identify higher risk areas.

Directors' Report

Responsibilities of the Board

As at 31 December 2025 the Board comprised of ten members in total: the Chair, Senior Independent Director (SID), six notified non-executive members and two executive members (Chief Executive and Chief Operating 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 2025 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 an AI system preparing the Board and subcommittee minutes. The Board and Sub-Committees can also obtain assistance from the Chief Operating 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	NRC	WPAA
J Bellamy	6 (6)	11 (11)	4 (4)	3 (3)	3 (3)
A Burdin	3 (3)	1 (1)	1 (1)	2 (2)	-
P Galloway	6 (6)	11 (11)	4 (4)	-	-
S Hatley	6 (6)	10 (11)	-	3 (3)	-
A Healy	5 (5)	2 (2)	1 (1)	-	-
J Hudson	3 (3)	2 (2)	-	-	-
F Lageu	6 (6)	4 (4)	4 (4)	-	3 (3)
C Marsh	6 (6)	5 (5)	4 (4)	1 (1)	-
N Spawforth	6 (6)	11 (11)	-	-	3 (3)
A Stone	6 (6)	4 (4)	4 (4)	3 (3)	-
A Thorpe	6 (6)	11 (11)	-	3 (3)	3 (3)

A Burdin retired from the Board in June, A Healy was co-opted on to the Board in March and J Hudson was co-opted in July.

Finance & Investments Sub-Committee (FIC)

The Society has a FIC which met on 11 occasions during the year and consists of the FIC Chair, the Society's Chair, SID, plus the Chief Executive and Chief Operating Officer. All Board members are invited to attend the FIC meetings on a quarterly basis.

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 in the oversight of the Society's:

- 📌 Annual accounts and financial records
- 📌 Budgeting
- 📌 Monthly performance in regard to financial matters, such as premium income
- 📌 Liquidity and cash flow forecast
- 📌 Outsourced Chief Investment Officer (OCIO) performance
- 📌 Investment manager performance on funds held outside of the OCIO's remit
- 📌 Property portfolio and commercial mortgages performance, including the review of new propositions
- 📌 Investment integrity 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 / overall 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 necessary
- Review the performance of the Society's OCIO (invited to attend all FIC meetings) and make recommendations to the Board as necessary
- Review the performance of investment managers and funds not overseen by the OCIO
- 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 commercial mortgages and make recommendations to the Board as necessary
- Ensure that the Society's financial records and annual accounts are maintained and prepared in accordance with best practice and statute
- Consider the various investment options available to the Society, ensuring alignment with the Business Plan and overall 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 met on 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 currently 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 attention, without breaking independence
- Examine and monitor the appropriateness and effectiveness of the Society's systems and controls
- Propose 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
- Review 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
Investments	<p>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.</p> <p>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.</p>
Long-term business provision	<p>The Society recognises a long-term business provision in respect of its non-unit linked insurance business. This provision represents the largest liability within the balance sheet and is calculated using policy data maintained on the Society's administration system.</p> <p>Management reports to the ARC on the methodology and control applied in determining this provision, including the key assumptions, with input from the Chief Actuary, to ensure they appropriately reflect the Society's current circumstances and future expectations.</p> <p>The ARC is satisfied that appropriate processes and controls are in place that the provision had been determined on a reasonable and consistent basis for inclusion in these financial statements.</p>

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 2025.

Nominations and Remuneration Sub-Committee (NRC)

The NRC advises the Board on levels of remuneration, 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 met on 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.

- Review executive and 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 each year thereafter. They will be offering themselves for re-election at the 2026 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 With-Profits Actuary, Chief Executive and Ambassador for Members' 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.

Report of the Board to with-profits policyholders

After making enquiries, reviewing processes as set out in the Future Prospects and Viability Statement and considering information about the future, the Board is satisfied that the Society has adequate resources to continue in business for the foreseeable future. This judgment is based on rigorous challenge at regular Board and subcommittee meetings, management information, external assessment and actuarial stress testing. 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 6 upheld reportable complaints in 2025, 22 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 2025 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
20 March 2026

Board Evaluation Report

The Chair carried out a formal review of each Board member by obtaining and co-ordinating 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 executive team being present.

Subject to the Society's rules, new appointments to the Board are 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 & Remuneration 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 is one Board member offering herself for election at the AGM, two Board members offering themselves for re-election having served a three year term and one offering himself for re-election having served for more than nine years (Neil Spawforth). Neil's knowledge of commercial property is of considerable value to Board deliberations on investment matters and the growth strategy of the portfolio. His tenure on the Board also enables the WPAA to fully appreciate the long term need to smooth out returns to ensure members receive their fair share. 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.

“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.”

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.

The Remuneration Committee has created a simple structure to remunerate non-executive roles. The fees are neither pensionable nor performance related.

The Chief Executive Officer (CEO) and Chief Operating Officer (COO) are employed on salaried contracts, which require six months' notice for the CEO or three months' notice for the COO.

Their salary packages are reviewed annually by the Board without them being present. The executive team are members of the Society's Group Personal Pension Scheme. From 2025 the executive annual bonus scheme has been removed based on internal research and what it has observed in global mutuals. The 2025 Board Members Emoluments below includes the final executive bonus payment, which includes a longer term element for performance over the last three years (the previous strategic term). Discretionary Christmas awards will continue to be 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 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	2025 total	2024 total
	£	£	£	£	£	£
Non-Executives						
S Hatley - Chair	28,733	-	-	-	28,733	28,190
A Burdin (retired Jun 25)	8,427	-	-	-	8,427	16,804
J Burdin (retired Dec 24)	-	-	-	-	-	15,500
A Healy (joined Mar 25)	12,919	-	-	-	12,919	-
J Hudson (joined Jul 25)	7,829	-	-	-	7,829	-
F Lageu	15,619	-	-	-	15,619	14,681
C Marsh	15,371	-	-	-	15,371	14,564
N Spawforth	20,561	-	-	-	20,561	19,584
A Stone	20,431	-	-	-	20,431	19,440
A Thorpe	25,079	-	-	-	25,079	24,299
Executives						
J Bellamy - CEO	157,910	9,500	1,546	12,974	181,930	167,155
P Galloway - COO	107,429	9,000	1,329	6,420	124,178	113,243
D Webb - CCO (resigned Aug 24)	-	-	-	-	-	73,927

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

Opinion

We have audited the financial statements of Sheffield Mutual Friendly Society Limited ('the Society') for the year ended 31 December 2025, 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 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the 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 2026, and up to date post year end management accounts;
- ✓ Reviewing the Society's business plan including medium term forecast to 2028;
- ✓ 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; and
- ✓ Discussions with management and the Board on such matters and post balance sheet events which may impact the going concern status.

From the work undertaken, we noted that the Society's reported solvency cover was 174% as at 31 December 2025 and well above the risk thresholds management has set to initiate a responsive action. The Society is also projected to remain solvent in the forecast period to 2029 taking into account several potential downside scenarios. However, like many other societies, the Society's solvency position is sensitive to movements in the risk-free rates and changes in the investment market which are largely outside its control.

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

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

Overview of 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 misstatement 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.

Materiality: 2025: £689,000 (2024: £662,000) being 3% of the prior year Fund for Future Appropriations in both years.

Key audit matter: Valuation of the long-term business provision (2025 and 2024) and Management override of controls (2024 only).

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
<p>Valuation of the long-term business provision</p> <p>As at 31 December 2025, the Society recognised a long-term business provision of £159.9m (2024: £148.4m) 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.</p> <p>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.</p> <p>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.</p>	<p>In assessing the valuation of the long-term business provision, we performed the following procedures:</p> <ul style="list-style-type: none"> • 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.
<p>Our conclusion</p> <p>Overall, based on the assumptions and methodology used at 31 December 2025, we consider the valuation of the long-term business provision recognised within the financial statements to be appropriate and reasonable and properly disclosed.</p>	

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and 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 £689,000 (2024: £662,000) 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 the 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 £517,000 (2024: £496,000). We agreed with the Board that we shall report to them misstatements in excess of £26,000 (2024: £25,000) 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 £398,000 (2024: £323,000) based on 2% of earned premium income. We further applied a performance materiality of 75%, an amount of £299,000 (2024: £242,000), 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.

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 across the page.

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

Our audit focused on relevant risk areas and we reviewed compliance with laws and regulations through making relevant enquiries and corroboration by, for example, review of Board and Subcommittee 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; and
- 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 Financial Reporting Council's ("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. Our period of total uninterrupted engagement is five years, covering the years ending 31 December 2021 to 31 December 2025.
- 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.
- Consistency of the audit report with the additional report to the audit and risk committee** - Our audit opinion is consistent with the additional report to the audit and risk committee we are required to provide in accordance with ISAs (UK).

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: 20 March 2026

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

Income and Expenditure Account

	Note	2025	2024
		£	£
Technical account - long-term business			
Income			
Earned premiums	4	12,850,010	11,299,698
Investment and other income	5	7,033,040	7,152,658
Realised investment gains	6	1,085,932	1,023,905
Unrealised investment gains	7	20,694,706	9,197,730
Total income		41,663,688	28,673,991
Expenditure			
Claims incurred	8	(16,105,311)	(16,371,262)
Administration and acquisition expenses	9	(2,955,179)	(2,706,992)
Investment related charges	10	(486,603)	(481,145)
Realised losses	11	(75,809)	-
Unrealised losses	12	-	(741,091)
Taxation attributable to long-term business	13	(316,916)	(168,350)
Change in long-term business provision	19	(22,303,878)	(7,294,772)
Transfer (to) / from fund for future appropriations	20	580,008	(910,379)
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 and Sustainable ISA/JISA fund as shown in note 19(b) and the Fixed Bond fund as shown in note 19(c).

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

Balance Sheet

	Note	2025	2024
		£	£
Assets			
Investments			
Land, buildings and commercial mortgages		53,230,857	52,800,857
Listed & OEIC investments		122,208,801	108,506,622
Assets held to cover linked liabilities		61,056,162	54,276,278
Other financial investments		6,293,061	3,235,761
	16	242,788,881	218,819,518
Other assets			
Fixed assets	17	992,628	969,806
Cash at bank and in hand		2,583,190	2,420,254
Prepayments and accrued income			
Accrued interest and rent		246,412	245,636
Other prepayments and accrued income		618,813	837,018
Total assets		247,229,924	223,292,232
Liabilities			
Technical provisions			
Long-term business provision - with-profits	19a	(159,904,423)	(148,419,203)
Unit-linked liabilities	19b	(58,087,433)	(49,595,325)
Other technical provisions	19c	(2,101,243)	-
Fund for future appropriations	20	(22,382,549)	(22,962,557)
Creditors			
Other taxes and social security		(274,514)	(171,034)
Corporation tax including deferred tax		(265,818)	(14,853)
Accruals and deferred income	21	(4,213,944)	(2,129,260)
Total liabilities		(247,229,924)	(223,292,232)

The financial statements were approved by the Board on 20 March 2026

S Hately
Chair

J Bellamy
Chief Executive

P Galloway
Chief Operating 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 I-and-E 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 3 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

Solar panels
4% per annum straight line

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 14. 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 UK 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 UK capital until all contracts are settled. Regulation requires the assumptions made for future experience (e.g. 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) Technical provision for fixed bond liabilities

The technical provision for fixed bond liabilities is initially recognised at fair value, representing the earned premiums. Subsequently, it is remeasured at fair value at each reporting date. The solvency valuation of the fixed rate bond is determined, with input from the Chief Actuary, in accordance with the requirements of the Solvency UK regime and is calculated in accordance with the requirements of the PRA rulebook: Technical Provisions as the expected present value of the expected future cash flows plus a risk margin.

(o) 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.

(p) 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 below.

(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 on the following page.

(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 2025 in conformity with the requirements of Solvency UK.

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 over the page sets out the capital resources requirement and the Society's available capital.

	2025	2024
	£000	£000
Solvency capital requirement	12,397	11,357*
Available capital resources	22,383	22,963
Less assets inadmissible for Solvency UK	(787)	(770)
Less liabilities inadmissible for Solvency UK	(21)	-
Total available capital resources	21,575	22,193
Solvency cover	174%	195%*

*The 2024 Solvency Capital Requirement and Solvency Coverage Ratio have been restated to correct a misstatement arising from the treatment of currency risk within the asset data. Certain assets were previously reported using incorrect currency classifications, resulting in an overstatement of currency exposure. The correction has no impact on own funds or the reported long-term business provision.

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

	2025	2024
	£000	£000
Opening fund for future appropriation	22,963	22,053
Transfer to fund for future appropriations from Income and Expenditure account	(580)	910
Closing fund for future appropriation	22,383	22,963

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 UK 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 UK.

As shown above, the Solvency Capital Requirement amounts to £12.40m and is determined in accordance with capital requirements as defined by Solvency UK. As at 31 December 2025 the Society's capital resources were 174% of its capital requirements.

Approximately 29% of the fund excluding the

Child Trust Fund business is held in property and approximately 32% is held in equities. These are sensitive to market movements in general. About 34% 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. 1% is held in infrastructure and 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 2025.

(b) Statutory valuation assumptions

- 📌 **Valuation interest rate**
Solvency UK 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 adjusted for CPI and wage growth

- 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%	(1,229)
Expense allowances	-10%	1,229
Change in rate of mortality (%ELT)	10%	(55)
Change in rate of mortality (%ELT)	-10%	60
Change in fixed interest yields	PRA Interest shock up	873
Change in fixed interest yields	PRA Interest shock down	(1,811)
Fall in fixed interest asset value	-10%	(1,425)
Fall in equity values	-10%	(1,490)
Fall in property values	-10%	(1,041)

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 £1.81m. 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

	2025	2024
	£000	£000
Total available capital resources at 1 January	22,963	22,052
Premiums less claims and expenses	(6,210)	(7,779)
Investment income less tax	7,315	7,528
Unrealised gains / (losses) on investments	20,695	8,457
Change in long-term business provision	(22,380)	(7,295)
Total available capital resources at 31 December	22,383	22,963

(e) Technical provision reconciliation

	2025	2024
	£000	£000
Technical provision at 1 January	148,419	144,654
Methodology change	-	(31)
Impact of data movements in reserves	(5,942)	(9,368)
Change in discount rates	(89)	(240)
Change in expenses and inflation	1,295	764
Change in lapse assumption	(249)	(334)
Change in investment returns	8,882	6,251
Change in CTF charge	37	-
Change in bonus rates	11	56
New business and risk margin	9,664	6,667
Technical provision at 31 December	162,028	148,419

4. Earned premiums

Earned premiums exclude receipts of £2.42 million in 2025 (2024: £0.24 million) relating to investment contracts that are not recognised as income in the Income & Expenditure Account but instead recorded as Earned Premiums to Other Technical Provisions in the Balance Sheet and disclosed in note 19.

5. Investment and other income

	2025	2024
	£	£
Rental income receivable	3,457,683	3,272,043
Income from listed investments		
- With-profits fund	2,490,577	2,803,323
- Fixed Bond fund	31,011	-
CTF unit-linked management charges received	761,314	766,429
Bank interest receivable	185,038	204,429
Mortgage interest receivable	104,940	105,805
Sustainable ISA /JISA unit linked management charges received	2,477	509
Other income	-	120
	7,033,040	7,152,658

6. Realised investment gains

	2025	2024
	£	£
Listed investments		
With-profits	232,071	539,966
CTF unit-linked	853,861	395,347
Sustainable ISA/JISA unit-linked	-	88,592
	<u>1,085,932</u>	<u>1,023,905</u>

7. Unrealised investment gains

	2025	2024
	£	£
Listed investments		
CTF unit linked	10,699,909	3,739,526
With-profits	9,338,516	5,458,204
Sustainable ISA/JISA unit-linked	112,323	-
Fixed Bond	13,958	-
Revaluation of investment properties	530,000	-
	<u>20,694,706</u>	<u>9,197,730</u>

8. Claims incurred

	2025	2024
	£	£
ISA withdrawals and transfers	6,222,201	8,311,787
Maturities	5,229,445	4,448,996
Bereavement	3,494,154	2,435,875
Early surrenders	951,881	987,639
Income Bond withdrawals	185,202	173,456
Additional benefits	22,428	13,509
	<u>16,105,311</u>	<u>16,371,262</u>

9. Admin & acquisition expenses

	2025	2024
	£	£
Salaries, including national insurance and pension contributions	1,292,723	1,224,454
Board fees and expenses	154,968	153,062
Personnel and training	9,495	16,910
Advertising and promotional	233,909	230,479
Intermediary fees and commissions	74,581	82,252
Actuarial	194,079	204,279
External auditors'	80,002	79,665
Internal auditors and compliance consultant's	126,486	89,698
Legal and professional	36,015	44,579
PRA / FCA regulatory	32,357	36,144
Office expenses	101,246	91,700
IT	188,137	139,847
Printing, postage and stationery	103,895	81,863
Insurance	44,375	47,637
Charitable donations and gifts	13,281	16,244
Operating lease	27,708	22,599
Bank charges	40,038	28,471
AGM	19,086	16,363
Subscriptions	6,568	11,077
Motor vehicle and travel	5,732	4,212
Miscellaneous	16,455	11,581
Entertaining	3,939	2,295
Depreciation	151,352	114,506
Recoverable VAT on expenses	(1,248)	(42,925)
	<u>2,955,179</u>	<u>2,706,992</u>

10. Investment related expenses

	2025	2024
	£	£
Investment manager charges / commission	397,501	342,835
Property related charges	89,102	131,147
Irrecoverable debt on investment property	-	7,163
	<u>486,603</u>	<u>481,145</u>

11. Realised investment losses

	2025	2024
	£	£
Disposal of investment properties	45,210	-
Disposal of fixed assets	27,857	-
Listed investments Fixed Bond investments	2,742	-
	<u>75,809</u>	<u>-</u>

12. Unrealised investment losses

	2025	2024
	£	£
Listed investments Sustainable ISA/JISA unit-linked	-	229
Revaluation of investment properties	-	736,762
Revaluation of Society's office	-	4,100
	<u>-</u>	<u>741,091</u>

13. Taxation

	2025	2024
	£	£
Current Tax:		
UK corporation tax	191,321	66,360
UK corporation tax due re prior years	(45,897)	(2,832)
Movement in deferred tax	171,492	104,822
Taxation attributable to long term business	<u>316,916</u>	<u>168,350</u>

14. Employee costs

	2025	2024
	£	£
Salaries and wages	1,067,127	1,024,974
Social security	133,120	116,717
Pension	92,476	82,763
	<u>1,292,723</u>	<u>1,224,454</u>
Average number of employees:		
Executive	2	3
Management	5	3
Administration	20	20
	<u>27</u>	<u>26</u>

15. Board of Directors emoluments

	2025	2024
	£	£
Remuneration and attendance fees	418,047	467,200
Society pension contributions to defined contribution schemes	19,395	21,820
Bonuses	18,500	11,875
Expenses	2,260	2,862
Taxable benefits	2,875	3,629
Total emoluments	<u>461,077</u>	<u>507,386</u>
Chair S Hately	<u>28,733</u>	<u>28,190</u>
Highest paid member:		
Salary and bonuses	167,410	152,875
Pension contributions	12,975	12,820
Taxable benefits	<u>1,546</u>	<u>1,460</u>

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

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

	2025	2024
	No.	No.
£0 - £25,000	7	7
£25,001 - £50,000	2	1
£50,001 - £100,000	0	1
£100,001 - £170,000	2	2

16. Investments

	Note	2025	2024
		£	£
Summary			
<i>Measured at fair value</i>			
Land and buildings	(a)	51,304,857	51,024,857
<i>Measured at cost</i>			
Mortgages on land and buildings	(b)	1,926,000	1,776,000
		53,230,857	52,800,857
<i>Measured at fair value</i>			
Listed & OEIC Investments (excluding unit-linked)	(c)	119,905,428	108,506,622
With-profits		2,303,373	-
Fixed Bond Fund	(c)	122,208,801	108,506,222
<i>Measured at fair value</i>			
Unit-linked assets - CTF		59,742,485	53,127,401
Unit-linked assets - Sustainable ISA/JISA		1,313,677	1,148,877
	(c)	61,056,162	54,276,278
<i>Measured at cost</i>			
Money market deposits		6,050,000	3,000,000
Bank deposits		243,061	235,761
	(d)	6,293,061	3,235,761
		242,788,881	218,819,518

16(a). Land and buildings

	Investment properties
	£
<i>Cost or valuation</i>	
Balance as at 1 January 2025	51,024,857
Additions	-
Disposals	(250,000)
Revaluation in year	530,000
Balance as at 31 December 2025	51,304,857

The freehold and leasehold properties were revalued by Andrew Corbett MRICS, Director at Smiths Chartered Surveyors. Andrew is a fully qualified chartered surveyor and a RICS Registered Valuer. A formal valuation took place in December 2021 by Brownill Vickers on an open market basis. This was updated by a desk-top valuation in December 2025 with the property valuations being adjusted accordingly. The next formal valuation will be carried in December 2026.

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

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 2025	3,330	10,063	5,925	19,318
As at 31 December 2024	3,177	9,537	7,446	20,160

16(b). Mortgages on land and buildings

	Commercial
	£
Balance as at 1 January 2025	1,776,000
Advances during the year	150,000
Repaid during the year	-
Balance as at 31 December 2025	1,926,000

16(c). Investments at valuation

	2025	2024
	£	£
With-profits		
Global equity funds	57,166,525	50,091,062
Government bond fund	27,247,398	26,546,636
Investment grade fixed income	23,988,301	23,325,979
High yield fixed income	8,968,754	5,795,405
Unlisted infrastructure fund	2,534,450	2,747,540
	119,905,428	108,506,622
Fixed Bond		
Global equity funds	725,079	-
High yield fixed income	667,885	-
Investment grade fixed income	454,103	-
Real Estate fund	226,878	-
Listed infrastructure fund	229,428	-
	2,303,373	-
Unit-linked		
Child Trust Fund investments	59,742,485	53,127,401
Sustainable ISA/JISA investments	1,313,677	1,148,877
	61,056,162	54,276,278
Balances as at 31 December	183,264,963	162,782,900

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

	Valuation as at 01.01.25	Purchases	Sales	Realised gains / (losses)	Unrealised gains / (losses)	Valuation as at 31.12.25
	£	£	£	£	£	£
With-profits fund						
- Global equity funds	50,091,062	5,160,174	(6,845,380)	146,684	8,613,985	57,166,525
- Government bond fund	26,546,636	29,455,604	(28,842,406)	48,549	39,015	27,247,398
- Investment grade fixed income	23,325,979	3,715,437	(3,380,000)	36,838	290,047	23,988,301
- High yield fixed income	5,795,405	3,038,161	-	-	135,188	8,968,754
- Unlisted infrastructure	2,747,540	-	-	-	(213,090)	2,534,450
	108,506,622	41,369,376	(39,067,786)	232,071	8,865,145	119,905,428
Fixed Bond fund						
- Global equity funds	-	794,325	(97,398)	(2,586)	30,738	725,079
- Investment grade fixed income	-	471,117	(3,500)	(53)	(13,461)	454,103
- High yield fixed income	-	673,529	(3,500)	(103)	(2,041)	667,885
- Real estate	-	229,516	-	-	(2,638)	226,878
- Listed infrastructure	-	228,068	-	-	1,360	229,428
	-	2,396,555	(104,398)	(2,742)	13,958	2,303,373
Unit-linked						
- Child Trust Fund	53,127,401	-	(5,700,000)	853,861	11,461,223*	59,742,485
- Sustainable ISA/JISA	1,148,877	50,000	-	-	114,800*	1,313,677
	54,276,278	50,000	(5,700,000)	853,861	11,576,023	61,056,162
	162,782,900	43,815,931	(44,872,184)	1,083,190	20,455,126	183,264,963

*Includes management charges received - see note 5

16(d). Movement in cash investment accounts

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

	Valuation as at 01.01.25	Cash additions	Cash redemptions	Purchases	Sales proceeds	Net management (charges) / Rebates	Valuation as at 31.12.25
	£	£	£	£	£	£	£
Money Market Deposits	3,000,000	3,050,000	-	-	-	-	6,050,000
Russell Investments	235,762	2,250,000	(570,000)	(41,766,742)	39,918,617	175,424	243,061
	3,235,762	5,300,000	(570,000)	(41,766,742)	39,918,617	175,424	6,293,061

Fair value

The principal financial assets held at 31 December 2025, analysed by their fair value hierarchies were:

	Level 1	Level 2	Level 3	2025 Total	2024 Total
	£000	£000	£000	£000	£000
Equity securities - CTF unit-linked	-	59,742	-	59,742	53,127
Debt securities - with-profits	27,234	32,970	-	60,204	53,725
Equity securities - with-profits	-	57,167	-	57,167	50,091
Directly held investment properties	-	-	51,305	51,305	51,025
Unlisted infrastructure - with-profits	-	2,534	-	2,534	2,748
Debt securities - Fixed Bond fund	-	1,122	-	1,122	-
Equity securities - Fixed Bond fund	-	725	-	725	-
Listed infrastructure - Fixed Bond fund	-	456	-	456	-
Equity securities - Sustainable ISA/JISA	-	994	-	994	892
Debt securities - Sustainable ISA/JISA	-	280	-	280	257

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

17. Fixed assets - summary

	Note	Cost	Depreciation	Value 31/12/2025	Value 31/12/2024
		£	£	£	£
Tangible	(a)	603,176	(170,038)	433,138	430,907
Intangible	(b)	783,688	(224,198)	559,490	538,899
Total		1,386,864	(394,236)	992,628	969,806

17(a). Tangible fixed assets

	Land & buildings	Fixtures & fittings	Computer equipment	Motor vehicles	Solar Panels	Total
	£	£	£	£	£	£
Cost						
At 01/01/2025	350,000	132,429	90,882	23,368	12,752	609,431
Additions	-	5,439	20,085	-	-	25,524
Disposals	-	(8,332)	(23,447)	-	-	(31,779)
Revaluation	-	-	-	-	-	-
At 31/12/2025	<u>350,000</u>	<u>129,536</u>	<u>87,520</u>	<u>23,368</u>	<u>12,752</u>	<u>603,176</u>
Depreciation						
At 01/01/2025	-	91,732	74,917	11,450	425	178,524
Disposals	-	(8,300)	(23,447)	-	-	(31,747)
Charge for year	-	9,757	10,014	2,980	510	23,261
At 31/12/2025	-	<u>93,189</u>	<u>61,484</u>	<u>14,430</u>	<u>935</u>	<u>170,038</u>
Net book value						
At 31/12/2025	<u>350,000</u>	<u>36,347</u>	<u>26,036</u>	<u>8,938</u>	<u>11,817</u>	<u>433,138</u>
At 31/12/2024	<u>350,000</u>	<u>40,697</u>	<u>15,965</u>	<u>11,918</u>	<u>12,327</u>	<u>430,907</u>

The freehold property has been revalued in accordance with the details in Note 16(a).

17(b). Intangible fixed assets

	Website development	Software development	Total
	£	£	£
Cost			
At 01/01/2025	480,109	343,172	823,281
Additions	63,197	113,308	176,505
Disposals	-	(216,098)	(216,098)
Revaluation	-	-	-
At 31/12/2025	<u>543,306</u>	<u>240,382</u>	<u>783,688</u>
Depreciation			
At 01/01/2025	113,224	171,158	284,382
Disposals	-	(188,274)	(188,274)
Charge for year	95,468	32,622	128,090
At 31/12/2025	<u>208,692</u>	<u>15,506</u>	<u>224,198</u>
Net book value			
At 31/12/2025	<u>334,614</u>	<u>224,876</u>	<u>559,490</u>
At 31/12/2024	<u>366,885</u>	<u>172,014</u>	<u>538,899</u>

18. Capital commitments

At 31 December the Society had capital commitments as follows:

	2025	2024
	£	£
Contracted for, but not provided for in the financial statements	<u>5,339,034</u>	<u>5,292,625</u>

19(a). Long-term business provision - with-profits & other

	With-profits	Other*	2025 Total	2024 Total
	£	£	£	£
At 1 January	147,971,140	448,063	148,419,203	144,654,415
Change in provision	11,202,845	282,375	11,485,220	3,764,788
At 31 December	<u>159,173,985</u>	<u>730,438</u>	<u>159,904,423</u>	<u>148,419,203</u>

*Technical provision for all non-profit products and the present value of future profits from unit-linked products.

19(b). Technical provision for unit-linked Liabilities

	CTF	Sustainable ISA / JISA	2025 Total	2024 Total
	£	£	£	£
At 1 January	49,350,227	245,098	49,595,325	45,713,498
Earned premiums	820,338	337,717	1,158,055	989,962
Surrenders / Maturities / transfers to other providers	(3,452,405)	(8,840)	(3,461,245)	(638,119)
Change in provision	10,756,627	38,671	10,795,298	3,529,984
At 31 December	57,474,787	612,646	58,087,433	49,595,325

19(c). Technical provision for Fixed Bond Liabilities

	2025 Total
	£
At 1 January	-
Earned premiums	2,077,883
Maturities paid out	-
Interest attributed to policyholders in the year	23,360
At 31 December	2,101,243

19(d). Total change in provisions

	2025	2024
	£	£
Total change in provisions	22,303,878	7,294,772

20. Fund for future appropriations

	2025	2024
	£	£
At 1 January	22,962,557	22,052,178
Surplus / (deficit) for the year	(580,008)	910,379
At 31 December	22,382,549	22,962,557

21. Accruals and deferred income

	2025	2024
	£	£
Lapsed / matured / death policy claims outstanding	2,953,595	1,016,782
Administrative and acquisition expenses	695,029	549,580
Deferred rental income	541,740	530,318
Rent deposits held on account	23,580	32,580
	4,213,944	2,129,260

22. Actuarial valuation and technical provision

An Actuarial Report on the assets and liabilities of the Society was last prepared as at 31 December 2025 and a copy of this Report may be inspected at the Registered Office of the Society.

23. 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.

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 Broadstone Regulatory & Risk Advisory Limited. 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 Broadstone Regulatory & Risk Advisory Limited for professional services, which amounted to £194,079 in 2025 (2024: £204,279).

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) Paul Galloway (Chief Operating Officer) Stuart Hatley (Chair) Andrew Healy Jane Hudson Faye Lageu Courtney Marsh Neil Spawforth (Chair of FIC) Adrian Stone (Chair of ARC) Andrew Thorpe (Senior Independent Director)
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
Chief Actuary and with-profits actuary	C Spinks BSc FIA Broadstone Regulatory & Risk Advisory Limited 100 Wood Street London, EC2V 7AN
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



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Call our team on **01226 741 000**
Monday - Friday 9am - 5pm

Calls may be monitored and recorded for your protection

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