



Sheffield  
Mutual Est.  
1892

# Report & Accounts

# 2019

# Contents

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<b>Committee of Management</b>	Janet Barber (Vice Chairman) Jamie Bellamy (Chief Executive) Stephen Birch Anthony Burdin Paul Galloway (Chief Operating Officer) Stephen Hindmarsh (Chairman) Stuart Plant-Hately Neil Spawforth Andrew Thorpe
<b>Trustees</b>	Janet Barber Neil Spawforth
<b>Chief Executive/Secretary</b>	Jamie Bellamy
<b>External Auditors</b>	BHP LLP 2 Rutland Park Sheffield S10 2PD
<b>Internal Auditors</b>	RSM Risk Assurance Services LLP Fifth Floor, Central Square 29 Wellington Street Leeds LS1 4DL
<b>Solicitors</b>	Hill Dickinson 50 Fountain Street Manchester M2 2AS
<b>Chief Actuary and With-Profits Actuary</b>	C Spinks BSc FIA OAC PLC 141-142 Fenchurch Street London EC3M 6BL
<b>Investment Manager</b>	Investec Wealth & Investment Ltd
<b>Bankers</b>	NatWest Bank plc

Registered under the Friendly Societies Act 1974 (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 Committee should be addressed to the Society's registered office



# Chairman's Welcome

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**Members, welcome to our strategic report for 2019. It has been my privilege to serve as your Chairman during this year.**

A reminder of our vision: to be the UK's most trusted and member focussed independent mutual friendly society. It is my firm view that Sheffield Mutual has demonstrated its commitment to this vision during the year. This commitment to our members will continue during the unprecedented situation with the Covid-19 virus which now prevails.

Over the year the assets of the Society have increased to £175m. Membership (excluding CTF) has grown to a total of 11,941 and our premium income for the year was £20.7m, which is the best year end performance by the Society to date. The Society is therefore in a strong financial position to meet the challenges of 2020.

Clearly, we must invest wisely to produce returns but also to mitigate risks in the market. During 2019 investments have been very carefully monitored by your Committee and we have continued to invest in equities, corporate bonds and commercial property. We are constantly striving to diversify the portfolio within the risk appetite set by your Committee. Details of the investment performance are set out in the Chief Executive Officer's business review of this report.

Excellent and personal service focussed on our members has been delivered once again this year, which has been demonstrated by several examples. We have piloted Monday evening opening which has proved very popular. We have also improved the member benefits package with the addition of the partnership with UK Healthcare, which provides a discount, reward and wellbeing online portal available to all members holding with-profits policies.

Sheffield Mutual has grown considerably over the last few years and due to this expansion we have reviewed our Committee structure. The result of the review was the establishment of an Audit and Risk sub-committee, which has been in place since the beginning of 2019 and now provides a dedicated system of control of our audit and risk function.

Technology and information systems continue to play a vital role in the service Sheffield Mutual delivers. Last year saw the successful development and migration of our internal administrative database and we are now in the process of rolling out a new Customer Relationship Management system. Investment in our IT systems will continue.

Each year we have supported local charities and 2019 was no exception. We have worked with Support Dogs, which is a Sheffield based charity who provide and train support specialist assistance dogs for people affected by autism epilepsy and physical disability, and our Sheffield Mutual Community Fund has provided funds to good causes such as the Nara Breathing Charity and to the Whirlow Hall Farm Trust.

Regulatory and governance matters are fundamental to the trust we earn from our members. The AFM in 2019 produced a new version of its Corporate Governance Code. We have adopted this new code and you will note that the governance section in this report is based on the new principles. Also, you will recall that our 2018 report to members confirmed our intention to incorporate. We have made progress during 2019 and you will see from the notice of the 2020 AGM that we are bringing resolutions to effect incorporation in January 2021. I ask you to please support those resolutions.

The ultimate responsibility for the successful management of the Society rests with your Committee. We have focussed this year on expanding the skills portfolio of the Committee membership. We identified IT and data security as an area requiring expertise and after detailed consideration, we co-opted Andrew Thorpe to the Committee. Andrew has extensive experience in this area and he is already making a valuable contribution to our deliberations. I would like to thank all our Committee members for their support during the year.

Thank you to our CEO Jamie Bellamy who has now completed a successful first year in this post. Thank you also to all our employees for their dedication and commitment to you, our members.

2020 is bringing serious challenges but I believe Sheffield Mutual can meet those challenges. We will focus on our members and continue to earn your trust.



**Stephen Hindmarsh**  
Chairman

“**Membership (excluding CTF) has grown to a total of 11,941 and our premium income for the year was £20.7m, which is the best year end performance by the Society to date.**”



# Chief Executive's Review

2019 certainly presented a number of challenges for all businesses to consider, continuing the trends of recent years; political turbulence, economic volatility and difficulties seen in UK retail. At the start of 2020, Coronavirus has had a severe impact on society itself and the global economy. At the time of writing it is uncertain of how long this will last. However, as a business we regularly discuss potential risks on the horizon and how they can be mitigated or removed. Long-term planning and diversification of our investment assets to avoid over exposure to any particular area has provided Sheffield Mutual with increased financial stability, particularly over the last decade.

Through the valuable input from our Committee, hard work from our team of employees, partnerships with trusted intermediaries and continuing loyalty from our members, Sheffield Mutual ended 2019 after experiencing strong growth:

- ✔ Total assets including the Child Trust Fund (CTF) increased by 21.2% to a record £175.0 million
- ✔ Assets excluding the CTF increased by 21.7% to £128.2 million
- ✔ Traditional membership increased by 3% to 11,941
- ✔ Total number of policies increased by 6% to 16,518
- ✔ Premium income increased by 23% to £20.7m
- ✔ Including the CTF we now have 79,741 policies and accounts

Ten years ago, in the wake of the financial crisis, the Society had just achieved £2.7m premium income and reached £26.9m worth of assets (excluding the Child Trust Fund portfolio). Since then policy numbers have more than doubled and our membership base has almost doubled. Whilst the business has increased in terms of size and membership, our values and ethos haven't changed, which we believe is the main reason for our continued success. Investment back into the business is ongoing, as demonstrated by recent recruitment and the internal administrative system upgrade, with the ultimate aim of providing a more efficient service. At the start of 2020 we have now been presented with an unprecedented challenge. I am however confident that the financial strength we have built up will provide us with the stability required to overcome the threats all business will face during the current uncertainty.

## Members and Policies

The Society achieved growth within its membership base and the total number of active policies in 2019. This was again driven by new premiums and top-ups to our Investment ISA, which provides investors with a potentially higher return than a Cash ISA, but with less risk than a conventional Stocks & Shares ISA.

The number of CTF accounts remained broadly flat due to the product no longer being available for new business. Existing CTF accounts will continue until maturity at age 18 with maturities commencing from September 2020.

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

Year ending	Number of members (excl CTF)	Number of policies (excl CTF)
31.12.17	11,294	14,837
31.12.18	11,635	15,604
31.12.19	11,941	16,518

Year ending	Number of New members (excl CTF)	Number of New policies (excl CTF)
31.12.17	1,092	1,996
31.12.18	833	1,614
31.12.19	907	1,987

Year ending	Number of New CTF Accounts	Number of CTF Accounts
31.12.17	13	63,480
31.12.18	9	63,349
31.12.19	8	63,223

## Premium Income and Assets

We achieved our highest level of premium income in 2019, achieving an outstanding £20.7 million. Subscriptions and external transfers to the Investment ISA and Junior ISA generated circa £13.2 million (63%) of the total.

Our Investment Bond and Income Bond also performed strongly, totalling £4.9 million payments received for the year and making up around 24% of premium income for 2019.

**“Whilst the business has increased in terms of size and membership, our values and ethos haven’t changed.”**

Contributions to our regular savings products, including the Tax Exempt Savings Plan, amounted to £2.6 million and, therefore, accounted for around 13% of the total. We remain one of the top performers in the with-profits regular premium pure endowment league tables over 10, 15, 20 and 25 years.\*

Another exceptional area of growth for the Society has been in terms of our asset base, which has increased by 21% to a record £175.0 million. Excluding the CTF, the Society’s assets increased by 22% to £128.2 million.

As stated above, record levels of premium income have driven up the asset base, assisted by the investment growth over the year.

The Society’s unit-linked Stakeholder Child Trust Fund attracted premium income of £0.5 million during the year, made up of transfers from other providers and additional subscriptions to existing accounts.

Year ending	Premium income (excl CTF)	Assets (excl CTF)
	£’000	£’m
31.12.17	19,662	96.0
31.12.18	16,800	105.7
31.12.19	20,737	128.2

Year ending	CTF Premium income	Total Assets
	£’000	£’m
31.12.17	476	138.4
31.12.18	492	144.6
31.12.19	511	175.0

## Policy Returns and Bonuses

The Committee declared annual policy bonuses worth in excess of £2.2 million for members in 2019. As a result of the ongoing pandemic, it was necessary to reflect the significant market slump experienced during the first quarter of 2020 and the historically low Bank of England interest rate within the declared rates for 2019. However, the declared rates remain very competitive and should provide our members with the reassurance that the Society is sufficiently robust to persevere through the current crisis.

\*Source: Moneyfacts Investment, Life and Pensions magazine 2019.

## Asset Mix

The table below shows the asset split of the Society's investment fund at the end of 2019, with previous years' figures for comparison purposes. This table excludes Child Trust Fund investments, which are part of a separately managed unit-linked fund.

The Society seeks to adopt an ethical approach to investing and it is our aim not to invest knowingly or directly in industries relating to armaments, tobacco, gambling or pornography.

The Committee continued to increase the size of the fixed interest portfolio by investing in overseas fixed interest for the first time. This was a prudent move starting in 2016 to achieve a reduction in the risk profile of the asset portfolio. The percentage held in equities was also increased primarily due to an increased exposure to overseas markets. The proportion held in property was reduced in order to improve the overall diversity of the fund.

## Investments

The Society's UK listed investments are managed professionally by Investec Wealth & Investment Ltd in accordance with a Committee approved mandate. The Society invested new money of £5.4 million through Investec in 2019 and after adjusting for the new money added during the year the portfolio, now totalling £55 million, produced an excellent total annual return after charges (including income) of

13.7%. The ongoing narrative of monetary policy and geo-political tensions once again created uncertainty in markets but a positive bounce in markets at the start of 2019 saw a reversal of the slump seen in Q4 2018. Towards the end of 2019, following the election result, equity markets moved to levels higher than we'd seen throughout the year. The close of 2019 saw the FTSE 100 end at 7,542.44, which was 12.1% higher than 12 months earlier (6,728.10) when global markets slumped.

We continued to increase overseas exposure with an additional £2.5m invested in the Fidelity Special Situations Fund (mainly US markets) and £0.5m in the Emerging Markets Fund. The Society also took the decision to invest in overseas fixed interest and invested £4m into the Fidelity Strategic Bond Fund, which invests globally across developed and emerging government and corporate bonds.

During 2019 the Society purchased one commercial property in Widnes and purchased land ready for the development of multi-tenanted units in Spalding. The Society now owns 44 geographically diversified commercial properties, generating stable rental yields, with a total value of circa £40.5 million.

In 2019 we also invested a further £1m into the Schroder UK Property Fund. Taking into account the overall performance of the direct portfolio and UK Property Fund combined, the Society again managed to achieve a healthy 6% return, owing to a strategy of purchasing quality assets tenanted by stable occupants.

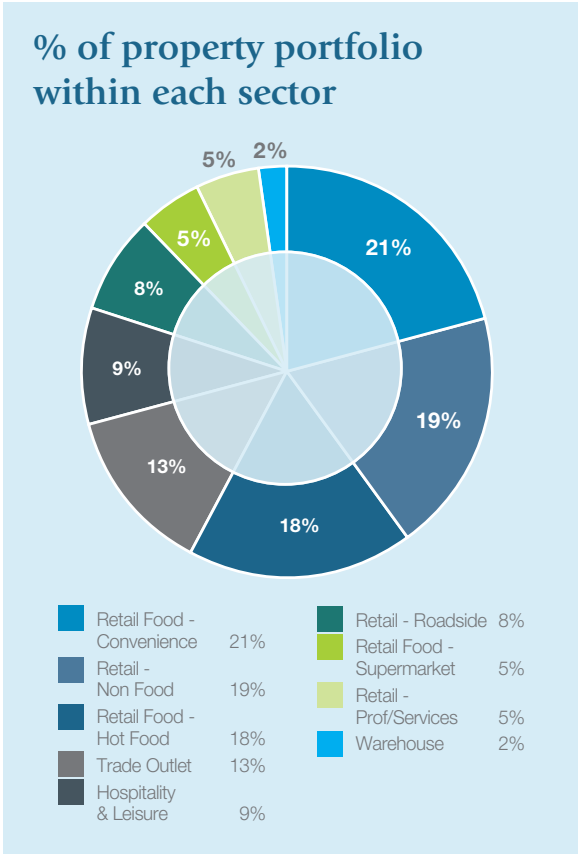
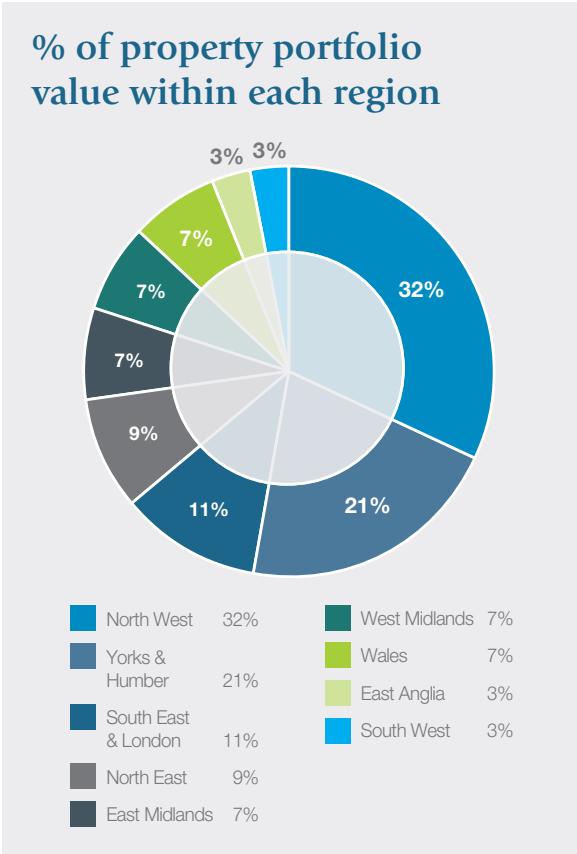
	2019	2018	2017
	%	%	%
<b>Property</b>	37.09	41.59	45.01
<b>Mortgages on land and buildings</b>	0.80	0.98	1.07
<b>Listed investments:</b> - equities	29.62	27.15	25.86
- fixed interest	28.15	25.43	22.39
- alternative assets	2.24	2.33	2.97
<b>Cash</b> (excluding current account funds)	2.10	2.52	2.70
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>



The Society's available capital increased from £15.0 million to £20.3 million and is more than double the required minimum capital requirement; thereby maintaining a strong financial base. The Society's investment income was £5.8 million and after taking account of the unrealised gains the overall return on the non-CTF assets for the year was 10.2%.

Our investment advisers commented that despite talk of a potential economic slowdown last year there

were signs that the global economic deceleration was slowing and a general expectation of a recovery in economic activity in 2020, particularly following the general election. However, the spread of Covid-19 and the oil price war at the start of 2020 have significantly affected global markets. Your Committee will continue to monitor investment markets and make investment decisions for the long-term by focusing on quality, balance and diversity.



## Summary

I'm thoroughly proud of the efforts of the Sheffield Mutual Team in providing an excellent service to our members and what we have achieved this year and over the past decade. In providing a first-rate service, our members are able to recommend Sheffield Mutual to their friends and family. We also understand that trust is paramount in financial services and our team take that responsibility seriously. It is through the hard work and dedication of our employees who are regularly speaking with members and listening to their requirements and the relationships we've maintained with trusted intermediaries that we have been able to grow the business organically.

In the face of the current uncertainty our business continuity measures have seen our employees pull together to continue to provide an excellent service despite social distancing taking effect. Investment in technology has also been integral to making this work effectively.

With regards to our Committee, I would like to thank Melvyn Lunn and Sheila Johnson for their years of service, guiding the Society through such a successful period and on a personal note, for welcoming me into the Society almost six years ago. I would also like to welcome Andrew Thorpe to the Committee, who I'm sure will provide the Society with excellent advice.

Finally, I would like to thank our loyal members and the Committee for their continued support and encouragement. We are currently facing a major challenge, as a business and as a society, but I am confident that we will overcome this test and continue to thrive.

**Jamie Bellamy**  
Chief Executive

# Strategic Management

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## Business Model

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 and Investment Bonds. These products are available through the following distribution channels:

- ✔ Direct from the Society or its introducers
- ✔ Via the Society's website: [www.sheffieldmutual.com](http://www.sheffieldmutual.com)
- ✔ Or from professional financial advisers

The Society's mission statement is: "To provide a friendly alternative to bank and building society savings accounts; by delivering greater potential returns through transparent and high performing products, an excellent and personal member service and by being one of the most trusted and secure friendly societies in the UK."

The Society's vision is: "To be the UK's most trusted and member focussed independent mutual friendly society".

The Society seeks to attract members by demonstrating higher potential investment returns over the life of a policy and aims to retain them through a combination of performance, following high standards of ethics and principles, and delivering consistently high levels of personal service. The Society has a three-strand distribution model, which can be summarised as follows:

- ✔ Intermediaries - Financial Adviser advised and non-advised sales and non-advised referrals
- ✔ Direct - Internet and on-line applications, heartland advertising and newspaper editorials
- ✔ Social-proof - Member referrals (Tell-a-Friend), advocates, Community Fund, social media

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

The Society's key strategic priorities are as follows:

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

## Principal Risks and Uncertainties

The Committee is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and the Committee 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 Committee's Report and the Committee 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 Committee 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 Committee 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 Committee'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.

## Future Strategy and Objectives

The Committee's medium term strategy is to grow the Society's business organically at a controlled rate and, in addition to developing our various channels of distribution, we will continue to remain vigilant for new product areas which may complement the Society's core activities.

We are attracting almost two thirds of our new business direct from members of the public through advertising campaigns, online marketing and recommendations. An ever increasing number of new policies are applied for via our website ([www.sheffieldmutual.com](http://www.sheffieldmutual.com)) and we will continue to develop the Society's online services.

**“The Committee's medium term strategy is to grow the Society's business organically.”**

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

In line with our history, heritage and ethical values, Sheffield Mutual is committed to helping good causes in the course of doing business. During 2019 we donated more than £10,000 to various charities and good causes and we have made a commitment to continue our support in 2020.

We acknowledge the magnitude of the challenge ahead in tackling climate change. Businesses will however need to continually evolve to ensure that their carbon footprint is reduced. There is no one size fits all approach and we continue to develop our plans - Our Chief Operating Officer monitors the associated risks and regularly presents ideas to proactively address climate change whilst not negatively affecting the service we provide.

In 2019 the Society started the process of incorporation by drafting a revised Rulebook and preparing a Memorandum, which have now been submitted to the FCA for approval. At the 2020 AGM we will look to receive our Member's approval to finalise the process and incorporate on 1 January 2021. To reiterate an important point; incorporation does not mean that the Society will lose its mutual status but allows for a more updated approach to the running of the business. The main difference being that Trustees are no longer required to own property on behalf of the Society; the Society itself would be able to directly own property. Incorporation does not alter the fact that the Society is well placed to remain a successful independent friendly society, well run, financially strong, ethically minded and with good prospects for growth.

# Committee Governance

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## Committee of Management

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

<b>Mrs J Barber</b>	Committee / Vice Chairman / Trustee (from 26 Jul)
<b>Mr J Bellamy</b>	Committee / Chief Executive
<b>Mr S Birch</b>	Committee
<b>Mr A R Burdin</b>	Committee
<b>Mr P Galloway</b>	Committee (from 26 Jan) / Chief Operating Officer
<b>Mr S Hindmarsh</b>	Committee / Chairman
<b>Mrs S Johnson</b>	Committee (retired 8 Jun)
<b>Mr M Lunn</b>	Committee / Trustee (retired 8 Jun)
<b>Mr S Plant-Hately</b>	Committee (from 26 Jan)
<b>Mr N Spawforth</b>	Committee / Trustee
<b>Mr A Thorpe</b>	Committee (from 25 Oct)

In 2019 the Committee comprised of the non-executive Chairman, two Trustees, six other non-executive members (two retired on 8 June) and two executive members (Chief Executive and Chief Operating Officer). Biographies for each of these are shown on pages 22-23 and the Committee believes that the balance of skills and experience of the members is appropriate to the current requirements of the business. Furthermore, it believes that all Committee members are independent in character and judgement.

The Committee determines the strategic direction of the Society and reviews its operating and financial position. The Committee met on nine occasions during 2019 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 Committee 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 Chairman.

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

- ✔ Declaration of annual bonus rates
- ✔ Acquisition/disposal of significant assets
- ✔ Committee succession planning
- ✔ Approval of the annual report and accounts
- ✔ Approval of the Own Risk and Solvency Assessment (ORSA)
- ✔ Remuneration policy

The Chairman is responsible for ensuring that members of the Committee 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 Committee and between senior management and the Committee. The roles of Chief Executive and Secretary should ideally be split, but the Committee is confident that it receives good information flows, guidance and support, and believes that the cost of employing a separate Secretary would not at this stage be an appropriate use of funds. The Committee and Sub-Committee can also obtain assistance from the Chief Operating Officer and other employees if required.

## Responsibilities of the Committee of Management

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

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

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

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

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

- ✔ Keeps accounting records in accordance with the Act
- ✔ Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the regulators under the Financial Services and Markets Act 2000

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

The Committee confirms that it has complied with the above requirements and considers that the annual 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.

## Finance & Investments Sub-Committee

The Society has a Finance & Investments Sub-Committee which meets on at least 11 occasions during the year and consists of the two Trustees, the Society's Chairman and one other Non-Executive Committee member by rotation, plus the Chief Executive and Chief Operating Officer. The Sub-Committee is not chaired by the Society's Chairman and the position of Sub-Committee Chairman is rotated between the Trustees on a bi-annual 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

## Audit & Risk Sub-Committee

This Sub-Committee monitors and acts as the risk management function and provides oversight of the Society's financial reporting process and internal controls. It comprises of at least three non-executive members and meets on at least three occasions during the year. Executives attend by invite only. The Sub-Committee is not chaired by the Society's Chairman and the position of Sub-Committee Chairman is held by a non-executive having an accountancy qualification. The Sub-Committee's main responsibilities are:

- ✔ To review the external auditors' 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
- ✔ To manage the Society's risk position

## Risk Management

The oversight and direction of the Committee remains central to risk management and it ensures, through the Audit & Risk Committee, 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 Committee ensures exposed risks are aligned to the Society's risk appetite and that any unacceptable risk exposures are identified and either terminated or where appropriate mitigated.

In addition to the ongoing assessment of known risk exposures, the Executive Team monitor external and emerging risks within the Society's forward-looking Risk Matrix, which is reviewed by the Audit & Risk Sub-Committee on a quarterly basis. Risks which could threaten the Society's business model are assessed, managed and mitigated through a process known as reverse stress testing. The full Committee is provided with an Annual Risk Analysis, which summarises the Society's principal risks and how they are managed and mitigated. The ORSA is also central to the risk management framework.

## 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 are proactive in monitoring the efficiency of internal controls and the Committee 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 Committee approved programme designed to evaluate and improve the effectiveness of risk management, controls and governance processes. Their reports are considered by the full Committee and action taken where appropriate.

## External Audit

The current external auditors, BHP, Chartered Accountants, have acted in this capacity since 2004 and were successful in the retender process in 2017. They provide no significant non-audit services which would affect their objectivity and independence.

The effectiveness of the external audit process is assessed by the Committee based on a comprehensive audit strategy and methodology, which was reviewed and approved by the Committee prior to the audit commencing. The auditors liaised with the Chair of the Audit & Risk Committee during the audit planning and completion stages.

The Committee 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 two Trustees supported by the With-Profits Actuary and its role is to act in an advisory capacity to inform the decision making of the Committee of Management in relation to the with-profits fund. In particular, the role of the WPAA is to consider the interests of with-profits policyholders, ensuring they are treated fairly and that the fund is managed in accordance with the Society's Principles and Practices of Financial Management ("PPFM"). The WPAA also oversees the Society's governance arrangements for closed-book business. A copy of the terms of reference of the WPAA and the PPFM can be obtained from the Society's website [www.sheffieldmutual.com](http://www.sheffieldmutual.com).

## Report of the Committee to With-Profits Policyholders

The Committee is required to produce a report to all with-profits policyholders explaining how it has managed its with-profits business, complied with the PPFM and how the Committee has exercised discretion in its decisions. This report will be available from the Society's website before 30 June 2020.

## Going Concern

The Committee is satisfied that the Society has adequate resources to continue in business for the foreseeable future. The Committee considers it appropriate, therefore, to prepare the financial statements on a going concern basis.

## Operating Powers

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

## Solvency

The Society had the required margin of solvency as prescribed in regulations made by the Prudential Regulation Authority for its relevant classes of business at 31 December 2019.

## Complaints by Members

The Society has a documented complaints procedure and aims to treat its members fairly. There were three reportable complaints in 2019, all of which were resolved internally to the members' satisfaction.



## Attendance at Meetings

	Full Committee		FIC*		ARC†	
	Number of Meetings	Attended	Number of Meetings	Attended	Number of Meetings	Attended
<b>J Barber</b>	9	9	7	7	-	-
<b>J Bellamy</b>	9	9	11	10	5	5
<b>S Birch</b>	9	9	4	4	3	2
<b>A Burdin</b>	9	9	6	6	5	5
<b>P Galloway</b>	9	9	11	11	5	5
<b>S Hindmarsh</b>	9	9	11	11	-	-
<b>S Johnson</b>	5	5	1	1	-	-
<b>M Lunn</b>	5	5	5	5	2	2
<b>S Plant-Hately</b>	9	9	8	8	5	5
<b>N Spawforth</b>	9	9	11	11	-	-
<b>A Thorpe</b>	2	2	1	1	-	-

\*The Finance & Investments Committee (FIC) met on a total of 11 occasions during the year. The meetings should be attended by the two Trustees, the Society's Chairman and one other Non-Executive Committee member by rotation, plus the Executive Team.

†The Audit & Risk Committee (ARC) met on a total of 5 occasions during the year. The meetings should be attended by the ARC Chairman, two other Non-Executive Committee members. The Executive Team are non-voting attendees by invitation only.

## 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") for 2019, which has replaced the Annotated Corporate Governance Code. The new 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 Chairman, supported by the Committee, ensures that the Code's Principles are appropriately and proportionately applied throughout the year. Set out overleaf is how we believe we achieve the respective Principles:

Principle	How SMFS has applied the Principle
<p><b>Purpose and Leadership</b></p> <p>An effective committee promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.</p>	<p>The Society's mission and vision statements (outlined on page 10) were updated as part of the 2019 - 2021 strategy review to better define who we are and what we aim to achieve.</p>
	<p>The three year strategy was created in 2019 with the introduction of a new Executive Team, however due to the success of the Society in recent years the strategy remains consistent with previous years with all targets focussed towards prioritising our members.</p>
	<p>The ethos of the Society has been refined over a number of years and regularly discussed with employees during team meetings and appraisals. To maintain our culture for the long-term we aim to empower employees by promoting internally where possible.</p>
<p><b>Committee Composition</b></p> <p>Effective committee 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 committee should be guided by the scale and complexity of the organisation.</p>	<p>Our Chairman, Stephen Hindmarsh, has been in position since June 2018 and joined the Committee as a Non-Executive in 2014. Stephen has significant legal experience and is able to draw on this experience to facilitate constructive discussion during Committee meetings. The Society therefore has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained.</p>
	<p>The Committee consists of nine members; two executives and seven NED's, with each member bringing a range of expertise, including property management, legal, risk and compliance, sales and marketing and accountancy. In 2019 Sheila Johnson and Melvyn Lunn retired having reached the maximum age per the Society's rules permitted to be a Committee member. Melvyn's replacement, Stuart Plant-Hately, possesses the accountancy / audit experience required plus investment management expertise, strengthening the Society's ability to challenge our investment manager's performance. Sheila's replacement, Andrew Thorpe, has a background in IT and data security. The Committee members have equal voting rights when making decisions, except the Chairman, who has a casting vote.</p>
	<p>Committee members are subject to election every three years at the AGM in accordance with the Society's Rules. Members who have served in their position for more than nine years, providing they are still providing balanced views on issues facing the Society, will offer themselves for annual re-election.</p>
	<p>Internal Committee appraisals are carried out annually with feedback given to each member individually on a confidential basis. The Vice-Chair also carries out the annual appraisal of the Chairman's performance.</p> <p>Training requirements are assessed by the Chairman with the assistance of the Chief Executive throughout the year, with non-executives attending external seminar and conferences. Training sessions have also been held internally and presented by a number of organisations including compliance consultants and investment managers.</p>



Principle	How SMFS has applied the Principle
<p><b>Director Responsibilities</b></p> <p>The committee and individual directors should have a clear understanding of their accountability and responsibilities. The committee's policies and procedures should support effective decision-making and independent challenge.</p>	<p>All directors and non-executive directors complete an annual fit and propriety 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 Committee also review the Management Responsibilities Map on a quarterly basis to ensure that all Committee members are aware of their responsibilities under the Senior Managers and Certification Scheme (SM&amp;CR) and that there are clear lines of accountability.</p> <p>We have appointed a new internal audit provider (RSM) and introduced a new strategy around the process. The cost is likely to increase over the medium term but will result in more regular audits throughout the year and regular reporting to the Chair of the Audit &amp; Risk Committee, independent from the Executive Team.</p> <p>An Audit &amp; Risk Sub-Committee was introduced on 1 January 2019 to enhance independence in communication and oversight particularly around the internal and external audit process.</p> <p>Proportionate to the size and complexity of the business, the Society does not have a distinct Nomination and Remuneration Committee but matters which would be dealt with by this committee are reviewed by the full Committee.</p> <p>The internal audits carried out during 2019 demonstrated that we have effective governance arrangements in place and robust operational resilience procedures in place. The external audit also provides strong assurance to the Committee and the Society's members that solid processes are in place to confirm the integrity of information provided.</p> <p>The Committee receives regular reports (at least monthly) on all key areas of the business and its performance.</p>
<p><b>Opportunity and Risk</b></p> <p>A committee 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.</p>	<p>The oversight of the Society's risks is carried out by our Audit &amp; Risk Committee 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 on page 10.</p> <p>Through monitoring risks and identifying how they can be mitigated we are invariably able to turn them into opportunities and build them into business planning. For example, IT systems are continually improving and can present risks if investment isn't made. 2019 saw the first step in the development of the Society's IT infrastructure, which involved the improvement of internal administrative processes to reduce time spent entering data.</p> <p>Throughout the business there are strict controls in place to mitigate risk, as set out mainly within our Internal Controls, Committee of Management Manual and Compliance Manual, detailing approval limits on transactions, user permissions, etc. These controls are reviewed at least annually and approved by the Committee of Management.</p>

Principle	How SMFS has applied the Principle
<p><b>Remuneration</b></p> <p>A committee 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 and executive directors are remunerated based on market rates and bonuses are paid based on the Society's performance to encourage a common goal. Directors bonuses include targets linked to the success of the three yearly strategic review aligning to longer term success. An internal audit was carried out on the Society's bonus scheme in 2018 with only several minor recommendations made and promptly implemented.</p> <p>Committee remuneration is detailed on pages 20 - 21. Further to an independent third-party review in 2016 the Society has continued to follow the recommended remuneration structure.</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.</p>
<p><b>Stakeholder Relationships and Engagement</b></p> <p>Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The committee is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	<p>Our employees are one of the main reasons our members value being with the Society due to the personal service we provide. Our employees have remained with the Society on average for approximately five years and have minimal absenteeism. In recognition of this the Society rolled out the new employee Westfield Cash Plan scheme. All employees all have pension policies which are pooled in the members with-profits fund and therefore participate and engage in the success of the Society.</p> <p>All 13 employees are based at the Tankersley head office and therefore the Executive Team have direct engagement with employees on a daily basis. Several employee forums have been created to ensure that employees have a more direct impact on the internal targets set and play a role in the conception of new products.</p> <p>A team training day hosted by Origos highlighted that we have a culture of being able to freely discuss ideas and that engagement is a continual process.</p> <p>Payments to our suppliers are always within the requested payment period unless there are outstanding queries.</p> <p>In line with our history, heritage and ethical values, Sheffield Mutual Friendly Society is committed to helping charities and good causes in the course of doing business. In 2019 we asked members and the general public to nominate charities to win a Charity Award, with the top three receiving donations of £5k, £1.5k or £1k. We have also sponsored Support Dogs (£2.5k), a charity that provide, train and support specialist assistance dog partnerships to increase the independence and quality of life for those affected by autism, epilepsy and physical disability. 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.</p>

## Chairman'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 Committee aims to apply the spirit of the Principles of the Code and it is the Committee's intention to adopt the highest standards of corporate governance for an organisation of our scale and in the best interests of our members.



**Stephen Hindmarsh**  
Chairman

# Committee Evaluation

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The Chairman carried out a formal review of each Committee member by obtaining and co-ordinating responses to individual questionnaires which were circulated to all members. The results were then discussed individually as appropriate. In addition, each member was consulted to assess the performance of the Committee as a whole and the Sub-Committee. The Vice-Chair co-ordinates the responses to a questionnaire relating to the performance of the Chairman in carrying out their duties and the results are discussed without the Chairman being present. The performance of the Executive Team are reviewed by the Committee.

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

There is a succession plan in place which has identified potential replacement dates and skills requirements. Subject also to the Society's rules, new appointments to the Committee are being made on the basis of three-year terms. Where Committee members have held their position for more than nine years, they will be subject to re-election at the Society's Annual General Meeting on a year by year basis. The Society has a formal diversity policy for Committee appointments. The Society sees diversity at Committee 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 and other qualities of Committee members. These factors will be considered in deciding the best composition of the Committee and, when possible,

should be balanced appropriately. All Committee 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 were three appointments to the Committee during 2019 with two members retiring in June 2019, Melvyn Lunn and Sheila Johnson, both reaching 70 years of age. Paul Galloway was recruited as Chief Operating Officer in August 2018 and co-opted onto the Committee on 26 January 2019. Stuart Plant Hatley, an investment manager and qualified accountant, was co-opted onto the Committee on 26 January 2019. Both were formally elected to join the Committee at the June 2019 Annual General Meeting (AGM).

On 25 October 2019 Andrew Thorpe was also co-opted onto the Committee. Andrew is currently employed by HSBC, having been with them since 2005, and his skill set lies within data security and telecommunications. Andrew will be offering himself for election at the AGM and the Chairman recommends that he should be elected to add this expertise to the Committee of Management.

There are three Committee members offering themselves for re-election at the AGM and the Chairman confirms that, following formal performance evaluations, the individuals remain effective and that they continue to demonstrate commitment and independent judgement to the role. He recommends therefore that they should be re-elected.

# Committee Remuneration Report

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Committee 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 Committee 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 Association of Financial Mutuals (AFM) or any other such organisation, as a comparable measure, to ensure salaries and fees remain attractive.

During 2019 the non-executive Committee members were remunerated for their attendance at meetings, with a daily meeting attendance fee of £100 each for attending a sub-Committee, £125 for the Committee of Management meeting, £200 for attending the full Committee plus a sub-Committee on the same day and £250 if attending the full Committee meeting and two sub-Committee meetings on the same day. They were also reimbursed for travel costs. Retainer fees were £8,250 for the Chairman, £8,000 for the Trustees, £7,700 for the Chair of a sub-Committee (when not a Trustee) and £5,500 for other non-executive Committee Members. The fees are neither pensionable nor performance-related. The remuneration of the Chairman is decided by other Committee members and the Committee agrees their own fee rates.

The Chief Executive Officer and Chief Operating Officer are employed on salaried contracts, which require six or three months notice respectively by either party. Their salary packages are reviewed annually by the Committee without them being present. They are members of the Society's Group Personal Pension Scheme and are eligible for a discretionary performance related annual bonus payment of up to £10,000 for the Chief Executive and up to £6,000 for the Chief Operating Officer, which may be paid as pension contributions. As part of the 2019-21 Strategic Review, a deferred element was included within the Executive Team bonus scheme relating to longer term business targets, as agreed by the Committee. If certain objectives are attained throughout the three-year period 2019-21, up to £2,000 per annum will be awarded to the CEO and £1,000 per annum to the COO, paid at the end of the three-year period in 2022. None of the Executive Team served as remunerated non-executive directors elsewhere during the year.

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

## Committee Members' Emoluments

	Salary/Fees & Expenses	Taxable Benefits	Pension Contributions	2019 Total	2018 Total
	£	£	£	£	£
<b>Chairman</b> <b>S Hindmarsh</b> (From 27 Jul 18)	10,606	-	-	10,606	8,129
<b>Trustees</b>					
<b>J Barber</b> (From 26 Jul 19) (served as Chairman until 27 Jul 18)	8,691	-	-	8,691	8,095
<b>M Lunn</b> (Retired 8 Jun 19)	5,193	-	-	5,193	8,544
<b>N Spawforth</b>	10,153	-	-	10,153	8,803
<b>Committee</b>					
<b>S Birch</b>	7,635	-	-	7,635	6,529
<b>A Burdin</b> (served as CEO until 31 Dec 18)	7,665	-	-	7,665	97,547
<b>S Johnson</b> (Retired 8 Jun 19)	3,464	-	-	3,464	6,688
<b>S Plant-Hately</b>	8,648	-	-	8,648	-
<b>A Thorpe</b> (Joined 25 Oct 19)	1,641	-	-	1,641	-
<b>Chief Executive</b> <b>J Bellamy</b> (CEO from 1 Jan 19)	95,000	-	13,725	108,725	82,560
<b>Chief Operating Officer</b> <b>P Galloway</b>	73,200	-	4,260	77,460	-

# Members of the Committee

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## **Stephen Hindmarsh –** Chairman

Stephen is a retired solicitor with more than 40 years' experience in private practice. His specialist areas of practice were Commercial Property and Friendly Society work. He was elected Chairman following the 2018 AGM. Stephen also has a role as a volunteer with Salford Citizens Advice Bureau. He provides general advice on issues arising for their clients and also works with their specialist team providing debt advice. Stephen is married and they have three sons. He is treasurer of the Manchester Area Cross Country League and enjoys cycling, swimming and walking. He can also play the piano.

## **Jan Barber –** Vice Chairman & Trustee

Jan has over 20 years' experience in the mutual financial services sector, having held various senior positions in two medium-to-large building societies. Jan served as Chairman from 2015 - 2018 and brings a wealth of relevant skills to the Committee of Management, particularly in the areas of customer services, sales management, team performance and regulatory compliance. Having been semi-retired since 2009 Jan finds time to help and support local charities close to her home in Leeds and in her spare time she enjoys gardening, walking and reading.

## **Neil Spawforth, MRICS -** Trustee

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

## **Jamie Bellamy, FCCA, PgD, LLB (Hons) –** Chief Executive

Jamie joined the Society on 16 June 2014 as Finance Manager, became the Finance Director on 24 October 2015 and the Chief Executive in January 2019 and will continue to oversee the Society's finance function. Jamie qualified as a certified accountant six years ago within a large regional accountancy firm, assisting small to medium businesses and preparing statutory financial accounts. Jamie also has experience of working within Risk Management at a global law firm. Jamie enjoys running and playing a variety of sports and lives with his wife, son and daughter in South Yorkshire.

## **Paul Galloway, BA (Hons) –** Chief Operating Officer

Paul joined the Society in 2018 as Chief Operating Officer and is responsible for Risk and Compliance Management, as well as Member Services, Operations and IT. Paul has held various management positions in products, risk, governance and compliance at a large building society, as well as various roles at a global insurance and pensions firm. Paul is a supporter of charities and is the Chair of Trustees for RSPCA Sheffield Branch and also the Regional Vice-Chair representing Yorkshire and the North East for the national RSPCA charity. Paul enjoys music, films, comedy and hiking, and lives in South Yorkshire with his partner and their three cats.

## **Stephen Birch, MIET**

Stephen has worked in the power supply industry for more than 45 years and after retiring from full-time employment in 2015, he continues to work as an electrical power engineer on a self-employed basis. Whilst at National Grid Stephen was a trade union representative for over 20 years. Stephen was a lodge secretary for 28 years and has served on the Committee since 1989 including as President from June 1998 to 2000 and as Vice Chair for two terms. Stephen's hobbies include theatre, DIY, gardening and historic vehicle preservation.

### **Anthony Robert Burdin**

Tony joined the Society in March 2009 as Chief Executive and retired in December 2018, leading the Society through a period of significant growth and development. Tony oversaw a substantial increase in the Society's assets and premium income, whilst delivering market-leading returns for members. After retiring Tony was invited to remain on the Committee as a non-executive director. He has worked in the mutual sector for 39 years and has held a number of senior positions in the building society and friendly society sectors. Tony has a broad base of executive management skills and holds professional qualifications in sales and marketing.

### **Stuart Plant-Hately, ACA, FCSI, BSc (Hons)**

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

### **Andrew Thorpe, BSc (Hons)**

Andrew joined the Society in October 2019 as a non-executive and has been employed by HSBC since 2005, now acting as their Contact Centre Infrastructure Manager EMEA, which involves oversight of data security / integrity within EMEA and supervising the migration of telecommunications service solutions. IT & Data Security expertise is increasingly important within any organisation and Andrew was identified by the Committee as having the necessary knowledge to advise the Society on these areas.

## **Statement of Disclosure to the Auditors**

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

The Committee of Management 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 2019 of which the auditors are unaware;

And,

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

### **By Order of the Committee**



### **Stephen Hindmarsh**

Chairman  
20 March 2020



# Independent Auditors' Report to the Members of Sheffield Mutual Friendly Society

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## Opinion on the financial statements of Sheffield Mutual Friendly Society

We have audited the financial statements of Sheffield Mutual Friendly Society for the year ended 31 December 2019, which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard FRS 102 and 103.

In our opinion the financial statements:

- ✔ Give a true and fair view of the state of the Society's affairs as at 31 December 2019 and of its income and expenditure for the year then ended; and
- ✔ 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our auditors' responsibilities under those standards are further described in the 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ✔ The Committee of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ✔ The Committee of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

- ✔ The integrity of the input data and application of suitable methodology, modelling processes and assumptions in the calculation of the Society's long-term technical provision liabilities;



- ✔ Revenue recognition, including the timing, completeness and accounting of premium income; and investment income; and
- ✔ The risk of management override of internal controls. International Standards on Auditing (UK) state that this risk must always be treated as significant.

## Covid-19 and going concern

Whilst the impact of Covid-19 at 31 December 2019 was limited to isolated cases in China and Asia, since then the virus has spread further throughout the world and significantly impacted the world and the UK economy.

As a result, our audit strategy over going concern has responded to this new risk to ensure the basis of preparation for the financial statements remained appropriate.

In response to the additional risk presented by Covid-19 we have performed the following procedures:

- ✔ Reviewed up to date Technical Provision calculations prepared at 2nd April 2020 to reassess solvency cover and free assets
- ✔ Our Reviewing Actuary reviewed the assumptions used in the revised calculations and provided comments on sensitivities inherent in the model
- ✔ Reviewed up to date management information to assess if there was evidence of significant changes in behaviours and attitudes of members and rental tenants
- ✔ Specific discussions with management about contingency planning measures and impact of social distancing requirements on the operations of the Society
- ✔ Reviewed the reasonableness of additional disclosures made in the financial statements

Overall, we are satisfied that the Management Committee's adoption of the going concern basis of preparation remains appropriate and additional disclosures are reasonable and appropriate.

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement on our audit and the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined an overall level of uncorrected misstatement that we judged would be material for the financial statements as a whole. We determined planning materiality for the Society to be £310,000 which is approximately 2% of the prior year Fund for Future Appropriations.

On the basis of our risk assessment, together with our assessment of the Society's overall control environment, our judgement is that the overall performance materiality level should be 70% of planning materiality, namely £217,000.

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

## An overview of the scope of our audit

Our audit scope focused on the principal activities of the Society which are undertaken from one location. The audit team commenced an interim audit before the Society's year end in order to undertake a significant proportion of the planned transactional testing.

This was followed up shortly after the year end with a further audit site visit, once our planned procedures had been updated for year-end figures.

We scoped our responses to the significant risks identified above in the following ways:

- ✔ We engaged the services of a suitably qualified and experienced 'Reviewing Actuary' to review and challenge the methodology, assumptions and calculations of the Actuarial Function Holder's long-term business provision liabilities. We also tested the integrity of the actuarial data extracted from the Society's policy data.

- ✔ We carried out substantive testing on the Society's premium income relating to existing policies, new policies written in the year and surrendered policies, as well as analytical and cut-off procedures to ensure revenue recognition policies complied with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). With regards to investment income we performed a mixture of substantive and proof in total testing to conclude on whether investment income was complete and accounted for in the correct period; and
- ✔ We used audit analytics software to interrogate the Society's general ledger data and focused on transactions that were of a higher risk of material misstatement to the financial statements. We also performed a detailed review of bank transactions, reviewed key accounting estimates and financial statement disclosures for evidence of management bias and/or error.

## Other Information

The Committee of Management are responsible for the other information. The other information comprises the information included in the Strategic Report and Committee Report [together the "Annual report"], 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 the Report of the Committee of Management has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and the information given therein is consistent with the financial statements for the financial year.

## Matters on which we are required to report by exception

### Friendly Societies Act 1992:

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.

### Corporate governance statement:

In accordance with our instructions from the Society we review whether the Corporate Governance Statement reflects the Society's compliance with the provisions of the UK Corporate Governance Code specified by the Association of Financial Mutuals. We have nothing to report in respect of this review.

## Responsibilities of the Committee of Management

As explained more fully in the Committee of Management's responsibilities statement, the Committee of Management are 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 Committee of Management 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 Committee of Management are 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 Committee of Management either intend to liquidate the society or to cease operations, or have 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.

We gained an understanding of the legal and regulatory framework applicable to Society, and considered the risk of acts by the Society which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. 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, Financial Services and Market Act 2000, the Prudential Regulation Authority's regulations, the Financial Regulation Authority's regulations, the Solvency II regulations and the UK tax legislation.

Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, 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 register of complaints and negative comments.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We also addressed the risk of management override of internal controls by testing journals and other transactions using data analytical auditing techniques and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This forms part of our auditors' report.

## Other matters which we are required to address

We were appointed by the Committee of Management on 24 August 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 14 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society in conducting our audit.

## 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.

## BHP LLP

Statutory Auditors  
2 Rutland Park  
Sheffield  
S10 2PD  
25th April 2020

## 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 Actuarial Function Holder and With-profits Actuary is Ms. Cara Spinks FIA, Consultant Actuary at OAC PLC ("OAC"). The Society has requested Ms. Spinks to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Ms. Spinks is not a member of the Society and has no other financial or pecuniary interests in the Society, with the exception of fees paid to OAC PLC ("OAC") for professional services, which amounted to £148,310 in 2019 (2018: £149,346).

# Income and Expenditure Account

	Note	2019	2018
		£	£
<b>Technical Account - long-term business</b>			
<b>Income</b>			
Earned premiums	5	<b>20,736,988</b>	16,800,222
Investment and other income	6	<b>5,795,556</b>	4,924,361
Unrealised investment gains	7	<b>13,262,804</b>	100,584
<b>Total Income</b>		<b><u>39,795,348</u></b>	<u>21,825,167</u>
<b>Expenditure</b>			
Claims incurred	8	<b>(8,031,642)</b>	(5,312,072)
Net operating expenses			
Acquisition expenses	9	<b>(771,534)</b>	(685,019)
Administrative expenses	9	<b>(662,481)</b>	(657,768)
Investment expenses and charges			
Investment management expenses	10	<b>(216,163)</b>	(211,781)
Taxation attributable to long-term business	11	<b>(112,100)</b>	(77,045)
Unrealised losses on investments	14	<b>(217,775)</b>	(9,287,057)
Realised losses on disposal of investment properties		-	(62,862)
Change in long-term business provision	18	<b>(23,983,229)</b>	(8,204,154)
Transfer from / (to) fund for future appropriations	19	<b>(5,800,424)</b>	2,672,591
<b>Balance on the Technical Account</b>		<b><u>-</u></b>	<u>-</u>

All income and expenditure relates to continuing operations.

The above results relate wholly to continuing activities. The Society had no other recognised gains or losses other than those included above in the Technical Account and the movements in the Child Trust Fund Stakeholder Fund as shown in note 15.

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

# Balance Sheet

	Note	2019	2018
		£	£
<b>Assets</b>			
<b>Investments</b>			
Land, buildings and commercial mortgages	15	<b>41,485,344</b>	38,623,050
Other financial investments	15	<b>80,308,266</b>	60,263,442
		<u><b>121,793,610</b></u>	<u>98,886,492</u>
<b>Assets held to cover linked liabilities</b>	15	<b>46,735,896</b>	38,976,683
<b>Other assets</b>			
Fixed assets	16	<b>448,437</b>	413,772
Cash at bank and in hand		<b>5,095,591</b>	5,269,395
<b>Prepayments and accrued income</b>			
Accrued interest and rent		<b>218,732</b>	200,681
Other prepayments and accrued income		<b>662,311</b>	559,047
<b>Total Assets</b>		<u><b>174,954,577</b></u>	<u>144,306,070</u>
<b>Liabilities</b>			
<b>Technical provisions</b>			
Long-term business provision	18	<b>(110,990,064)</b>	(93,163,478)
<b>Technical provision for linked liabilities</b>	18	<b>(41,746,326)</b>	(35,217,712)
<b>Fund for future appropriations</b>	19	<b>(20,708,682)</b>	(14,908,258)
<b>Creditors</b>			
Other creditors including taxation and social security		<b>(178,308)</b>	(250,580)
<b>Accruals and deferred income</b>	20	<b>(1,331,197)</b>	(766,042)
<b>Total Liabilities</b>		<u><b>(174,954,577)</b></u>	<u>(144,306,070)</u>

The financial statements were approved by the Committee of Management on 20 March 2020

**S Hindmarsh**  
Chairman

**J Bellamy**  
Chief Executive

**P Galloway**  
Chief Operating Officer

# Notes to the Financial Statements

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## 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 Committee of Management have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue 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 financial assets as financial assets at fair value through the Income and Expenditure account.

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 income 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 eight 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 1 to 3 months.

Mortgages 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 assets 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  
33.33% per annum straight line

Software Development  
20% 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 within the society in an earmarked fund. The Society's contributions in respect of the year are shown in Note 12. None were outstanding at the year end.

#### **(k) Cash flow statement**

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

#### **(l) Fund for future appropriations**

The Fund for Future Appropriations incorporates amounts which have yet to be allocated to participating policyholders. Any surplus or deficit arising in the Income and Expenditure Account is transferred to or from the fund on an annual basis. Surpluses are allocated by the Committee of Management 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 provisions are determined by the Society's Actuarial Function Holder and With-Profits Actuary following her annual investigation of the Society's long-term business and linked liabilities. They are evaluated on a Solvency II basis.

#### **(n) Deferred acquisition costs**

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

#### **(o) Functional currency**

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

#### **(p) Foreign Exchange policy**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

## **2. Critical accounting estimates and judgements**

In the application of the Society's accounting policies, the Committee of Management are 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 Committee of Management, there are two key estimates and assumptions which could have 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 overleaf.

**(i) Valuation of long-term insurance contract liabilities:**

The liability relating to long-term insurance contracts 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 Committee of Management use their 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 2019 in conformity with the requirements of Solvency II.

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

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



	2019	2018
	£000	£000
Solvency Capital Requirement	<u>12,595</u>	<u>9,735</u>
Available capital resources	<b>20,709</b>	14,908
Less assets inadmissible for solvency II	<u>(370)</u>	<u>(140)</u>
Total available capital resources	<b>20,339</b>	14,768
Solvency cover	<b>161%</b>	152%

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

	2019	2018
	£000	£000
Opening fund for future appropriation	<b>14,908</b>	17,581
Transfer to fund for future appropriation from Income and Expenditure account	<b>5,801</b>	(2,673)
Closing fund for future appropriation	<u><b>20,709</b></u>	<u>14,908</u>

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

#### (a) Basis of calculation of available capital resources

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

As shown above, the capital resources requirement amounts to £12.595m and is determined in accordance with capital requirements as defined by Solvency II. As at 31 December 2019 the Society's capital resources were 161% of its capital requirements.

Approximately 35% of the fund excluding the Child Trust Fund business is held in property and approximately 30% is held in equities. These are sensitive to market movements in general. About 27% is held in UK bonds and gilts, and changing market conditions can affect bond values and future returns. Each bond also has its own individual credit risk. About 1% is held in the form of commercial mortgages. The remaining assets are invested in cash and deposits which are subject to default risk.

The valuation interest rate is set in reference to risk-free rates specified by the European Insurance and Occupational pensions Authority ("EIOPA") as at 31 December 2019.

The main assumptions used in the statutory valuation carried out as at 31 December 2019 are set out below.

- ✔ **Valuation Interest Rate**  
Solvency II risk free yield curve
- ✔ **Mortality**  
All applicable tables: 25% of ELT15 Males
- ✔ **Expenses**  
The allowance in the premium rates plus a specific reserve based on expected per policy costs and inflated in line with RPI-0.25%

- ✔ **Lapses**  
Realistic rates based on the actual experience for each product
- ✔ **Bonuses**  
A continuation of the currently declared interim rates
- ✔ **Tax**  
10% on interest and expenses for relevant taxable business

#### (b) 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%	-583
Expense allowances	-10%	514
Change in rate of mortality (%ELT)	10%	-291
Change in rate of mortality (%ELT)	-10%	301
Change in fixed interest yields	EIOPA shock up	1,617
Change in fixed interest yields	EIOPA shock down	-87
Fall in fixed interest asset value	-10%	-1,532
Fall in equity values	-10%	-2,430
Fall in property values	-10%	-1,990

The EIOPA interest rate down shock to fixed interest yields and the fall in asset values reduce the available capital considerably. The biggest reduction comes from a 10% fall in equity values. The Society has 29.8% of its assets excluding CTF in equities and a 10% fall in values leads to a reduction in available capital of £2.430m.

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

### (c) Analysis of change in capital resources

	2019	2018
	£000	£000
Total available capital resources at 1 January	14,908	17,581
Premiums less claims and expenses	11,271	10,145
Investment income less tax	5,693	4,572
Unrealised (losses) / gains on investments	13,045	(9,186)
Change in mathematical reserves	(24,208)	(8,204)
Total available capital resources at 31 December	<u>20,709</u>	<u>14,908</u>

## 4. Risk Management

This section summarises the principal risks that the Society is exposed to and the way the Society manages them.

### (a) 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, 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 Committee 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 Committee at least bi-annually.

### Concentration of Insurance Risk

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

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

	2019	2018
	£000	£000
Sickness and death	991	1,047
Pure endowments	14,958	14,537
Endowments	783	728
Taxable saving plans	6,890	6,742
Investment Bond	25,999	20,489
ISA	62,032	49,924
Pension Bond	883	961
Other	686	955
Total	<u>113,222</u>	<u>95,383</u>

## (b) 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.

Each of the exposures to risk are analysed regularly to assess their likely impact and probability. The overall level of risk is then compiled into a detailed report taking into account the correlation of individual risks to arrive at a required level of capital. The Committee of Management is responsible for reviewing the risks faced by the Society and approving the required level of capital to be held against each risk element.

### i. 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' 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 Audit & Risk Committee / Finance & Investments Committee oversees the investment policy and strategy, which the Society implements through the use of investment mandates. Each mandate aims to manage the market risk using some or all of the following mechanisms:

- ✔ Defined performance benchmarks;
- ✔ Limits on asset allocation by asset type, market capitalisation and geographical spread.

## Concentration of market risk

The following tables provide details of the Society's equities (including alternative assets) by sector and region.

	United Kingdom	Asia & Africa	North & South America	Europe Excluding UK	Grand Total
	£	£	£	£	£
Oil & Gas Producers	2,371,560	-	-	-	2,371,560
Basic Materials	1,387,943	-	-	-	1,387,943
Industrials	436,275	-	-	-	436,275
Support Services	510,700	-	-	-	510,700
Consumer Goods	3,015,242	-	-	-	3,015,242
Health Care	1,535,360	-	-	-	1,535,360
Consumer Services	950,376	-	-	-	950,376
Telecommunications	293,620	-	-	-	293,620
Utilities	427,585	-	-	-	427,585
Financials	4,681,598	-	-	-	4,681,598
Technology	374,350	-	-	-	374,350
Investment & Unit Trusts	6,410,202	-	-	-	6,410,202
Property	1,337,585	-	-	-	1,337,585
Infrastructure	1,390,334	-	-	-	1,390,334
Open Ended Investment Companies	533,561	7,256,823	3,825,031	2,062,795	13,678,210
<b>Total</b>	<b>25,656,291</b>	<b>7,256,823</b>	<b>3,825,031</b>	<b>2,062,795</b>	<b>38,800,940</b>

### ii. Equity price risk

Holdings in equities are by their nature subject to market movement. In order to mitigate this risk the Society employs an external investment portfolio manager. Equity purchases focus on defensive rather than cyclical stocks, focussing on companies with sound balance sheets, global reach and strong dividend earnings / potential.

### iii. 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. Members of the Society bear most of the market risk through the annual bonuses allocated to them.

#### iv. Exchange rate risk

The Society holds a number of overseas equities which present a small exchange rate risk. Given the perceived low risk of these investments on the overall portfolio, and the Society's long-term investment objectives, the Society does not hedge against the exchange rate risk.

#### v. 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;
- ✔ Diversified portfolio of commercial mortgages to reduce the potential impact of default;
- ✔ Defined commercial lending policy with strict underwriting guidelines;
- ✔ Counterparty limits are in place for cash deposits;

The Society's debt securities are mainly investment grade and the Society does not expose itself to sub-prime debt securities.

#### Concentration of credit risk

The following tables provide details of the Society's bonds by sector and region.

	United Kingdom	North America	Europe Excluding UK	Asia	Grand Total
	£	£	£	£	£
UK fixed interest	23,623,202	-	-	-	23,623,202
British Government funds	6,073,467	-	-	-	6,073,468
Open Ended Investment Company	347,811	2,173,818	828,121	790,855	4,140,605
Overseas fixed interest	-	300,465	151,200	-	451,665
Total	<b>30,044,480</b>	<b>2,474,283</b>	<b>979,321</b>	<b>790,855</b>	<b>34,288,940</b>

#### vi. 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 recent increase in ISA balances may require the Society to hold additional liquidity in the future to meet withdrawals, but ISAs are regarded as relatively 'sticky' investments.

Any significant mismatch between cash inflows and outflows would be identified by the executive team and this would trigger a Committee 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. This approach is considered appropriate given the predictable nature of most policy claims and the fact that the Society is a positive cash generator.

Liquidity risk is managed as follows:

- ✔ Budgets are prepared to forecast the short term and medium-term liquidity requirements;
- ✔ 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.

#### vii. Fair value

The principal financial assets held at 31 December 2019, analysed by their fair value hierarchies were:

	Level 1	Level 2	Level 3	Grand Total
	£000	£000	£000	£000
Investment properties	-	-	40,514	<b>40,514</b>
Debt securities	30,148	-	-	<b>30,148</b>
Equity securities	22,395	-	-	<b>22,395</b>
Emerging market securities	8,205	-	-	<b>8,205</b>
Global Special Situations securities	5,473	-	-	<b>5,473</b>
UK Real Estate fund	-	4,662	-	<b>4,662</b>
Global Strategic Bond fund	4,141	-	-	<b>4,141</b>
Alternative assets	2,728	-	-	<b>2,728</b>

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

## 5. Earned premiums

	2019	2018
	£	£
Single Premium Income	<b>17,363,326</b>	13,552,047
Regular Premium Income	<b>3,373,662</b>	3,248,175
	<b><u>20,736,988</u></b>	<u>16,800,222</u>

## 6. Investment and other income

	2019	2018
	£	£
Rental income receivable	<b>2,568,235</b>	2,534,681
Income from listed investments	<b>2,060,290</b>	1,642,098
CTF Unit Linked management charges received	<b>617,165</b>	592,898
Gain on the sale of listed investments	<b>359,231</b>	17,199
Mortgage interest receivable	<b>58,814</b>	58,319
Income from UK Real Estate Fund	<b>98,527</b>	57,335
Bank interest receivable	<b>33,294</b>	21,831
	<b><u>5,795,556</u></b>	<u>4,924,361</u>



## 7. Unrealised investment gains

	2019	2018
	£	£
Unrealised gain on listed investments		
- With-Profits	<b>6,410,756</b>	-
- Unit Linked	<b>6,852,048</b>	-
Net unrealised gain on UK Real Estate Fund	-	75,584
Net unrealised gain on revaluation of Society's office	-	25,000
	<b><u>13,262,804</u></b>	<b><u>100,584</u></b>

## 8. Claims incurred

	2019	2018
	£	£
Endowments and matured policies	<b>3,320,896</b>	2,280,839
ISA withdrawals	<b>2,764,663</b>	1,987,854
Death benefits	<b>1,094,217</b>	679,370
Surrendered policies	<b>755,425</b>	290,486
Income Bond withdrawals	<b>82,510</b>	66,874
Additional benefits	<b>13,931</b>	6,649
	<b><u>8,031,642</u></b>	<b><u>5,312,072</u></b>

## 9. Acquisition expenses

	2019	2018
	£	£
Salaries, including national insurance	225,724	199,936
Pension contributions	23,169	25,792
Internal auditors and compliance consultant's fees	4,808	3,937
Actuary's fees	37,077	37,337
Auditors' fees	12,450	13,980
Legal and professional fees	7,072	11,058
PRA / FCA Regulatory fees	11,641	9,804
Committee of Management fees and expenses	15,924	11,697
Computer running costs	14,746	26,930
Website and software development	887	4,594
Postage	10,046	8,023
Printing and stationery	5,785	5,750
Insurance	2,156	1,816
Motor vehicle and travel costs	3,109	2,199
Lodge expenses	28	72
Bank charges	4,729	5,242
Miscellaneous expenses	1,055	1,069
Charitable donations and gifts	12,821	12,458
Office expenses	26,786	24,427
Entertaining	627	226
Advertising and promotional costs	159,872	130,150
Personnel and training	1,833	8,190
Fees and commissions paid	180,015	133,902
Depreciation - office furniture and equipment	1,775	1,758
Depreciation - motor vehicles	208	277
Depreciation - computer equipment	3,891	2,707
Depreciation - website development	1,600	1,688
Depreciation - software development	1,700	-
	<u>771,534</u>	<u>685,019</u>

## Administrative expenses

	2019	2018
	£	£
Salaries, including national insurance	225,724	199,935
Pension contributions	23,170	25,792
Internal auditors and compliance consultant's fees	14,423	11,812
Actuary's fees	111,233	112,010
Auditors' fees	37,350	41,940
Legal and professional fees	21,217	33,175
PRA / FCA Regulatory fees	34,924	29,411
Committee of Management fees and expenses	47,773	35,091
AGM expenses	11,016	9,601
Computer running costs	29,939	54,676
Website and software development	1,801	9,326
Postage	20,397	16,290
Printing and stationery	11,746	11,673
Insurance	4,378	3,687
Motor vehicle and travel costs	1,037	733
Subscriptions	4,136	4,088
Lodge expenses	84	215
Bank charges	14,186	15,726
Miscellaneous expenses	2,142	2,170
Office expenses	26,786	24,428
Entertaining	628	226
Personnel and training	1,834	8,190
Depreciation - office furniture and equipment	5,327	5,275
Depreciation - motor vehicles	623	830
Depreciation - computer equipment	11,671	8,123
Depreciation - website development	4,798	5,067
Depreciation - software development	5,100	-
Recoverable VAT on expenses	(10,962)	(11,722)
	<u>662,481</u>	<u>657,768</u>

## 10. Investment management expenses

	2019	2018
	£	£
Investment manager charges / commission	181,314	161,910
Property related charges	34,849	49,871
	<u>216,163</u>	<u>211,781</u>

## 11. Taxation

	2019	2018
	£	£
<b>Current Tax:</b>		
UK corporation tax	90,381	60,000
UK corporation tax re prior years	21,719	17,045
Corporation tax charge	<u>112,100</u>	<u>77,045</u>

## 12. Staff costs

	2019	2018
	£	£
Salaries and wages	411,544	365,398
Social security costs	39,904	34,473
Pension costs	46,339	51,584
	<u>497,787</u>	<u>451,455</u>
<b>Average number of employees:</b>		
Executive	2	2
Administration	11	10
	<u>13</u>	<u>12</u>

### 13. Committee of Management emoluments

	2019	2018
	£	£
Remuneration and attendance fees	228,950	192,650
Society pension contributions to defined contribution schemes	17,985	31,732
Expenses	2,947	2,513
<b>Total emoluments</b>	<b>249,882</b>	<b>226,895</b>
Chairman	10,606	9,496
<b>Highest paid member:</b>		
Salary	95,000	70,688
Pension contributions	13,725	26,859

Committee of Management members receive expenses for travel to and from Committee meetings at the head office and for attending external meetings on Society business.

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

	2019	2018
	£	£
£0 - £15,000	9*	6
£15,001 - £80,000	1	2
£80,001 - £100,000	1	0

\*Two Committee members retired in June 2019.

### 14. Unrealised losses on investments

	2019	2018
	£	£
Unrealised loss on revaluation of investment properties	(170,000)	(142,270)
Unrealised loss in UK Real Estate Fund	(47,775)	-
Unrealised loss on listed investments		
- With-Profits	-	(4,730,977)
- Unit Linked	-	(4,413,810)
<b>Total</b>	<b>(217,775)</b>	<b>(9,287,057)</b>

## 15. Investments

	Note	2019	2018
		£	£
<b>Summary</b>			
<i>Measured at fair value</i>			
Land and buildings	(a)	40,514,094	37,651,800
<i>Measured at cost</i>			
Mortgages on land and buildings	(b)	971,250	971,250
		<u>41,485,344</u>	<u>38,623,050</u>
<i>Measured at fair value</i>			
Listed & OEIC Investments (excluding CTF)	(c)	77,752,050	57,758,760
<i>Measured at cost</i>			
Bank and money market deposits		2,556,216	2,504,682
		<u>121,793,610</u>	<u>98,886,492</u>
<i>Measured at fair value</i>			
Unit linked assets - CTF	(c)	46,735,896	38,976,683
		<u>168,529,506</u>	<u>137,863,175</u>

### 15a. Land and buildings

	£
<b>Investment properties</b>	
<i>Cost or valuation</i>	
Balance as at 1 January 2019	37,651,800
Additions	3,032,294
Disposals	-
Revaluation in year	(170,000)
Balance as at 31 December 2019	<u>40,514,094</u>

The freehold and leasehold properties were revalued by Mr Chris Stott MRICS, Director at Brownill Vickers Limited. Mr Chris Stott MRICS is a fully qualified chartered surveyor and an RICS Registered Valuer. A formal valuation took place in December 2016 on an open market basis. This was updated by desk-top valuations in December 2017, 2018 and 2019, with the property valuations being adjusted accordingly.

### 15b. Mortgages on land and buildings

	£
Balance as at 1 January 2019	971,250
Advances during the year	-
Repaid during the year	-
Balance as at 31 December 2019	<u>971,250</u>

## 15c. Investments at valuation

	2019	2018
	£	£
British Government securities	6,073,468	4,801,251
Emerging markets fund	8,205,450	6,152,709
Global special situations fund	5,472,760	2,369,831
Global strategic bond fund	4,140,605	-
Other listed investments		
- equities	22,394,811	18,411,121
- alternative assets	2,727,919	2,315,683
- fixed interest	24,074,867	20,094,751
UK Real Estate fund	4,662,170	3,613,414
	<u>77,752,050</u>	<u>57,758,760</u>
Child Trust Fund investments	46,735,896	38,976,683
Balances as at 31 December	<u>124,487,946</u>	<u>96,735,443</u>

## 15d. Cost of investments

	2019	2018
	£	£
British Government securities	5,957,763	4,856,115
Emerging markets fund	6,500,000	6,000,000
Global special situations fund	5,000,000	2,500,000
Global strategic bond fund	4,000,000	-
Other listed investments		
- equities	19,158,446	18,108,950
- alternative assets	2,444,401	2,200,103
- fixed interest	23,529,209	20,805,500
UK Real Estate fund	4,593,133	3,496,602
Unit linked investments	23,133,328	22,843,328
	<u>94,316,280</u>	<u>80,810,598</u>



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

	Valuation as at 01.01.19	Purchases	Sales	Realised Gains / (Losses)	Unrealised Gains / (Losses)	Valuation as at 31.12.19
	£	£	£	£	£	£
British Gov't	4,801,251	2,071,642	(1,001,025)	40,010	161,590	6,073,468
Emerging mkts	6,152,709	500,000	-	-	1,552,741	8,205,450
Global spec. sits.	2,369,831	2,500,000	-	-	602,929	5,472,760
Strategic Bond Fund	-	4,000,000	-	-	140,605	4,140,605
Equities	18,411,121	2,823,507	(1,790,369)	202,839	2,747,713	22,394,811
Alternative	2,315,683	320,511	(109,021)	24,146	176,600	2,727,919
Fixed interest	20,094,751	6,088,797	(3,317,814)	92,236	1,116,897	24,074,867
UK RE fund	3,613,414	1,096,531	-	-	(47,775)	4,662,170
	<b>57,758,760</b>	<b>19,400,977</b>	<b>(6,218,229)</b>	<b>359,231</b>	<b>6,451,300</b>	<b>77,752,050</b>
Unit linked	38,976,683	290,000	-	-	7,469,213*	46,735,896
	<b>96,735,443</b>	<b>19,690,977</b>	<b>(6,218,229)</b>	<b>359,231</b>	<b>13,920,513</b>	<b>124,487,946</b>

\*Includes CTF Unit Linked management charges received – see note 6

## 16. Fixed assets - Summary

	Note	Cost	Depreciation	Value 31/12/2019	Value 31/12/2018
	£	£	£	£	£
Tangible	(a)	467,708	115,854	351,854	356,974
Intangible	(b)	123,858	27,275	96,583	56,798
<b>Total</b>		<b>591,566</b>	<b>143,129</b>	<b>448,437</b>	<b>413,772</b>

## 16a. Tangible fixed assets

	Land & Buildings	Fixtures & Fittings	Motor Vehicles	Computer Equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 01/01/2019	300,000	83,600	10,500	104,443	498,543
Additions	-	3,571	-	14,803	18,374
Disposals	-	-	-	(49,209)	(49,209)
Revaluation	-	-	-	-	-
At 31/12/2019	<u>300,000</u>	<u>87,171</u>	<u>10,500</u>	<u>70,037</u>	<u>467,708</u>
<b>Depreciation</b>					
At 01/01/2019	-	59,885	7,178	74,506	141,569
Disposals	-	-	-	(49,209)	(49,209)
Charge for year	-	7,102	831	15,561	23,494
At 31/12/2019	<u>-</u>	<u>66,987</u>	<u>8,009</u>	<u>40,858</u>	<u>115,854</u>
<b>Net Book Value</b>					
<b>At 31/12/2019</b>	<b><u>300,000</u></b>	<b><u>20,184</u></b>	<b><u>2,491</u></b>	<b><u>29,179</u></b>	<b><u>351,854</u></b>
At 31/12/2018	<u>300,000</u>	<u>23,715</u>	<u>3,322</u>	<u>29,937</u>	<u>356,974</u>

The freehold property has been revalued in accordance with the details in Note 15(a).

## 16b. Intangible fixed assets

	Website Development	Software Development	Total
	£	£	£
<b>Cost</b>			
At 01/01/2019	20,475	50,400	70,875
Additions	1,383	51,600	52,983
Disposals	-	-	-
Revaluation	-	-	-
At 31/12/2019	<u>21,858</u>	<u>102,000</u>	<u>123,858</u>
<b>Depreciation</b>			
At 01/01/2019	14,077	-	14,077
Disposals	-	-	-
Charge for year	6,398	6,800	13,198
At 31/12/2019	<u>20,475</u>	<u>6,800</u>	<u>27,275</u>
<b>Net Book Value</b>			
<b>At 31/12/2019</b>	<u><b>1,383</b></u>	<u><b>95,200</b></u>	<u><b>96,583</b></u>
At 31/12/2018	<u>6,398</u>	<u>50,400</u>	<u>56,798</u>

## 17. Capital Commitments

At 31 December the Society had capital commitments as follows:

	2019	2018
	£	£
Contracted for, but not provided for in the financial statements	<u>2,726,538</u>	<u>-</u>

## 18a. Long-term business provision – With-Profits & Other

	With-Profits	Other	2019 Total	2018 Total
	£	£	£	£
At 1 January	93,938,442	(774,964)	<b>93,163,478</b>	80,963,468
Change in long-term business provision	17,921,394	(94,808)	<b>17,826,586</b>	12,200,010
At 31 December	<u><b>111,859,836</b></u>	<u><b>(869,772)</b></u>	<u><b>110,990,064</b></u>	<u>93,163,478</u>

## 18b. Long-term business provision – Unit Linked

	2019 Total	2018 Total
	£	£
At 1 January	<b>35,217,712</b>	38,842,884
Earned premiums	<b>510,696</b>	492,249
Withdrawals / transfers to other providers	<b>(138,725)</b>	(121,565)
Change in long-term business provision	<b>6,156,643</b>	(3,995,856)
At 31 December	<u><b>41,746,326</b></u>	<u>35,217,712</u>

## 18c. Total change in long-term business provision

	2019	2018
	£	£
Total change in long-term business provision	<u><b>23,983,229</b></u>	<u>8,204,154</u>

## 19. Fund for future appropriations

	2019	2018
	£	£
At 1 January	14,908,258	17,580,849
Surplus / (deficit) for the year	5,800,424	(2,672,591)
At 31 December	<u>20,708,682</u>	<u>14,908,258</u>

## 20. Accruals and deferred income

	2019	2018
	£	£
Lapsed / matured / death policy claims outstanding	609,857	74,969
Deferred rental income	471,412	430,956
Administrative expenses	221,957	235,587
Rent deposits held on account	24,450	24,450
Sundry accruals	3,521	80
	<u>1,331,197</u>	<u>766,042</u>

## 21. Actuarial valuation and technical provision

An Actuarial Report on the assets and liabilities of the Society was last prepared as at 31 December 2019 and a copy of this Report may be inspected at the Registered Office of the Society.

## 22. Related party transactions

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

## 23. Events after reporting date

At 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organisation. At that date there was no scientific evidence of human to human transmission. The subsequent spread of the virus and its identification as a new coronavirus does not impact on the financial statements at 31 December 2019.

# Glossary

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## Abbreviations

<b>AFM</b>	Association of Financial Mutuals
<b>AGM</b>	Annual General Meeting
<b>CTF</b>	Child Trust Fund
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority
<b>FCA</b>	Financial Conduct Authority
<b>FRC</b>	Financial Reporting Council
<b>FRS</b>	Financial Reporting Standards
<b>GDPR</b>	General Data Protection Regulation
<b>IDD</b>	Insurance Distribution Directive
<b>ISA</b>	International Standards on Auditing
<b>ISA</b>	Individual Savings Account
<b>ORSA</b>	Own Risk and Solvency Assessment
<b>PPFM</b>	Principles and Practices of Financial Management
<b>PRA</b>	Prudential Regulation Authority
<b>RPI</b>	Retail Prices Index
<b>SCR</b>	Solvency Capital Requirement
<b>SM&amp;CR</b>	Senior Managers & Certification Regime
<b>WPAA</b>	With-Profits Advisory Arrangement









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