Report & accounts

2024

Sheffield Mutual Est. 1892

Contents

Sheffield Mutual Est. 1892

Overview

Net Promoter Score
(NPS) of **82** (excellent)

4.95 rating on
REVIEWS.io

91% of members are
likely to recommend us
to a friend or relative

Asset base increased
to a record £223m

Including CTF we now
have **79,951** policies
and accounts

What our members say

Gemma

★★★★★

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

Clive Edwards

★★★★★

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

John Smith

★★★★★

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

Our customers say
Excellent ★★★★★
4.95 out of 5 based on **790** reviews
REVIEWS.io

Chair's welcome

> *We are honoured that so many members trust us to contribute to their financial security.*

I'm pleased to welcome all members to our Strategic Report for 2024.

I wrote last year about how challenging the high inflation and high interest rate environment was for the Society and went on to reassure that the key principles of mutuality, to focus on the long term needs of all members, would see us through. That approach, which has seen mutuality prevail for hundreds of years, has again proved successful. Inflation is now much closer to the Bank of England's target and, although more resistant to control than hoped, does now seem to be responding to economic actions. Interest rates have also decreased during 2024 but not as fast as initially hoped. Though slower than forecast, there has been moderation in high street headline mortgage and savings rates.

Actions taken to reduce inflation may have had success, even so challenges remain ahead. We have been able to maintain or increase bonus rates and issue new products with compelling and competitive rates of return. As always, our CEO, Jamie Bellamy, will talk in more depth about the Society's actions in his review.

Political matters are the greatest unknown of the times. The new Labour government has suffered some early policy missteps and poor luck with economic indicators; the future of the UK economy and the success of the drive for growth remain in question. The financial markets indicated that they were keeping an eye on things when yields on Gilts briefly rose to levels not seen since the start of the century (an indication that the markets see an increased risk that the government will fail in its objectives). This brings me again to something often discussed and agreed in our Board meetings: Sheffield Mutual Friendly Society will take the long view and smooth its returns, with the aim of providing members with superior returns over the long term. It is the determination to think about our members in the long term that underlies our stability and which naturally makes us a stable investment business.

Being calm within the uncertainty helped the Society's investment portfolio perform well over the year, contributing to a strong financial base and supporting the long term objective. The Society benefits considerably from a well developed approach to the diversity of its investments and the guidance and advice of its Outsourced Chief Investment Officer, Russell Investments.

At our December meeting the Board said a sad goodbye to Jan Burdin who has retired from the Board. Jan joined the Board as a director in 2012 and held the Chair role for a term. The Society has benefited greatly from Jan's input and direction through her years with us and I know that I will personally miss her insights. Jan's decision to resign requires the Board to both consider how to replace the experience and skill set being lost and offers the opportunity to add different experience and new skills. The Nominations and Remuneration Committee carries out the task of identifying the current and developing needs of the Society. A broad range of appropriate experience within the Board ensures that the executive team have access to the necessary skills to supplement their own.

The governance of the Society continues to strengthen. A recent report by our internal audit specialists on our systems and procedures that implement the Consumer Duty regulations, found no material issues with our approach and confirmed that the core principle of putting the needs of our members first, is well embedded in the Society.

We are honoured that so many members trust us to contribute to their financial security. I will probably repeat this in every welcome that I write, but it does deserve it. Our members know that in terms of quality of service and putting people first, friendly societies are hard to beat. We will always be grateful for the continuing support of the membership.

As ever, the Board is grateful to everyone who works at the Society, for their contribution to its success and for making Sheffield Mutual what it is. Thank you.

Stuart Hately
Chair of the Board
21 March 2025

Chief Executive's review

The uncertainty around the Bank of England base rate throughout 2024 and a new UK government led to an understandably cautious approach to savings and investments. In January 2024 the rate was 5.25% but fell to 4.75% by December which was still higher than anticipated when we started the year. Many providers reduced their savings rates in line with the base rate, whilst the Society increased its rates across all products in 2024.

Our tax-exempt savings product continued to perform well, contributing to over half of new policies opened. Lump sum investments started the year slowly for reasons mentioned above but enjoyed a strong finish to the year. During the year we launched the unit-linked Sustainable ISA product and revised the Investment Bond by increasing the guaranteed return, with both products proving popular.

The UK economy has shown signs of resilience amidst a challenging global environment. Inflation has fallen back closer to the Bank of England's target, providing some relief to households and businesses, however, the economy still faces a subdued growth outlook. Many analysts expect the rise in employer's National Insurance to trigger another stint of increased inflation. The Society tackles inflation by implementing cost control measures through its budgetary process and regular oversight meetings. This approach ensures that operational expenses are kept in check, thereby helping to mitigate the impact on our members.

Before the close of the year, we carried out our strategic review, setting out our ambitions for the next three years. We have two main aims: continued growth and financial strength. These objectives tie into our vision of being the standard bearer for excellent service. Our excellent online reviews and satisfaction surveys are evidence of our achievements so far through the great work that the team are doing, and we aspire to build on this momentum.

As a mutual, members can expect the above – robust cost control, longer-term thinking and a focus on members. Although straightforward concepts, many companies lose sight of these important matters. The mutuality principles make sure that the people we're speaking with are also valued rather than just their investment.

Members & service

- Reviews.io score of 4.95
- Net Promoter Score (NPS) of 82 (excellent)
- 91% of members are likely to recommend us to a friend or relative
- 95% of all policies remain open after one year and 83% of policies still remain open after four years

The online member portal went live in 2024, with many members already registered and making the most of its functionality. The portal gives our members the ability to manage policies, update details, open a new policy and make payments.

We've also improved other member facing services throughout the year including; training across all teams on supporting our vulnerable customers, updating our product brochures to avoid using jargon and revisions to some of our processes to make them more efficient. One of our strengths continues to be that members can speak to one of our team directly - over the phone, visiting our office or via our chat service.

Our commitment to members is to make sure everyone receives their fair profit share each year. We declared annual policy bonuses worth in excess of £5.6 million for members in 2024 and all with-profits bond, ISA and endowment policies had their interim bonus rates declared in full. We also paid terminal bonuses on qualifying investments for the Investment ISA, bonds and maturing regular premium endowments.

The Consumer Duty regulations were introduced by the FCA in 2023, aiming to set 'higher and clearer standards of consumer protection across financial services' by firms being able to consistently and demonstrably provide good outcomes for customers. In 2024, all policyholders with products which are no longer actively sold also fell within the requirements. Those already familiar with mutuality may recognise that the mindset of achieving 'good outcomes' for its members is nothing new. Our Ambassador for Members, Faye Lageu, tracked feedback throughout the year and reported back to the Board. We also regularly review management information collated by our data team to identify areas for improvement and take action where necessary.

Asset mix

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

The table below shows the asset split of the Society's investment fund at the end of 2024, with previous years' figures for comparison purposes. This table excludes Child Trust Fund and Sustainable ISA investments, which are part of separately managed Unit Linked funds.

		2024	2023	2022
		%	%	%
Listed investments:	- equities	30.42	29.62	32.08
	- fixed interest	33.90	32.47	28.01
	- alternative assets	1.67	1.72	0.84
Commercial property		30.97	31.33	33.88
Mortgages on land and buildings		1.08	1.27	1.72
Cash (excluding current account funds)		1.96	3.59	3.47
		100.00	**100.00**	**100.00**

Financial performance

Our asset base now stands at a record £223m, mainly driven through the investment portfolio.

The Society received £11.3m of premium income in 2024 (2023: £13.7m). Premium income levels were lower than the previous year as we believe members were more cautious over rising day to day costs, which led to a higher level of claims. As we've seen historically at the Society, premium income levels can fluctuate depending on economic conditions.

We continue to invest in our website, portal and team, leading to an increase in directly acquired business (online, telephone, in person), which accounted for 81% of the policies opened (2023: 78%) and 60% of the premium income received (2023: 52%). When it comes to financial matters many require the assistance of a financial advisor. We therefore work with a trusted network of intermediaries that understand our products and services through the annual training we offer them.

The Society's unit-linked Stakeholder Child Trust Fund attracted premium income of £0.75m during the year (2023: £0.66m), made up of transfers from other providers and additional subscriptions to existing accounts.

> *"As a mutual, members can expect robust cost control, longer-term thinking and a focus on members."*

Investments

The Society's investment income was £8.1 million and after taking account of the unrealised gains and losses on investment values the overall return on the non-CTF assets for the year was a strong 10.3%. Our available capital increased from £21.4 million to £22.2 million; thereby maintaining a strong financial base.

In 2024, global equity stock markets experienced a strong performance overall. In the US, economic growth gathered steam as the Federal Reserve lowered interest rates, with the S&P performing strongly; mainly due to the 'Magnificent 7' group of companies (Apple, Nvidia, Microsoft, Alphabet, Amazon, Meta and Tesla). The return of Donald Trump to the White House initially boosted equities and the dollar but has further complicated international relations and influenced global markets, requiring a diversified approach to navigating these uncertainties.

Emerging market stock markets had a mixed performance. The benchmark MSCI Emerging Markets (EM) index rose by 8% for the year, which was less impressive compared to the nearly 19% gain of the developed markets index. Despite this comparative underperformance there were notable pockets of strong performance in technology driven sectors.

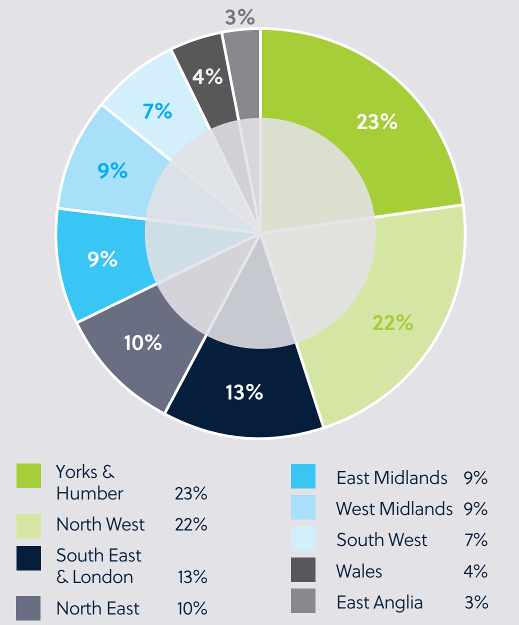
UK equities had a modest performance overall. The FTSE 100 index rose by approximately 6% for the year, which was driven by the energy and financial sectors, although it lagged behind some other major global indices.

While equities managed to post gains, the bond markets, including corporate bonds and gilts, struggled due to rising yields and inflationary pressures. The Bloomberg Global Government Bond Index fell by 7.6%. High-yield corporate bonds performed relatively well, with returns of around 10%. These bonds benefited from higher yields and shorter maturities, making them less sensitive to interest rate changes. However, investment-grade corporate bonds struggled due to the same factors affecting global gilts, resulting in more modest returns.

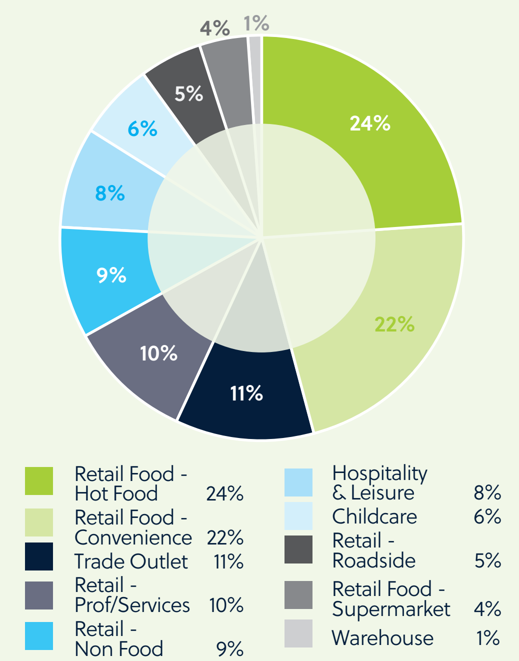
The Society also invests into a global unlisted infrastructure fund. The aim of the fund is to invest in assets providing essential services to enable, sustain or enhance economic activity and standards of living. It has a low correlation to other asset classes and provides stable returns over the long term. Infrastructure projects include hospitals, universities, renewables, utilities, data and energy from waste.

Our commercial property portfolio achieves a consistent return to provide stability for our investment portfolio, achieving 4.8% in 2024, 6.5% over a three year period and 5.6% over 5 years. During 2024 the Society continued with the purchase of a new build childcare nursery in Faringdon, Oxfordshire and a new build convenience store in Bristol, Avon and completed the acquisition of the Central England Co-Operative store in Scunthorpe, North Lincolnshire. The Society owns 43 geographically diversified commercial properties, with a total value of circa £51 million. As can be seen by the charts below we hold properties throughout the country, with a higher concentration in regions closer to the Society's heartland.

% of property portfolio value within each region



% of property portfolio value within each sector



Sustainable ISA

We launched our new unit-linked Sustainable ISA product in March 2024 and enhanced the product in March 2025 when the fund received the "Sustainability Mixed Goals" label. This indicates that the investments pursue or improve positive environmental or social outcomes and are aligned to strict criteria set by the FCA and their anti-greenwashing rules. The label recognises our commitment to investing in assets that support and actively contribute to the ongoing improvement of a better society and healthier environment.

Child Trust Fund (CTF)

The number of policies being paid out on or after maturity is improving month on month but still relatively low at 25% by the end of the year. Policies that are not matured or transferred into another Society plan are held in a matured CTF account and therefore do continue to benefit from the performance of the fund but our CTF team has increased efforts to engage with policyholders that may not be aware of their policy. We have partnered with The Tracing Group and The Share Foundation to enable young people to find their CTF more easily through the CTF Register. We also carried out an internal review during the year and reduced the ongoing management charge to 1.4% (from 1.5%).

Year ending	Number of CTF accounts (Incl. matured)	Fund due to policyholders (£'m)
31.12.22	62,429	43.25
31.12.23	61,725	45.72
31.12.24	61,217	49.35

Community partnerships

We were the title sponsor of the Sheffield Half Marathon and Sheffield 10K, supporting Jane Tomlinson's Run For All. Despite Storm Kathleen bringing strong gusty winds to Sheffield, the Half Marathon continued in one of the country's most challenging but scenic routes. The events also highlighted the incredible communities in and around the city, from running clubs, volunteers and schools, all corners of the city showed their support. We have again taken part in the Sheffield Half Marathon in 2025 and will hopefully be joined by some of our members at the Sheffield 10K (28th September 2025).

As part of the 2024 Charity Award, we donated to three charities (Matthew's A Friend in Me, FareShare Yorkshire and Bluebell Wood). Through the popular Community Fund, we also donated to 9 charitable organisations which included support for the Bearded Fishermen's 24/7 mental health telephone support services, the distribution of free baby bags by the Rebecca Kruza Foundation (for families struggling with the cost-of-living crisis in Sheffield) and to the St Vincent's Furniture Project's 'A place to lay your head' initiative.

Employees chose the Weston Park Cancer Charity as their charity of the year, donating £2,500, with further monies raised throughout the year via additional employee fundraising.

Looking ahead

In February 2025 we launched the 3 Year Fixed Bond, enabling members to lock their money away for a set rate and term. Product improvement and diversification is going to be an ongoing focus for the team in the coming years. We've also simplified our optical and dental member benefits: from 2025 members have a 'Benefit Pot' of up to £50 per year.

Our development work for the new administration system continues into 2025. The new system will help us to maintain our high standard of service. The adoption of AI technology has accelerated, bringing significant benefits in efficiency and productivity. We have started to adopt basic AI and we are investigating other opportunities but we will be mindful of the risks presented.

Towards the end of the year the Chancellor announced the creation of a new industry-led Mutual and Co-operatives Business Council. The AFM, the trade body representing Sheffield Mutual, is a member of the Council, which should improve dialogue with Ministers. The Chancellor emphasised the government's commitment to doubling the size of the co-op and mutuals sector, recognising its role in driving economic growth. There is also a broader effort to modernise friendly society legislation; an area we have been actively lobbying with local MPs and central government over recent years.

Finally, I would like to thank Jan Burdin and Tony Burdin for their contribution to the Society. In December Jan stepped down from the Board and Tony will be retiring from the Board at the upcoming AGM in June. Tony was Chief Executive from 2009 to 2018, and Jan was Chairman from 2015 to 2018, both overseeing periods of significant growth and were instrumental in the development of many key innovations at the Society. As Chief Executive whilst I was Finance Director, Tony acted as my mentor and has continued to offer invaluable support whilst on the Board. I wish Jan and Tony well in their retirement and welcome Andrew Healy and Jane Hudson as our incoming non-executives.

Thank you to the members for your continued trust and support. It is often said by our members that you can only fully appreciate what 'mutuality' means once you've joined a mutual. The benefits can't always be quantified (service, ethos, longer term focus) and in the modern financial world these factors aren't always the driving force behind choosing a provider. However, we will continue with our approach of focussing on people and shared prosperity as we believe these fundamentals are crucial to our continued growth.

Jamie Bellamy
Chief Executive
21 March 2025

Environmental, Social and Governance (ESG) Report

The Society adopts a proactive stance in mitigating the environmental impact our activities have on climate change. There is a growing emphasis on businesses to closely monitor and report this impact. In our recent Report and Accounts, we have adhered to the Taskforce on Climate-related Financial Disclosure (TCFD) framework, offering insights into our activities that may influence climate change and detailing the measures we are undertaking to address it. We anticipate that our disclosures will evolve over time as we deepen our understanding of climate change, our role in it, and potential solutions. The 2024 report will once again assess the specific areas of the Society's environmental impact using the TCFD framework.

Taskforce on Climate-related Financial Disclosures (TCFD)

Governance

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

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

The Finance and Investment Committee (FIC), discusses the implications of the financial risks of climate change at its monthly meetings. Climate change forms a key element of the discussions in this sub-committee regarding the property and investment portfolios, future purchases, and relationship with the Outsourced Chief Investment Officer (OCIO), Russell Investments. The OCIO presents to the FIC the ESG impact of the with-profits portfolio (see scope 3 data under the 'metrics and targets' disclosure in this report). The FIC also reviews ESG reports from other investment managers: Fidelity and L&G and the energy performance certificate (EPC) ratings for all directly owned property.

Strategy

The Society's climate change strategy and objectives were approved by the Board in 2021 and were highlighted again as an objective for the three year strategy 2025 to 2027. The Board continues to meet face to face at least six times a year, and at monthly sub-committees which are conducted virtually, unless the date coincides with a face to face Board meeting.

We continue to improve our paperless journeys, as demonstrated through the delivery of the member portal during 2024. The Society is committed to this reduction and will be contacting more members during 2025 to ensure email addresses are up to date to allow for more electronic communications (where the member wishes). Paper used for member correspondence, product literature and statements is produced using Forest Stewardship Council (FSC) responsible sources.

Risk Management

Climate change has been reported to the Audit and Risk Committee (ARC) since 2020 as a principal risk through the risk management system. This has allowed climate change risks to be monitored and discussed regularly by both the ARC and the Board throughout 2024.

Metrics and Targets

Carbon offsetting continued throughout the year with the planting of trees in our Yorkshire heartland. In July 2024, Sallie, the Society's Product and Training Manager, and I visited the site in Harrogate. We saw first-hand the great work the Make it Wild team are doing to rewild, through lots of different activities, including the planting of tree corridors connecting ancient forests, natural pond building and natural grazing through their fell ponies and herd of Galloway belted cattle to encourage wildflower restoration.

Office based CO2e emissions generated in 2023 was 9.27 tonnes, this was reduced to 7.79 tonnes of CO2e in 2024. Including staff and director travel to the office the total CO2e emissions in 2024 increased slightly to 41.19 when compared to 38.24 CO2e in 2023. The reason for this is an increase in staff recruitment levels during the period. We do, however, also operate hybrid working where possible. As in previous years the Society again offset 40 tonnes of CO2e through Make it Wild tree planting.

Scope 1 – own consumption emissions - Throughout 2024 efforts continued to reduce the Society's carbon footprint. We installed solar panels on the roof of our main office. The number of panels installed was based upon a report completed by an independent third party (Energy, Lighting & Compliance Limited). We run LED lights across all operations and there is a collective commitment amongst staff to ensure the responsible switch off of lights, pcs, laptops and monitors when not needed. The Society has one pool car which is used only for meetings which cannot be held virtually. The vehicle has a small eco-friendly petrol engine and fuel consumption is tracked and offset annually.

The Society has a target of continuing to reduce its scope 1 emissions to reach or get closer to net zero as soon as feasibly possible.

Scope 2 – indirect emissions - The Society and the Board directly manages a property portfolio, with assistance from Commercial Property Partners (CPP). In 2023, a thorough assessment of all properties' Energy Performance Certificates (EPC) was completed. Throughout 2024 we have worked with our tenants to improve EPC scores of D or below. The work delivered so far increased the number of properties with an EPC of C or above, from 79% to 83%, with an EPC rating of A (the highest rating) increasing from 19% in 2023 to 25% at the 2024 year end. Attaining an optimal EPC target is challenging given the nature of commercial properties and potential cost implications for members. Nevertheless, ongoing cooperation with tenants will continue to implement environmentally friendly changes.

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

The majority of our staff live a short distance away from the office, hence their commute has a very minimal impact on our carbon footprint, as reported above.

> “We continue to improve our paperless journeys, as demonstrated through the delivery of the member portal during 2024. The Society is committed to this reduction and will be contacting more members during 2025 to ensure email addresses are up to date to allow for more electronic communications (where the member wishes).”

Social

The Social element of ESG refers to the relationship Sheffield Mutual has with its stakeholders, its community, and its people.

As reported by the Chief Executive above we are engaged in a number of community partnerships, and several members of the Board hold charity trusteeships, including RSPCA Sheffield and Sheffield Hospitals Charity. The Finance and Investments Committee also has a strategy of acquiring community based commercial properties, such as medical centres and childcare nurseries.

Governance

The Governance element refers to how an organisation is governed particularly around board diversity and board compensation.

The FCA's anti-greenwashing rule ensures that any claims the Society makes about the sustainability of its products or services are accurate, clear, and not misleading. This means that when the Society says a product is environmentally friendly or socially responsible, it must be truthful and backed by evidence. The Society's Sustainable ISA product is invested in one fund which has been awarded by the FCA a sustainability label: “mixed goals”, as per the rules outlined in the sustainability disclosure and labelling regime. Although mutual societies are out of scope of this regime, under the anti-greenwashing rule it is important that we use this label and can evidence that the claims of the Sustainable ISA product is accurate and not misleading.

In January 2025 Sheffield Mutual combined the Nominations and Remuneration Committees. The sub committee is responsible for the Board diversity and nomination process to ensure independence of its members is maintained. In 2024 female representation on the Board decreased to 22% after the resignation of Dawn Webb.

Paul Galloway
Chief Operating Officer
21 March 2025

Strategic management

Strategy and objectives

The Board carried out a strategic review in the final quarter of 2024, reflecting on the economy, the outlook for savings and investments but also focussing on our ‘why’. Based on our discussions we updated our purpose and vision and adopted a new approach to setting objectives.

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

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

AUTHENTICITY
RESPONSIBILITY TRUSTWORTHINESS
OUR CORE VALUES
MEMBER FOCUS LOYALTY
FAIRNESS

The Society's key strategic priorities are as follows:

1. Maintain financial strength
2. Membership growth

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

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

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

Membership growth enables us to:

- Spread our costs across a larger base
- Increase investment back into improved business services
- Mitigate external risks (e.g. economic and technological)

The Society seeks to attract members by maximising returns over the life of a policy and aims to retain them through a combination of performance, following high standards of ethics and principles, and delivering consistently high levels of personal service, as evidenced through reviews and member communications.

Products

The Society provides a range of long-term savings, investment and protection policies to meet the needs of members and their families, including the popular Tax Exempt Savings Plan, which is exclusive to friendly societies, ISAs, Junior ISAs, Investment / Income Bonds and the Whole of Life Plan.

The Society's with-profits Investment ISA, which offers investors a potentially higher return over the long term than a Cash ISA but without the risks normally associated with a Stocks & Shares ISA, is expected to generate a significant proportion of our premium income.

In 2024 we launched the Unit-Linked Sustainable ISA and subsequently in February 2025 we launched the 3 Year Fixed Bond to diversify our product offering. We will continue to enhance our product range through engagement with our members.

> *We will continue to enhance our product range through engagement with our members.*

Distribution channels

- Direct - online, postal and telephone applications, digital advertising, printed heartland advertising and newspaper editorials
- Social - member referrals (Tell-a-Friend), advocates, community fund, social media
- Intermediaries - financial adviser advised and non-advised sales and non-advised referrals
- Events – attendance at events and shows across the region

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

Intermediaries remain an important part of our distribution mix and we will retain a focus on maintaining mutually beneficial relationships with introducers and financial advisers.

Principal risks and uncertainties

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

Future prospects and viability statement

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

Board of Directors

Jamie Bellamy
Chief Executive

Jamie joined the Society in 2014 as Finance Manager, became the Finance Director in 2015 and the Chief Executive in 2019 and continues to oversee the Society's finance function. Jamie qualified as a certified accountant within a large regional accountancy firm, assisting small to medium businesses and preparing statutory financial accounts. Jamie also has experience of working within Risk Management at a global law firm. In 2024 Jamie became a school governor at a local primary school. Jamie enjoys running and playing a variety of sports and lives with his wife and two children in South Yorkshire.

Anthony Burdin
Non-executive director

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

Paul Galloway
Chief Operating Officer

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

Stuart Hately
Chair

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

Andrew Healy, MBE
Non-executive director (from March 2025)

Andrew joined the Board in March 2025 and has more than 25 years of experience in the financial services sector, including 6 years as the Chief Executive of a building society. He is currently the CEO of a not-for-profit healthcare provider. Andrew therefore brings to us a broad range of skills, particularly in the areas of business development, change management and governance. Andrew enjoys running, golf and music. He was awarded an MBE in 2023 for services to the local community.

Faye Lageu
Non-executive director

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

Courtney Marsh
Non-executive director

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

Neil Spawforth
Chair of the Finance & Investments Committee

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

Adrian Stone
Chair of the Audit & Risk Committee

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

Andrew Thorpe
Senior Independent Director

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

Corporate Governance Report

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

The Society has applied the AFM Corporate Governance Code for Mutual Insurers (the "Code"). The Code sets out a series of principles of good corporate governance using an 'apply and explain' approach, focussing on culture within an organisation and employee and stakeholder engagement. The Chair, supported by the Board, ensures that the Code's principles are appropriately and proportionately applied throughout the year. Set out below is how we believe we achieve the respective principles, using the updated 2024 guidance:

Principle	How SMFS has applied the Principle
Purpose and leadership An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.	The Society's purpose, vision statement and core values were updated in September 2024 as part of the triennial strategic review. A strategy day was held to ensure all NEDs understand the Society's values, future challenges and opportunities and how the strategy responds to this. A business plan is prepared annually, reflecting on emerging risks and opportunities, and is aligned to the overarching strategy. The objectives are updated to account for the external economic circumstances. As a smaller financial institution we're able to adapt fairly quickly, bearing in mind longer term targets and our commitments to members.
	A Board effectiveness review was carried out with a working group to set actions and timescales, with all recommendations now implemented. The next review will be carried out in 2025.
	The ethos of the Society has been refined over a number of years and regularly discussed with employees during inductions, team meetings, appraisals and embedded through our Customer Excellence (CEP) programme. To maintain our culture for the long-term we aim to empower employees by promoting internally.
Board composition Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.	Our Chair, Stuart Hately, has investment, insurance and audit management experience and can draw on this to facilitate constructive discussion during meetings. The Society has a separate Chair and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained.
	As at 31 December the Board consisted of 9 members: two executives and seven NEDs, with each member bringing a range of expertise, including property management, risk and compliance, sales and marketing and accountancy. All directors have equal voting rights when making decisions, except the Chair, who has a casting vote.
	Board members are subject to election every three years at the AGM in accordance with the Society's Rules. 71% of the NEDs were assessed as independent as at the year-end, and therefore in line with the Code guidance. The NRC discuss the Board's composition of skills and diversity, conscious of the long-term nature of the business, and ensure a succession plan is in place. Where NEDs are deemed non-independent, an annual assessment is performed by the Chair and SID to ensure annual AGM member approval is appropriate. NED recruitment is aimed at appealing to a diverse range of candidates.
	Internal Board appraisals are carried out annually with written feedback given on a confidential basis. The SID also carries out the annual appraisal of the Chair's performance. The Chair leads an annual evaluation of the Board and its sub-committees. NEDs also act as mentors to senior management. Training requirements are assessed by the Chair with the assistance of the Chief Executive and Chief Operating Officer throughout the year, to ensure all non-executives complete at least a minimum of 15 hours CPD. Non-executives are asked to attend external seminars and internal training sessions are held and presented by a number of organisations including compliance consultants and investment managers. A separate online training facility is also available.

Principle	How SMFS has applied the Principle
Director responsibilities The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.	All directors and non-executive directors complete an annual fit and proper person test to ensure that they are suitable and able to carry out their roles and to provide transparency with regards to any potential conflicts of interest. The Board also reviews the Management Responsibilities Map on a quarterly basis to ensure that all Board members are aware of their responsibilities under the SM&CR and that there are clear lines of accountability. The CEO carried out an induction with all incoming NEDs prior to their first meeting.
	The ARC enhances independence in communication and oversight particularly around the internal and external audit process. The separate NRC also improves independence and Board accountability. The Chair of the ARC is a Chartered Accountant and all members of the NRC are independent. Terms of reference are in place for each of the Board's sub-committees and are subject to annual review with any recommended changes submitted for Board approval.
	Our internal auditors, RSM, present to the ARC on a quarterly basis. The internal audits carried out during the year demonstrated that we have effective governance arrangements and robust operational resilience procedures in place. An overarching opinion is provided and the executive team provide management responses and timeframes for actions. The external audit also provides strong assurance to the Board and the Society's members that solid processes are in place to confirm the integrity of information provided. The Board receives regular reports (at least monthly) from the executive team, OCIO, property managers etc. on all key areas of the business and its performance.
Opportunity and risk A board should promote the long term sustainable success of the organisation by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	Using the Own Risk and Solvency Assessment (ORSA) report and business planning, the Board debates the Society's risk appetite, carrying out scenario testing. The ORSA document feeds into the annual strategic review. The oversight of the Society's risks is carried out by our ARC on at least a quarterly basis, with the Chief Operating Officer monitoring risks throughout the year via the risk register and reverse stress testing. The Society's key risks are outlined later in this report. The Society has invested and increased its resources in risk management over recent years, with more third party assessments on cyber security and further recruitment within the Risk & Compliance teams. Through monitoring risks and identifying how they can be mitigated we are invariably able to convert them into opportunities and build them into business planning. For example, IT systems are continually improving but can present risks if investment isn't made. Also, rather than see regulation as a hindrance the Society is able to demonstrate strong compliance through transparent reporting which in turn improves member confidence and trust in our products.
	Throughout the business there are strict controls in place to mitigate risk, as set out mainly within our ORSA, Internal Controls, Board Manual and Compliance Manual, detailing approval limits on transactions, user permissions, etc. These controls are reviewed at least annually and approved by the Board. An Audit Assurance Map has been developed to aid debate around areas of risk within the business and to better plan for internal audits over the medium to long term. An increased number of audit days will be completed in 2025 to provide further assurance.

Principle	How SMFS has applied the Principle
Remuneration A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.	Employees are remunerated based on market rates and bonuses are aligned to the Society's strategic aims to encourage a common goal. An internal review was carried out on the Society's bonus scheme to make it more focussed on individual and departmental objectives to encourage ownership and accountability. From 2025, the executive bonus scheme will be removed after carrying out research on how executives are remunerated in successful global mutuals. Each employee's job specification is considered in isolation and an appropriate remuneration package designed depending upon the nature and seniority of the position. Director and senior management remuneration is developed around principles that align with the Society's culture, values and long-term success. We carry out analysis on gender pay and report to our trade body (AFM). Specific Board remuneration is detailed later in the report.
Stakeholder relationships and engagement Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Our members value being with the Society due to the personal service we provide; our workforce is therefore a critical stakeholder in fulfilling our purpose. We have developed a 'People Plan' and an engagement survey to enhance communications between the team. All employees have pension policies and the option to open a Society Pension Plan invested in the with-profits fund or into the Aviva pension plan. Management training programmes are taken on by team members looking to progress within the Society. The appointment of an HR Manager in 2024 has also improved our policies and processes. Faye Lageu is our NED Ambassador for member engagement and Consumer Duty Champion, which involves regularly monitoring feedback from members through various avenues and discussing with the Board on a quarterly basis. All 25 employees are based at the Tankersley head office. We aim to hold regular full team meetings. The executives each have responsibility for the various departments within the business and are therefore very close to operations and have direct daily engagement with employees.
	The Society, in conjunction with the AFM, regularly liaise with our regulators and the government to seek improvements to friendly society law. Our Chief Operating Officer is on the AFM (trade body) Regulatory Compliance and Governance Committee.
	In line with our history, heritage and ethical values, Sheffield Mutual is committed to helping charities and good causes, as documented earlier in the Strategic Report. Also, each year the Society aims to make funds available for donations to smaller local charities, community groups and voluntary organisations from the Sheffield Mutual Community Fund. The partnership with Jane Tomlinson's Run For All has also built on our relationship with the local community. The Society prepares an environmental, social and governance report each year within its report and accounts, incorporating climate reporting on its activities.
	Payments to our suppliers are always within the requested payment period unless there are outstanding queries.

Chair's Statement on Corporate Governance

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

Stuart Hately
Chair
21 March 2025

Risk management

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

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

Financial risk management

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

Market risk

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

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

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

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

Interest rate risk

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

Credit risk

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

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

Liquidity risk

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

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

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

Liquidity risk is managed as follows:

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

Insurance risk

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

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

The Society manages insurance risk by:

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

Concentration of with-profits insurance risk

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

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

	2024	2023
	£000	£000
ISA	**82,394**	82,678
Investment bond	**40,910**	39,332
Pure endowments	**15,825**	14,605
Taxable saving plans	**7,492**	6,497
Sickness and death	**692**	772
Endowments	**847**	798
Other	**725**	789
Pension bond	**86**	120
Total	**148,971**	145,591

Additional business risks

Category	Risk definition	Mitigation
Strategy	The Society will not be able to achieve its overarching objectives and long term goals.	The Board has a well established strategic planning process. The three-year strategy is approved by the Board and monitored annually.
Operational	This includes risks around systems and controls, governance, emerging, regulatory, legal and employees.	The Society has in place policies and internal controls which outline how its operational risks are mitigated. The annual Operational Resilience Board attestation reviews tolerances for these risks.
Cyber	Exposure to IT and cyber security risks leading to harm to the Society and members or losses through data breaches or cyber-attacks.	Cyber is an ever evolving risk and high on the Society's risk agenda. The Society continues to invest in this area through workforce training, IT systems and cyber audits.
Conduct	The ability of the Society to conduct its business fairly and properly in relation to its members and employees.	The ARC has oversight of conduct risk, with data and updates provided to the Board at least annually. Internal management meetings include a standing agenda item on conduct.
Member treatment	The fair treatment of members through the Society's actions.	Management information is readily accessible to the Board through an online dashboard, and individual risks are reviewed by the ARC at least quarterly.
Climate change	This includes transitional and physical risks which may directly or indirectly impact the business.	Monitored through the Risk Register. Work is ongoing to reduce carbon emissions of the Society and its investment portfolio.

Directors' Report

Responsibilities of the Board

As at 31 December 2024 the Board comprised of nine members in total: the Chair, Senior Independent Director (SID), five notified non-executive members and two executive members (Chief Executive and Chief Operating Officer). The Chair believes that the balance of skills and experience of Board members is appropriate to the current requirements of the business.

The Board determines the strategic direction of the Society and reviews its operating and financial position. The Board met on six occasions during 2024 and there is a schedule of regular reports and information, which they consider at the meetings and which is agreed annually. Reports are provided to the Board in advance of each meeting. The Chief Executive is responsible for carrying out the agreed strategy and the day to day running of the Society and there is a clear division of responsibilities between the roles of the Chief Executive and Chair.

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

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

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

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

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

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

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

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

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

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

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

Attendance at meetings

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

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

J Burdin retired from the Board in December and D Webb resigned from the Board in August.

Finance & Investments Sub-Committee (FIC)

The Society has a FIC which met on 11 occasions during the year and consists of the FIC Chair, the Society's Chair, SID and one other non-executive Board member by rotation (up until December 2024), plus the Chief Executive and Chief Operating Officer. From January 2025 all Board members are invited to attend the FIC meetings on a quarterly basis, removing the need for a member by rotation.

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

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

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

The FIC does this in the following ways:

- Consider the annual budget and when agreed make recommendations to the Board for approval
- Monitor monthly performance in relation to the budget, investigating any material differences
- Review liquidity, cash flow forecasts, policy statements, and recommend changes as necessasry
- Review the performance of the Society's OCIO (invited to attend all FIC meetings on a monthly basis) and recommendation to the Board as necessary
- Review the performance of investment managers not overseen by the OCIO
- Ensure that investments are held in accordance with the investment policy statement and PPFM issued to the OCIO
- Review the performance of the Society's property portfolio and make recommendations to the Board as necessary
- Consider commercial mortgage propositions and make recommendations as necessary
- Consider other property transactions for investment purposes and make recommendations
- Approval of property acquisitions and commercial mortgages
- Approval of new leases and changes to existing lease agreements, including rent reviews
- Review the Society's lending policy in respect of commercial mortgages
- Ensure that the Society's financial records and annual accounts are maintained and prepared in accordance with best practice and statute
- Review OCIO's recommendations
- Review funds held in money market and variable rate deposit accounts
- Consider the various investment options available to the Society, ensuring alignment with the Business Plan and overall strategy. Where a deviation from the Business Plan / strategy is deemed appropriate a recommendation to the Board will be made.

Audit & Risk Sub-Committee (ARC)

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

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

The ARC assists the Board in the oversight of:

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

The ARC does this in the following ways:

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

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

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

The ARC is also responsible for considering and reporting on any significant issues that arise in relation to the audit of the Financial Statements. The ARC can confirm that there were no significant issues to report to the Board in respect of the audit of the Financial Statements for the year ended 31 December 2024.

Nominations Sub-Committee (NC)(up to December 2024)*

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

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

Remuneration Sub-Committee (RC)(up to December 2024)*

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

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

Nominations and Remuneration Sub-Committee (NRC)(from January 2025)*

*In January 2025 the Nominations and Remuneration sub-committees were combined, carrying out the same duties and retaining the same responsibilities as above. It comprises of at least three non-executive members and meets on at least two occasions during the year. Executives attend by invitation only. The sub-committee is chaired by the SID.

Internal controls

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

External audit

Royce Peeling Green Limited (RPG) was initially appointed by the Board as external auditors on 30 July 2021, following recommendation by the ARC, and subsequently formally appointed by the Society's members at the June 2022 AGM and reappointed in 2023 and 2024. They will be offering themselves for re-election at the 2025 AGM. RPG provides no non-audit services.

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

With-profits governance

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

Report of the Board to with-profits policyholders

The Board is required to produce a report to all with-profits policyholders explaining how it has managed its with-profits business, complied with the PPFM and how the Board has exercised discretion in its decisions. This report will be available from the Society's website before 30 June 2025.

Going concern

After making enquiries, reviewing processes as set out in the Future Prospects and Viability Statement and considering information about the future, the Board is satisfied that the Society has adequate resources to continue in business for the foreseeable future. This judgment is based on rigorous challenge at regular Board and subcommittee meetings, management information, external assessment and actuarial stress testing. The Board considers it appropriate, therefore, to prepare the financial statements on a going concern basis.

Complaints by members

The Society has a documented complaints procedure and aims to treat its members fairly. There were two upheld reportable complaints in 2024, eleven made in total.

Disclosure of information to the auditor

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

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

The Board members who held office at the date of the approval of the Report and Accounts confirm that, as far as each of them is aware, there is no information relevant to the audit of the Society's financial statements for the year ended 31 December 2024 of which the auditors are unaware;

And,

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

Jamie Bellamy
Secretary
21 March 2025

Board Evaluation Report

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

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

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

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

There is one Board member offering himself for election at the AGM, three Board members offering themselves for re-election having served a three year term and two offering themselves for re-election having served for more than nine years. The Chief Executive, Jamie Bellamy, has served nine years on the Board and per the Society's rules requires AGM approval. One non-executive, Neil Spawforth, also requires annual approval having served more than nine years. Neil Spawforth's knowledge of commercial property is of considerable value to Board deliberations on investment matters and the growth strategy of the portfolio. His tenure on the Board also enables the WPAA to fully appreciate the long term need to smooth out returns to ensure members receive their fair share. The Chair and SID confirm that, following formal performance evaluations and the completion of a skills matrix, the individuals continue to demonstrate commitment and due skill to the role and therefore recommend that they should be re-elected.

> *“All Board appointments will be made on merit based on the skills and experience required to best meet the role specification and make an effective contribution.”*

Board Remuneration Report

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

The Remuneration Committee appointed an independent consultant (Reward Risk Ltd) to review non-executive fee levels and a recommendation was made in 2021 which was used up to 2024. For 2025, the structure has been simplified to remunerate roles, rather than individual NED attendance at meetings. The changes result in a total increase in 2025 of 4.9% on a like for like basis and therefore within the Society's cost control targets.

The fees are neither pensionable nor performance related.

The Chief Executive Officer (CEO) and Chief Operating Officer (COO) are employed on salaried contracts, which require six months' notice for the CEO or three months' notice for the COO. Their salary packages are reviewed annually by the Board without them being present. As with non-executives, the Remuneration Committee requested that the independent consultant reviewed executive salaries. The executive team are members of the Society's Group Personal Pension Scheme. Up until 2024 executives were eligible for a discretionary performance related annual bonus payment of up to £11,000 for the CEO and up to £7,000 for the COO, which may be paid as pension contributions.

An additional element was included within the executive team bonus scheme relating to longer term business targets. If certain objectives were attained throughout the three-year period 2022-24, up to £2,000 per annum was awarded to the CEO and £1,000 per annum to the COO and CCO, paid in May 2025. From 2025 the executive annual bonus scheme has been removed. Bonuses are an established feature of the financial services sector, however the Board has taken the opportunity to adopt a more progressive approach based on internal research and what it has observed in many other successful global mutuals. Discretionary Christmas awards will continue to be paid to the executives (and all other employees). None of the executive team served as remunerated non-executive directors elsewhere during the year.

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

Board Members' emoluments

	Salary/fees & expenses	Bonus	Taxable benefits	Pension contributions	2024 total	2023 total
	£	£	£	£	£	£
Chairman						
S Hately (appointed June 23)	28,190	-	-	-	28,190	21,026
S Hindmarsh (retired June 23)	-	-	-	-	-	12,080
Board						
A Burdin[1]	16,804	-	-	-	16,804	18,754
J Burdin[2]	15,500	-	-	-	15,500	15,250
F Lageu	14,681	-	-	-	14,681	12,465
C Marsh	14,564	-	-	-	14,564	13,670
N Spawforth	19,584	-	-	-	19,584	16,961
A Stone	19,440	-	-	-	19,440	17,115
A Thorpe	24,299	-	-	-	24,299	23,159
Chief Executive						
J Bellamy	147,000	5,875	1,460	12,820	167,155	158,366
Chief Operating Officer						
P Galloway	100,000	6,000	1,243	6,000	113,243	107,523
Chief Commercial Officer						
D Webb[3]	70,000	-	927	3,000	73,927	78,791

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

[2] J Burdin retired in December 2024

[3] D Webb resigned in August 2024

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

Opinion on the financial statements

We have audited the financial statements of Sheffield Mutual Friendly Society Limited ('the Society') for the year ended 31 December 2024, 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 2024 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.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

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

Conclusions relating to going concern

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

- Reviewing budget financial information for the financial year ending 31 December 2025, and up to date post year end management accounts
- Reviewing the Society's business plan 2024 including medium term forecast to 2027
- Reviewing the Society's Own Risk and Solvency Assessment and Forward-Looking Assessment of Own Risk reports
- Reviewing Board and Sub-committee minutes
- Discussion with our Reviewing Actuary on the appropriateness of assumptions and potential sensitivities in the Technical Provisions and Solvency Capital Requirement calculations
- Discussions with management and the Board on such matters and post balance sheet events which may impact the going concern status

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

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

Our approach to the audit

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

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

Our application of materiality

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

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

When establishing our audit strategy, we set an overall level of uncorrected misstatement that we judged would be material for the financial statements as a whole. We set planning materiality for the Society at £662,000 (2023: £535,000) which is approximately 3% of the prior year Fund for Future Appropriations. Funds for Future Appropriation is deemed the most appropriate benchmark in that it serves as a key measure of Society's financial strength, as viewed by the members of the Society.

On the basis of our risk assessment, together with our assessment of the Society's overall control environment, our judgement is that the performance materiality level should be 75% of planning materiality, namely £496,000 (2023: £402,000). We agreed with the Board that we shall report to them misstatements in excess of £25,000 (2023: £20,000) that we identify through the course of the audit, together with any qualitative matters that warrant reporting.

We also determined that for items in the Income and Expenditure Account, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. As a result, we determined a specific materiality for certain items in the Income and Expenditure Account to be £323,000 (2023: £468,000) based on 2% of earned premium income. We further applied a performance materiality of 75%, an amount of £242,000 (2023: £351,000), to ensure that the risk of errors exceeding this specific materiality was appropriately mitigated.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of the long term business provision As at 31 December 2024, the Society recognised a long-term business provision of £148.4m (2023: £144.6m) in respect of its non unit linked insurance business. Due to the size and nature of the provision, we consider this to be material to the financial statements. The provision is calculated using policy data held on the Society's administration system and assumptions set using internal and external data as inputs to the actuarial valuation model. Through the selection of appropriate assumptions, the Board is required to make significant judgements in conjunction with the advice of the Chief Actuary. These judgements involve considering whether the assumptions appropriately reflect the Society's experience, circumstances and future expectations.	In assessing the valuation of the long term business provision, we performed the following procedures: • We engaged the services of a suitably qualified, independent and experienced actuary to review and report on the methodology and assumptions applied by the Board in the calculation of the long-term business provision, and on the accuracy of the calculation itself. • We tested the integrity of the Society's policy administration data to ensure the data being used by the Chief Actuary was accurate. The testing included sample checks on premium income streams, claims paid, data integrity checks on key fields and reconciliation of policy numbers. • We reviewed the reasonableness of the assumptions used in the calculation and considered the advice of the Reviewing Actuary as to whether those assumptions were reasonable and the impact they had on the calculation. • We challenged the Board's assumptions in terms of future budgeted expenses and levels of projected new business and compared previous budgets to actual results to assess the reliability of the Society's budgeting process. We also reviewed post year end management information.
Our conclusion Overall, based on the assumptions and methodology used at 31 December 2024, we consider the valuation of the long-term business provision recognised within the financial statements to be appropriate and reasonable and properly disclosed.	

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

Other information

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

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

Opinion on other matters prescribed by the Friendly Societies Act 1992

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents that we require for our audit.

Responsibilities of the Board

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Our audit focuses on relevant risk areas and we review compliance with laws and regulations through making relevant enquiries and corroboration by, for example, review of Board and Subcommittee meeting minutes, review of correspondence with and reports to the regulators, enquiries of management, review of reports by internal auditors and compliance consultants and review of the Society's Complaints and dis-satisfaction register.

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

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

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

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's ("FRC's") website at **www.frc.org.uk/auditorsresponsibilities**. This forms part of our auditors' report.

Other matters which we are required to address

- **Auditor tenure -** We were appointed by the Board on 30 July 2021 to audit the financial statements for the year ended December 2021 and subsequent financial periods. Our period of total uninterrupted engagement is four years, covering the years ending 31 December 2021 to 31 December 2024.
- **Independence -** We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
- **Non audit services -** We have not provided any non- audit services prohibited by the FRC's Ethical Standard to the Society.
- **Consistency of the audit report with the additional report to the audit and risk commitee -** Our audit opinion is consistent with the additional report to the audit and risk committee we are required to provide in accordance with ISAs (UK).

Use of our report

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

Royce Peeling Green Limited

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

Date: 21 March 2025

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

Income and Expenditure Account

	Note	2024	2023
		£	£
Technical account - long term business			
Income			
Earned premiums	4	**11,299,698**	13,739,509
Investment and other income	5	**7,152,658**	6,539,650
Realised investment gains	6	**1,023,905**	3,169,120
Unrealised investment gains	7	**9,197,730**	8,420,332
Total income		**28,673,991**	31,868,611
Expenditure			
Claims incurred	8	**(16,371,262)**	(14,322,688)
Administration and acquisition expenses	9	**(2,706,992)**	(2,382,898)
Investment related charges	10	**(481,145)**	(753,564)
Unrealised losses	11	**(741,091)**	-
Taxation attributable to long term business	12	**(168,350)**	(246,853)
Change in long term business provision	18	**(7,294,772)**	(9,959,935)
Transfer (to) / from fund for future appropriations	19	**(910,379)**	(4,202,673)
Balance on the Technical Account		**-**	-

All income and expenditure relates to continuing operations.

The above results relate wholly to continuing activities. The Society had no other recognised gains or losses other than those included above in the Technical Account and the movements in the Child Trust Fund Stakeholder Fund and Sustainable ISA fund as shown in notes 18(b) and 18(c).

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

Balance Sheet

	Note	2024	2023
		£	£
Assets			
Investments			
Land, buildings and commercial mortgages		**52,800,857**	51,442,483
Listed & OEIC investments		**108,506,622**	100,659,556
Assets held to cover linked liabilities		**54,276,278**	54,036,102
Other financial investments		**3,235,761**	5,662,242
	15	**218,819,518**	211,800,383
Other assets			
Fixed assets	16	**969,806**	840,720
Cash at bank and in hand		**2,420,254**	1,643,515
Corporation tax incuding deferred tax		**-**	206,051
Prepayments and accrued income			
Accrued interest and rent		**245,636**	259,463
Other prepayments and accrued income		**837,018**	720,728
Total assets		**223,292,232**	215,470,860
Liabilities			
Technical provisions			
Long term business provision - with-profits	18a	**(148,419,203)**	(144,654,415)
CTF - unit linked liabilities	18b	**(49,350,227)**	(45,713,498)
Sustainable ISA - unit linked liabilities	18c	**(245,098)**	-
Fund for future appropriations	19	**(22,962,557)**	(22,052,178)
Creditors			
Other taxes and social security		**(171,034)**	(148,069)
Corporation tax including deferred tax		**(14,853)**	-
Accruals and deferred income	20	**(2,129,260)**	(2,902,700)
Total liabilities		**(223,292,232)**	(215,470,860)

The financial statements were approved by the Board on 21 March 2025

S Hately
Chair

J Bellamy
Chief Executive

P Galloway
Chief Operating Officer

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting

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

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

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

(b) Earned premiums

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

(c) Claims paid

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

(d) Investment income

Investment income is accounted for on an accruals basis with property rents received in advance at the year-end being deferred to the subsequent period.

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

(e) Investments

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

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

All investment properties are formally revalued every five years and interim desk-top valuations are performed in the intervening years. Included within investment properties are 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 overnight deposits up to 3 months in duration.

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

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

(f) Fixed assets and depreciation

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

Office furniture and equipment
15% per annum straight line

Motor vehicles
25% per annum reducing balance

Computer equipment
33.33% per annum straight line

Website development
20% per annum straight line

Software development
20% per annum straight line

Solar panels
4% per annum straight line

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

(g) Impairment of assets

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

(h) Cash and cash equivalents

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

(i) Taxation

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

(j) Pension contributions

The Society operates a group personal pension scheme, available for the majority of employees. The scheme is invested in the Society's Group Personal Plan or in a separately earmarked fund with Aviva. The Society's contributions in respect of the year are shown in Note 13. None were outstanding at the year end.

(k) Cash flow statement

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

(l) Fund for future appropriations

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

(m) Long term business provisions

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

The best estimate liabilities for with-profit and unit-linked policies are equal to the accumulated value of policyholders' investments, taking into account premiums, claims and expenses, with allowance for the future cost of any guarantees provided and a provision for any future expenses in excess of the costs charged to the value of policyholders' investments.

The best estimate liabilities for non-profit policies are the present value of future benefits and expenses, less future premiums. The risk margin allows for the cost to a third party of holding Solvency UK capital until all contracts are settled. Regulation requires the assumptions made for future experience (eg lapses, mortality, expenses and inflation) to be realistic and the valuation rate of interest used to discount the expected future cash flows is prescribed.

(n) Deferred acquisition costs

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

(o) Functional currency

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

2. Critical accounting estimates and judgements

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

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

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

(a) Key sources of estimation uncertainty

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

(i) Valuation of long term insurance contract liabilities:

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

(ii) Valuation of financial instruments:

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

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

3. Capital statement

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

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

The Society is required to comply with Financial Reporting Standards 102 and 103. The main impact is to require detailed disclosure of the liabilities and financial strength of the Society. The capital statement illustrates the financial strength of the Society's life business and shows an analysis of the available capital resources calculated on a regulatory basis for the Society. A valuation was carried out at 31 December 2024 in conformity with the requirements of Solvency UK.

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

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

	2024	2023
	£000	£000
Solvency capital requirement	**12,710**	12,808
Available capital resources	**22,963**	22,052
Less assets inadmissible for Solvency UK	**(770)**	(614)
Total available capital resources	**22,193**	21,438
Solvency cover	**175%**	167%

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

	2024	2023
	£000	£000
Opening fund for future appropriation	**22,053**	17,850
Transfer to fund for future appropriations from Income and Expenditure account	**910**	4,202
Closing fund for future appropriation	**22,963**	22,052

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

(a) Basis of calculation of available capital resources

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

The Solvency Capital Requirement amounts to £12.71m and is determined in accordance with capital requirements as defined by Solvency UK. As at 31 December 2024 the Society's capital resources were 175% of its capital requirements.

Approximately 31% of the fund excluding the Child Trust Fund business is held in property and approximately 28% is held in equities. These are sensitive to market movements in general. About 33% is held in bonds and gilts, and changing market conditions can affect bond values and future returns.

Each bond also has its own individual credit risk. 2% is held in infrastructure and 1% is held in the form of commercial mortgages. The remaining assets are invested in cash and deposits which are subject to default risk.

The valuation interest rate is set in reference to risk-free rates specified by the PRA as at 31 December 2024.

(b) Statutory valuation assumptions

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

(c) Available capital sensitivity analysis

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

Variable	Change in variable	Change in available capital £'000s
Expense allowances	10%	(1,071)
Expense allowances	-10%	1,071
Change in rate of mortality (%ELT)	10%	(64)
Change in rate of mortality (%ELT)	-10%	69
Change in fixed interest yields	PRA Interest shock up	1,631
Change in fixed interest yields	PRA Interest shock down	(2,952)
Fall in fixed interest asset value	-10%	(426)
Fall in equity values	-10%	(1,107)
Fall in property values	-10%	(835)

Falls in fixed interest, equity and property values reduces the available capital considerably because the falls in asset values are not fully reflected in the liabilities due to the presence of policyholder guarantees. However, the biggest reduction in capital comes from a 10% fall in fixed interest yields which reduces capital by £2.95m. Falling yields increase the cost of policyholder guarantees considerably on the valuation basis.

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

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

(d) Analysis of change in capital resources

	2024	2023
	£000	£000
Total available capital resources at 1 January	**22,052**	17,850
Premiums less claims and expenses	**(7,779)**	(2,966)
Investment income less tax	**7,528**	8,708
Unrealised gains / (losses) on investments	**8,457**	8,420
Change in long-term business provision	**(7,295)**	(9,960)
Total available capital resources at 31 December	**22,963**	22,052

(e) Technical provision reconciliation

	2024	2023
	£000	£000
Technical provision at 1 January	**144,654**	137,346
Methodology change	**(31)**	(156)
Impact of data movements in reserves	**(9,368)**	(7,197)
Change in discount rates	**(240)**	17
Change in expenses and inflation	**764**	1,246
Change in lapse assumption	**(334)**	221-
Change in mortality assumption	**0**	0
Change in investment returns	**6,251**	4,553
Change in bonus rates	**56**	186
New business and risk margin	**6,667**	8,434
Technical provision at 31 December	**148,419**	144,654

4. Earned premiums

	2024	2023
With-Profits	£	£
Single premium income	**7,838,165**	10,247,902
Regular premium income	**3,461,533**	3,491,607
	11,299,698	13,739,509

5. Investment and other income

	2024	2023
	£	£
Rental income receivable	**3,272,043**	3,218,475
Income from listed investments	**2,803,323**	2,172,333
CTF unit linked management charges received	**766,429**	735,556
Bank interest receivable	**204,429**	279,490
Mortgage interest receivable	**105,805**	133,547
Sustainable ISA unit linked management charges received	**509**	-
Other income	**120**	249
	7,152,658	6,539,650

6. Realised investment gains

	2024	2023
	£	£
Listed investments		
With-profits	**539,966**	3,086,677
CTF unit linked	**395,347**	27,792
Sustainable ISA unit linked	**88,592**	-
Sale of UK Real Estate Fund	**-**	35,864
Sale of investment properties	**-**	18,787
	1,023,905	3,169,120

7. Unrealised investment gains

	2024	2023
	£	£
Listed investments		
With-profits	**5,458,204**	4,663,310
CTF unit linked	**3,739,526**	3,035,763
Sustainable ISA unit linked	**-**	60,003
Revaluation of investment properties	**-**	611,256
Revaluation of Society's office	**-**	50,000
	9,197,730	8,420,332

8. Claims incurred

	2024	2023
	£	£
ISA withdrawals and transfers	**8,311,787**	6,855,960
Endowments and matured policies	**4,448,996**	4,623,189
Death benefits	**2,435,875**	1,874,958
Surrendered policies	**987,639**	794,489
Income Bond withdrawals	**173,456**	163,747
Additional benefits	**13,509**	10,345
	16,371,262	14,322,688

9. Admin & acquisition expenses

	2024	2023
	£	£
Salaries, including national insurance and pension contributions	**1,224,454**	1,061,465
Board fees and expenses	**153,062**	150,479
Personnel and training	**16,910**	22,296
Advertising and promotional costs	**230,479**	178,841
Intermediary fees and commissions paid	**82,252**	111,744
Actuary's fees	**204,279**	177,869
External auditors' fees	**79,665**	77,894
Internal auditors and compliance consultant's fees	**89,698**	69,749
Legal and professional fees	**44,579**	53,147
PRA / FCA regulatory fees	**36,144**	47,269
Office expenses	**91,700**	105,915
IT costs	**139,847**	78,983
Printing, postage and stationery	**81,863**	75,049
Insurance	**47,637**	49,153
Charitable donations and gifts	**16,244**	12,176
Operating lease	**22,599**	22,542
Bank charges	**28,471**	24,563
AGM expenses	**16,363**	12,531
Subscriptions	**11,077**	10,689
Motor vehicle and travel costs	**4,212**	5,250
Miscellaneous expenses	**11,581**	9,066
Entertaining	**2,295**	1,465
Depreciation	**114,506**	72,591
Recoverable VAT on expenses	**(42,925)**	(47,828)
	2,706,992	2,382,898

10. Investment related expenses

	2024	2023
	£	£
Investment manager charges / commission	**342,835**	627,578*
Property related charges	**131,147**	93,135
Irrecoverable debt on investment property	**7,163**	32,851
	481,145	753,564

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

11. Unrealised investment losses

	2024	2023
	£	£
Listed investments		
Sustainable ISA unit linked	**229**	-
Revaluation of investment properties	**736,762**	-
Revaluation of Society's office	**4,100**	-
	741,091	-

12. Taxation

	2024	2023
	£	£
Current Tax:		
UK corporation tax	**66,360**	-
UK corporation tax due re prior years	**(2,832)**	(47,930)
Movement in deferred tax	**104,822**	294,783
Taxation attributable to long term business	**168,350**	246,853

13. Employee costs

		2024	2023
		£	£
Salaries and wages		**1,024,974**	890,630
Social security costs		**116,717**	98,944
Pension costs		**82,763**	71,891
		1,224,454	1,061,465
Average number of employees:	Executive	**3**	3
	Management	**3**	3
	Administration	**20**	19
		26	25

14. Board of Directors emoluments

		2024	2023
		£	£
Remuneration and attendance fees		**467,200**	450,549
Society pension contributions to defined contribution schemes		**21,820**	18,180
Bonuses		**11,875**	22,125
Expenses		**2,862**	2,930
Taxable benefits		**3,629**	1,376
Total emoluments		**507,386**	495,160
Chair			
S Hately (from July 23)		**28,190**	12,426
S Hindmarsh (up to June 23)		**-**	12,080
Highest paid member:	Salary and bonuses	**152,875**	149,500
	Pension contributions	**12,820**	8,400
	Taxable benefits	**1,460**	466

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

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

	2024	2023
	No.	No.
£0 - £25,000	**7**	9
£25,001 - £50,000	**1**	0
£50,001 - £100,000	**1**	1
£100,001 - £150,000	**2**	2

15. Investments

	Note	2024	2023
		£	£
Summary			
Measured at fair value Land and buildings	(a)	**51,024,857**	49,441,483
Measured at cost Mortgages on land and buildings	(b)	**1,776,000**	2,001,000
		52,800,857	51,442,483
Measured at fair value Listed & OEIC Investments (excluding unit linked)	(c)	**108,506,622**	100,659,556
Measured at fair value Unit linked assets - CTF		**53,127,401**	52,976,099
Unit linked assets - Sustainable ISA		**1,148,877**	1,060,003
	(c)	**54,276,278**	54,036,102
Measured at cost Money market deposits		**3,000,000**	5,500,000
Bank deposits		**235,761**	162,242
	(d)	**3,235,761**	5,662,242
		218,819,518	211,800,383

15(a). Land and buildings

	Investment properties
	£
Cost or valuation Balance as at 1 January 2024	**49,441,483**
Additions	**2,320,136**
Disposals	**-**
Revaluation in year	**(736,762)**
Balance as at 31 December 2024	**51,024,857**

The freehold and leasehold properties were revalued by Mr Chris Stott MRICS, Director at Brownill Vickers Limited. Mr Chris Stott MRICS is a fully qualified chartered surveyor and an RICS Registered Valuer. A formal valuation took place in December 2021 on an open market basis. This was updated by a desk-top valuation in December 2024 with the property valuations being adjusted accordingly.

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

Future minimum lease payments receivable under non-cancellable operating leases	Not later than one year	Later than one year and not later than five years	Later than five years	Total
	£000	£000	£000	£000
As at 31 December 2024	3,177	9,537	7,446	20,160
As at 31 December 2023	3,076	9,802	8,162	21,040

15(b). Mortgages on land and buildings

	Commercial
	£
Balance as at 1 January 2024	**2,001,000**
Advances during the year	-
Repaid during the year	**(225,000)**
Balance as at 31 December 2024	**1,776,000**

15(c). Investments at valuation

	2024	2023
	£	£
Global equity funds	**50,091,062**	44,394,001
Government bond fund	**26,546,636**	21,426,825
Investment grade fixed income	**23,325,979**	24,689,362
High yield fixed income	**5,795,405**	5,102,041
Unlisted infrastructure fund	**2,747,540**	1,202,816
Listed infrastructure fund	-	1,506,436
Emerging market equity fund	-	2,338,075
	108,506,622	100,659,556
Child Trust Fund investments	**53,127,401**	52,976,099
Sustainable ISA investments	**1,148,877**	1,060,003
	54,276,278	54,036,102
Balances as at 31 December	**162,782,900**	154,695,658

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

	Valuation as at 01.01.24	Purchases	Sales	Realised gains / (losses)	Unrealised gains / (losses)	Valuation as at 31.12.24
	£	£	£	£	£	£
Global equity funds	44,394,001	4,957,841	(5,525,000)	498,347	5,765,873	50,091,062
Government bond fund	21,426,825	8,924,655	(3,397,760)	(16,268)	(390,816)	26,546,636
Investment grade fixed income	24,689,362	2,425,800	(3,360,564)	(43,365)	(385,254)	23,325,979
High yield fixed income	5,102,041	750,077	-	-	(56,713)	5,795,405
Unlisted infrastructure	1,202,816	1,319,923	-	-	224,801	2,747,540
Emerging market equity fund	2,338,075	23,358	(2,455,368)	93,935	-	-
Listed infrastructure fund	1,506,436	8,691	(1,522,444)	7,317	-	-
	100,659,556	**18,410,345**	**(16,261,136)**	**539,966**	**5,157,891**	**108,506,622**
Unit linked - CTF	52,976,099	-	(4,750,000)	395,347	4,505,955*	53,127,401
Unit linked - Sustainable ISA	1,060,003	1,148,597	(1,148,595)	88,592	280**	1,148,877
	154,695,658	**19,558,942**	**(22,159,731)**	**1,023,905**	**9,664,126**	**162,782,900**

*Includes CTF unit linked management charges received – see note 5

**Includes Sustainable ISA unit linked management charges received - see note 5

15(d). Movement in cash investment accounts

	Valuation as at 01.01.24	Cash redemptions	Purchases	Sales proceeds	Net management charges	Valuation as at 31.12.24
	£	£	£	£	£	£
Money Market Deposits	5,500,000	(2,500,000)	-	-	-	3,000,000
Russell Investments	162,242	(300,000)	(16,568,357)	17,093,361	(151,484)	235,762
	5,662,242	**(2,800,000)**	**(16,568,357)**	**17,093,361**	**(151,484)**	**3,235,762**

Fair value

The principal financial assets held at 31 December 2024, analysed by their fair value hierarchies were:

	Level 1	Level 2	Level 3	2024 Total	2023 Total
	£000	£000	£000	£000	£000
Equity securities - CTF unit linked	53,127	-	-	**53,127**	52,976
Debt securities - with-profits	53,725	-	-	**53,725**	51,218
Directly held investment properties	-	-	51,025	**51,025**	49,441
Equity securities - with-profits	50,091	-	-	**50,091**	46,732
Real Estate (exc. direct property)	-	2,748	-	**2,748**	2,709
Equity securities - Sustainable ISA	892	-	-	**892**	802
Debt securities - Sustainable ISA	257	-	-	**257**	258

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

16. Fixed assets - summary

	Note	Cost	Depreciation	Value 31/12/2024	Value 31/12/2023
		£	£	£	£
Tangible	(a)	609,431	(178,524)	430,907	419,125
Intangible	(b)	823,281	(284,382)	538,899	421,595
Total		**1,432,712**	**(462,906)**	**969,806**	**840,720**

16(a). Tangible fixed assets

	Land & buildings	Fixtures & fittings	Computer equipment	Motor vehicles	Solar Panels	Total
	£	£	£	£	£	£
Cost						
At 01/01/2024	350,000	129,726	77,055	23,368	-	580,149
Additions	4,100	3,195	17,427	-	12,752	37,474
Disposals	-	(492)	(3,600)	-	-	(4,092)
Revaluation	(4,100)	-	-	-	-	(4,100)
At 31/12/2024	350,000	132,429	90,882	23,368	12,752	609,431
Depreciation						
At 01/01/2024	-	82,423	71,124	7,477	-	161,024
Disposals	-	(492)	(3,600)	-	-	(4,092)
Charge for year	-	9,801	7,393	3,973	425	21,592
At 31/12/2024	-	91,732	74,917	11,450	425	178,524
Net book value						
At 31/12/2024	**350,000**	**40,697**	**15,965**	**11,918**	**12,327**	**430,907**
At 31/12/2023	350,000	47,303	5,931	15,891	-	419,125

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

16(b). Intangible fixed assets

	Website development	Software development	Total
	£	£	£
Cost			
At 01/01/2024	396,965	216,098	613,063
Additions	83,144	127,074	210,218
Disposals	-	-	-
Revaluation	-	-	-
At 31/12/2024	480,109	343,172	823,281
Depreciation			
At 01/01/2024	56,025	135,443	191,468
Disposals	-	-	-
Charge for year	57,199	35,715	92,914
At 31/12/2024	113,224	171,158	284,382
Net book value			
At 31/12/2024	**366,885**	**172,014**	**538,899**
At 31/12/2023	340,940	80,655	421,595

17. Capital commitments

At 31 December the Society had capital commitments as follows:

	2024	2023
	£	£
Contracted for, but not provided for in the financial statements	**5,292,625**	4,643,092

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

	With-profits	Other*	2024 Total	2023 Total
	£	£	£	£
At 1 January	144,489,847	164,568	**144,654,415**	137,346,110
Change in provision	3,481,293	283,495	**3,764,788**	7,308,305
At 31 December	**147,971,140**	**448,063**	**148,419,203**	**144,654,415**

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

18(b). Technical provision for CTF unit linked Liabilities

	2024 Total	2023 Total
	£	£
At 1 January	45,713,498	43,248,011
Earned premiums	748,203	664,341
Maturities / transfers to other providers	(637,919)	(850,484)
Change in provision	3,526,445	2,651,630
At 31 December	**49,350,227**	**45,713,498**

18(c). Technical provision for Sustainable ISA unit linked Liabilities

	2024 Total	2023 Total
	£	£
At 1 January	-	-
Earned premiums	241,759	-
Surrenders / transfers to other providers	(200)	-
Change in provision	3,539	-
At 31 December	**245,098**	**-**

18(d). Total change in provisions

	2024	2023
	£	£
Total change in provisions	**7,294,772**	**9,959,935**

19. Fund for future appropriations

	2024	2023
	£	£
At 1 January	**22,052,178**	17,849,505
Surplus for the year	**910,379**	4,202,673
At 31 December	**22,962,557**	22,052,178

20. Accruals and deferred income

	2024	2023
	£	£
Lapsed / matured / death policy claims outstanding	**1,016,782**	1,744,647
Administrative and acquisition expenses	**549,580**	614,988
Deferred rental income	**530,318**	519,065
Rent deposits held on account	**32,580**	24,000
	2,129,260	2,902,700

21. Actuarial valuation and technical provision

An Actuarial Report on the assets and liabilities of the Society was last prepared as at 31 December 2024 and a copy of this Report may be inspected at the Registered Office of the Society.

22. Related party transactions

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

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

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

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

The Chief Actuary and With-profits Actuary is Ms. Cara Spinks FIA, Consultant Actuary at Broadstone Regulatory & Risk Advisory Limited. The Society has requested Ms. Spinks to furnish it with the particulars required under Section 77 of the Friendly Societies Act 1992. Ms. Spinks is not a member of the Society and has no other financial or pecuniary interests in the Society, with the exception of fees paid to Broadstone Regulatory & Risk Advisory Limited for professional services, which amounted to £204,279 in 2024 (2023: £177,869).

Society Information

Registered office	3 Maple Park Maple Court Wentworth Business Park Tankersley Barnsley S75 3DP Tel: 01226 741 000 Fax: 01226 741 222 Email: **enquiries@sheffieldmutual.com** Web: **www.sheffieldmutual.com**
Board of Directors	Jamie Bellamy (Chief Executive) Anthony Burdin Paul Galloway (Chief Operating Officer) Stuart Hately (Chair) Andrew Healy Faye Lageu Courtney Marsh Neil Spawforth (Chair of FIC) Adrian Stone (Chair of ARC) Andrew Thorpe (Senior Independent Director)
Chief Executive/Secretary	Jamie Bellamy
External auditors	Royce Peeling Green Limited The Copper Room, Deva City Office Park Trinity Way Manchester, M3 7BG
Internal auditors	RSM Risk Assurance Services LLP Fifth Floor, Central Square 29 Wellington Street Leeds, LS1 4DL
Solicitors	Hill Dickinson 50 Fountain Street Manchester, M2 2AS
Actuarial function holder and with-profits actuary	C Spinks BSc FIA Broadstone Regulatory & Risk Advisory Limited 100 Wood Street London, EC2V 7AN
Investment managers	Russell Investments Ltd
Bankers	NatWest Bank plc

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

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

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

Glossary

Abbreviations

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

Notes

Sheffield Mutual Est. 1892

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www.sheffieldmutual.com

enquiries@sheffieldmutual.com

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

Calls may be monitored and recorded for your protection

fscs Protected

May 2025