

Association of Financial Mutuals

Directors' Report and Financial Statements  
Year Ended 30 June 2013

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**Association of Financial Mutuals**  
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## **Association of Financial Mutuals Information**

**Chief executive** Martin Shaw

**Directors** Mark Goodale, Reliance Mutual (Chairman)  
Phil Loney, Royal London (Vice-Chairman)  
Euan Allison, Forester Life  
Marc Bell, Benenden Healthcare  
Peter Burrows, Engage Mutual  
Craig Errington, Wesleyan  
Elaine Fairless, Compass Friendly Society  
David Furniss, Teachers Assurance  
Alan Goddard, Cornish Mutual  
Andy Chapman, Exeter Family Friendly  
Stephen Mann, Police Mutual  
Simon Markey, Family Investments  
Fiona McBain, Scottish Friendly  
Mark Myers, British Friendly  
Jane Nelson, The Oddfellows  
Mike Rogers, LV=

**Office address** 7 Castle Hill  
Caistor  
Lincolnshire  
LN7 6QL

**Bankers** The Co-operative Bank plc  
PO Box 101  
1 Balloon Street  
Manchester  
M60 4EP

**Accountants** Francis Clark LLP  
Chartered Accountants  
Lowin House  
Tregolls Road  
Truro  
TR1 2NA

**Association of Financial Mutuals**  
**Directors' Report for the Year Ended 30 June 2013**

The directors present their report and the unaudited financial statements for the year ended 30 June 2013.

**Directors**

The directors who held office during the year were as follows:

Mark Goodale, Reliance Mutual (Chairman)

Phil Loney, Royal London (Vice-Chairman)

Euan Allison, Forester Life

Craig Errington, Wesleyan

Alan Goddard, Cornish Mutual

Andrew Haigh, Engage Mutual (resigned 25 January 2013)

Ken Hesketh, Benenden Healthcare (resigned 25 January 2013)

Andy Chapman, Exeter Family Friendly

Chris Evans, MGM Advantage (resigned 10 July 2013)

Stephen Mann, Police Mutual

Graeme McAusland, The Children's Mutual (resigned 25 January 2013)

Fiona McBain, Scottish Friendly

Mark Myers, British Friendly (appointed 11 July 2012)

John Reeve, Family Investments (resigned 17 October 2012)

Mike Rogers, LV=

Lindsay Sinclair, NFU Mutual (resigned 10 July 2013)

Andrew Townsley, Kingston Unity (resigned 10 July 2013)

Michael Tripp, Ecclesiastical (resigned 10 July 2013)

Paul Hudson, Cirencester Friendly (resigned 11 July 2012)

The following directors were appointed after the year end:

Marc Bell, Benenden Healthcare (appointed 10 July 2013)

Peter Burrows, Engage Mutual (appointed 10 July 2013)

Elaine Fairless, Compass Friendly Society (appointed 10 July 2013)

David Furniss, Teachers Assurance (appointed 10 July 2013)

Simon Markey, Family Investments (appointed 10 July 2013)

Jane Nelson, The Oddfellows (appointed 10 July 2013)

**Chief Executive**

Martin Shaw

**Association of Financial Mutuals**  
**Directors' Report for the Year Ended 30 June 2013**

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At the AFM Annual General Meeting on 17 October 2013, the then Chairman John Reeve stepped down in light of his imminent retirement. The AGM approved the overall composition of the Board, and duly voted in Mark Goodale to succeed as Chairman, and Phil Loney as Vice-Chair, to serve up to three years and two years respectively, as per the AFM constitution.

**Principal activity**

The principal activity of the association is to represent mutual insurers and other financial mutuals in the UK.

The association's purpose is to enhance and accelerate development of a distinct, unified, strong and influential financial mutuals sector within the UK financial services industry to the benefit of customers and when necessary advance those views to the rest of Europe.

**Business review**

The accounts to the end of June 2013 show an operating surplus for AFM of £34,935 (£73,741 year to 30 June 2012) and an overall profit for the year of £35,951 (2012 £76,683).

The 2012/2013 profit was significantly higher than the budgeted loss of £4,305. Administrative expenses, at £403,786 were £27,000 under budget, largely where amounts provided for projects and related legal expenses were not incurred. Operating income, at £438,721 was £12,000 over plan. The main variance on income was the conference, where the income from delegates, exhibitors and sponsors were all above plan.

During the financial year we used £17,228 from the ring fenced funds inherited from the Association of Friendly Societies. This supported activities for smaller friendly societies, including subsidies for subscriptions and the annual conference, and the cost of running meetings. In addition, in November we entered into a new affiliate membership with the trade body ILAG which provides 20 smaller AFM members access to its extensive practitioner support, including a wide range of seminars and guidance.

During the year there were no new AFM members, so as a result of further consolidation in the sector, our membership reduced to 53 - the same number we launched with in 2010. Our income from associate members was on plan, but lower than 2011/12, as we anticipated that the economic environment would reduce numbers. We remain cautious on future numbers of members and associates.

Member subscriptions for 2013/14 will be held at the same rate as the previous two years. This will be achieved by drawing on reserves to offer members places for the conference at below cost.

**Association of Financial Mutuals**  
**Directors' Report for the Year Ended 30 June 2013**

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**2012/13 activities**

The AFM Board agreed that our resources in 2012/13 should be directed toward five overall priorities, and that we would construct and maintain a series of projects underpinning the priorities. In this way our work in 2012/13 is illustrated by the following table:

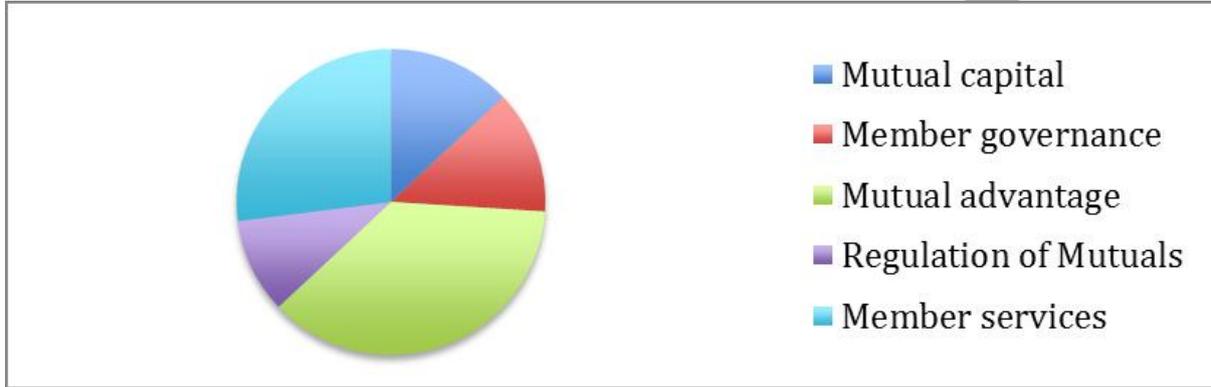
<b>Priorities</b>	<b>Projects undertaken through all or part of 2012/13</b>
<b>A. Mutual capital</b>	1. Rules on mutual capital and other solutions for Project Chrysalis
	2. Identify new forms of access to capital for mutuals
<b>B. Member governance</b>	3. Review of Annotated Corporate Governance Code and compliance exercise
	4. NED training: to support members in providing support and training for NEDs
<b>C. Mutuals doing things others don't</b>	5. Adopting learning from policy blueprint into public affairs work, and making convincing presentations to MPS/ Treasury
	6. Promoting value of mutuals through a co-ordinated approach to PR
	7. Measuring Mutuality: to help members improve engagement with, and value to, members
	8. Fun to save and Saving Squad: new content to reinforce role of sector promoting financial education
	9. Recreating with-profits as a mutual product: presenting positive messages about the product
	10. Corporate governance in mutuals: describing the standards achieved
	11. Establishing a framework for mass-market advice post RDR
<b>D. Regulation of mutuals</b>	12. Demonstrating appetite for active and positive engagement with FCA
	13. Engagement with PRA on key issues for sector
	14. Solvency II: working with regulators to mitigate the issues and implications for mutuals
<b>E. Member services</b>	15. Enhanced support for smaller members via ILAG
	16. Delivery of effective support to members
	17. AFM conference provides compelling format

**Association of Financial Mutuals**  
**Directors' Report for the Year Ended 30 June 2013**

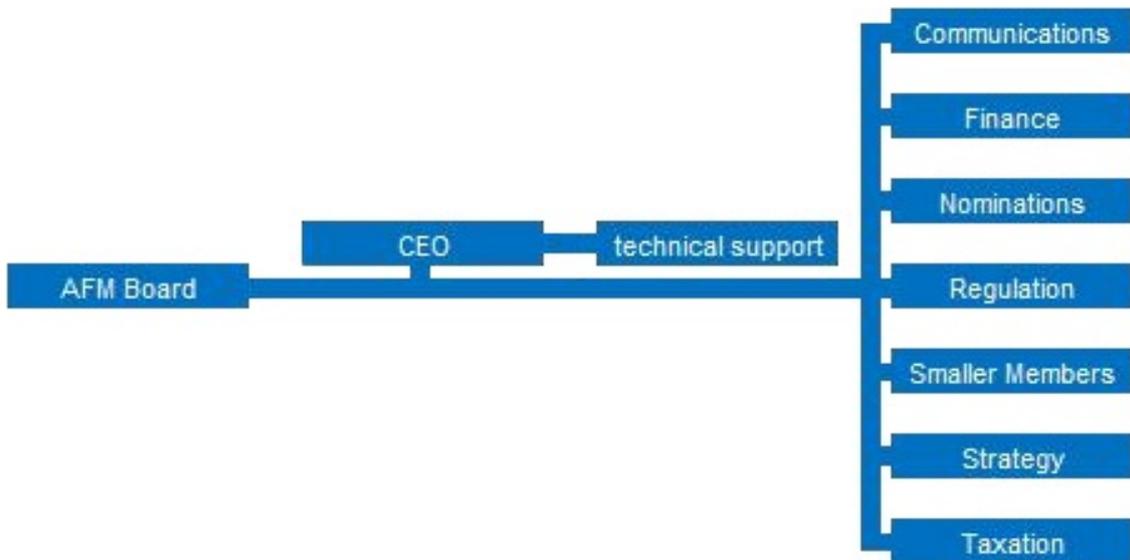
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The Board receives quarterly updates against each of these five priorities, and the charts below indicate the approximate allocation of resources in the year.

**Total resource allocation 2012/13, including outsourcing:**



A series of committees, with personnel drawn from members and associate members, helps direct and support activity through the year. In July 2013 the AFM Board agreed to establish a new Board Strategy sub-committee (whose work will be reflected in future AFM activity):



Members are also involved in our work through the series of networks and seminars that we run through the year, and of course the Annual General Meeting and Conference are the primary route for formally engaging all members. In the last 18 months AFM has held an average of three member events a month.

**Association of Financial Mutuals**  
**Directors' Report for the Year Ended 30 June 2013**

..... *continued*

The table below provides a brief snapshot of main outcomes for 2012/13:

<b>Issue</b>	<b>Outcome</b>	<b>Impact</b>
Mutuals and with-profits	With intensive lobbying from AFM and members, CP12/38 witnessed significant change in regulatory tone	The imminent risk to the survival of sector described in earlier FSA papers was abated, though the FCA approach remains unclear
Corporate governance	Annotated Corporate Governance Code demonstrates consistent processes	Treasury removed threat of new governance code for mutuals Mazars review confirmed approach valid
Measuring mutuality	Oxford University project sets out ways for measuring mutuality	Mutuals beginning to assess how they add member value
Political engagement	Policy blueprint and Manifesto sets out new scope for political engagement	Development list of initiatives we can work with Treasury to help fulfil government's support Transfers political support into tangible gain in regulatory focus
Relations with regulators	AFM now regularly involved in new regulatory developments	Better understanding of mutuals in PRA/ FCA. There has been a commitment to more proportionate regulation and we will maintain a watching brief, in dialogue with both regulators
Meetings and training	AFM hosted over 30 meetings/ seminars/ conferences/ networks	Around 900 days of training and networking provided for members
Tax for mutuals	HMRC's new life tax regime mutual-friendly; Most AFM members outside scope of FATCA	New tax regime cost-neutral for mutuals; Significant burden removed

Approved by the Board on ..... and signed on its behalf by:

**Association of Financial Mutuals  
Directors' Report for the Year Ended 30 June 2013**

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.....  
Mark Goodale  
Director

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## **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Under United Kingdom Generally Accepted Accounting Practice (UK GAAP) the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law. Under UK GAAP the directors must not approve the financial statements unless they are satisfied that the statements give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with UK GAAP. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Chartered Accountants' Report to the Board of Directors on the Preparation of  
the Statutory Accounts of the  
Association of Financial Mutuals  
for the Year Ended 30 June 2013**

In accordance with our terms of engagement we have compiled the financial information of the Association of Financial Mutuals which comprises the Profit & Loss Account, Balance Sheet and the related notes from the accounting records and information and explanations you have given us.

The financial information has been compiled in accordance with your instructions. The financial information is not intended to achieve full compliance with the provisions of UK Generally Accepted Accounting Principles.

This report is made to you, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial information that we have been engaged to compile, report to you that we have done so and state those matters that we have agreed to state to you in this 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 directors for our work or for this report.

We have carried out this engagement in accordance with the technical guidance issued by the Institute of Chartered Accountants in England & Wales and we have complied with the ethical guidance laid down by the Institute.

You have approved the financial information for the year to 30 June 2013 and have acknowledged your responsibility for it, for the appropriateness of the accounting basis and for providing all information and explanations necessary for its compilation.

We have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial information.

.....  
Francis Clark LLP  
Chartered Accountants  
Lowin House  
Tregolls Road  
Truro  
TR1 2NA

Date:.....

**Association of Financial Mutuals**  
**Profit and Loss Account for the Year Ended 30 June 2013**

	Note	2013 £	2012 £
Turnover		438,721	458,374
Administrative expenses		<u>(403,786)</u>	<u>(384,633)</u>
Operating profit		34,935	73,741
Other interest receivable and similar income		<u>1,270</u>	<u>3,678</u>
Profit on ordinary activities before taxation		36,205	77,419
Tax on profit on ordinary activities	3	<u>(254)</u>	<u>(736)</u>
Profit for the financial year	6	<u><u>35,951</u></u>	<u><u>76,683</u></u>

The notes on pages 12 to 14 form an integral part of these financial statements.

**Association of Financial Mutuals**  
**Balance Sheet at 30 June 2013**

	Note	2013 £	2012 £
<b>Current assets</b>			
Debtors	4	54,071	64,902
Cash at bank and in hand		<u>291,290</u>	<u>279,285</u>
		345,361	344,187
Creditors: Amounts falling due within one year	5	<u>(66,980)</u>	<u>(101,757)</u>
Net assets		<u><u>278,381</u></u>	<u><u>242,430</u></u>
<b>Capital and reserves</b>			
Friendly Societies' reserve	6	109,421	126,096
Members reserve	6	<u>168,960</u>	<u>116,334</u>
Members' funds		<u><u>278,381</u></u>	<u><u>242,430</u></u>

Approved by the Board on ..... and signed on its behalf by:

.....  
 Mark Goodale  
 Director

.....  
 Fiona McBain  
 Director

The notes on pages 12 to 14 form an integral part of these financial statements.

**Association of Financial Mutuals**  
**Notes to the Financial Statements for the Year Ended 30 June 2013**

**1 Accounting policies**

**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

**Turnover**

Turnover comprises income from membership subscriptions arising in the period and income from network and seminar events held. Subscriptions received but relating to periods falling after 30 June 2013 are carried forward as deferred income (note 5).

The total turnover of the association for the year has been derived from its principal activity undertaken in the UK (99%) and in the rest of the EU (1%).

**2 Friendly Society costs**

During the year expenses were incurred on smaller friendly societies business as below. Transfers have been made to the members' reserve to reflect these transactions (note 6).

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Membership discounts given	3,211	3,003
General expenses	8,017	1,651
Conference costs	-	1,429
Interest received (net of tax)	(553)	(1,892)
Transfer to conference income	6,000	5,000
	<u>16,675</u>	<u>9,191</u>

**Association of Financial Mutuals**

**Notes to the Financial Statements for the Year Ended 30 June 2013**

*..... continued*

**3 Taxation**

**Tax on profit on ordinary activities**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
Corporation tax charge on investment income	<u>254</u>	<u>736</u>

**4 Debtors**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Trade debtors	10,750	58,579
Other debtors	5,838	-
Prepayments and accrued income	<u>37,483</u>	<u>6,323</u>
	<u>54,071</u>	<u>64,902</u>

**5 Creditors: Amounts falling due within one year**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Trade creditors	12,191	5,778
Corporation tax	209	682
Other taxes and social security	4,436	5,397
Accruals and deferred income	<u>50,144</u>	<u>89,900</u>
	<u>66,980</u>	<u>101,757</u>

## Association of Financial Mutuals

### Notes to the Financial Statements for the Year Ended 30 June 2013

..... *continued*

#### 6 Reserves

	Friendly Societies' reserves £	Members' reserves £	Total £
At 1 July 2012	126,096	116,334	242,430
Profit for the year	-	35,951	35,951
Transfers between reserves	(16,675)	16,675	-
At 30 June 2013	109,421	168,960	278,381

The Friendly Societies' reserve consists of the retained surplus of the Association of Friendly Societies (AFS) that was transferred in to the association during the merger of the AFS and the Association of Mutual Insurers (AMI) on 1 January 2010.

There is an agreement in place which has ringfenced these funds for use in smaller friendly societies specific business occurring prior to 31 December 2019. Should any surplus remain after this period a decision will be taken on the remaining funds and if unallocated will be passed across to AFM.

During the year membership discounts of £3,211 were given to smaller friendly societies and conference expenses for smaller friendly societies were subsidised by £6,000. In addition, administrative expenses of £8,017 were incurred on smaller friendly society specific business and investment income of £553 (net of associated tax) has been received on the ring fenced funds. A net transfer of £16,675 has been made to the members' reserve to reflect these transactions.

**Association of Financial Mutuals**  
**Detailed Profit and Loss Account for the Year Ended 30 June 2013**

	2013 £	2012 £
<b>Turnover</b>		
Member subscriptions	191,998	199,682
Associate member subscriptions	139,166	162,500
Conference income	107,557	96,192
Turnover	<u>438,721</u>	<u>458,374</u>
<b>Administrative expenses</b>		
Administration expenses	(403,786)	(384,633)
OPERATING PROFIT	34,935	73,741
Other interest receivable and similar income	1,270	3,678
NET PROFIT FOR THE YEAR	<u><u>36,205</u></u>	<u><u>77,419</u></u>

## Association of Financial Mutuals

### Detailed Profit and Loss Account for the Year Ended 30 June 2013

..... *continued*

	2013 £	2012 £
<b>Administrative expenses</b>		
Remuneration	105,000	100,000
Employer's NI contributions	13,947	13,307
Home office allowance	3,600	3,600
Printing, postage and stationery	1,229	1,668
Subscriptions	7,320	625
Smaller friendly society discounts	3,211	3,003
General expenses	311	110
Travel and subsistence	13,313	13,368
Conference costs	89,413	65,650
PR and lobbying	59,279	65,267
Financial websites	1,000	24,609
Mutuality campaign and research	44,272	29,244
Accountancy	1,430	1,430
Legal and professional	55,045	56,840
Bad debts written off	5,416	5,792
Foreign currency (gains)/losses	-	120
	<u>403,786</u>	<u>384,633</u>