Association of Financial Mutuals

Directors Report and Financial Statements

Year ended 30 June 2018
Association of Financial Mutuals

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<tr>
<td>Detailed Profit and Loss Account</td>
<td>15–16</td>
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</tbody>
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Association of Financial Mutuals

Information

Chief Executive: Martin Shaw

Directors: Andy Chapman  Exeter Friendly Society (Chairman)
Jane Nelson  The Oddfellows (Vice Chairman)
Elaine Fairless  Compass Friendly Society
Alan Goddard  Cornish Mutual
Paul Hudson  Cirencester Friendly Society
Paul Osborn  Foresters Friendly Society
Mike Perry  PG Mutual
Russ Piper  Sovereign Heath Care
Kevin Rogers  Paycare
Stuart Tragheim  Holloway Friendly Society (appointed 16 October 2017)
Stuart Bell  Metropolitan Police Friendly Society (resigned 31 May 2018)

Observers: Peter Green  Healthy Investment (wef 16 Oct 2017)
Chris Kenny  MDDUS (wef 16 Oct 2017)

Office Address: 7 Castle Hill
Caistor
Lincolnshire
LN7 6QL

Bankers: The Cooperative Bank
PO Box 101
1 Balloon Street
Manchester
M60 4EP

Accountants: MHA Moore & Smalley
9 Winckley Square
Preston
PR1 3HP
Association of Financial Mutuals

Directors’ Report for the Year ended 30 June 2018

The Directors present their report and the unaudited Financial Statements for the year ended 30 June 2018:

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

Andy Chapman  Exeter Friendly Society  (Chairman)
Jane Nelson    The Oddfellows   (Vice Chairman)
Elaine Fairless Compass Friendly Society
Alan Goddard   Cornish Mutual
Paul Hudson    Cirencester Friendly Society
Paul Osborn   Foresters Friendly Society
Mike Perry     PG Mutual
Russ Piper     Sovereign Heath Care
Kevin Rogers   Paycare
Stuart Tragheim Holloway Friendly Society (Appointed October 2017)
Stuart Bell    Metropolitan Police Friendly Society (Resigned 31 May 2018)

Observers appointed 16 October 2017:
Peter Green    Healthy Investment
Chris Kenny    MDDUS

Chief Executive:
Martin Shaw

Principal Activity:
The principal activity of the Association is to represent mutual insurers and other financial mutual and not for profit entities in the UK.

The Association’s purpose is to advocate the value of mutuality and, through this, promote the expansion of the sector.
Association of FinancialMutuals

Directors’ Report for the Year ended 30 June 2018

Business Review

The Accounts to the end of June 2018 show an operating surplus for AFM of £13,193 (against a loss of £14,524 for year to 30 June 2017) and an overall profit for the year of £12,901(loss £14,704 for 2016/17). The 2017/2018 profit compared to a budgeted deficit for the year of £42,890.

The surplus during the year was primarily the result of higher than budgeted income. This was a result of the increase in both full members (from 38 in 2016 to 49 in June 2018) and associates (from 25 in June 2017 to 30 in June 2018). Overall subscription income was £23,000 (14%) above budget. In addition, where the conference was budgeted to break even, an increase in attendees of 25% compared to 2016, and higher sponsorships, resulted in a surplus of around £9,000.

In early 2018 the AFM Board agreed that AFM should recruit a second employee: Tamasin Larocque-Fathers started on 1 May as an Administrative Officer, working three days a week. This recognised both the stronger financial position of AFM as well as the significant increase in activity through 2017/18, including new training courses and higher regulatory engagement.

Notwithstanding the higher than budgeted wages, the administrative expenses for the year were below budget. Excluding the conference these amounted to £185,905 compared to £177,401 in 2017/18. Reduced reliance on outsourcing continues to make a difference, and in 2017/18 we have found that subscription income was lower than planned. In addition, whilst we have delivered all the main projects planned for the year, we have been able to complete most of these at lower cost than planned, or without any external resourcing.

In 2016, when AFM re-emerged from the loss of its largest members, the Board expected that it would be necessary to draw down relatively heavily from the reserves each year. The budgeted loss for the year of £42,890 compared to reserves at the end of 2016/17 of £347,277, and at this rate the Board concluded AFM’s finances could withstanding several years of loss-making. In the event, this has not been an issue during 2017/18, with reserves at 30 June 2018 at £373,685.

A majority of our new members in recent years resulted from the transfer of members and activities from the British Health Care Association. Previous members of BHCA have their own ring-fenced budget which is being used to offset subscriptions. This balance at 30 June 2018 stood at £13,507 and is included within deferred income.
Association of Financial Mutuals

Directors’ Report for the Year ended 30 June 2018

2017/2018 Activities

The AFM Board agreed that the Association’s working priorities should continue unchanged, whilst accepting that the focus would change as we became more familiar with members’ expectations and achievable activities over the course of the period.

Six areas were agreed in early 2016, and were retained through 2017/18:

1. Training and development support to members through events including the AFM conference, and through effective networking of members

2. Maintaining regulatory compliance and communication with the Regulators.

3. Demonstrating a commitment to high standards of governance.

4. Seeking further opportunities to work together as a sector, to improve efficiency, to spread the adoption of good practice, and to deliver better value for customers

5. Maintaining a strong focus on the Association’s income, and on delivering value to members.

6. Working with other parts of the mutual sector to promote the benefits of corporate diversity to policymakers and other stakeholders.

The Board receives quarterly updates against each of these priorities.

Total resource allocation for 2017/18, including allocation of activities, expenses, project work and outsourcer fees:
Association of Financial Mutuals

Directors' Report for the Year ended 30 June 2018

A series of Committees, with personnel drawn from Members and Associate members, helps direct and support activity through the year. During the year we expanded our Committee structure, with several new Committees formed, as per the following chart:

![Committee Structure Diagram]

Members are also involved in our work through the series of forum, working groups, roundtables and seminars that are run through the year, and of course the Annual General Meeting and Conference are the primary route for formally engaging with all Members.
Association of Financial Mutuals

Directors’ Report for the Year ended 30 June 2018

The table below provides a brief snapshot of the main outcomes for 2017/18:

- Growth in membership base: from 38 at the start of 2016 to 49 full members, and with over 30 Associates members now.

- New committees have broadened engagement in AFM

- AFM is lobbying for members on exemptions from IPT for cash plans, and action to address anomalies in Universal Credit.

- PRA made several concessions in the year following AFM responses, with in particular savings in fees and a proposal to remove audit of the SFCR for smaller insurers.

- Engaging with FCA on issues affecting sector, such as Brexit, PRIIPs and IDD.

- Streamlined corporate governance exercise launched, along with commitment for more substantial overhaul of standards.

- AFM produced GDPR implementation guide for members.

- Launch of the AFM Training Portal, with over 1,000 users signed up.

- Accelerate programme for future leaders, complemented by new Stepping Up programme for newly appointed managers.

- Roadshows for customer-facing staff on vulnerable and elderly customers.

- AFM’s affiliate membership of ILAG increase the number of range of free events open to members.

Approved by the Board of Directors on 18 June 2018 and signed on its behalf by:

[Signature]

Andy Chapman, Exeter Friendly Society
Director
Association of Financial Mutuals

Statement of Directors’ Responsibilities

We confirm that as directors we have met our duty to:

- ensure that the association has kept adequate accounting records;
- prepare financial statements which give a true and fair view of the state of affairs of the association as at 30 June 2018 and of profit and loss for that period in accordance with Generally Accepted Accounting Practice in the UK; and
- follow the applicable accounting policies, subject to any material departures disclosed and explained in the notes to the financial statements.

On behalf of the board

[Signature]

Andy Chapman, Exeter Friendly Society
Director

Date: 1/3/18
Association of Financial Mutuals

INDEPENDENT CHARTERED ACCOUNTANTS’ REVIEW REPORT TO THE DIRECTORS OF ASSOCIATION OF FINANCIAL MUTUALS

We have reviewed the financial statements of Association of Financial Mutuals for the year ended 30 June 2018, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the directors, as a body, in accordance with the terms of our engagement letter dated 19 July 2017. Our review has been undertaken so that we may state to the directors those matters we have agreed with them in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the directors as a body for our work, for this report or the conclusions we have formed.

Directors’ responsibility for the financial statements

As explained more fully in the Directors’ Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Accountants’ responsibility

Our responsibility is to express a conclusion based on our review of the financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to review historical financial statements and ICAEW Technical Release TECH 09/13AAF Assurance review engagements on historical financial statements. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics.

Scope of the assurance review

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed additional procedures to those required under a compilation engagement. These primarily consist of making enquiries of management and others within the company, as appropriate, applying analytical procedures and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK and Ireland). Accordingly, we do not express an audit opinion on these financial statements.
Association of Financial Mutuals

INDEPENDENT CHARTERED ACCOUNTANTS’ REVIEW REPORT TO THE DIRECTORS OF ASSOCIATION OF FINANCIAL MUTUALS

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the association’s affairs as at 30 June 2018, and of its profit for the year then ended; and
- in accordance with United Kingdom Generally Accepted Accounting Practice.

MHA Moore and Smalley

Richard House
Winckley Square
Preston
PR1 3HP

Date: 2 August 2018
Association of Financial Mutuals

Profit and Loss Account for the Year Ended 30 June 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Turnover</td>
<td>277,089</td>
<td>223,100</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(265,355)</td>
<td>(238,536)</td>
</tr>
<tr>
<td><strong>Operating Profit/(Loss)</strong></td>
<td>11,734</td>
<td>(15,436)</td>
</tr>
<tr>
<td>Other interest receivable and similar income</td>
<td>1,459</td>
<td>912</td>
</tr>
<tr>
<td><strong>Profit/(Loss) on Ordinary activities before taxation</strong></td>
<td>13,193</td>
<td>(14,524)</td>
</tr>
<tr>
<td>Tax on profit of Ordinary activities</td>
<td>(277)</td>
<td>(180)</td>
</tr>
<tr>
<td><strong>Profit/ (Loss) for the financial year</strong></td>
<td>12,916</td>
<td>(14,704)</td>
</tr>
</tbody>
</table>

The notes of pages 13 – 16 form an integral part of these Financial Statements.
## Association of Financial Mutuals

### Balance Sheet as at 30 June 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>5</td>
<td>22,826</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>358,118</td>
</tr>
<tr>
<td><strong>Total Current assets</strong></td>
<td></td>
<td><strong>380,944</strong></td>
</tr>
<tr>
<td>Creditors: Amounts falling due within one year</td>
<td>6</td>
<td>(20,751)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td><strong>360,193</strong></td>
</tr>
</tbody>
</table>

| **Capital and Reserves** |       |       |
| Members’ reserve | 7 | 373,700 | 347,277 |
| **Members’ funds** | | **373,700** | **347,277** |

Approved and authorised for issue by the Board on 28/12 and signed on its behalf by:

- **Andy Chapman** (Chairman), Exeter Friendly Society Director
- **Jane Nelson** (Vice Chairman), The Oddfellows Director

The notes on pages 12 – 14 form an integral part of these Financial Statements.
Association of Financial Mutuals

Notes to the Financial Statements

Year ended 30 June 2018

1. Accounting policies

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). The financial statements have been prepared on a going concern basis under the historical cost convention. The financial statements are presented in sterling which is the functional currency of the association and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Turnover
Turnover comprises expenses income from membership subscriptions arising in the period and income from network and seminar events. All Subscriptions charged in the year were for the relevant period ended 30 June 2018.

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%).

Debtors and creditors receivable/payable within one year
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

Tax
Current tax represents the amount of tax payable or receivable in respect of the investment income received for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Employee benefits
When employees have rendered service to the association, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.
Association of Financial Mutuals

Notes to the Financial Statements

Year ended 30 June 2018

2. Employees

The average monthly number of employees, including directors during the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

3. Interest receivable and similar income

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank interest receivable</td>
<td>1,459</td>
<td>912</td>
</tr>
<tr>
<td></td>
<td>1,459</td>
<td>912</td>
</tr>
</tbody>
</table>

4. Taxation

Tax on profit of Ordinary activities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation tax charge on investment income</td>
<td>277</td>
<td>180</td>
</tr>
<tr>
<td>UK Corporation Tax</td>
<td>277</td>
<td>180</td>
</tr>
</tbody>
</table>

5. Debtors

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Debtors</td>
<td>309</td>
<td>-</td>
</tr>
<tr>
<td>Other debtors</td>
<td>749</td>
<td>2,624</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>21,768</td>
<td>11,528</td>
</tr>
<tr>
<td></td>
<td>22,826</td>
<td>14,152</td>
</tr>
</tbody>
</table>
Association of Financial Mutuals

Notes to the Financial Statements

Year ended 30 June 2018

6. Creditors: Amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Trade Creditors</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporation Tax</td>
<td>277</td>
<td>180</td>
</tr>
<tr>
<td>Other taxes and social security</td>
<td>6,017</td>
<td>4,463</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>14,457</td>
<td>29,522</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,751</td>
<td>34,165</td>
</tr>
</tbody>
</table>

7. Members’ Reserves

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>At 1 July</td>
<td>347,277</td>
<td>361,981</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>12,916</td>
<td>(14,704)</td>
</tr>
<tr>
<td>As at 30 June</td>
<td>360,193</td>
<td>347,277</td>
</tr>
</tbody>
</table>

The Friendly Societies’ reserve consisted of the retained surplus of the Association of Friendly Societies (AFS) that was transferred into the Association during the merger of the AFS and AFM on 1 January 2010.

During the year 2016/17 British Health Care Association ceased trading and the balance in their reserves was transferred into the AFM. This balance is currently held as deferred income and is ring-fenced for the use of the remaining ex-BHCA members, to offset AFM subscriptions for around 2 years.