



Association of Financial Mutuals

Directors Report and Financial Statements

Year ended 30 June 2019

Association of Financial Mutuals

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The following pages do not form part of the statutory Financial Statements:

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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	
	Peter Green	Healthy Investment	(Appointed as a Director October 2018)
	Paul Hudson	Cirencester Friendly Society	
	Chris Kenny	MDDUS	(Appointed as a Director October 2018)
	Mike Perry	PG Mutual	
	Russ Piper	Sovereign Heath Care	
	Stuart Tragheim	Holloway Friendly Society	
	Alan Goddard	Cornish Mutual	(Retired July 2018)
	Kevin Rogers	Paycare	(Resigned July 2018)
	Paul Osborn	Foresters Friendly Society	(Resigned June 2019)

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 2019

The Directors present their report and the unaudited Financial Statements for the year ended 30 June 2019:

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	
Peter Green	Healthy Investment	(Appointed as a Director October 2018)
Paul Hudson	Cirencester Friendly Society	
Chris Kenny	MDDUS	(Appointed as a Director October 2018)
Mike Perry	PG Mutual	
Russ Piper	Sovereign Heath Care	
Stuart Tragheim	Holloway Friendly Society	
Alan Goddard	Cornish Mutual	(Retired July 2018)
Kevin Rogers	Paycare	(Resigned July 2018)
Paul Osborn	Foresters Friendly Society	(Resigned June 2019)

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 Financial Mutuals

Directors' Report for the Year ended 30 June 2019

Business Review

The Accounts to the end of June 2019 show an operating surplus for AFM of £11,891 (against £11,734 for year to 30 June 2018) and an overall profit for the year of £14,120 (£12,916 for 2017/18). The 2018/2019 profit compared to a budgeted deficit for the year of £30,749.

The main contribution to the surplus during the year was income, which was 15% above budget. Higher income from Associates, and a larger conference were the main reasons. Subscription income was £16,167 over target and in membership terms, full members were maintained at 49, increasing to 50 in June 2019, and Associate members increased to 31. The conference was budgeted to breakeven, but as a result of larger numbers of exhibitors and sponsors, the event generated a surplus for the year of £16,039.

In relation to administrative costs, these were £13,844 below budget. The main difference was the decision to cease AFM's membership of ILAG (£10,000 per year and with a significant increase proposed for 2019), with a commitment for AFM to provide more events in-house. We were pleased though to be accepted as members by the European Mutuals trade body, AMICE (€2,000 a year). The other main variances relate to the appointment of a new PR agency from January, and AFM's online training portal, supplied by Skillcast, though this is largely a timing issue. During the year the Board agreed to increase the hours of Tamasin Larocque-Fathers, from three days a week to four, reflecting the greater range of events and members services being provided. Despite this, employment costs were on plan.

As a result of the surplus attained, AFM's reserves increased during the year, and on 30 June 2019 stood at just under £400,000, their highest level ever. Notwithstanding this, the AFM Board's policy is to actively use AFM's reserves to provide value for money to members, and is planning a wider range of projects for 2019/20.

During the year, previous members of BHCA benefited from their own ring-fenced reserve, which is being used to offset subscriptions. All ex-BHCA members benefited from discounts in 2018/19, with any remainder being shared across non-Directive cash plan providers in 2019/20.

Association of Financial Mutuals

Directors' Report for the Year ended 30 June 2019

2018/2019 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.

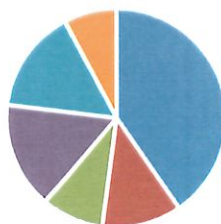
Six areas were agreed in early 2016, and whilst the Board have reviewed them regularly, we are content that they remain relevant:

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.

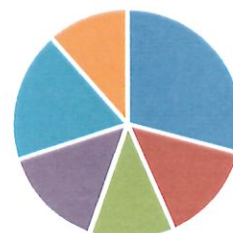
The Board receives quarterly updates against each of these priorities.

Total resource allocation for 2018/19, including allocation of activities, expenses, project work and outsourcer fees:

Secretariat time



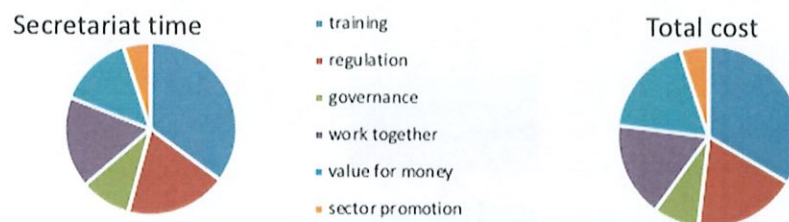
Total cost



Association of Financial Mutuals

Directors' Report for the Year ended 30 June 2019

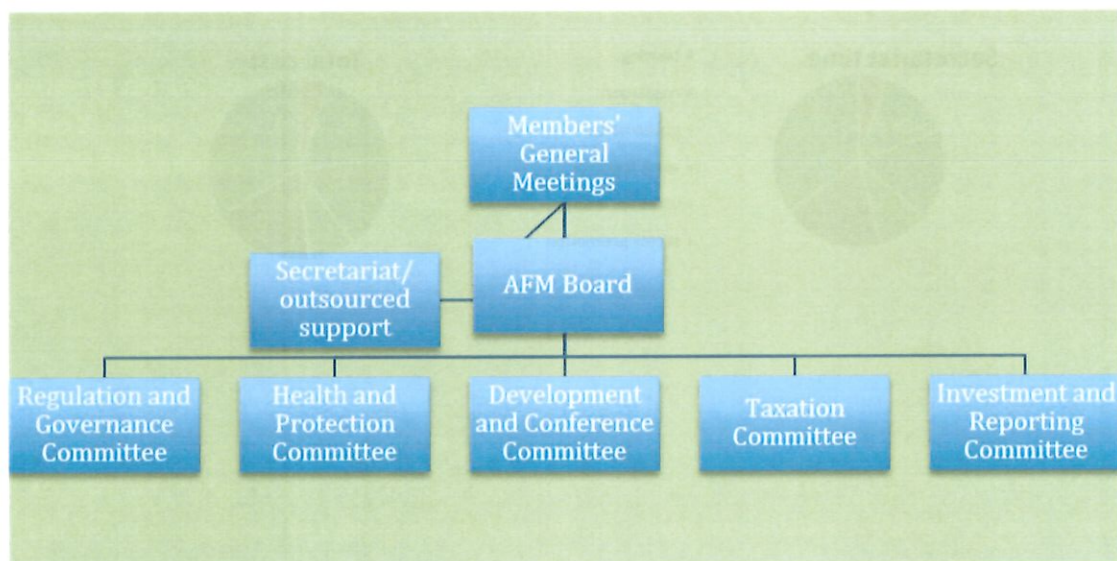
By comparison, the allocation for 2018/19, as below, shows that we have increased significantly the amount of time dedicated to training and development work, and on sector promotion.



Association of Financial Mutuals

Directors' Report for the Year ended 30 June 2019

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



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. During 2018/19, we saw an increase in numbers of members participating in AFM activity, including an increase in representation on Committees, and many events at or near full capacity. The AFM conference, for example, saw 40% more attendees in 2018 compared to two years previously.

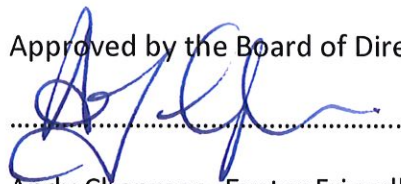
Association of Financial Mutuals

Directors' Report for the Year ended 30 June 2019

A brief snapshot of the main outcomes for 2018/2019:

- A stable and growing membership base, with over 80 members and Associates now actively benefiting from AFM membership
- Our work with PRA and FCA on regulatory proportionality has delivered tangible benefits to AFM members, and in 2018/19 the agreement from PRA to exclude small insurers from the need to audit the SFCR will significantly reduce costs for many
- In 2018/19, AFM consulted on and launched the new AFM Corporate Governance Code, which aims to support our members in demonstrating effective standards
- During the year, we delivered a wider range of events for AFM members, and witnessed a significant increase in attendees
- We have extended our already successful leadership development programmes, with the chance for members to participate in a Masters' programme by Loughborough University on strategic leadership for mutuals
- AFM's memberships of international mutual trade bodies AMICE and ICMIF connect us with mutuals in other countries and improve our understanding of global trends
- We have seen a substantial increase in press coverage during 2019, following the appointment of Carr Consulting as our PR partners
- In June we launched an updated AAFM website, with extra functionality and making it easier to find out more about the sector and our work

Approved by the Board of Directors on 29/8/19 and signed on its behalf by:



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 2019 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



Andy Chapman, Exeter Friendly Society
Director

Date: 29/8/19

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 2019, which comprise the Profit and Loss Account, the Balance Sheet and the related notes, including a summary of significant accounting policies. 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).

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

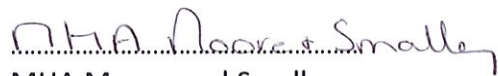
Conclusion

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 2019, and of its profit for the year then ended; and
- in accordance with United Kingdom Generally Accepted Accounting Practice.

Use of our report

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.



MHA Moore and Smalley

Richard House
Winckley Square
Preston
PR1 3HP

Date: 5 September 2019

Association of Financial Mutuals

Profit and Loss Account for the Year Ended 30 June 2019

	Note	2019 £	2018 £
Turnover		326,608	277,089
Administration expenses		(314,717)	(265,355)
Operating Profit/(Loss)		11,891	11,734
Other interest receivable and similar income	3	2,752	1,459
Profit/(Loss) on Ordinary activities before taxation		14,643	13,193
Tax on profit of Ordinary activities	4	(523)	(277)
Profit/ (Loss) for the financial year	7	14,120	12,916

The notes of pages 13 – 15 form an integral part of these Financial Statements.

Association of Financial Mutuals

Balance Sheet as at 30 June 2019

	Note	2019 £	2018 £
Current assets			
Debtors	5	73,323	22,826
Cash at bank and in hand		327,457	358,118
		400,780	380,944
Creditors: Amounts falling due within one year	6	(26,467)	(20,751)
Net assets		374,313	360,193
 Capital and Reserves			
Members' reserve	7	374,313	360,193
 Members' funds		374,313	360,193

Approved and authorised for issue by the Board on 29/8/19 and signed on its behalf by:

Andy Chapman (Chairman), Exeter Friendly Society
Director

Jane Nelson (Vice Chairman), The Oddfellows
Director

The notes on pages 13 – 15 form an integral part of these Financial Statements.

Association of Financial Mutuals

Notes to the Financial Statements

Year ended 30 June 2019

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 2019.

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 2019

2. Employees

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

	2019	2018
Employees	<u>2</u>	<u>1</u>

3. Interest receivable and similar income

	2019 £	2018 £
Bank interest receivable	<u>2,752</u>	<u>1,459</u>
	<u>2,752</u>	<u>1,459</u>

4. Taxation

Tax on profit of Ordinary activities

	2019 £	2018 £
Current tax		
Corporation tax charge on investment income	<u>523</u>	<u>277</u>
UK Corporation Tax	<u>523</u>	<u>277</u>

5. Debtors

	2019 £	2018 £
Trade Debtors	58,350	309
Other debtors	-	749
Prepayments and accrued income	14,973	21,768
	<u>73,323</u>	<u>22,826</u>

Association of Financial Mutuals

Notes to the Financial Statements

Year ended 30 June 2019

6. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade Creditors	-	-
Corporation Tax	523	277
Other taxes and social security	4,656	6,017
Accruals and deferred income	21,288	14,457
	<u>26,467</u>	<u>20,751</u>

7. Members' Reserves

	2019	2018
	£	£
At 1 July	360,193	347,277
Profit for the year	14,120	12,916
As at 30 June	<u>374,313</u>	<u>360,193</u>

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.

Association of Financial Mutuals

Detailed Profit and Loss Account

Year ended 30 June 2019

	2019 £	2018 £
Turnover		
Member subscriptions	116,840	113,688
Associate Member subscriptions	95,467	74,418
Conference Income	<u>114,301</u>	<u>88,983</u>
Total Turnover	326,608	277,089
Administrative expenses		
Administration expenses	<u>(314,717)</u>	<u>(265,355)</u>
Operating Profit/(Loss)	11,891	11,734
Other interest receivable and similar income	2,752	1,459
Net Profit/ (Loss) for the year before tax	<u><u>14,643</u></u>	<u><u>13,193</u></u>

This page does not form part of the Statutory Financial Statements

Association of Financial Mutuals

Detailed Profit and Loss Account continued

Year ended 30 June 2019

	2019	2018
	£	£
Administration expenses		
Remuneration including Employer's NIC	166,249	141,341
Home Office Allowance	3,600	3,600
Postage, stationery & other office costs	2,746	1,304
Subscription	6,620	10,647
General expenses	-	813
Travel and subsistence	13,526	13,997
Conference costs	98,262	79,450
Public Affairs/ PR	10,000	5,569
Financial websites	8,750	1,865
Accountancy	1,000	950
Seminar and Board costs	6,621	2,368
CII	75	75
Accelerate Training/ Stepping Up	1,000	3,528
Skillcast	(3,732)	(152)
	314,717	265,355

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