



Association of Financial Mutuals

Directors Report and Financial Statements

Year ended 30 June 2020

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:	Jane Nelson	The Oddfellows	(Chair)
	Marc Bicknell	Railway Enginemen's Friendly Society	
	Kathy Byrne	Metfriendly	
	Elaine Fairless	Compass Friendly Society	
	Peter Green	Healthy Investment	
	Paul Hudson	Cirencester Friendly Society	
	Chris Kenny	MDDUS	
	Mike Perry	PG Mutual	
	Russ Piper	Sovereign Heath Care	
	Stuart Tragheim	Holloway Friendly Society	(Vice-Chair)

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 2020

The Directors present their report and the unaudited Financial Statements for the year ended 30 June 2020:

Directors:

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

Andy Chapman	Exeter Friendly Society	(Chairman, resigned 14 October)
Jane Nelson	The Oddfellows	(Vice Chairman, appointed Chair 14 October)
Mark Bicknell	Railway Enginemmen's Assurance	
Kathy Byrne	Metfriendly	(appointed 14 October 2019)
Elaine Fairless	Compass Friendly Society	
Peter Green	Healthy Investment	
Paul Hudson	Cirencester Friendly Society	
Chris Kenny	MDDUS	
Mike Perry	PG Mutual	
Russ Piper	Sovereign Heath Care	
Stuart Tragheim	Holloway Friendly Society	(appointed Vice Chair 14 October)

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 2020

Business Review

The Accounts to the end of June 2020 show an operating surplus for AFM of £13,476 (against £11,891 for year to 30 June 2019) and an overall profit for the year of £15,180 (£14,120 for 2018/19). The 2019/2020 profit compared to a budgeted deficit for the year of £27,600.

The surplus leaves AFM with a reserve that is around £40,000 more than planned, and which as at 30 June 2020 stands at £389,493. For a small organisation, with annual expenditure of less than £300,000 (excluding our conference, which is self-financing), this level of reserves gives a high degree of confidence in the sustainability of AFM.

That is not to say that coronavirus has not had a significant effect on our activities and financial position. In 2019/20 we had to postpone a number of projects, and this was the primary reason for the surplus generated in the year. We also had to significantly reprioritise our work from March onwards, to seek to continue to deliver value for money to members.

Whilst in 2019/20 our financial position improved, for 2020/21 the effect of different working conditions however means we expect to see a fall in income, as a result of the loss of income from our annual conference. We also expect a fall in the number of subscriptions and have agreed to hold the subscription level at the same rate for 2020/21, and 2021/22, in order to support our members. We are also carrying forward some project costs that were deferred from 2019/20 and overall therefore the AFM Board has agreed a loss for 2020/21, albeit at a prudent level, and within the long-term plan of the Board to actively use the reserves for the benefit of members.

Looking at 2019/20 in more detail, income was almost precisely as budgeted. Surplus from our conference was a little above target, as a result of higher attendance and savings made with the venue. Administrative costs were around 12% (or £30,000) below plan. This was as a result of underused project capacity, and lower travel costs, both of which were directly as a result of the lockdown.

Association of Financial Mutuals

Directors' Report for the Year ended 30 June 2020

2019/2020 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.

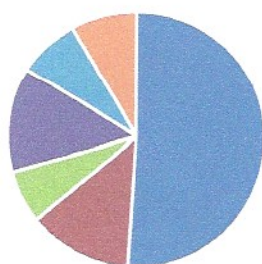
Six areas were agreed in early 2016, and whilst the Board have reviewed them regularly, we are content that they remain relevant:

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.

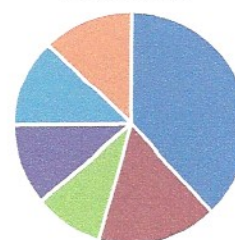
The Board receives quarterly updates against each of these priorities.

Total resource allocation for 2019/20, including allocation of activities, expenses, project work and outsourcer fees:

Secretariat time



Total cost

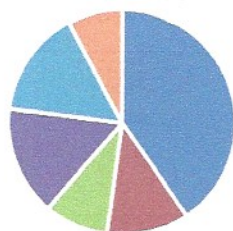


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Directors' Report for the Year ended 30 June 2020

This compares to the allocation for 2018/19, as below:

Secretariat time



- training
- regulation
- governance
- work together
- value for money
- sector promotion

Total cost

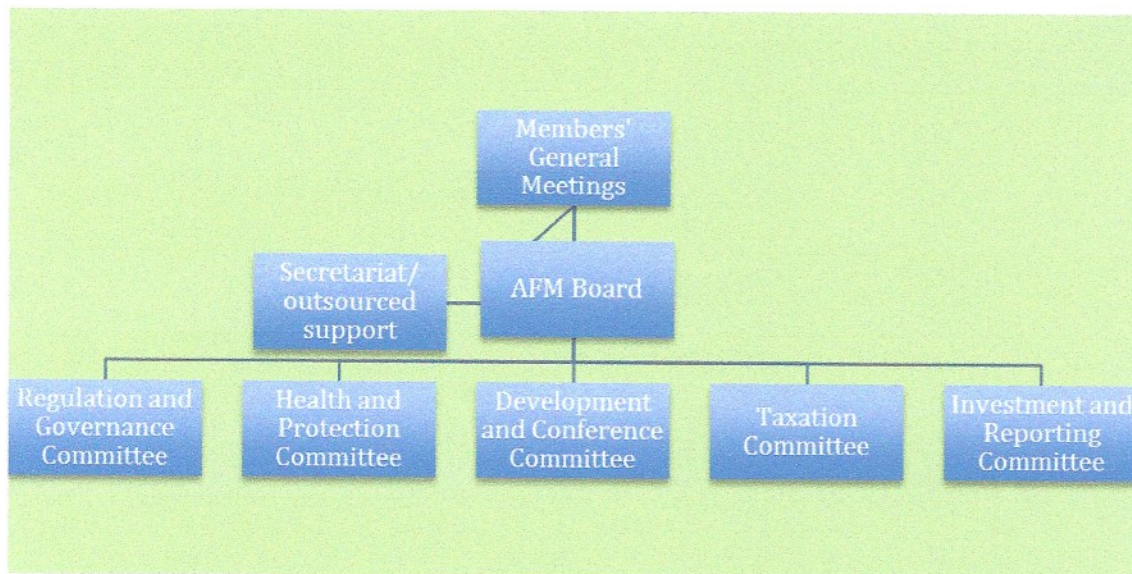


The significant has been the allocation of time to training, which in 2019/20 accounted for just over 50% of their time. There was an increase in time and resource dedicated to regulatory work, with the other four elements being more evenly spread. There was not a significant difference in the allocation of time in the last three months of the year compared to the first nine.

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Directors' Report for the Year ended 30 June 2020

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 2019/20, we saw a significant increase in numbers of members participating in AFM activity, including an increase in representation on Committees, and many events at or near full capacity. Overall, in 2019/20 we welcomed 50% more people to our events than we did the previous year.

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Directors' Report for the Year ended 30 June 2020

A brief snapshot of the main outcomes for 2019/2020:

It's just now not possible to think about 2019/20 as anything other than a game of two halves. As the infographic on the right shows, we produced record levels of engagement with, and support for, members in 2019. We ran several new forums in the year, and previously-held events showed higher attendances.

The diary for 2020 was just promising to be just as full and productive. When it became clear in mid-March that we would not be able to deliver meetings and forums physically- for a few months initially, and subsequently for the remainder of the year- we had to re-think how AFM best supported members. In the second quarter we delivered almost 20 online events, which makes the reference in the 2019 infographic to running our first webinar in the year seem almost irrelevant. We also created a range of new working groups and roundtables, and instituted more regular bulletins to keep members up to date. The regular drop-in meetings we've facilitated for CEOs have been well-received and have offered a vital opportunity to network and share experiences.

We also stepped up engagement with regulators, to report on how members were succeeding in delivering good outcomes for customers, whilst shifting their staff to a working from home basis. We also discussed with the regulators reporting requirements, and with Treasury the impact of lockdown on the AGM season. As a result, we had pleasing support, and significant flexibility was provided to organisations.



Association of Financial Mutuals

Directors' Report for the Year ended 30 June 2020



Our new corporate governance code was implemented in the year, and members who have completed their first report and accounts talk positively about the flexibility it offers them in describing how they support the needs and expectations of their key stakeholders. However, we also saw a small number of organisations resign their membership as a consequence of the expectations in the new Code.

The last few months were something that none of us could have planned for, and whilst AFM's workplan changed out of all recognition as a result, we can rightly point to the way we have supported members effectively through an extraordinarily difficult period.

In early 2020, AFM launched its own sustainability policy, to take account of the good practice outlined in the climate change template we developed for members in 2019, as well as the expectations in the AFM Corporate Governance Code, that seeks a clearer explanation of ESG policy from members. Overall, AFM operates with a very low carbon footprint.

Approved by the Board of Directors on 24/8/20 and signed on its behalf by:

Jane Nelson

Jane Nelson (Chairman)
The Oddfellows
Director

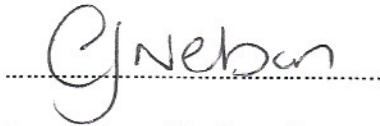
Association of Financial Mutuals

Statement of Directors' Responsibilities

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

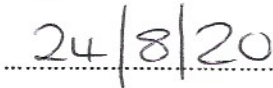
- ensure that the Association has kept adequate accounting records;
- prepare Financial Statements which give a true and fair view of the state of affairs of the association as at 30 June 2020 and of profit and loss for that period in accordance with Generally Accepted Accounting Practice in the UK; 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

A handwritten signature in cursive script, appearing to read 'J Nelson', written over a horizontal dotted line.

Jane Nelson (Chairman)
The Oddfellows
Director

Date:

A handwritten date '24/8/20' written over a horizontal dotted line.

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 2020, 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 2020, 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

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MHA Moore and Smalley

Richard House
Winckley Square
Preston
PR1 3HP

Date: 07/09/2020

Association of Financial Mutuals

Profit and Loss Account for the Year Ended 30 June 2020

	Note	2020 £	2019 £
Turnover		349,390	326,608
Administration expenses		(335,914)	(314,717)
Operating Profit/(Loss)		13,476	11,891
Other interest receivable and similar income	3	2,104	2,752
Profit/(Loss) on Ordinary activities before taxation		15,580	14,643
Tax on profit of Ordinary activities	4	(400)	(523)
Profit/ (Loss) for the financial year	7	15,180	14,120

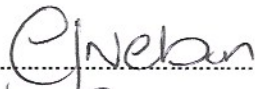

The notes of pages 14 – 16 form an integral part of these Financial Statements.

Association of Financial Mutuals

Balance Sheet as at 30 June 2020

	Note	2020 £	2019 £
Current assets			
Debtors	5	15,308	73,323
Cash at bank and in hand		379,865	327,457
		395,173	400,780
Creditors: Amounts falling due within one year	6	(5,680)	(26,467)
Net assets		389,493	374,313
 Capital and Reserves			
Members' reserve	7	389,493	374,313
 Members' funds		389,493	374,313

Approved and authorised for issue by the Board on 24/8/20 and signed on its behalf by:

.....



Jane Nelson (Chairman), The Oddfellows
Director

Stuart Tragheim (Vice Chairman), Holloway Friendly
Director

The notes on pages 14 – 16 form an integral part of these Financial Statements.

Association of Financial Mutuals

Notes to the Financial Statements

Year ended 30 June 2020

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 2020.

The total turnover of the Association for the year has been derived from its principal activity undertaken in the UK (99%) and in 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 2020

2. Employees

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

	2020	2019
Employees	<u>2</u>	<u>2</u>

3. Interest receivable and similar income

	2020 £	2019 £
Bank interest receivable	<u>2,104</u>	<u>2,752</u>
	<u>2,104</u>	<u>2,752</u>

4. Taxation

Tax on profit of Ordinary activities

	2020 £	2019 £
Current tax		
Corporation tax charge on investment income	<u>400</u>	<u>523</u>
UK Corporation Tax	<u>400</u>	<u>523</u>

5. Debtors

	2020 £	2019 £
Trade Debtors	6,814	58,350
Other debtors	1,180	-
Prepayments and accrued income	7,314	14,973
	<u>15,308</u>	<u>73,323</u>

Association of Financial Mutuals

Notes to the Financial Statements

Year ended 30 June 2020

6. Creditors: Amounts falling due within one year

	2020	2019
	£	£
Trade Creditors	-	-
Corporation Tax	400	523
Other taxes and social security	-	4,656
Accruals and deferred income	5,280	21,288
	<u>5,680</u>	<u>26,467</u>

7. Members' Reserves

	2020	2019
	£	£
At 1 July	374,313	360,193
Profit for the year	15,180	14,120
As at 30 June	<u>389,493</u>	<u>374,313</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 was held as deferred income and ring-fenced for the use of the remaining ex-BHCA members, to offset AFM subscriptions. In 2019-20 a further £2,400 was transferred to AFM, for non-directive members of BHCA, leaving a small balance again for small cash plan providers for 2020/21.

Association of Financial Mutuals

Detailed Profit and Loss Account

Year ended 30 June 2020

	2020 £	2019 £
Turnover		
Member subscriptions	125,685	116,840
Associate Member subscriptions	103,400	95,467
Conference Income	<u>120,305</u>	<u>114,301</u>
Total Turnover	349,390	326,608
Administrative expenses		
Administration expenses	<u>(335,914)</u>	<u>(314,717)</u>
Operating Profit/(Loss)	13,476	11,891
Other interest receivable and similar income	2,104	2,752
Net Profit/ (Loss) for the year before tax	<u>15,580</u>	<u>14,643</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 2020

	2020	2019
	£	£
Administration expenses		
Remuneration including Employer's NIC	178,074	166,249
Home Office Allowance	3,600	3,600
Postage, stationery & other office costs	2,732	2,746
Subscription	2,482	6,620
Travel and subsistence	8,776	13,526
Conference costs	107,826	98,262
Public Affairs/ PR	20,000	10,000
Financial websites	-	8,750
Accountancy	1,025	1,000
Seminar and Board costs	1,605	6,621
CII	75	75
Accelerate Training/ Stepping Up	5,960	1,000
Skillcast	3,759	(3,732)
	335,914	314,717

This page does not form part of the Statutory Financial Statements