



# **Association of Financial Mutuals**

**Directors Report and Financial Statements**

**Year ended 30 June 2022**

---

# Association of Financial Mutuals

## Contents

	<b>Page</b>
Information	1
Directors' Report	2 – 10
Statement of Directors' Responsibilities	11
Accountants' Report	12– 13
Profit and Loss Account	14
Balance Sheet	15
Notes to Financial Statements	16 – 18

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

Detailed Profit and Loss Account	19- 20
----------------------------------	--------

# Association of Financial Mutuals

## Information

**Chief Executive:** Martin Shaw

<b>Directors:</b>	Jane Nelson	The Oddfellows	(Chair)
	Bob Andrews	Benenden Health	
	Marc Bicknell	Railway Enginemen’s Friendly Society	
	Elaine Fairless	Compass Friendly Society	
	Peter Green	Healthy Investment	
	Paul Hudson	Cirencester Friendly Society	
	Chris Kenny	MDDUS	
	Teddy Nyahasha	One Family	
	Russ Piper	Sovereign Heath Care	
Stuart Tragheim	Holloway Friendly Society	(Vice-Chair)	

**Office Address:** c/o Oddfellows House  
184-186 Deansgate  
Manchester  
M3 3WB

**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 2022

The Directors present their report and the unaudited Financial Statements for the year ended 30 June 2022:

### Directors:

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

Jane Nelson	The Oddfellows	(Chair)
Bob Andrews	Benenden Health	
Mark Bicknell	Railway Enginemen's Assurance	
Elaine Fairless	Compass Friendly Society	
Peter Green	Healthy Investment	
Paul Hudson	Cirencester Friendly Society	
Chris Kenny	MDDUS	
Teddy Nyahasha	OneFamily	
Mike Perry	PG Mutual	(resigned 1 April 2022)
Russ Piper	Sovereign Heath Care	
Stuart Tragheim	Holloway Friendly Society	(vice Chair)

### 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 2022

### Business Review

The Accounts to the end of June 2022 show an operating deficit for AFM of £49,119 (against a deficit of £88,412 for year to 30 June 2021) and an overall deficit for the year of £49,183 (versus a deficit of £88,167 for 2020/21). This compared to a budgeted deficit for the year 2021/22 of £ -68,168.

By the start of the financial year 2020/21, AFM had built up reserves approaching £400,000, through continued prudent management of our operations. For a small organisation, that level of reserves was more than was needed, and the AFM Board took the decision to hold subscriptions for the third year in a row, to support members during the pandemic.

The Board also decided to release funds for projects over the two years to 30 June 2022, to promote the sector and support our core activities. That investment yielded significant results, as reported later, and also re-set the level of reserves to a level a little above 12 months' fixed costs; on 30 June 2022, reserves stood at £252,143.

The year-end outcome was a little better than budgeted: income was largely on target, with a small increase in the number of Associate members, and slightly higher than planned income from the conference. Costs also were close to plan, but the continued impact of the virus meant that business travel was less than planned, and not all project costs were used. These savings also meant that we were able to incorporate the first tranche of costs for the work we are undertaking to support Sir Mark Hendrick's "Cooperatives, Mutuals and Friendly Societies Bill."

In the next few pages we describe more of the activities during the year, and summarise some of the outcomes.

# Association of Financial Mutuals

## Directors' Report for the Year ended 30 June 2022

### 2021/2022 Activities

The AFM Board agreed that the Association's working priorities be simplified to reflect the key activities undertaken.

Four areas of activity were agreed in early 2022:

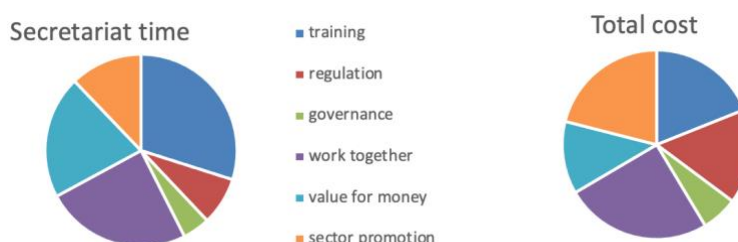
1	<b>Marketing and promoting mutuality</b>
2	<b>Responding to regulation</b>
3	<b>Raising standards and capabilities</b>
4	<b>Maintaining an effective trade body</b>

The Board receives quarterly updates against each of these priorities.

**Total resource allocation for 2021/22, including allocation of activities, expenses, project work and outsourcer fees:**



This compares to the allocation for 2020/21, where six core activities were in place, as below:



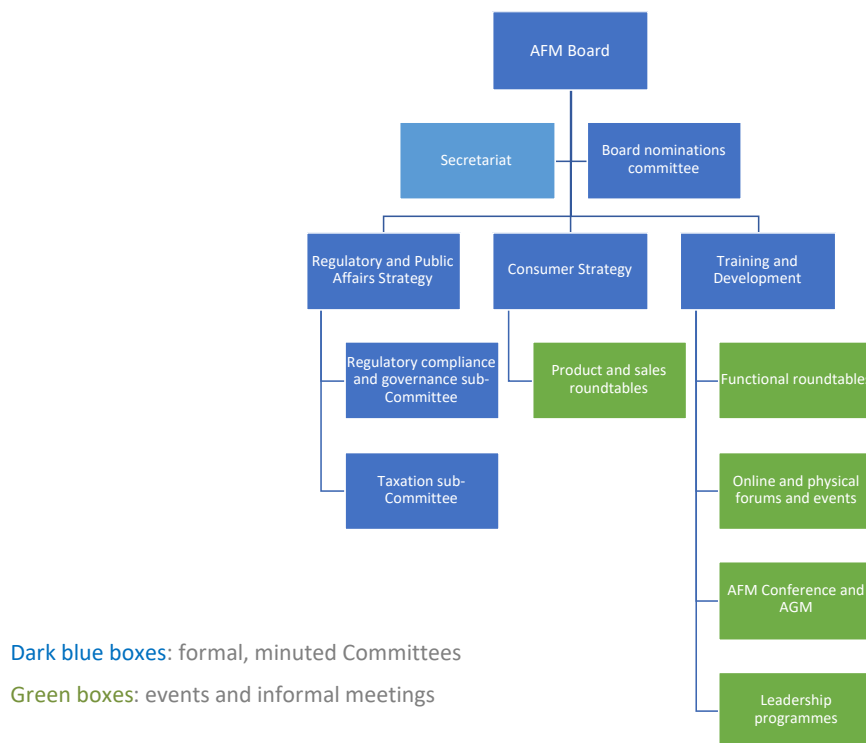
# Association of Financial Mutuals

## Directors' Report for the Year ended 30 June 2022

In 2021/22 we devoted nearly 40% of secretariat time to training and development work (compared to around 50% the previous year). This reflected changing priorities, including the very marked increase in sector promotion. Given spending on public relations and lobbying work, the proportion of budget devoted to marketing and promotion was just over 50%.

Given reductions in external and project budgets, the proportion of budget spent on regulation and governance reduced. As a frugal trade body, the proportion of budget spent on maintaining the trade body was low, though with recruitment activity in 2022/23, this will increase.

A series of Committees, with personnel drawn from Members and Associate members, helps direct and support activity through the year. The current Committee structure is:



Members are also involved in our work through the series of forums, working groups, roundtables and webinars that ran throughout the year, at an unprecedented rate. Feedback from members was very positive about the response and the opportunity to share experiences with peers across the sector. During 2021/22, we saw a continued high level of member participation in AFM activity, online, via Committees and webinars, and increasingly via in-person events as more of the economy re-opened.

# Association of Financial Mutuals

## Directors' Report for the Year ended 30 June 2022

### A brief snapshot of the main outcomes for 2021/2022:

This note gives a short overview of activity; you can find out more about each subject by clicking on the image.

#### Marketing and promoting mutuality

- Our public relations work was focused on developing messages about mutuality for a consumer audience, as opposed to the trade press. This was vindicated, with a total of 171 pieces of coverage in the year, as measured by our PR partner Smoking Gun.
  - The most significant coverage related to the benefits of mutuality and the risks of demutualisation; other prominent story lines included Child Trust Funds, and advice on how to manage money and where to invest. A range of case studies from members added valuable context.



- Our crowdfunded project with Whitecap Consulting, “Strategic landscape for financial mutuals” gave in-depth insight into the key factors affecting our sector, and for AFM provided an effective way of channelling a range of new activity in early 2022, including on digitisation and sector collaboration.

- “The Mutual Way” took shape during the year as a compelling way for us to set out the benefits of mutuality, and to develop evidence to support how mutuals deliver better outcomes, including in: the open and honest communication; the fairness and respectful treatment; how mutuals exist only to serve customers; and how in a mutual, everybody wins.





- We set up a project team to explore the consequences of the demutualisation vote by LV=, and to seek support for changes to legislation. We discussed these ideas with the All-Party Parliamentary Group for Mutuals, the Treasury Select Committee and with Treasury, and they culminated in a new Private Members Bill.

- The Cooperatives, Mutuals and Friendly Societies Bill seeks to amend the



legislation for our sector, to enable mutuals to generate new capital and protect their existing capital, and to update friendly society legislation to enable societies to better compete.

## Responding to regulation

- Review of Solvency 2: the planned reforms to the Solvency 2 Directive offer potential benefits to most UK insurers, and AFM has been actively involved in lobbying for a more proportionate regime. We have responded to a range of consultation papers, from Treasury and PRA, and held meetings to ensure the regime provides an appropriate level of capital protection for smaller mutuals.



- FCA's Consumer Duty: final rules were published in July 2022, with implementation due by April 2023. AFM has responded to FCA's consultations on this subject, and worked with a number of Associates to support members with insight into the consequences of the Consumer Duty. We also produced a timeline of consumer protection over the ages, to reinforce the complex layers developed over time.

Consumer Duty Structure



- ESG: with PRA's deadline for implementing plans for managing the financial risks of climate change passed, AFM has continued to support members with guidance and a series of workshops and roundtables, looking at the actions that members should be taking. We continue to engage with regulators on the practical consequences, and a number of AFM members contributed to piloting a new analytical tool produced by the Climate Financial Risk Forum. In late 2022, we plan to publish a report on 2021 ESG reporting.



- External Audit: the Public Interest Entity (PIE) rules have resulted in a dramatic reduction in the range of auditors willing to work with small mutuals, and an equally dramatic explosion in costs. AFM has been lobbying the Department for Business, Energy and Industrial Strategy (BEIS) and the Financial Reporting Council, to achieve a more

Restoring trust in audit and corporate governance

proportionate regime. We [responded](#) to the consultation by BEIS last summer, and the government response, published in May 2022, indicates a willingness to review the PIE rules, in line with our comments.

- AFM consultation responses- in the year 2021/22, AFM responded to 17 consultations, from a range of government and regulatory sources. These included a range of important discussions on the future regulatory framework for financial services, in the period immediately following the UK exit from the EU. We seek to showcase the work of the sector, the focus on good customer outcomes, and the need for proportionality in all our responses.



### Raising standards and capabilities

- Events: AFM held a range of member events through 2021/22, online and increasingly in-person. In total over the 12 months we offered 108 meetings, roundtables, webinars and forums to members, the largest of which was our annual conference which, despite only being able to confirm we could proceed 8 weeks before, was sold out. Our new online events calendar makes it easier to see what's coming up next.



- Our events are supplemented by our [online training portal](#), which is provided by Skillcast, and which now has over 1,600 users across the sector.

- Developing leaders: we were delighted to resume the leadership development courses, Accelerate and Stepping Up in late 2021, after a year's hiatus. Alongside these, a number of employees from AFM members enrolled into the Master's programme on Strategic Management for mutuals at Loughborough University. We are running two refreshed courses in 2022, amid continued demand from members.



- Corporate Governance: the AFM Code continues to provide an overview of good practice for AFM members, and AFM tracks the effectiveness of reporting each year. In addition, we run a remuneration survey each year, and in 2021 FTI Consulting kindly produced a report on trends in board pay in the sector. This work offers important safeguards for our members and their policyholders on the way mutuals are governed. Our NED conference in June 2022 had a record attendance, and covered a wide range of topical issues for Board Directors.



## Maintaining an effective trade body

- Communications with members: as a trade body, it is vital we maintain effective and regular communication with our members, and our wider stakeholders. Our primary newsletter is Mutually Inclusive, which is issued every two months. This is supplemented by regular Events Bulletins, the Regulation and Governance Update, CEO Updates, and other ad hoc and targeted messages.

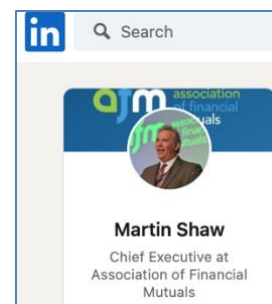


- At the Annual General Meeting in October 2021, members approved a change to the AFM Constitution, to enable executives other than the CEO, to join the AFM Board. By doing this we wanted to ensure the AFM Board remains forward-thinking, and



that a wider diversity of views about the future of the sector- and AFM- are included as part of our thinking. With a number of Directors stepping down from the Board at the end of 2021/22, we are seeking new Directors who can help lead the sector over the next few years.

- In May we embarked on an exercise to recruit a new Chief Executive for AFM. Martin Shaw intends to step down in April 2023, by which time he will have served over 16 years heading the trade body, though he is likely to stay on in a part-time capacity to support the new CEO.



- AFM sustainability: AFM is a small organisation, with two employees, and seeks to maintain a low and reducing carbon footprint. The dramatic reduction in business travel over the past two years has aided this objective, whilst our conference in Harrogate in October 2021 included a range of sustainable elements, including locally sourced food and removal of plastics. In summer 2021 AFM became a supporting institution of the Principles for Sustainable Insurance, which is part of the UN environment programme.



- Diversity and inclusion: AFM supports members’ efforts to improve diversity and inclusion, particularly through the Mutual Diversity Alliance. This includes regular workshops and webinars for signatories to the Alliance, as well as a commitment to begin reporting on progress, from Autumn 2022. AFM’s own work on diversity includes its support to industry initiatives including Access to Insurance, our PR messaging on tackling financial exclusion, our efforts to make AFM’s events and content more relevant to wider audiences within the sector, and planned changes to the composition of the AFM Board.



*This note gives a short overview of activity; if viewing online, you can find out more about each subject by clicking on the image.*

Approved by the Board of Directors on 10/09/22 and signed on its behalf by:

.....

Jane Nelson, 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 2022 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

.....

Jane Nelson (Chairman)  
The Oddfellows  
Director

Date: 10 September 2022

## **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 2022, 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 13, 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 2022, 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 23 August 2021. 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

## Association of Financial Mutuals

### Profit and Loss Account for the Year Ended 30 June 2022

	Note	2022	2021
		£	£
Turnover		330,178	210,200
Administration expenses		(379,635)	(298,612)
<b>Operating Profit/(Loss)</b>		<b>(49,457)</b>	<b>(88,412)</b>
Other interest receivable and similar income	3	338	302
<b>Profit/(Loss) on Ordinary activities before taxation</b>		<b>(49,119)</b>	<b>(88,110)</b>
Tax on profit of Ordinary activities	4	(64)	(57)
<b>Profit/ (Loss) for the financial year</b>	7	<b>(49,183)</b>	<b>(88,167)</b>

The notes of pages 18 – 20 form an integral part of these Financial Statements.



# Association of Financial Mutuals

## Balance Sheet as at 30 June 2022

	Note	2022 £	2021 £
<b>Current assets</b>			
Debtors	5	119,267	73,419
Cash at bank and in hand		271,932	268,291
		<b>391,199</b>	<b>341,710</b>
Creditors: Amounts falling due within one year	6	(139,056)	(40,384)
<b>Net assets</b>		<b>252,143</b>	<b>301,326</b>
<b>Capital and Reserves</b>			
Members' reserve	7	252,143	301,326
<b>Members' funds</b>		<b>252,143</b>	<b>301,326</b>

Approved and authorised for issue by the Board on 10 September 2022 and signed on its behalf by:

..... Jane Nelson (Chairman), The Oddfellows  
Director

..... Stuart Tragheim (Vice Chairman), Holloway Friendly  
Director

The notes on pages 18 – 20 form an integral part of these Financial Statements.

# Association of Financial Mutuals

## Notes to the Financial Statements

### Year ended 30 June 2022

#### 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 2022.

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 2022

### 2. Employees

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

	<b>2022</b>	<b>2021</b>
Employees	<u>2</u>	<u>2</u>

### 3. Interest receivable and similar income

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	<u>338</u>	<u>302</u>
	<u>338</u>	<u>302</u>

### 4. Taxation

#### Tax on profit of Ordinary activities

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
Corporation tax charge on investment income	<u>64</u>	<u>57</u>
UK Corporation Tax	<u>64</u>	<u>57</u>

### 5. Debtors

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Trade Debtors	107,105	66,840
Prepayments and accrued income	12,162	6,579
	<u>119,267</u>	<u>73,419</u>

# Association of Financial Mutuals

## Notes to the Financial Statements

Year ended 30 June 2022

### 6. Creditors: Amounts falling due within one year

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Corporation Tax	64	57
VAT	55,052	38,064
Accruals and deferred income	83,940	2,263
	<u>139,056</u>	<u>40,384</u>

### 7. Members' Reserves

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
At 1 July	301,326	389,493
Profit for the year	(49,183)	(88,167)
As at 30 June	<u>252,143</u>	<u>301,326</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 2021/2022 a further £556 was transferred to AFM, for non-directive members of BHCA, leaving the fund fully spent.

## Association of Financial Mutuals

### Detailed Profit and Loss Account

Year ended 30 June 2022

	2022	2021
	£	£
<b>Turnover</b>		
Member subscriptions	109,456	115,600
Associate Member subscriptions	102,300	94,600
Conference Income	98,622	-
Stepping up	19,800	-
	<hr/>	<hr/>
Total Turnover	330,178	210,200
<b>Administrative expenses</b>		
Administration expenses	(379,635)	(298,612)
	<hr/>	<hr/>
<b>Operating Profit/(Loss)</b>	(49,457)	(88,412)
Other interest receivable and similar income	338	302
	<hr/>	<hr/>
<b>Net Profit/ (Loss) for the year before tax</b>	<b>(49,119)</b>	<b>(88,110)</b>
	<hr/>	<hr/>

**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 2022

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Administration expenses</b>		
Remuneration including Employer's NIC	197,348	189,160
Home Office Allowance	3,600	3,600
Postage, stationery & other office costs	4,263	2,374
Subscription	2,528	2,519
Conference costs	97,692	3,015
Public Affairs/ PR/Projects	55,900	94,550
Accountancy	1,250	1,050
Seminar and Board costs	72	1,500
Accelerate Training/ Stepping Up	20,225	-
Skillcast	(3,243)	844
	<b><u>379,635</u></b>	<b><u>298,612</u></b>

**This page does not form part of the Statutory Financial Statements**