



# **Association of Financial Mutuals**

## **Directors' Report and Financial Statements**

**Year ended 30 June 2023**

# Association of Financial Mutuals

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# Association of Financial Mutuals

## Information

<b>Chief Executive:</b>	Andrew Whyte		
<b>Directors:</b>	Stuart Tragheim	Holloway Friendly Society	(Chair)
	Bob Andrews	Benenden Health	
	Marc Bicknell	Railway Enginemen's Friendly Society	
	Peter Green	Healthy Investment	
	Chris Kenny	MDDUS	
	Socrates Mhlanga	The Exeter	
	Andy Morris	Cirencester Friendly Society	
	Teddy Nyahasha	One Family	(Vice-Chair)
	Anne-Marie O'Dea	Shepherds Friendly	
	Ben Pears	The Oddfellows	
	Sophia Reed	Activities Industries Mutual	
<b>Office Address:</b>	c/o Oddfellows House 184-186 Deansgate Manchester M3 3WB		
<b>Bankers:</b>	The Cooperative Bank PO Box 101 1 Balloon Street Manchester M60 4EP		
<b>Accountants:</b>	MHA Moore & Smalley 9 Winckley Square Preston PR1 3HP		

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## Association of Financial Mutuals

### Directors' Report for the Year ended 30 June 2023

The Directors present their report and the unaudited Financial Statements for the year ended 30 June 2023.

#### Directors:

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

Stuart Tragheim	Holloway Friendly Society	(Chair)
Bob Andrews	Benenden Health	
Marc Bicknell	Railway Enginemen's Friendly Society	
Peter Green	Healthy Investment	
Chris Kenny	MDDUS	
Socrates Mhlanga	The Exeter	
Andy Morris	Cirencester Friendly Society	
Teddy Nyahasha	One Family	(Vice-Chair)
Anne-Marie O'Dea	Shepherds Friendly	
Ben Pears	The Oddfellows	
Russ Piper	Sovereign Heath Care (resigned 30/06/23)	
Martin Pringle	Scottish Friendly Society (resigned 31/01/23)	
Sophia Reed	Activities Industries Mutual	
Nick Warr	Foresters Friendly Society (resigned 30/06/23)	
Jane Nelson	The Oddfellows (resigned 10/10/22)	
Elaine Fairless	Compass Friendly Society (resigned 10/10/22)	
Paul Hudson	Cirencester Friendly Society (resigned 10/10/22)	

#### Chief Executive:

Martin Shaw (to 31/03/23)

Andrew Whyte (from 1/04/23)

#### 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 2023**

### **Business Review**

The Accounts to the end of June 2023 show a small operating profit for AFM of £1,144 (against a deficit of £49,457 for year to 30 June 2022) and an overall profit for the year of £6,338 (versus a deficit of £49,183 for 2021/22).

The Board agreed to maintain the commitment that AFM's reserves would cover 12 months fixed costs as a minimum. To do so, we recognised the need to achieve a breakeven budget, and so we had to reassess our revenues and expenditure accordingly. The Board concluded that AFM needed to raise further income from subscriptions, by increasing rates attract new members, as well as to introduce additional sources of income. We also had to reduce our costs, in particular project and promotional spend.

During the year 2022/23, significant resources were devoted to the recruitment of a new Chief Executive. The costs were treated as an exceptional item in the budget, covering both the recruitment process and the additional staff costs of a three-month handover period to ensure a smooth transition. Following the handover period we introduced a new operating structure from 1 April 2023 comprising a staff complement of 2.2 full-time-equivalents,

Subscription income during the year was 99% of plan, at £277,001. Full Membership of the Association increased by three during the year to 45, with four new members joining and one leaving. Income from Associate Members was below plan as three Associates stood down at the start of the year, and whilst these were replaced, there was a timing difference. Since the end of the financial year, we have recruited another Full Member, bringing the total to 46.

A focus on increasing the monetary value of the AFM conference in 2022 meant that the net income from the event in the year was £22,000. A contributing factor to the overall surplus was the rapid rise in interest rates, and the increase in investment income that resulted. However, this was balanced by cost pressures, with inflationary increases in staff salaries and supplier costs, the exceptional recruitment costs and project costs relating to the Private Members Bill that AFM sponsored along with a range of members.

The overall surplus of £6,338 compared to a budget of £1,893. This meant year end net assets were up 2.5%, at £258,481. Given the changing economic environment, and significant change within AFM, this should be seen as a very good outcome.

In the next few pages, we describe more of the activities during the year.

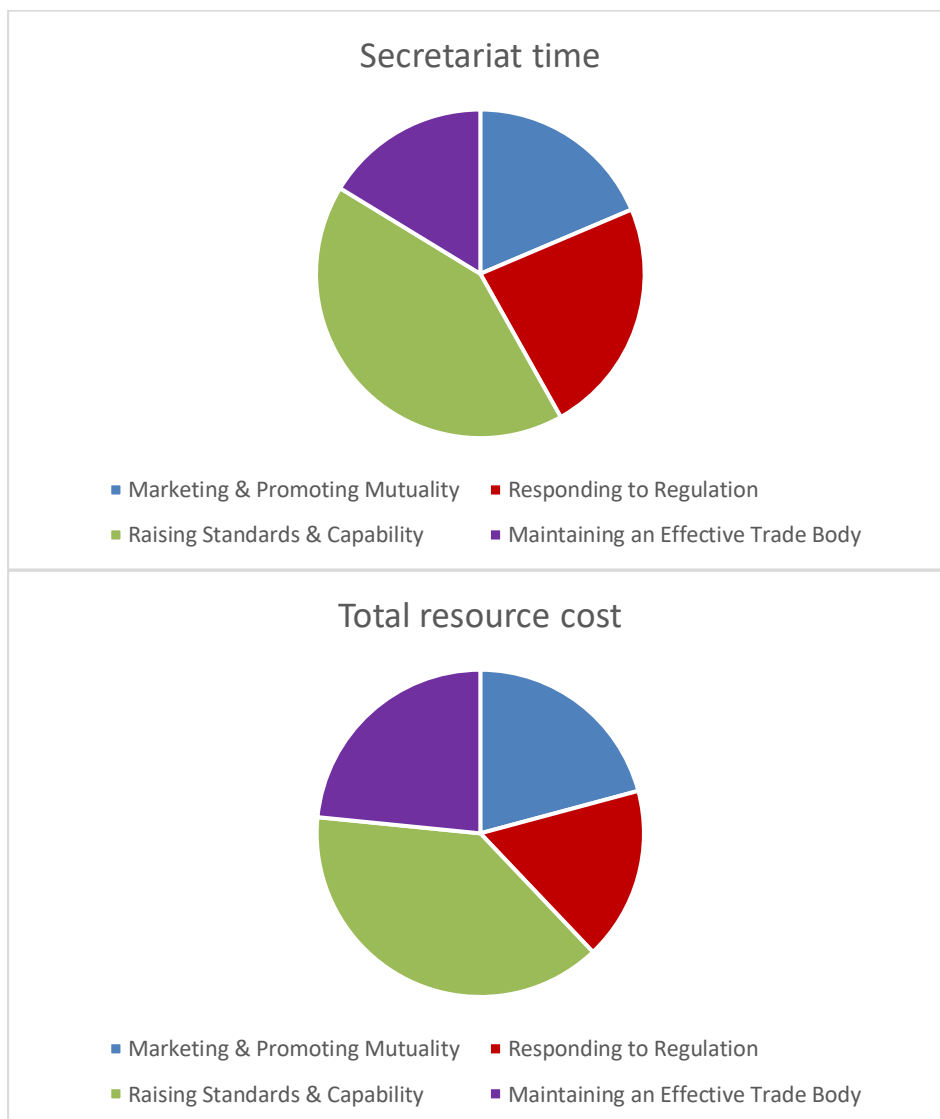
## Areas of Activity

The AFM Board agreed to continue the four key areas of activity which had been established in early 2022:

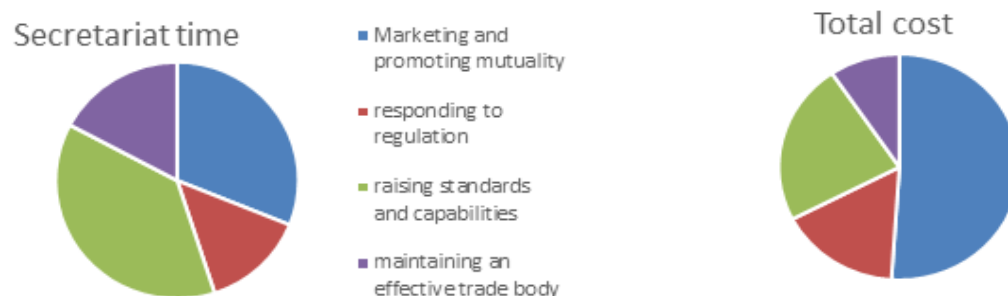
1	<b>Marketing and promoting mutuality</b>
2	<b>Responding to regulation</b>
3	<b>Raising standards and capabilities</b>
4	<b>Maintaining an effective trade body</b>

The Board receives quarterly updates against each of these priorities.

Resource allocation for 2022/23, including allocation of secretariat time and expenditure, across these four areas is summarised in these charts.



This compares to the allocation for 2021/2, under the same headings, which shows a pronounced reduction in marketing and promotion in 2022/23, as our PR budget was cut, and that this was matched by a significant increase in time devoted to responding to regulation.



## Summary of key activities in 2022/23

This note gives a short overview of activity under each of the four key areas identified by the Board.

### Marketing and promoting mutuality

One of our priorities over the last year has been supporting the Private Members Bill introduced by Sir Mark Hendrick MP in July 2022, to reform some key aspects of the legislation covering the mutual and co-operative sector.

At the end of June 2023, the Bill was given Royal Assent and became the Co-operatives, Mutuals and Friendly Societies Act 2023. This represents a real step forward, giving mutuals and co-operatives the capacity to create an asset lock to protect themselves from unwelcome demutualisation threats. The Act marks a key moment in our long-standing campaign for reform of the legislative and regulatory framework for our sector. During the process of the Act the Government requested that the Law Commission carry out a full review of the legal framework for friendly societies. It is expected that the review will start work in the Autumn 2023, and we will engage actively with the Law Commission so that the review tackles the most significant issues and delivers changes which will make a meaningful difference for our sector.

With the General Election on the horizon, during the year we have been working with our colleagues in the wider mutual sector, including Building Societies Association, Co-ops UK and ABCUL, on a joint prospectus, to make the case for mutuality in the forthcoming policy debate. This group of organisations were invited to submit a paper to the Labour Party's policy development process in March. We have continued to work on a wider document which sets out the distinctive contribution the mutual and co-operative sector makes and some of the changes in policy, legalisation and regulation which are needed to help us thrive and do even more and which we expect to be published in Autumn 2023.

The Board's decision to significantly reduce expenditure on PR activity has inevitably had an impact on our media profile during the year, which has been much more limited than in the previous year and has primarily been focused on specialist trade media. We have continued to make use of our own website and social media channels, in particular LinkedIn which reaches an important industry audience.

Activity in this area took around 19% of staff time during the year and represented around 15% of the total resource cost.

### **Responding to regulation**

AFM responds to a range of consultations from regulators, government departments and other policymakers. We concentrate on proposals that are likely to have a material impact on our members or on the mutual business model.

During the year we submitted 16 formal responses to consultation exercises from the FCA, PRA, FRC, HM Treasury and the Financial Ombudsman Service, reflecting a persistently busy regulatory and policy agenda. Issues covered included Solvency 2 reform, Artificial Intelligence, the Senior Managers and Certification Regime, operational resilience, financial advice and guidance, sustainable finance, the FOS operating model and the annual FCA and PRA fees consultation. Consultation responses are published on our website.

Beyond formal consultations the FCA's Consumer Duty has continued to be a high priority, with some key milestones for firms during the year ahead of implementation in July 2023. We have organised a number of events for AFM members, including a roundtable, an expert panel with contributions from Associate Members and a question-and-answer session with the FCA's Director of Insurance, Matt Brewis, and it has featured frequently in articles in our newsletter, *Mutually Inclusive*.

We have engaged fully with FCA and PRA throughout the year with frequent day-to-day liaison as well as more formal meetings. We were invited to present to the insurance teams at both the FCA (in March) and PRA (in June). The PRA also hosted its first conference for smaller insurers in June 2023 and AFM secretariat and several member firms attended the Conference and participated fully.

We also spent time during the year liaising with a range of government departments, including Treasury, on topics including Solvency 2 reform, HMRC on tax arrangements and the Child Trust Fund, and the Department for Business of the Public Interest Entity regime.

Overall, we have received significantly greater policy engagement in 2022/23, with a marked increase in regulatory support for AFM members, and some concrete progress in enhancing the legislative landscape.

Activity in this area took around 23% of staff time during the year and represented around 12% of the total resource cost.



## **Raising standards and capabilities**

Delivering a wide-ranging professional development continues to be a core function which is highly valued by AFM members. Throughout 2022/23 we held a range of member events and although the majority were online, we saw increasing demand for in-person events. In total, over the 12 months we offered over 100 meetings, roundtables, webinars and forums to members. In October 2022 we held our largest ever Annual Conference in the Cotswolds which was attended by 270 delegates, exhibitors and sponsors. In June 2023 we held three important annual in-person events, the Tax Training Day, Non-Executive Directors' Conference and for the first time since 2019, the Marketing Forum. All events were well attended and received positive feedback from delegates.

AFM continued its support for leadership and development of the sector in 2022/23. Alongside the Stepping Up programme for supervisors and newly appointed managers, we produced a brand-new development programme in Autumn 2022, called Mutual Leadership. Delegates from both programmes attended the Annual Conference. A small number of employees from AFM members have taken part in the MSc programme on Strategic Management for Mutuals at Loughborough University, which we support jointly with the Building Societies Association.

Our development programmes are supplemented by the AFM online training portal, which is provided by Skillcast, and which now has over 2,000 users across the sector.

In September 2022 we published a report on corporate governance and reporting in the sector, based on a detailed analysis of the Annual Report and Accounts of the majority of AFM members and a quantitative survey. The report is published on the AFM website [here](#) and was presented at AFM Conference in October.

Activity in this area took around 42% of staff time during the year and represented around 39% of the total resource cost.

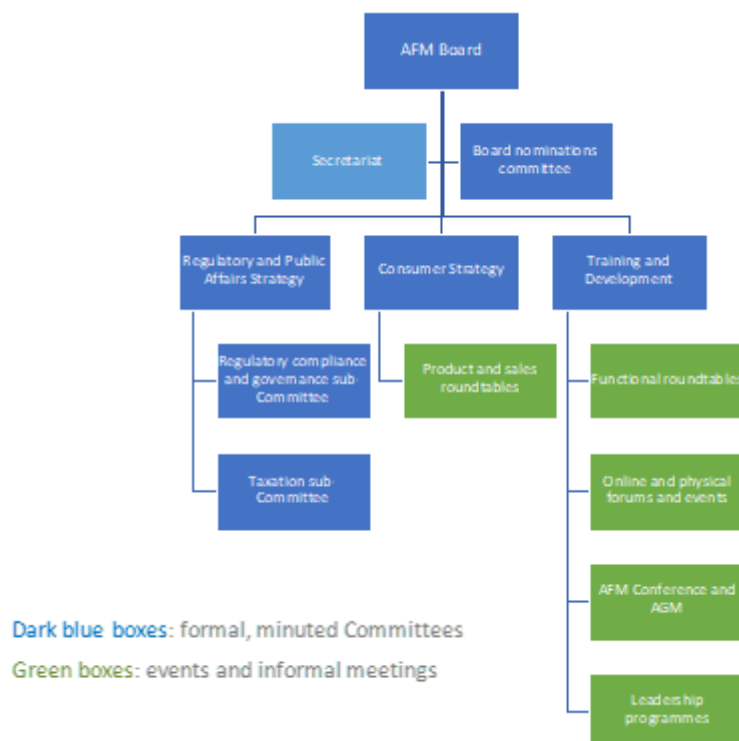
## **Maintaining an effective trade body**

As indicated above, this year has seen a significant change in the AFM's operations with the stepping down after nine months of the long-serving CEO, and the recruitment of his replacement, with a new operating structure for the Secretariat as follows:



The new staff complement is 2.2FTE, an increase of over 20% on the previous 1.8FTE. In April Andrew Whyte succeeded Martin Shaw as Chief Executive. Martin Shaw has now taken the newly created part-time Head of Policy role, this additional resource reflecting the continuing high priority of regulatory and other policy work.

The Secretariat supports the Board and a series of Committees, with personnel drawn from Members and Associate members, to help direct and oversee 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. During 2022/23, we saw a continued

high level of member participation in AFM activity, online, via Committees and webinars, and increasingly in-person events.

Beyond this, direct communications with members has been a key role for the secretariat. Our newsletter, *Mutually Inclusive*, was issued every two months and is supplemented by regular Events Bulletins, the Regulation and Governance Update, CEO Updates, and other ad hoc and targeted messages.

Activity in this area took around 13% of staff time during the year and represented around 17% of the total resource cost.

Approved by the Board of Directors on xxxx and signed on its behalf by:



11/09/2023

.....  
Stuart Tragheim, Holloway Friendly  
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 2023 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



.....

Stuart Tragheim (Chairman)  
Holloway Friendly Society  
Director

Date: 11/09/2023

## Association of Financial Mutuals

### INDEPENDENT EXAMINER'S REPORT TO THE DIRECTORS OF ASSOCIATION OF FINANCIAL MUTUALS

I report to the association's directors on my examination of the accounts of the association for the year ended 30 June 2023 which are set out on pages 12 to 16.

#### Responsibilities and basis of report

As the directors of the association, you are responsible for the preparation of the accounts in accordance with the requirements of Generally Accepted Accounting Practice in the UK (UK GAAP).

Having satisfied myself that the accounts of the association are not required to be audited and are eligible for independent examination, I report in respect of my examination of your association's accounts as carried out in accordance with our engagement letter.

#### Independent examiner's statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the association; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of UK GAAP other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



.....  
Paul Spencer ACA  
Chartered Accountant

MHA Moore and Smalley  
Richard House  
Winckley Square  
Preston  
PR1 3HP

Date: 26/09/2023

## Association of Financial Mutuals

### Profit and Loss Account for the Year Ended 30 June 2023

	Note	2023	2022
		£	£
Turnover		475,795	330,178
Administration expenses		(474,651)	(379,635)
<b>Operating Profit/(Loss)</b>		<b>1,144</b>	<b>(49,457)</b>
Other interest receivable and similar income	3	5,130	338
<b>Profit/(Loss) on Ordinary activities before taxation</b>		<b>6,274</b>	<b>(49,119)</b>
Tax on profit of Ordinary activities	4	64	(64)
<b>Profit/ (Loss) for the financial year</b>	7	<b>6,338</b>	<b>(49,183)</b>

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

# Association of Financial Mutuals

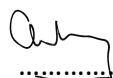
## Balance Sheet as at 30 June 2023

	Note	2023 £	2022 £
<b>Current assets</b>			
Debtors	5	134,493	119,267
Cash at bank and in hand		221,782	271,932
		<b>356,275</b>	<b>391,199</b>
Creditors: Amounts falling due within one year	6	(97,794)	(139,056)
<b>Net assets</b>		<b>258,481</b>	<b>252,143</b>
 <b>Capital and Reserves</b>			
Members' reserve	7	258,481	252,143
 <b>Members' funds</b>		<b>258,481</b>	<b>252,143</b>

Approved and authorised for issue by the Board on 11/09/2023 and signed on its behalf by:



Stuart Tragheim (Chairman), Holloway Friendly Society  
Director



Chris Kenny MDDUS

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 2023

#### 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 2023.

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 2023

### 2. Employees

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

	2023	2022
Employees	<u>2</u>	<u>2</u>

### 3. Interest receivable and similar income

	2023 £	2022 £
Bank interest receivable	<u>5,130</u>	<u>338</u>
	<u>5,130</u>	<u>338</u>

### 4. Taxation

#### Tax on profit of Ordinary activities

	2023 £	2022 £
<b>Current tax</b>		
Corporation tax charge on investment income	<u>(64)</u>	<u>64</u>
UK Corporation Tax	<u>(64)</u>	<u>64</u>

### 5. Debtors

	2023 £	2022 £
Trade Debtors	78,358	107,105
Prepayments and accrued income	56,135	12,162
	<u>134,493</u>	<u>119,267</u>

# Association of Financial Mutuals

## Notes to the Financial Statements

Year ended 30 June 2023

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

	2023	2022
	£	£
Corporation Tax	-	64
VAT	14,498	55,052
Accruals and deferred income	83,296	83,940
	<u>97,794</u>	<u>139,056</u>

### 7. Members' Reserves

	2023	2022
	£	£
At 1 July	252,143	301,326
Surplus /(Deficit) for the year	6,338	(49,183)
As at 30 June	<u>258,481</u>	<u>252,143</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 2023

	2023 £	2022 £
<b>Turnover</b>		
Member subscriptions	164,568	109,456
Associate Member subscriptions	112,433	102,300
Conference Income	163,394	98,622
Stepping Up/Mutual Leadership	35,400	19,800
	<hr/>	<hr/>
Total Turnover	475,795	330,178
<b>Administrative expenses</b>		
Administration expenses	(474,651)	(379,635)
	<hr/>	<hr/>
<b>Operating Profit/(Loss)</b>	1,144	(49,457)
Other interest receivable and similar income	5,130	338
	<hr/>	<hr/>
<b>Net Profit/ (Loss) for the year before tax</b>	<b>6,274</b>	<b>(49,119)</b>
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**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 2023

	2023	2022
	£	£
<b>Administration expenses</b>		
Remuneration including Employer's NIC	246,723	197,348
Home Office Allowance	3,600	3,600
Postage, stationery & other office costs	13,072	4,263
Subscription	1,551	2,528
Conference costs	141,368	97,692
Public Affairs/ PR/Projects	17,780	55,900
Accountancy	1,450	1,250
Seminar and Board costs	2,848	72
Accelerate Training/ Stepping Up	26,604	20,225
Skillcast	30	(3,243)
CII	(375)	-
Recruitment Costs	20,000	-
	<b>474,651</b>	<b>379,635</b>

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