



THE RETAIL MUTUAL

PROTECTING OUR INDEPENDENT RETAILERS

The Retail Mutual is a trading name of The NFRN Mutual Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

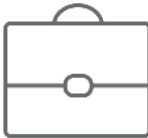
2019

Y GENERAL STORE GIFT SHOP HAIRDRESSER TAKEAWAY GROCER SWEET SHOP TOBACCONIST BUTCHER
ERMARKET SANDWICH BAR BAKERY BARBER SHOE RETAILING DRY CLEANING FLORIST ARTS & CRAFTS
RETAILING COFFEE SHOP MUSIC RETAILER ICE CREAM PARLOUR PET SHOP BOOKSELLING MOBILE PHONE
ELLERY FOOTWEAR FARM PRODUCE CHARITY SHOP TEXTILE RETAILER BOOKMAKER MENSWEAR TAILOR
ITOO PARLOUR OFFICE SUPPLIES SECOND-HAND DEALING PET PARLOUR SPORTS GOODS GYM/HEALTH CLUB
T COMPUTER RETAILER COMPUTER REPAIRS & MAINTENANCE BED AND BREAKFAST BOUTIQUE PHARMACY
OP OPTICIAN FASHION ACCESSORIES FASHION BOUTIQUE PERSONAL TRAINER VIDEO/DVD HIRE FUNERAL
IVELTY/CARNIVAL GOODS ENGRAVER ELECTRICAL GOODS - DOMESTIC APPLIANCE LUGGAGE AND HANDBAG
SUPPLIER GARDEN CENTRE FIREPLACE RETAILER INTERIOR DESIGNER TROPHY RETAILER INTERNET CAFE



THE RETAIL MUTUAL

PROTECTING OUR INDEPENDENT RETAILERS



Business Cover



Liability Cover



Home Cover



Landlord Cover



Health Cash Plan



Access Surgery Health Cover

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THE NFRN MUTUAL LIMITED

Trading as The Retail Mutual

**Annual Report and Financial Statements
for the year ended 31 December 2019**

Company Registration No. 03810528

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Company Information

Directors	PD Wagg AC Watts CD Finch NS Purohit BK Sood J Wagg SJ Whiteside
Company number	03810528
Financial Conduct Authority Firm Reference Number	312391
Registered office	8 Maltings Place 169 Tower Bridge Road London SE1 3JB
Auditor	Goodman Jones LLP 29-30 Fitzroy Square London W1T 6LQ
Managers	Regis Mutual Management Limited 8 Maltings Place 169 Tower Bridge Road London SE1 3JB

Chairman's Statement

2019 saw The Retail Mutual celebrate 20 years since it was first established to provide business cover to independent retail newsagents who were struggling to get cost-effective cover for their businesses. The past two decades have seen many changes and challenges in the retail sector and they have been equally transformative for the Mutual. In 2017 we opened our doors to the high street, inviting independent retailers from a number of different sectors to join The Retail Mutual's community and share the benefits of taking a different approach to protecting their business. As a result, I am pleased to report that as at 31 December 2019 we had 6,757 active covers spanning more than 110 different retail trades and services. This represents an increase of 6.5% over the previous year, with contributions for the 12-month period at £3,494,501 resulting in 2.5% annual growth in income.

Expenses for the year were £29k lower than forecast, thanks largely to savings achieved in management fees and marketing expenses. Net current assets for the Mutual as at 31 December 2019 stood at £1,419,607 with reserves at £867,289.

Despite some excellent financial results, 2019 was not without its challenges. In June the Mutual relocated the sales and service team from its in-house location at our operational centre in Tonbridge to a dedicated call centre environment in Portsmouth, with the aim of achieving greater economies of scale within the sales and renewal process whilst at the same time enhancing the Member experience. There were some teething problems as new staff members and systems bedded in, however I am pleased to report that new business sales volumes are now rising while the service team continues to achieve renewal retention levels that are in excess of the industry average – testament not only to their ability to provide high levels of service to our Membership but also to the loyalty that our Member community has to the Mutual itself. We are continuing to look at ways to enhance the customer experience of both prospects and members, monitoring outputs, streamlining processes and seeking new efficiencies across our systems.

Macro environmental factors have also proved challenging in recent months, with commercial markets hardening due to increasing claims for incidents such as floods and violent crime. These trends are mirrored to some extent by the Mutual's own claims experience, with claims notifications for storm-related incidents rising from 6% in 2018 to 9% in 2019 due to the adverse weather conditions, and an increase in theft-related claims over the year. Those involving tobacco stock remain our largest area in terms of both volume and cost, and despite the presence of alarms, shutters and CCTV, culprits continue to see this as an easy target with incidents over in less than five minutes and the perpetrators usually long-gone before the police arrive. Ram raid incidents, whilst low in volume, also continue to cause significant damage when they occur, resulting in large claims for business interruption and repair to the structure of the affected premises.

Claims status is generally a very good indicator of how proactively claims are being handled and I am pleased to report that as at 31 December 2019 99% of all claims notified in 2017 had been closed, along with 96% of those notified in 2018 and already 75% of those notified in 2019. Those cases that tend to remain open for previous years are the larger and more complex cases such as liability and large fire claims.

Overall, the average cost for theft claims has increased from £2,804 in 2017 to £5,340 in 2019, representing a 90% increase, while the average cost for escape of water claims has increased by 37% from £4,244 in 2017 to £5,794 in 2019. Theft and escape of water annual claims costs now represent 38% and 16% of the total respectively, and the actuarial team are carrying out ongoing analysis to identify trends around geographical areas, risk information and security levels, and reviewing ratings for these perils accordingly. The claims team continues to validate, investigate and service the Members to the highest possible standards and it should be noted that over £11k was also paid last year in discretionary claim payments – payments for claims that fell outside the scope of cover but which were upheld by the Board's Claims Committee on appeal.

Chairman's Statement

I am proud of what the Mutual has achieved, both over the past year and in the twenty years since we were established, but we will not rest on our laurels and are always looking for ways to continue to grow and improve the service and products that we offer you. We have just launched a new online platform through which new Members can purchase their business cover directly via our website. This has enabled us to open our doors to even more service providers on our high streets, as we welcome restaurants, take-aways, cafes and many other catering-related trades to the Mutual throughout 2020 and beyond. Planning has already commenced for the rollout of the next stage of the site's development. Hairdressers and gift shop owners are amongst those trades that now primarily use online platforms to find insurance providers, making this an essential platform for the Mutual to stay current in a heavily competitive market.

The Retail Mutual remains committed to its mission to become a one-stop shop for the diverse cover needs of the independent retail and service community, offering a wide range of products and services to help make Members' lives easier. While we continue to offer access to competitive health cover, mortgages and life insurance offerings from our partners, Westfield Health and London and Country, 2019 also saw considerable growth in the Mutual's own portfolio, with the number of landlord and household covers having increased by 18.4% and 4.6% respectively compared to the same time last year. More and more people are choosing The Retail Mutual to protect not just their business but their home, their family and their livelihood too. Please continue to spread the word and invite your family, friends, suppliers and fellow retailers to join our community.

I would like to take this opportunity to thank the Management team at Regis for their continued support in delivering the day-to-day services of our Mutual and also the Mutual's Board for the good governance and support they continue to provide.

Finally, I must thank you, our Members, without whom The Retail Mutual would not exist. As I write this the UK is in the midst of the COVID-19 pandemic, which is having an unprecedented impact on all our lives. With many of our Members faced with drastic restrictions to their trading activity it is more important than ever that we offer you tangible support to help protect your businesses through these challenging times. We have already introduced a number of measures to help ease the strain and will keep these under review as the situation evolves over the coming weeks and months. The Mutual has also been able to support members in certain circumstances with their Business Interruption claims.

We look forward to coming through this stronger as a community once this threat has passed and to continuing our journey together for many more years to come.



Peter Wagg
Chairman

Report of the Directors for the year ended 31 December 2019

The Directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities and review of the business

The principal activity of The NFRN Mutual Limited is the provision of discretionary indemnities to its members on a mutual basis. A review of the development of the business during the year and its likely future development is included in the Chairman's Statement.

Results

The deficit for the year is £123,724 (2018: deficit £204,668).

Financial risk management objectives and policies

Risks and uncertainties are monitored and assessed by the Board on a regular basis. Underwriting related risks are managed by purchasing excess and stop loss insurance in order to protect its reserves against single high value claims or an accumulation of claims. The Company has limited exposure to interest rate risk and credit risk. The Company's principal financial assets are bank balances. The bank balances are held with highly rated financial institutions. Liquidity risk is managed through contractual arrangements with its clients and through regular cash flow monitoring.

Covid-19

In response to the Covid-19 pandemic, the directors have considered the impact on the mutual in the immediate and longer term. After careful review of the business forecasts, making prudent assumptions for new member business and considering the impact on existing members and the direct costs associated with this, the directors are satisfied that the forecasts support that there is no material uncertainty in relation to going concern. The mutual has not taken up any of the support measures offered by the Government, to assist businesses through the pandemic. Nevertheless, the directors are committed to carrying out regular reviews of the Company's cash flows to monitor the ongoing situation and take further steps as required.

Directors

The Directors who held office during the year and up to the date of signing the financial statements are shown on page 1.

Director liability insurance

The Company maintains insurance policies on behalf of all the Directors against liability arising from negligence, breach of duty and breach of trust in relation to the Company.

Independent auditor

The auditor, Goodman Jones LLP, is deemed to be re-appointed under s487 of the Companies Act 2006.

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



Peter Wagg
Chairman
29 December 2020

Statement of Directors' Responsibilities for the year ended 31 December 2019

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of disclosure to auditor

So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor's Report

for the year ended 31 December 2019

Opinion

We have audited the financial statements of The NFRN Mutual Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and notes to the financial statements, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report for the year ended 31 December 2019

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report for the year ended 31 December 2019

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Amit Sharma

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Amit Sharma (Senior Statutory Auditor)

for and on behalf of

Goodman Jones LLP
Chartered Accountants
Statutory Auditor

29 December 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £	2018 £
Income			
Gross contributions	1 (c)	3,494,501	3,408,404
Other income	1 (d)	56,995	12,587
Total income	3	<u>3,551,496</u>	<u>3,420,991</u>
Expenditure			
Insurance premiums	1 (e)	(430,523)	(418,819)
Incurred claims	1 (f)	(1,925,135)	(1,760,888)
Net contributions and claims		<u>1,195,838</u>	<u>1,241,284</u>
Administrative expenses		(1,343,298)	(1,463,832)
Operating deficit	4	<u>(147,460)</u>	<u>(222,548)</u>
Interest income	5	29,304	22,082
Deficit on ordinary activities before taxation		<u>(118,156)</u>	<u>(200,466)</u>
Taxation	6	(5,568)	(4,202)
Deficit on ordinary activities for the financial year	12	<u>(123,724)</u>	<u>(204,668)</u>
Comprehensive income		<u>(123,724)</u>	<u>(204,668)</u>

All activities are derived from continuing operations.
The notes on pages 11 to 16 form part of these financial statements.

There are no items of other comprehensive income.

The Company has not presented a Statement of Changes in Equity because there are no equity holders in the Company as it is a mutual organisation.

Statement of Financial Position

as at 31 December 2019

	Note	2019 £	2018 £
Fixed asset investments	7	450,000	450,000
Current assets			
Receivables	8	2,299,341	2,000,246
Cash at bank	9	1,517,225	1,994,092
		<u>3,816,566</u>	<u>3,994,338</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(2,396,959)	(2,081,893)
		<u>(2,396,959)</u>	<u>(2,081,893)</u>
Net current assets		1,419,607	1,912,445
Provision for liabilities	11	(1,002,318)	(1,371,432)
Net Assets		<u>867,289</u>	<u>991,013</u>
Reserves			
Revaluation reserve		150,000	150,000
General reserves		717,289	841,013
Members' funds	12	<u>867,289</u>	<u>991,013</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – small entities. The notes on pages 11 to 16 form part of these financial statements.

The financial statements of The NFRN Mutual Limited (registered number 03810528) were approved by the Board of Directors and authorised for issue on 29 December 2020. They were signed on its behalf by:



Peter Wagg
Chairman

Notes to the Financial Statements for the year ended 31 December 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

(a) General information and basis of accounting

The NFRN Mutual Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Report of the Directors on page 4.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of Section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The discretionary protection covers provided by the Company are not contracts of insurance as the Company has absolute discretion as to whether any benefit is provided to its members, however for accounting purposes, the discretionary protection provided by the Company operates in a similar way to insurance and so the accounting principles in Financial Reporting Standard 103 (FRS 103) have been applied in the preparation of the financial statements.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The financial statements are presented in pounds sterling, which is also the Company's functional currency.

(b) Going concern

In response to the Covid-19 pandemic, the directors have considered the impact on the mutual in the immediate and longer term. After careful review of the business forecasts, making prudent assumptions for new member business and considering the impact on existing members and the direct costs associated with this, the directors are satisfied that the cashflow forecasts support that there is no material uncertainty in relation to going concern.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

(c) Contributions

Contributions are recognised as earned in full on the basis of risks attaching during the year.

(d) Other income

Other income is recognised when received.

(e) Insurance premiums

The Company purchases excess and stop loss insurance in order to protect its reserves against single high value claims and an accumulation of claims. Insurance premiums are recognised as written when they become payable.

(f) Incurred claims

Incurred claims comprise claims paid in the year and provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR). Liability for reported claims is recognised upon

Notes to the Financial Statements for the year ended 31 December 2019

notification at the discretion of the Board. The Mutual engages professional loss adjustors and legal advisors to advise on the estimated reserves in respect of significant claims.

(g) Liability adequacy tests

Liability adequacy tests are performed to ensure the adequacy of claims reserves. In performing these tests, current best estimates of future contractual cash flows and administration expenses are used.

(h) Interest income

Interest is accrued using the effective interest method.

(i) Cash at bank and in hand

Cash at bank and in hand are basic financial assets and includes bank balances and other short-term, highly liquid investments with original maturities of three months or less. The carrying amount approximates to fair value because of the short-term maturity of these investments.

(j) Taxation

Current tax is provided at amounts expected to be paid (or recovered) on non-mutual income using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(k) Financial Instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic Financial Assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other Financial Assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the profit or loss, except investments in equity instruments that are not publicly traded and whose fair values cannot be reliably measured are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through the profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows have been affected. If the asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rates. The impairment loss is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements for the year ended 31 December 2019

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Basic Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on all factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

No critical judgements, apart from those involving estimations (which are dealt with separately below) that have a significant effect on the amounts recognised in the financial statements were made by the Directors in the process of applying the Company's accounting policies.

Key source of estimation uncertainty – claims reserving

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported (IBNR) to the Company. The estimate of the cost of claims includes direct expenses to be incurred in settling claims, gross of insurance recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, including the reported claims' circumstances, any information available from loss adjustors and legal advisors and information on the cost of settling similar claims in previous periods. The estimate of IBNR is generally subject to a greater degree of uncertainty than the estimate of the cost of settling claims already notified to the Company, because more information about the claim event is available for claims that have been reported. Allowance is made for changes or uncertainties which may create distortions in underlying statistics and might cause the cost of unsettled claims to increase or decrease compared with statistics from previous periods, including changes in the legal environment and inflation. Given the uncertainty in establishing claims

Notes to the Financial Statements

for the year ended 31 December 2019

provisions, it is likely that the final outcome will prove to be different from the estimated liability initially provided.

3. Total income

Total income comprises contributions and other income as a result of providing discretionary protection. Income is derived entirely from activities in the United Kingdom.

4. Operating deficit

	2019	2018
	£	£

The operating deficit is stated after charging:

Auditor's remuneration (including irrecoverable VAT)

Audit-related assurance services	12,940	12,940
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Staff numbers and costs

The Company has no employees. The day-to-day management of the Company is carried out by the managers, Regis Mutual Management Limited.

	2019	2018
	£	£

Directors' remuneration

Emoluments	53,300	47,500
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Peter Wagg was a Director of The NFRN Mutual Limited and Regis Mutual Management Limited during the year. Peter Wagg Limited received fees for Peter Wagg's services as a Director of both companies and for consultancy services provided to Regis Mutual Management Limited during the year. The NFRN Mutual Limited has a 16.33% shareholding in Regis Mutual Management Limited.

The Company has no pension schemes.

5. Interest income

	2019	2018
	£	£

Bank interest	5,013	4,314
Other interest	24,291	17,768
	29,304	22,082

Notes to the Financial Statements

for the year ended 31 December 2019

6. Taxation

	2019	2018
	£	£
The tax charge comprises:		
UK Corporation tax	<u>5,568</u>	<u>4,202</u>

The Company is subject to UK corporation tax on its non-mutual income, which comprises entirely of interest income. The Company is not subject to UK corporation tax on mutual income earned from its members.

The tax charge for the financial year is lower than that resulting from applying the standard rate of corporation tax. The differences are explained below.

	2019	2018
	£	£
Deficit on ordinary activities before tax	<u>(118,156)</u>	<u>(200,466)</u>
Tax charge at 19%	(22,450)	(38,089)
Effect of income and expenses not subject to corporation tax	28,018	42,291
Tax for the year	<u>5,568</u>	<u>4,202</u>

7. Fixed asset investments

The historical cost of the investments is £300,000.

8. Receivables

	2019	2018
	£	£
Due within one year:		
Amounts due from Members	1,267,839	1,238,346
Insurance recoveries	500,569	258,149
Prepayments and accrued income	80,933	53,751
Other receivables	450,000	450,000
	<u>2,299,341</u>	<u>2,000,246</u>

Other receivables represent amounts advanced to Regis Mutual Management Limited, the managers of the Company. It is repayable on demand.

9. Cash at bank

Cash at bank includes cash held in short term deposits for investment purposes.

Notes to the Financial Statements
for the year ended 31 December 2019

10. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade payables	299,270	262,930
Outstanding claims	2,038,060	1,728,624
Accruals	54,061	86,143
Corporation tax	5,568	4,196
	<u>2,396,959</u>	<u>2,081,893</u>

11. Provision for liabilities

	2019	2018
	£	£
Provision for claims incurred but not yet reported	1,002,318	1,371,432
	<u>1,002,318</u>	<u>1,371,432</u>

12. Members' funds

	General	Revaluation	Total
	£	£	£
At 1 January 2019	841,013	150,000	991,013
Deficit for the period	(123,724)	-	(123,724)
At 31 December 2019	<u>717,289</u>	<u>150,000</u>	<u>867,289</u>

13. Members' limited liability

The NFRN Mutual Limited is a company limited by guarantee. In accordance with the Articles of Association, each member's liability in the event of the Company being wound up is restricted to no more than £1.



THE RETAIL MUTUAL

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THE RETAIL MUTUAL

PROTECTING OUR INDEPENDENT RETAILERS

The Retail Mutual is a trading name of The NFRN Mutual Limited

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