



# THE RETAIL MUTUAL

PROTECTING OUR INDEPENDENT RETAILERS

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

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## DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS

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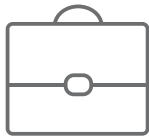
# 2020

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  
TTOO 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  
VELTY/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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More information [www.theretailmutual.com](http://www.theretailmutual.com)

**THE NFRN MUTUAL LIMITED**

**Trading as The Retail Mutual**

**Annual Report and Financial Statements  
for the year ended 31 December 2020**

**Company Registration No. 03810528**

**DRAFT**

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## Company Information

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

## Chairman's Statement

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Since its birth more than two decades ago, The Retail Mutual has seen innumerable changes and challenges within the independent retail sector but none more so than the events of 2020. When the global coronavirus pandemic took its grip on the country, it changed overnight the way we live, work and carry out our business. As the first of a series of nationwide lockdowns was imposed, hospitality and non-essential retail businesses were forced to close their doors, and although the measures were temporary, some were sadly never to reopen.

At a time when the retail and service sectors are already under enormous pressure, the loss of yet more businesses has been devastating. But there have also been many positive and inspirational stories of businesses that have adjusted, adapted and found new ways of delivering their products and services. This bodes well for the future of the high street, and I am excited to see how the events of the past year may bring about positive, lasting changes in the way our retailers and service providers service their clients. Just as our Members have been forced to adapt to the rapidly changing situation, so, too, has The Retail Mutual. When the first lockdown was imposed, the entire workforce moved overnight from operating from their bases in the Mutual's London, Tonbridge and Portsmouth offices to working remotely from their homes – something many had never done before. Whilst there were inevitably some teething problems as new structures and technologies were implemented and staff learned to juggle the many disruptions and responsibilities that came with this unprecedented situation, they have adapted quickly and seamlessly, and continue to provide the same excellent levels of service to our Members.

Indeed, despite these unforeseen events, the Mutual enjoyed a highly successful year, achieving record contribution levels for the 12-month period, up 5% on 2019, and record-breaking months for income from August to December. The second half of the year also saw a 50% increase in inward sales enquiries, showing that despite the current challenges businesses still need to be covered and The Retail Mutual is the provider of choice for an increasing number of independent retailers and service providers on our high streets. Renewal contribution retention levels climbed from their already impressive level well above 86% to 92% during this same period, demonstrating that the vast majority of all independent business owners who are on cover with us choose to remain with us when the time comes to renew. We strive to ensure that we are not just competitive in our pricing but also provide an efficient and sympathetic approach to handling our Members' claims in their time of need, and we are justly proud that this translates to the levels of loyalty we have now achieved.

As in previous years, theft and theft damage claims accounted for the largest volume of notifications, yet were significantly down by volume (35%). The majority still involve theft of tobacco stock and despite alarms, shutters and CCTV, the culprits continue to see this as a quick and easy 'cash cow'. Whilst ram raid claims are low in volume, they continue to cause significant damage to the structure of the premises affected, leading to large repair and business interruption claims consistently costing in excess of £25,000. Accidental damage claims again represented the second largest volumes of claims notified, at 16%, often involving damage to the building, contents and fixed glass. Costs can fluctuate year on year and 2020 was particularly high, driven partly by the increased costs of repairs and raw materials in the wider market. Unfortunately, there were also a number of fire claims also reported, with the largest being in excess of £354,000. Cases such as this just serve to highlight the importance of our supporting insurer, who will step in to cover losses over £200,000 on all valid claims.

Issues in the wider insurance market around claims for business interruption as a result of the pandemic have been well publicised. Whilst we are unable to financially compensate Members for loss of footfall, Members who have been denied access as a result of non-essential shops being required to close during the various lockdowns imposed by the Government, and those who suffered an outbreak on their premises, have been able to claim under their terms of cover. At the time of writing the Mutual has paid out £617,198 in Covid related business interruption claims and thanks to the improvement in claims from prior years, I am pleased to report that the Mutual was able to release £602,727 of IBNR from its claims reserves.

## Chairman's Statement

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2020 saw the launch of our dedicated Members' area, which delivers a wealth of useful information and practical advice on all things related to running a business, from blogs and articles to helpful checklists and risk-assessment guides tailored to Members' individual needs. Many of our Members also found our covid-related content invaluable in navigating their way through the pandemic, with information on everything from keeping staff safe and adhering to ever-changing Government guidelines to where to access financial support to help keep their business afloat.

This is all part of our commitment to being much more than just a cover provider for independent businesses, a commitment that is strengthened by our ongoing partnerships, both with our supporting insurer, Builders Direct, and with the NFRN, Booker, the Plunkett Foundation, Westfield Health and many others that we will continue to nurture over the coming year and beyond.

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, because without you The Retail Mutual would not exist. Our products and Membership are not just open to the independent retailers and service providers on our high streets, but also their families, staff, wholesalers and suppliers. If someone you know is looking for business cover, home cover, residential landlord cover or affordable private health cover, remember to tell them about The Retail Mutual and help to spread the word.

Peter Wagg  
Chairman

# Report of the Directors

## for the year ended 31 December 2020

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The Directors present their annual report and financial statements for the year ended 31 December 2020.

### **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 surplus for the year is £42,437 (2019: deficit £123,724).

### **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  
xxx 2021



## **Statement of Directors' Responsibilities** for the year ended 31 December 2020

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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 2020**

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### **Opinion**

We have audited the financial statements of The NFRN Mutual Limited (the 'company') for the year ended 31 December 2020 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 2020 and of its surplus 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**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **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.

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# **Independent Auditor's Report**

## **for the year ended 31 December 2020**

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### **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.

Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which noncompliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the

## **Independent Auditor's Report** for the year ended 31 December 2020

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preparation of the financial statements such as the Companies Act 2006 and and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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.

**Amit Sharma (Senior Statutory Auditor)**

for and on behalf of

**Goodman Jones LLP**  
**Chartered Accountants**  
**Statutory Auditor**

XXX 2021

**Statement of Comprehensive Income**  
for the year ended 31 December 2020

|  | Note  | 2020<br>£        | 2019<br>£        |
|--|-------|------------------|------------------|
| <b>Income</b>  |       |                  |                  |
| Gross contributions  | 1 (c) | 3,656,240        | 3,494,501        |
| Other income   | 1 (d) | 429              | 56,995           |
| <b>Total income</b>  | 3     | <b>3,656,669</b> | <b>3,551,496</b> |
| <b>Expenditure</b>   |       |                  |                  |
| Insurance premiums   | 1 (e) | (440,696)        | (430,523)        |
| Incurred claims  | 1 (f) | (1,590,255)      | (1,925,135)      |
| <b>Net contributions and claims</b>                                    |       | <b>1,625,718</b> | <b>1,195,838</b> |
| Administrative expenses  |       | (1,605,712)      | (1,343,298)      |
| <b>Operating surplus/( deficit)</b>                                    | 4     | <b>20,006</b>    | <b>(147,460)</b> |
| Interest income  | 5     | 27,693           | 29,304           |
| <b>Surplus/(deficit) on ordinary activities before taxation</b>        |       | <b>47,699</b>    | <b>(118,156)</b> |
| Taxation   | 6     | (5,262)          | (5,568)          |
| <b>Surplus/(deficit) on ordinary activities for the financial year</b> | 12    | <b>42,437</b>    | <b>(123,724)</b> |
| <b>Comprehensive income</b>  |       | <b>42,437</b>    | <b>(123,724)</b> |

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 2020

|  | Note | 2020<br>£             | 2019<br>£             |
|--|------|-----------------------|-----------------------|
| <b>Fixed asset investments</b>                 | 7    | <u>450,000</u>        | <u>450,000</u>        |
| <b>Current assets</b>                          |      |                       |                       |
| Receivables                                    | 8    | 3,220,626             | 2,299,341             |
| Cash at bank                                   | 9    | 1,278,891             | 1,517,225             |
|  |      | <u>4,499,517</u>      | <u>3,816,566</u>      |
| <b>Current liabilities</b>                     |      |                       |                       |
| Creditors: amounts falling due within one year | 10   | (2,975,868)           | (2,396,959)           |
|  |      | <u>(2,975,868)</u>    | <u>(2,396,959)</u>    |
| <b>Net current assets</b>                      |      | <b>1,523,649</b>      | <b>1,419,607</b>      |
| Provision for liabilities                      | 11   | (1,063,923)           | (1,002,318)           |
| <b>Net Assets</b>                              |      | <u><b>909,726</b></u> | <u><b>867,289</b></u> |
| <b>Reserves</b>                                |      |                       |                       |
| Revaluation reserve                            |      | 150,000               | 150,000               |
| General reserves                               |      | 759,726               | 717,289               |
| <b>Members' funds</b>                          | 12   | <u><b>909,726</b></u> | <u><b>867,289</b></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 xxx 2021. They were signed on its behalf by:

Peter Wagg  
Chairman

# Notes to the Financial Statements

## for the year ended 31 December 2020

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### 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.

## **Notes to the Financial Statements**

### **for the year ended 31 December 2020**

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#### **(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 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.



## **Notes to the Financial Statements** for the year ended 31 December 2020

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### **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.

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.

## Notes to the Financial Statements for the year ended 31 December 2020

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### **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 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 surplus/(deficit)**

| 2020 | 2019 |
|------|------|
| £    | £    |

The operating surplus/(deficit) is stated after charging:

#### **Auditor's remuneration (including irrecoverable VAT)**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Audit-related assurance services | <u>14,060</u> | <u>12,940</u> |
|----------------------------------|---------------|---------------|

#### **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.

| 2020 | 2019 |
|------|------|
| £    | £    |

#### **Directors' remuneration**

|            |               |               |
|------------|---------------|---------------|
| Emoluments | <u>55,965</u> | <u>53,300</u> |
|------------|---------------|---------------|

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.

**Notes to the Financial Statements**  
for the year ended 31 December 2020

**5. Interest income**

|                | <b>2020</b>   | <b>2019</b>   |
|----------------|---------------|---------------|
|                | £             | £             |
| Bank interest  | 2,099         | 5,013         |
| Other interest | 25,594        | 24,291        |
|                | <u>27,693</u> | <u>29,304</u> |

**6. Taxation**

|                           | <b>2020</b>  | <b>2019</b>  |
|---------------------------|--------------|--------------|
|                           | £            | £            |
| The tax charge comprises: |              |              |
| UK Corporation tax        | 5,262        | 5,568        |
|                           | <u>5,262</u> | <u>5,568</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.

|  | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
|  | £            | £            |
| Surplus/(deficit) on ordinary activities before tax          | 47,699       | (118,156)    |
| Tax charge at 19%  | 9,063        | (22,450)     |
| Effect of income and expenses not subject to corporation tax | (3,801)      | 28,018       |
| Tax for the year   | <u>5,262</u> | <u>5,568</u> |

**7. Fixed asset investments**

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

**8. Receivables**

|                                | <b>2020</b>      | <b>2019</b>      |
|--------------------------------|------------------|------------------|
|                                | £                | £                |
| <b>Due within one year:</b>    |                  |                  |
| Amounts due from Members       | 1,333,930        | 1,267,839        |
| Insurance recoveries           | 1,323,722        | 500,569          |
| Prepayments and accrued income | 112,974          | 80,933           |
| Other receivables              | 450,000          | 450,000          |
|                                | <u>3,220,626</u> | <u>2,299,341</u> |

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

**Notes to the Financial Statements**  
for the year ended 31 December 2020

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**9. Cash at bank**

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

**10. Creditors: amounts falling due within one year**

|                    | <b>2020</b>      | <b>2019</b>      |
|--------------------|------------------|------------------|
|                    | £                | £                |
| Trade payables     | 91,540           | 299,270          |
| Outstanding claims | 2,406,254        | 2,038,060        |
| Accruals           | 472,812          | 54,061           |
| Corporation tax    | 5,262            | 5,568            |
|                    | <u>2,975,868</u> | <u>2,396,959</u> |

**11. Provision for liabilities**

|  | <b>2020</b>      | <b>2019</b>      |
|--|------------------|------------------|
|  | £                | £                |
| Provision for claims incurred but not yet reported | 1,063,923        | 1,002,318        |
|  | <u>1,063,923</u> | <u>1,002,318</u> |

**12. Members' funds**

|                        | <b>General</b> | <b>Revaluation</b> | <b>Total</b>   |
|------------------------|----------------|--------------------|----------------|
|                        | £              | £                  | £              |
| At 1 January 2020      | 717,289        | 150,000            | 867,289        |
| Surplus for the period | 42,437         | -                  | 42,437         |
| At 31 December 2020    | <u>759,726</u> | <u>150,000</u>     | <u>909,726</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.



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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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