

Company Registration No. 02731799

U M Association Limited

Report and Financial Statements

31st July 2023



Contents	Page
Officers and professional advisers	2
Strategic report	3
Directors' report	7
Directors' responsibilities statement	9
Independent auditor's report	10
Consolidated statement of comprehensive income and expenditure	13
Consolidated statement of financial position	14
Company statement of financial position	15
Consolidated statement of cash flows	16
Statements of changes in equity	17
Notes to the financial statements	18

Report and financial statements 2023
Officers and professional advisers

Directors

A Guest
P Cusition
M Davies
S Holt
A Keeble
M McCall
L Jenkins
N Cárdenas Blanco

Company Secretary

H Nagra

Registered Office

5 St. Helen's Place
London
EC3A 6AB

Auditors

BDO LLP
Registered Auditors
London, United Kingdom

Bankers

Coutts & Co

Legal advisors

Simmons & Simmons

Strategic Report

I am pleased to say that the 2022/23 indemnity year was a very successful year as we returned to our profitable historical performance after two difficult years in 2020 and 2021. Despite some operational and financial changes, I am pleased to report that the surplus for the year was £4.2m, after the credits given to our Members under the Members Loyalty Bonus of £3.8m

As a consequence the Directors have resolved to make a distribution to Members by way of a rebate to be set against 2023/24 Advance contributions as follows:

General Contributions – 5% of the 2022/23 Gross Advance Contribution

Terrorism Contributions – 10% of the 2022/23 Gross Advance Contribution

This rebate will total £2.2m, and will mean we will have either rebated or discounted £6.0m for the 2022/23 Indemnity year. The residual surplus for the year of £2m, will be added to Members Reserves

This surplus is after the following amounts being included in the Financial Result:-

Investment Income of £0.7m

Property losses for the year of £6.8m

Including Claims resulting from UK Storms - £1.3m

Including Claims resulting from Escape of Water - £2.2m

Members Loyalty Bonus - £3.8m

Conversely, we saw some improvements on prior year's claims as they were settled and closed. This represented around £1.9m on the Liability classes.

Elsewhere on claims, travel claims frequency is now returning to pre Covid levels, with a return to normal travel patterns and some claims inflation pressure on Travel and Medical costs.

On Employers Liability and Public Liability, claims frequency is increasing significantly due to a return to normal on campus teaching and the aggressiveness of specialist claimant law firms encouraging claimants irrespective of the merits of any case.

Financial markets still remain difficult with increases in interest rates negatively impacting the underlying value of Bonds and Fixed Interest Funds. The market value of our fixed interest investments has fallen as interest rates rise. Currently this was limited to around 2.6% as we have a diversified portfolio. We have decided not to invest further surplus cash into longer term investments as the rates we are getting for fixed term investments of cash over a 9/12 month maturity period are very attractive. At the year-end we held £32m of cash through these deposits.

During the year we had a strategic review of our investment strategy and took the decision to shift our investment portfolio to a more secure and stable return on our investments, This will result (after the year-end), in us investing around £27m in "Yield to Maturity" investment grade fixed income securities. The approximate yield on the portfolio will be around 5.8%, with an average duration of 2.9 years.

We welcomed the following new "Full" Members during the year: -

Institute for Cancer Research

Trinity Laban

University of Greenwich

Lancaster University

Royal College of Music

This trend continued at 1st August 2023 when we again welcomed a number of new Members, including University of Aberdeen, SOAS University of London, University of the Creative Arts and the Glasgow School of Art

Strategic Report (continued)

Despite turmoil in the Commercial Insurance market with rates having increased over the last 2/3 years, the value of the Mutual is even more clearly demonstrated as we continue to offer stable pricing and a rate guarantee provided by the Members Loyalty Bonus scheme. The value to Members who elect to sign up for the members Loyalty Bonus, now offers financial benefits of almost 30% when compared to Commercial Insurers as demonstrated by the following:-

- Members Loyalty Bonus 10%
- No Payment of IPT 12%
- Members Rebate (5% for General Contributions and 10% of Terror Contributions)
- No payment of Broker fees/commission (say) 10%

Savings to Members against Premiums is between 35% and 40% compared to the Commercial insurance market

Most of our Members have signed up to the MLB scheme, with around 98% of our gross contributions benefiting from this discount. In total the discounts provided up front to our Members was £3.8m, and approaching £12m since we introduced it in 2019. A significant benefit in increasingly challenging times.

The result for the year as I have highlighted above, continues to benefit from prudent and diligent management of claims, and the ongoing attention to risk management by our Members. But for the relatively modest investment performance from our investment portfolio, our surplus would have been significantly higher.

Our expense ratio (i.e. the administration expenses as a proportion of Income), continues to reduce. This year it is at 10.9%, down from 11.7% last year. This is significantly below the level that Commercial Insurers operate at, and of course we don't pay commission to Insurance Brokers which would otherwise increase our expense ratio and require us to increase our prices.

Member's funds increased (after the distribution of the rebate), from £24.9m to £26.9m. Our net current assets have also increased from £18.1m to £18.2m. Our cash and investments remain very strong at £58.7m (2022: £50.0m). In these troubled and uncertain times the Mutual has had a solid year.

Over the period of the past twelve months the choices for institutions, particularly universities has become more limited in the commercial insurance market. This forced a number of institutions that use the broker model to hurriedly source alternative coverage in a difficult market pricing environment resulting in significant price increases for a number of institutions, and a "patchwork quilt" placement of cover. We, in stark contrast, continue to offer substantial single limits, wide cover and a single cover schedule for virtually all lines of business.

Rates in the general commercial market remain firm, if not rising at the same rate as in the last two years. There is no sign of a quick return to a "soft" buyers' market in the general insurance market. Many of our Members benefited from our rate guarantee. Some opted to "swap out" the remaining year on their MLB for a new rate "fix", with only modest rate increases to cover the cost of our increased (Re) insurance costs.

There were no major changes to cover during the year other than confirmation that "Munitions of War cover (as occurred at Exeter University which its insurers declined); is provided under the UMAL coverage. We did midway through the year introduce a new Construction cover for our Members offering substantial limits with a market wording at very attractive rates. This was in the face of it becoming increasingly more difficult and expensive for us to source cover from the Commercial Insurance market for this cover.

Given our discretionary mutual status, Members also benefit from IPT not being levied on contributions, which would otherwise add over £4m to the contributions collected. In addition, U.M. (Special Risks) Limited, a company under common control, distributed £1.5m of subsidies in respect of Terror Contributions, which combined with UMAL's distribution and commission rebates provided by HMSL, our in house broker, means we have already handed back to Members a total of over £6m in this financial year.

The Key operational risks facing the Association continue to be monitored closely and are considered to be frequency and severity of catastrophe claims, insurance market consolidation and regulatory changes together with

Strategic Report (continued)

investment volatility. They are being actively monitored and a robust risk management process is in place, which includes maintaining a robust insurance protection programme with 'A' rated insurers or better, and close monitoring of the Association's diverse investment portfolio assisted by external advisors. A rigorous Realistic Disaster Scenario (RDS) exercise is undertaken each year to stress test our Insurance protections in the event of a number, or series of large claims.

The Mutual continues to stand firm in offering broad cover with consistent and fair pricing to our Members, whilst continuing to deliver the best service in the Sector. A constant theme or comment which we hear from our new Members is "I can't imagine going back to a broker/insurer model".

By contrast commercial insurers strive to take advantage of market conditions, push up prices and reduce cover, whilst at the same time deal with their expense issue by reducing staff numbers and service levels. We continue to invest in modernising our systems and procedures and have improved our service delivery during the year whilst our total operating expense ratio remains at a low level. We also don't deal through brokers or intermediaries, a cost which the broker/insurer model needs to recover through a combination of fees from policyholders as well as higher commissions from commercial insurers with the inevitable consequence of increasing premium levels to their policyholders.

All the benefits for our Members and the achievements of the Mutual have been developed against a background of rising exposure, risks that are more complex and the rising costs of claims.

Key Performance Indicators	2023	2022
	£m	£m
Gross Contributions receivable	39.2	32.4
Commissions	0.6	0.5
Investment income/(expense) (Gross)	0.7	(1.5)
Administrative expenses	4.38	3.8
Administrative expenses percentage to gross income	10.9%	11.7%
Operating surplus	1.4	3.4
Surplus for the year	2.0	2.1
Members' funds	26.9	24.9
Return to members	6.0	3.2
Investments, cash and short term deposits	58.7	50.0
Net current assets	18.2	18.0

The Financial Statements consist of the Association, its subsidiary HMSL and its quasi-subsiary, Windward Insurance PCC Ltd – UMAL's Cell (I) registered in Guernsey.

Hasilwood Management Services Ltd (HMSL), our wholly owned subsidiary, provides a valuable service to the Mutual and its Members avoiding the need for Members to engage external for-profit intermediaries. Gross income, in the form of commissions payable to HMSL by insurers in relation to insurance placements, has increased this year in-line with the expansion in UMAL Membership and the number of placements of which a greater proportion of the commission and income earned has been rebated or refunded back to Members. Included in this income are administration charges in respect of mutual management services provided to both UMAL and UMSR.

Windward Insurance PCC Ltd – UMAL's Cell (I) gives UMAL access to the (re) insurance markets and provides continuing cover as an integral part of UMAL's insurance placements.

We continue to demonstrate the value of the mutual to both existing and prospective Members, most specifically the savings and benefits of mutual membership. Dialogue and discussion with the individual institutions and sector purchasing consortia offer promising opportunities for us in the coming indemnity years.

I am able to assure Members that, through the Board's annual reviews of its own effectiveness, governance and risk management issues are being addressed in an appropriate way. The Board's Governance Committees met regularly during the year. The support and involvement of our Members remains the foundation of the mutual concept. The

Strategic Report (continued)

UMAL Directors and staff welcome this engagement as we continue to build our reputation based upon an overall 'best value' offering and we thank our Members for their loyalty and support.

As this year's activity draws to a close I can advise of changes to the operational control and administration of the Mutual. This includes Simon Holt who is stepping down as a non-executive Director after many valued years of dedicated service to the Board and the Membership. Simon joined the Board in 2013 and has been an active Board Member during some challenging times and departs with the thanks and best wishes of his colleagues.

This will also be my final year as Chairman, having joined the Board in 2010, and I shall be retiring at the AGM on 13th December 2023. It has been my privilege to be involved in the Mutual over its development and I am proud of the strong position it has achieved for its Members and the FE and HE Sector during some exceptional times.

By far and away the most significant change is that Paul Cusition our current CEO is stepping down from the role of CEO at the end of 2023 and I am delighted to say he will take over the role of Chairman of the Board with effect from the AGM 13th December 2023. Paul joined the company as CEO at the start of 2018 at a very challenging time and during his tenure as CEO has skilfully guided UMAL to achieve substantial year on year growth in membership, introducing significant modernisation to systems and streamlined processes and substantial improvements to the scope of coverages provided to Members.

Paul will be succeeded by James Roberts, as has already been announced, and I feel certain that Paul as Chairman and James as CEO will form a formidable team to ensure the stability and continuity to take UMAL forward to further success and service for the benefit of Members and the HE Sector overall.

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



Allan Guest, Chairman

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31st July 2023.

Status of the Company

U M Association Limited is a private company limited by guarantee registered under the Companies Act 2006. The registration number is 02731799.

Principal activity

The principal activity of the Association is the provision of discretionary indemnities on a mutual basis.

The principal activity of the Association's subsidiary, Hasilwood Management Services Limited, is that of an insurance intermediary and mutual management service provider.

The principal activity of the Association's quasi-subsiary, Windward Insurance PCC Limited - UMAL Cell (I), is that of the underwriting of general insurance for UMAL.

Likely future developments in the business of the group

The board seeks controlled and structured growth to preserve its high servicing levels and allow the mutual to respond to needs and opportunities that arise in this specialist changing sector.

Approaches to participate in the mutual are scrutinised and evaluated and are followed up where advantageous to both the mutual as a whole and existing members.

Business review

The results for the year and the state of the Group's affairs are set out in the attached financial statements.

Financial instruments

The Group activities give rise to trade debtors and trade creditors. The main risks identified with using these are the management of cash flow and exposure to interest rate fluctuations.

Directors

The Directors who served during the year and their attendance at Board meetings is given below. Directors are required to retire by rotation. None of the Directors had a personal interest in the Group during the year.

Name	Number of Board Meetings Attended	Possible number of Board Meeting Attendances
A Guest	5	5
P Cusition	5	5
M Davies *	5	5
J Lacey * (resigned 14 th December 2022)	2	5
S Holt *	5	5
A Keeble *	4	5
M McCall	4	5
L Jenkins *	5	5
N Cárdenas Blanco	5	5

* denotes member of the Audit Committee

Directors' Report (continued)

Directors Insurance

The Group maintains insurance policies on behalf of all its officers under Sections 232 and 233 of Chapter 7 of the Companies Act 2006 against liabilities in relation to the Association.

Going concern

After making inquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Company Secretary

Harry Nagra served as company secretary during the year and to the date of this report.

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



Paul Cusition
Director
15 November 2023

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report 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 elected to prepare the financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Group and of the profit or loss of the Group for that period.

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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association 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 Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2023 and of the Group's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of U. M. Association Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2023 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidate Statement of Changes in Equity, Company Statement of Changes in Equity 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' 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 Group's and Parent 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 directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial

Independent auditor's report to the members of U M Association Limited

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Group's and the Parent 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 Group or the Parent 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.

Independent auditor's report to the members of U M Association Limited

Extent to which the audit was capable of detecting irregularities, including fraud

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:

- Obtaining an understanding of the legal and regulatory framework applicable to the Association's operations and the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the Financial Conduct Authority (FCA);
- Considered the appropriateness of the methodology employed by management to determine valuation of IBNR;
- Assessment of the valuation of case estimates at the year-end with reference to underlying supporting documentation;
- Review of a sample of journal entries with high risk characteristics, agreeing the transaction to supporting documentation;
- Enquiries of management;
- Review of minutes of board meetings throughout the period; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

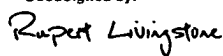
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



BA1570559307455
Rupert Livingstone (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

16 November 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income and expenditure
Year ended 31st July 2023

	Notes	2023 £	2022 £
Turnover	2,3		
Gross receipts from members		39,843,430	32,952,168
Return of contributions		(2,176,639)	-
Net turnover		37,666,791	32,952,168
Members loyalty bonus		(3,830,485)	(3,230,558)
Net receipts		33,836,306	29,721,610
Insurance related costs		(28,144,108)	(22,527,141)
Gross surplus		5,692,198	7,194,469
Administrative expenses		(4,276,471)	(3,795,720)
Operating surplus	4	1,415,727	3,398,749
Investment income	8	684,522	(1,542,295)
Surplus on ordinary activities before taxation		2,100,249	1,856,454
Tax on surplus on ordinary activities	9	(57,704)	203,773
Surplus on ordinary activities and total comprehensive result for the financial year		<u>2,042,545</u>	<u>2,060,227</u>

All amounts relate to continuing operations.

All comprehensive income is included in the consolidated statement of income above and is wholly attributable to the members.

The accompanying notes 1 to 22 form an integral part of these financial statements.

Consolidated statement of financial position
As at 31st July 2023

	Notes	2023 £	2022 £
Fixed assets			
Tangible fixed assets	10	116,061	158,463
Investments	11	24,808,204	23,964,205
Total fixed assets		24,924,265	24,122,668
Current assets			
Debtors	12	5,943,577	7,945,296
Cash at bank and short-term deposits	13	33,928,040	26,072,922
Total current assets		39,871,617	34,018,218
Creditors: amounts falling due within one year	14	(21,694,466)	(15,964,434)
Net current assets		18,177,151	18,053,784
Total assets less current liabilities		43,101,416	42,176,452
Provisions for liabilities			
Other provisions	15	(16,189,233)	(17,306,814)
Net assets		26,912,183	24,869,638
Reserves			
General closed years' reserves	16	94,420	94,420
General open years' reserves	16	26,817,763	24,775,218
Members' funds		26,912,183	24,869,638

The accompanying notes 1 to 22 form an integral part of these financial statements.

The financial statements of U M Association Limited, registered number 02731799 were approved by the Board of Directors and signed on its behalf on 15 November 2023.



Allan Guest
 Director

15 November 2023

Company statement of financial position
As at 31st July 2023

	Notes	2023 £	2022 £
Fixed assets			
Investments	11	30,205,637	29,719,954
Current assets			
Debtors	12	9,098,893	10,050,544
Cash at bank and short term deposits	13	25,532,855	17,323,720
		34,631,748	27,374,264
Creditors: amounts falling due within one year	14	(21,993,395)	(15,505,193)
Net current assets		12,638,353	11,869,071
Total assets less current liabilities		42,843,990	41,589,025
Provisions for liabilities			
Other provisions	15	(16,180,009)	(16,787,859)
Net assets		26,663,981	24,801,166
Reserves			
General closed years' reserves	16	94,420	94,420
General open years' reserves	16	26,569,561	24,706,746
Members' funds		26,663,981	24,801,166

The Association's surplus for financial year is £1,862,815 (2022: £1,917,737).

The accompanying notes 1 to 22 form an integral part of these financial statements.

The financial statements of U M Association Limited, registered number 02731799 were approved by the Board of Directors and signed on its behalf on 15 November 2023.



Allan Guest
 Director

15 November 2023

Consolidated statement of cash flows
Year ended 31st July 2023

	Notes	2023 £	2022 £
Cash flows from operating activities			
Surplus for the financial year		1,415,727	3,398,749
Adjustments for:			
Depreciation of tangible assets		60,677	59,251
Decrease in trade and other debtors		2,001,719	7,958,040
Increase/(decrease) in trade and other creditors		5,690,644	(8,005,744)
(Decrease) in provisions		(1,117,581)	(1,330,104)
Impairment of investments		659,241	1,586,440
Cash from operations		8,710,427	3,666,632
Income tax paid		(18,316)	66,889
Net cash generated from operating activities		8,692,111	3,733,521
Cash flows from investing activities			
Purchase of fixed asset investments	11	(1,508,590)	-
Disposal of fixed asset investments	11	5,350	32,198
Purchase of tangible assets	10	(18,275)	(2,152)
Interest received	8	684,522	(1,542,295)
Net cash generated from investing activities		(836,993)	(1,512,249)
Net increase in cash and cash equivalents		7,855,118	2,221,272
Cash and cash equivalents at the beginning of the year		26,072,922	23,851,650
Cash and cash equivalents at the end of the year	13	33,928,040	26,072,922

The accompanying notes 1 to 22 form an integral part of these financial statements.

Statement of changes in equity
Year ended 31st July 2023

Consolidated statement of changes in equity

	General closed year reserves £	General open year reserves £	Total £
At 31 July 2021	94,420	22,714,991	22,809,411
Surplus for the year	-	2,060,227	2,060,227
At 31 July 2022	94,420	24,775,218	24,869,638
Surplus for the year	-	2,042,545	2,042,545
At 31 July 2023	94,420	26,817,763	26,912,183

Company statement of changes in equity

	General closed year reserves £	General open year reserves £	Total £
At 31 July 2021	94,420	22,789,009	22,883,429
Surplus for the year	-	1,917,737	1,917,737
At 31 July 2022	94,420	24,706,746	24,801,166
Surplus for the year	-	1,862,815	1,862,815
At 31 July 2023	94,420	26,569,561	26,663,981

The accompanying notes 1 to 22 form an integral part of these financial statements.

1. General Information

The Association is a United Kingdom private company limited by guarantee and is both incorporated and domiciled in England and Wales, registration number 02731799. Its registered office address is 5 St. Helen's Place, London, EC3A 6AB.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. These policies have been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies that have been applied consistently by the Association to all periods presented in these financial statements are set out below. The functional and presentational currency is GBP.

Basis of consolidation

The consolidated statement of comprehensive income and expenditure and consolidated statement of financial position include the financial statements of the Association and its subsidiaries, including its quasi-subsidiary undertaking Windward Insurance PCC Limited - UMAL Cell (I), "the Cell", made up to 31 July 2023. Intra-group transactions are eliminated fully on consolidation.

The Association has taken advantage of the exemptions contained within section 408 of the Companies Act 2006 not to present its own statement of comprehensive income and expenditure.

Going concern

After reviewing the Association's forecasts and projections, the Directors have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

Turnover represents contributions from members relating to the year, and the value of services supplied by the group net of value added tax, and commission from insurers. Contributions from members is recognised by reference to the period to which the contribution relates. For annual contributions this is generally the same as the financial year. Turnover from the rendering of services is recognised on inception of the contract.

Members who have signed up to the Members Loyalty Bonus Agreement benefit from a discount of 10% on all contributions. In addition, a Return of Contributions was declared for the year amounting to a rebate of 5% and 10% on General and Terror Advance Contributions respectively.

2. Significant Accounting Policies (Continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write-off the cost of the fixed asset, less their estimated residual value, over their expected useful lives on the following annual basis:

Leasehold land and buildings	- Over the life of the lease
Computer hardware	- 33% straight line
Fixture, fittings and equipment	- 25% straight line
General Computer software	- 50% straight line
System software and development	- 20% straight line

Investments

Investments in Group undertakings are stated at cost less provision for diminution in value. Other long term investments are carried at fair value through profit and loss using quoted market prices at the reporting date.

Pensions

The Association operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Association to the fund in respect of service in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the consolidated statement of comprehensive income and expenditure.

Reserve fund

The transfer to or from the reserve fund is determined using the funds basis of accounting. Under the funds basis, contributions net of excess insurance, claims, expenses, investment income and taxation for each open year are allocated to each indemnity year beginning 1 August, the results of which are determined when the indemnity year is closed. Indemnity years are closed at the discretion of the board. Deficiencies on open years and movements on closed indemnity years are accounted for as soon as they are anticipated.

Claims provisions

Claims are recognised upon notification at the approval of the Board. Provision is also included for incurred but not reported claims at the year end at the discretion of the Board. Details of the provision are included at note 15.

The level of the incurred but not reported claims provision at the statement of financial position date has been established on the basis of information which is currently available to the Association, including the costs of settling known claims. The Association takes all reasonable steps to ensure it has appropriate information regarding potential claims exposure. Whilst the Board is of the opinion that the required level of provisioning is fairly stated at the statement of financial position date, due to the inherent uncertainty in estimating claims provisions, it is likely that the final outcome will prove to be different from the original liability estimated. Accordingly, a degree of caution is exercised when estimating the level of claims provision required where uncertainty exists.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

2. Significant Accounting Policies (Continued)
Critical accounting judgements and key sources of estimation uncertainty

Presentation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include valuation of investments and claims provisions, both described above.

Financial assets – classified as basic financial instruments
Trade and other debtors

Trade and other debtors are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the amount expected to be receivable, net of any impairment.

At the end of each reporting year, the Association assesses whether there is objective evidence that any financial asset amount may be impaired. A provision for impairment is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the financial assets. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

Financial liabilities – classified as basic financial instruments
Trade and other creditors

Trade and other creditors are initially measured at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Amounts that are payable within one year are measured at the undiscounted amount of the amount expected to be payable.

3. Turnover

	2023	2022
	£	£
Total contributions from members	39,197,622	32,447,724
Return of contributions	(2,176,639)	-
Net contributions	37,020,983	32,447,724
Commissions	645,808	504,444
Total net turnover	<u>37,666,791</u>	<u>32,952,168</u>

The total turnover of the Group for the year has been derived from its principal activities undertaken in the United Kingdom.

4. Surplus on ordinary activities before taxation

The surplus on ordinary activities before taxation is stated after charging:	2023	2022
	£	£
Depreciation of tangible fixed assets owned by the group	60,677	59,251
Auditor's remuneration	76,575	66,725
Pension costs	126,642	101,356
Operating lease rentals – land and buildings	<u>232,189</u>	<u>259,610</u>

Notes to the financial statements
Year ended 31st July 2023

4. Surplus on ordinary activities before taxation (continued)

	2023	2022
	£	£
Auditor's remuneration comprised:		
Fees payable for the audit of the Association's annual accounts	54,850	49,555
Tax compliance services	11,625	9,920
Other non-audit services	10,100	7,250
	<u>76,575</u>	<u>66,725</u>

5. Leasing Commitments

The future minimum lease payments under operating leases are as follows:

Land and Buildings	2023	2022
	£	£
Within one year	200,100	221,145
In two to five years	<u>584,495</u>	<u>867,010</u>

6. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2023	2022
	£	£
Wages and salaries	2,380,849	2,097,924
Social security costs	281,493	251,921
Other pension costs	<u>126,642</u>	<u>101,356</u>
	<u>2,788,984</u>	<u>2,451,201</u>

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

	2023	2022
	No.	No.
Claims	4	4
Finance	2	2
Administration	8	7
Non Claims	<u>6</u>	<u>6</u>
	<u>20</u>	<u>19</u>

7. Directors' remuneration

	2023	2022
	£	£
Emoluments	<u>709,861</u>	<u>648,859</u>
Pension contributions to money purchase pension schemes	<u>-</u>	<u>-</u>

Notes to the financial statements
Year ended 31st July 2023

During the year there were no retirement benefits accruing to any of the directors (2022: none) in respect of money purchase pension schemes.

The highest paid director received remuneration of £541,500 (2022: £480,192).

Included within emoluments above are amounts paid to employing institutions for directors' services of £Nil (2022: £Nil).

The above amounts include sums paid in respect of both executive and non-executive directors' services.

8. Investment income

	2023	2022
	£	£
Bank and deposit interest	1,027,941	60,345
Other investment income	342,328	42,775
Change in fair value of investments	(685,747)	(1,645,415)
	<u>684,522</u>	<u>(1,542,295)</u>

9. Taxation

	2023	2022
	£	£
UK corporation tax charge/(credit) for the year	<u>57,704</u>	<u>(203,773)</u>

Factors affecting the tax charge for the year

The tax is assessed for the year at 21.0% (2022: 19.0%)

	2023	2022
	£	£
Group surplus on ordinary activities before tax	<u>2,100,249</u>	<u>1,856,454</u>
Surplus at the Association's tax rate 21.0% (2022: 19.0%)	441,250	352,726
Non taxable mutual operations	(320,006)	(626,222)
Capital allowances in excess of depreciation	7,953	10,059
Loss relief	(71,371)	281,876
Adjustments to tax charge in respect of previous periods	<u>(122)</u>	<u>(222,212)</u>
Current tax charge/(credit)	<u>57,704</u>	<u>(203,773)</u>

In accordance with accounting standards, no deferred tax is recognised on the unremitted surplus of the quasi-subsidiary as detailed in note 11 to the financial statements.

Notes to the financial statements
Year ended 31st July 2023

10. Tangible fixed assets

Group	Leasehold land and buildings £	Computer hardware £	Fixtures, fittings and equipment £	Computer software £	Total £
Cost					
At 1 August 2022	198,872	125,947	104,270	134,892	563,981
Additions	-	18,275	-	-	18,275
	-	(62,230)	-	-	(62,230)
At 31 July 2023	198,872	81,992	104,270	134,892	520,026
Accumulated depreciation					
At 1 August 2022	99,437	114,169	104,244	87,668	405,518
Charge for period	19,887	17,152	26	23,612	60,678
Depreciation on disposals	-	(62,230)	-	-	(62,230)
At 31 July 2023	119,324	69,091	104,270	111,280	403,965
Net book value					
At 31 July 2023	79,548	12,901	-	23,612	116,061
At 31 July 2022	99,435	11,778	26	47,224	158,463

11. Fixed asset investments

Total fixed asset investments comprise:

	Group		Association	
	2023 £	2022 £	2023 £	2022 £
Interests in subsidiaries	-	-	5,397,433	5,755,749
Other fixed asset investments	24,808,204	23,964,205	24,808,204	23,964,205
	24,808,204	23,964,205	30,205,637	29,719,954

Interests in subsidiaries

	Country	Percentage shareholding	Description
Hasilwood Management Services Limited 400,000 ordinary shares of £1 (2022 – 400,000 shares)	United Kingdom	100%	Insurance intermediary
Windward Insurance PCC Limited – UMAL Cell (I) (incorporated in Guernsey) 15 (2022:15) cellular shares of £1	Guernsey	100%	Provision of Insurance

The Association's rights to participate in Windward Insurance PCC Limited – UMAL Cell(I) are limited to the activity of the Cell only.

Notes to the financial statements
Year ended 31st July 2023

11. Fixed asset investments (continued)

Windward Insurance PCC Limited has a financial year end of 31 March. UMAL Cell (I) is an individual cell within Windward Insurance PCC Limited and therefore it is not practicable for the financial year end of this cell to coincide with that of the Association. The results of UMAL Cell (I) which are consolidated into these financial statements are based on management accounts prepared for the twelve months to 31 July 2023.

The Group and Association:	Long- term deposits & Investments
	£
Cost	
At 1 August 2022	25,467,802
Additions	1,508,590
Disposals	(5,350)
	<u>26,971,042</u>
At 31 July 2023	<u>26,971,042</u>
Valuation adjustment	
At 1 August 2022	(1,503,597)
Movement in fair value in year	(659,241)
	<u>(2,162,838)</u>
At 31 July 2023	<u>(2,162,838)</u>
 Net book amount at 31 July 2023	 <u>24,808,204</u>
 Net book amount at 31 July 2022	 <u>23,964,205</u>
 Association:	 Shares in subsidiary undertakings
	£
Cost	
At 1 August 2022	29,000,000
At 31 July 2023	29,000,000
Impairment	
At 1 August 2022	(23,244,251)
Revaluation	(358,316)
	<u>(23,602,567)</u>
At 31 July 2023	<u>(23,602,567)</u>
Net book value	
At 31 July 2023	<u>5,397,433</u>
At 31 July 2022	<u>5,755,749</u>

Long term deposits and investments comprise holdings in publicly traded investment funds and are valued at quoted market prices at the reporting date.

Notes to the financial statements
Year ended 31st July 2023

12. Debtors

	Group		Association	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	339,271	139,257	233,465	9,212
Amounts owed by group undertakings	-	-	3,556,500	2,433,015
Other debtors	1,370,054	3,012,486	1,364,502	2,875,055
Social security and other taxes	26,707	-	-	-
Corporation tax	222,212	241,625	222,212	222,212
Prepayments and accrued income	3,985,333	4,551,928	3,722,214	4,511,050
	<u>5,943,577</u>	<u>7,945,296</u>	<u>9,098,893</u>	<u>10,050,544</u>

13. Cash and cash equivalents

	Group		Association	
	2023	2022	2023	2022
	£	£	£	£
Balances with banks	1,839,096	1,693,054	1,130,311	327,474
Short term Cash funds	32,088,944	24,379,868	24,402,544	16,996,246
	<u>33,928,040</u>	<u>26,072,922</u>	<u>25,532,855</u>	<u>17,323,720</u>

At 31st July 2023 the Group had a deposit of £6,842,900 (2022: £6,500,000) in a Security Interest Agreement in favour of QBE Insurance (Europe) Limited.

14. Creditors: amounts falling due within one year

	Group		Association	
	2023	2022	2023	2022
	£	£	£	£
Trade creditors	18,225,792	14,472,804	17,995,872	14,282,364
Amounts owed to group undertakings	-	-	803,760	-
Corporation tax	57,827	18,439	-	-
Social security and other taxes	147,485	139,233	147,485	139,233
Other creditors	2,350,152	619,979	2,219,953	490,983
Accruals and deferred income	913,210	713,979	826,325	592,613
	<u>21,694,466</u>	<u>15,964,434</u>	<u>21,993,395</u>	<u>15,505,193</u>

Trade creditors comprise claims case estimates which have been notified but which were not settled at the year end.

Notes to the financial statements
Year ended 31st July 2023

15. Provisions

Group	IBNR £	Dilapidations £	Total £
At 1 August 2022	17,217,268	89,546	17,306,814
Provisions charged during the year	-	2,687	2,687
Utilised/released during the year	(1,120,268)	-	(1,120,268)
At 31 July 2023	16,097,000	92,233	16,189,233

Association	IBNR £	Dilapidations £	Total £
At 1 August 2022	16,707,268	80,591	16,787,859
Provisions charged during the year	-	2,418	2,418
Utilised/released during the year	(610,268)	-	(610,268)
At 31 July 2023	16,097,000	83,009	16,180,009

The IBNR provision is in respect of claims incurred but not reported.

Dilapidation provisions are being made on the leasehold premises at 5 St Helen's Place, London.

16. Reserves

General closed year reserves represent reserves in respect of those years for which the indemnity year is closed. General open year reserves represent reserves for all open indemnity years.

17. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £126,642 (2022: £101,356).

18. Company status and members' limited liability

U M Association Limited is a private Association limited by guarantee. In accordance with the Association's Articles of Association, each member's liability in the event of the Association being wound up is restricted to no more than £100.

19. Related party transactions

The Association has no share capital and is controlled by the members who are also the receivers of discretionary indemnity. The resulting transactions are consequently deemed to be between related parties but these are the only transactions between the Association and the members.

The Board is made up of 8 directors, 5 of whom represent the members of the Association. There is 1 executive director. Other than those transactions with directors set out in note 7, and those relating to the provision of discretionary indemnity, there are no other transactions or balances with directors that require disclosure.

The Association receives a guarantee from U. M. Association (Special Risks) Limited ("UMSR") to meet liabilities which the Association may incur in respect of terrorism covers provided to its members. The value of the guarantee shall not exceed £2.5 million in any indemnity year. UMSR is considered to be a related party.

The Association acts as a guarantor of Hasilwood Management Services Ltd. ("HMSL", a wholly owned subsidiary) in respect of an operating lease entered into by HMSL in relation to the premises occupied by both companies. The guarantee covers the leasing commitments (see note 5 above) together with associated costs such as service charges.

20. Control

Control is vested in the individual members of the Association. No individual member has overall control.

21. Financial risks

Credit risk

The financial instrument which most crucially subjects the Association to credit risk is bank balances. The Association manages this risk by maintaining investment practices that restrict placement of bank balances and investments solely to financial institutions considered to be secure and creditworthy. In addition, there is a risk that third party debtors do not settle amounts due. The Association seeks to minimise this risk by maintaining robust credit control and collection practices.

Liquidity risk

The Association manages its cash closely to ensure it has sufficient liquid resources to finance operations on a day to day basis. Projected future cash requirements are closely monitored and banks used by the Association to hold cash periodically reviewed.

Interest rate risk

The Association's operations are subject to the risk of interest rate fluctuations on interest bearing cash deposits. The Association seeks to mitigate this risk by constantly reviewing its investment strategy.

22. Post Balance Sheet Events

There are no subsequent events to report.