

South West Mutual Limited

**Annual Report and Financial Statements
Year Ended 31 March 2020**

Registration number: RS004451

South West Mutual Limited

Contents

Society Information	1
Directors' Report	2 to 6
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8 to 10
Profit and Loss Account	11
Balance Sheet	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15 to 22
Non-statutory pages	23 to 24

South West Mutual Limited

Society Information

Directors	Roger Cawse Mark Drewell Jane Dumeresque Tony Greenham Paul Manning David Thomas
Secretary	John Arthur
Registered office	Devonport Guildhall Ker Street Plymouth PL1 4EL
Auditors	PKF Francis Clark Statutory Auditor North Quay House Sutton Harbour Plymouth Devon PL4 0RA

South West Mutual Limited

Directors' Report for the Year Ended 31 March 2020

Directors' Report

The Directors have pleasure in presenting their report and the audited financial statements of South West Mutual Limited ("the Society") for the period ended 31 March 2020. The financial statements have been prepared in accordance with the accounting policies set out in the Directors' notes to the financial statements and comply with the Society's rules, the Co-operative and Community Benefit Societies Act 2014, and the requirements of the Financial Reporting Standard 102.

Principal Activity

The Society was established with the intention of seeking necessary regulatory permissions to offer banking services to the residents and organisations of Cornwall, Devon, Somerset and Dorset ("the Region").

A firm must obtain authorisation from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to be able to offer banking services.

Accordingly, the principal activity of the Society is presently to undertake the necessary preparations to apply for a banking licence.

Legal, structure and membership

South West Mutual Limited is a co-operative Society incorporated on 1 February 2018 under the Co-operative and Community Benefit Societies Act 2014 as registered Society number 4451.

The Society's registered office is Devonport Guildhall, Ker Street, Plymouth PL1 4EL.

The Society has share capital comprising one class of non-voting ordinary shares and is controlled by its members on the principle of "one member one vote". Members may be individuals or incorporated bodies such as businesses, charities, or public authorities. Members are required to purchase at least one share, or two shares for incorporated bodies, and are also required to satisfy one of the following tests of residency within the Region:

- Permanent residence
- Significant financial interest
- Significant business interest
- Significant community interest

At incorporation, the Society had 26 individual members and at 31 March 2020 the Society had 105 members comprising 12 corporate and 93 individual members. Each member therefore has 1 in 105 of the voting rights, or approximately 1% of the votes.

The largest holding is 4000 shares, accounting for 11.8% of issued shares at 31 March 2020.

Board of directors

Serving directors at 31 March 2020 and their month of appointment are listed alphabetically below:

Name	Role(s)	Appointed	Shares
Roger Cawse	Independent Non-Executive Director	Dec 2018	334
Mark Drewell	Chair of Nomination and Remuneration Sub-Committee	Feb 2018	801
Jane Dumeresque	Chair of Audit and Risk Sub-Committee	Sep 2018	334
Tony Greenham	Executive Director	Feb 2018	334

South West Mutual Limited

Directors' Report for the Year Ended 31 March 2020

Paul Manning	Independent Non-Executive Director	Nov 2018	334
David Thomas	Chair of the Board	May 2019	1

The directors collectively hold 2138 shares and 5.7% of the voting rights in the Society.

Governance

The directors collectively have extensive leadership experience, including banking, mutuals, regulation, law, small and large business, consumer-protection and sustainability. The Board comprises a majority (5 out of 6) of independent non-executive directors and meets monthly to provide independent scrutiny, challenge and support for the Executive Director and operational team.

There are two sub-committees of the Board, Audit and Risk chaired by Jane Dumeresque and Nomination and Remuneration chaired by Mark Drewell.

The Board has voluntarily chosen to adopt the UK Corporate Governance Code in respect of the election of directors and accordingly the directors put themselves forward for re-election annually.

Member benefit

The Society has attracted membership from individuals and organisations who wish to support it as it works towards banking licence approval. Current members share the following common attributes:

- A desire to support the creation of a local community bank controlled by its members.
- A desire to support their local high street by the provision of local banking through, where possible, branch-based banking facilities in addition to those provided through the internet.
- A desire to support the creation of an ethical local bank that puts its members' interests at the heart of its business.
- A desire to support the creation of a local bank that is at the forefront of driving environmental sustainably in the banking sector.

Business review

During the year the key activities and achievements have been to:

- strengthen the Board with the appointment of David Thomas, former Principal Ombudsman with the UK Financial Ombudsman Service, as Chair of the Board;
- raise a further £78,045 in equity capital through the sale of Founder Shares;
- obtain a £200,000 grant from Open Society Foundations (OSF) to support the development of our investment proposition with a view to future equity investment from OSF;
- deliver over 25 presentations to the public, local authorities and other stakeholders in the region;
- form in-principle agreements with a housing association and two local authorities to sponsor the accounts of 200 financially vulnerable customers in order to assess the impact of our proposed personal finance management tools;
- file our initial submission to the PRA and FCA and hold our first meeting with the regulators to discuss the business proposition; and
- preparation of a draft Regulatory Business Plan for submission to the PRA and FCA.

South West Mutual Limited

Directors' Report for the Year Ended 31 March 2020

Since its formation, the Society has been a member of the Community Savings Bank Association (CSBA), which was established in 2015 to build a network of independent, local banks in the UK. When the Society discussed its proposed application for a banking licence with the PRA and FCA, they emphasised the need for the Society to be fully independent from any external influence. Another CSBA member, Avon Mutual, received similar feedback from the PRA and FCA. Following discussions between the Society, CSBA and Avon Mutual, it was agreed that the CSBA will now focus on promoting the regional mutual bank model across the UK and supporting early stage project teams through feasibility studies. Once a mutual reaches the point of contacting regulators they will become fully independent of the CSBA.

South West Mutual and Avon Mutual are therefore, by mutual consent, no longer members of the CSBA. We have continued to collaborate on an ad hoc basis where cost and efficiencies savings can be realised and will explore models for mutual collaboration that comply with applicable laws and regulations.

FINANCIAL REVIEW

The Society set a budget for the financial year which was achieved with the following outcomes:

- Actual expenditure of £460,924 (2019: £86,437) was somewhat below budgeted expenditure of £488,000. The main categories of expenditure were as follows:

	MAR 2020	MAR 2019
	£	£
Staff and directors (see Note 5 to Financial Statements)	343,119	23,079
Consultants and business services	40,679	46,869
Marketing, market research, events and travel	40,450	9,253
Office and administrative costs, including depreciation	21,676	7,236
Audit and accountancy	15,000	-
	460,924	86,437

- The grant of £200,000 before the year end, together with other income, resulted in an operating loss for the year of £250,483 (2019: £67,437)
- The loan of £50,000 from CSBA has been repaid. The Society has no debts but does have contingent liabilities that become payable if certain conditions are met (see Note 16 to the Financial Statements). The Society has an agreement with CSBA to pay a sum of £30,000 as a contribution towards the development of intellectual property upon completion of successful future equity fund-raising and £5,250 to Acquiesce Consulting upon gaining a banking licence.

Future developments

The Society has revised the expected timetable for achieving a banking licence and raising the required levels of investment. Preparations for Brexit, including a possible 'no-deal' scenario, and the resources required for responding to the impacts of Covid 19, have placed additional strains on key stakeholders for the Society, including local authorities and regulators. Taking account of this together with the results of the Society's detailed research into banking markets, technological developments and financial requirements of establishing a new bank, the Directors aim to commence the formal application to the PRA and FCA in the financial year ending March 2021 with a view to gaining provisional authorisation as a bank during the course of 2022.

South West Mutual Limited

Directors' Report for the Year Ended 31 March 2020

Principal risks and uncertainties

The process of obtaining a banking licence is arduous and there can be no guarantee that the Society will succeed in obtaining one.

The Covid-19 pandemic disrupted the Society's fundraising during March and the Board made the pro-active decision to furlough 4 of 5 members of staff from mid-April to the end of May and to defer Director's fees in order to save costs. This was in a context where it was not realistic to pursue the licence application and additional funding at the pace originally envisaged given that regulators and funders were both focussed elsewhere in their responses to the crisis created by the pandemic. The Directors have established a revised plan with lower ongoing costs that provides a longer window within which to raise additional investment required to progress with the establishment of the bank. The Society is seeking an additional £200,000 funding by the end of October as an extension to the Founder Share Offer and is planning to launch a new round of fundraising of at least £1 million before the end of the current financial year.

The economic consequences of Covid-19, and the impact on the Society, are uncertain. On one hand, it may negatively impact on the Society's ability to raise sufficient investment within the required timescales to progress the establishment of the bank and to capitalise it if our target investors decide to postpone investment decisions, prioritise other investments or reduce their exposure to equity investments in favour of lower risk financial assets. The Directors' estimate that, subject to more detailed modelling and regulatory review, a minimum of £20 million of equity capital in the form of ordinary shares will be required to adequately capitalise the bank.

On the other hand, the disruption caused by Covid-19 may well have strengthened the Society's investment case. Over 2 in 5 businesses have reported an intent to change banking provider due to unhappiness with the service received during the pandemic. Surveys also suggest citizens are placing greater emphasis on community, supporting local businesses and valuing nature after we emerge from the pandemic, and the Society's values, business strategy and member proposition are well positioned to meet these aspirations.

Going concern

It has always been the case that the Society would have no trading income until it completed the lengthy process of registering as a bank. Accordingly, the funding of its operations has always depended on periodic injections of capital and/or grants. Because of this, the Society's practice has been (and will continue to be) not to incur any liabilities that it does not already hold the funds to satisfy.

After due consideration of the financial position as at 31 March 2020, the Directors consider that the Society has sufficient funds to sustain operations at their current level at an approximate monthly cost of £27,000 until the end of October 2020. If the Society has not raised further capital by then, operations can continue at a reduced level at an approximate monthly cost of £5,000 until the end of March 2021. Beyond March 2021 the Society will reduce its ongoing costs to under £150 a month, to enable the Society to meet its financial obligations as they fall due while the Directors assess the future prospects for obtaining new investment and how best to pursue the Society's objectives. The Board has lost none of its commitment and energy in pursuing these objectives. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

South West Mutual Limited

Directors' Report for the Year Ended 31 March 2020

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on ~~10 July 2020~~ and signed on its behalf by:



.....
Tony Greenham
Director



.....
David Thomas
Director



.....
John Arthur
Company secretary

South West Mutual Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under society 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 Society and of the profit or loss of the Society for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 Society will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the accounts are audited by an appointed auditor, who must have the qualifications as set out under the Co-operative and Community Benefit Societies Act 2014.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

A registered society must ensure that proper books of account are kept with respect to its transactions and its assets and liabilities.

South West Mutual Limited

Independent Auditor's Report to the Members of South West Mutual Limited

Opinion

We have audited the financial statements of South West Mutual Limited (the 'Society') for the year ended 31 March 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2020 and of its loss 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 Co-operative and Community Benefit Societies Act 2014.

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 Society 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.

Other matter

The information presented in the comparative period from 1 February 2018 to 31 March 2019 is unaudited.

Conclusions relating to going concern

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

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

Other information

The 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 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.

South West Mutual Limited

Independent Auditor's Report to the Members of South West Mutual Limited

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Society has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the Society's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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 Society'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 Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

South West Mutual Limited

Independent Auditor's Report to the Members of South West Mutual Limited

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Duncan Leslie (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

North Quay House
Sutton Harbour
Plymouth
Devon
PL4 0RA

Date: 10/07/2020

South West Mutual Limited

Profit and Loss Account

Year Ended 31 March 2020

	Note	2020 £	Unaudited 2019 £
Turnover	3	210,005	19,000
Administrative expenses		<u>(460,924)</u>	<u>(86,437)</u>
Operating loss	4	(250,919)	(67,437)
Other interest receivable and similar income		<u>436</u>	<u>-</u>
Loss before tax		<u>(250,483)</u>	<u>(67,437)</u>
Loss for the financial year		<u><u>(250,483)</u></u>	<u><u>(67,437)</u></u>

The above results were derived from continuing operations.

The Society has no recognised gains or losses for the year other than the results above.

South West Mutual Limited

Balance Sheet

31 March 2020

	Note	2020 £	Unaudited 2019 £
Fixed assets			
Tangible assets	8	5,025	2,248
Current assets			
Debtors	9	1,535	131,922
Cash at bank and in hand		<u>233,263</u>	<u>321,275</u>
		234,798	453,197
Creditors: Amounts falling due within one year	11	<u>(47,263)</u>	<u>(40,447)</u>
Net current assets		<u>187,535</u>	<u>412,750</u>
Total assets less current liabilities		192,560	414,998
Creditors: Amounts falling due after more than one year	11	<u>-</u>	<u>(50,000)</u>
Net assets		<u>192,560</u>	<u>364,998</u>
Capital and reserves			
Called up share capital		510,480	432,435
Profit and loss account		<u>(317,920)</u>	<u>(67,437)</u>
Total equity		<u>192,560</u>	<u>364,998</u>


Approved and authorised by the Board on ~~10 July 2020~~ and signed on its behalf by:



.....
Tony Greenham
Director



.....
David Thomas
Director



.....
John Arthur
Company secretary

Co-operative Society Registration Number: RS004451

South West Mutual Limited

Statement of Changes in Equity

Year Ended 31 March 2020

	Share capital £	Profit and loss account £	Total £
At 1 April 2019	432,435	(67,437)	364,998
Loss for the year	<u>-</u>	<u>(250,483)</u>	<u>(250,483)</u>
Total comprehensive income	-	(250,483)	(250,483)
New share capital subscribed	<u>78,045</u>	<u>-</u>	<u>78,045</u>
At 31 March 2020	<u><u>510,480</u></u>	<u><u>(317,920)</u></u>	<u><u>192,560</u></u>

	Share capital £	Profit and loss account £	Total £
Unaudited			
At 1 April 2018	432,435	-	432,435
Loss for the year	<u>-</u>	<u>(67,437)</u>	<u>(67,437)</u>
Total comprehensive income	-	(67,437)	(67,437)
At 31 March 2019	<u><u>432,435</u></u>	<u><u>(67,437)</u></u>	<u><u>364,998</u></u>

South West Mutual Limited

Statement of Cash Flows

Year Ended 31 March 2020

	Note	2020 £	Unaudited 2019 £
Cash flows from operating activities			
Loss for the year		(250,483)	(67,437)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	1,294	750
Loss on disposal of tangible assets		177	-
Finance income		(436)	-
		<u>(249,448)</u>	<u>(66,687)</u>
Working capital adjustments			
Decrease/(increase) in trade debtors	9	130,387	(131,922)
Increase in trade creditors	11	6,816	40,447
Net cash flow from operating activities		<u>(112,245)</u>	<u>(158,162)</u>
Cash flows from investing activities			
Interest received		436	-
Acquisitions of tangible assets		<u>(4,248)</u>	<u>(2,998)</u>
Net cash flows from investing activities		<u>(3,812)</u>	<u>(2,998)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		78,045	432,435
Proceeds from other borrowing draw downs		-	50,000
Repayment of other borrowing		<u>(50,000)</u>	<u>-</u>
Net cash flows from financing activities		<u>28,045</u>	<u>482,435</u>
Net (decrease)/increase in cash and cash equivalents		(88,012)	321,275
Cash and cash equivalents at 1 April		<u>321,275</u>	<u>-</u>
Cash and cash equivalents at 31 March	10	<u><u>233,263</u></u>	<u><u>321,275</u></u>

The notes on pages 15 to 22 form an integral part of these financial statements.

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

1 General information

South West Mutual Limited is a Co-operative Society registered under the Co-operative and Community Benefit Societies Act 2014 as society number 4451. Co-operative societies are a category of mutual society and statutory information about the Society is held on the Mutuals Public Register maintained by the Financial Conduct Authority. The registered office is Devonport Guildhall, Ker St, Plymouth PL1 4EL.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

It has always been the case that the Society would have no trading income until it completed the lengthy process of registering as a bank. Accordingly, the funding of its operations has always depended on periodic injections of capital and/or grants. Because of this, the Society's practice has been (and will continue to be) not to incur any liabilities that it does not already hold the funds to satisfy.

After due consideration of the financial position as at 31 March 2020, the Directors consider that the Society has sufficient funds to sustain operations at their current level at an approximate monthly cost of £27,000 until the end of October 2020. If the Society has not raised further capital by then, operations can continue at a reduced level at an approximate monthly cost of £5,000 until the end of March 2021. Beyond March 2021 the Society will reduce its ongoing costs to under £150 a month, to enable the Society to meet its financial obligations as they fall due while the Directors assess the future prospects for obtaining new investment and how best to pursue the Society's objectives. The Board has lost none of its commitment and energy in pursuing these objectives. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

For further detail see principal risks and uncertainties in the Director's report.

Revenue recognition

Turnover comprises the fair value of grant income received.

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Grants

The Society accounts for grants in accordance with the performance model under FRS102. A grant that does not impose specified future performance-related conditions is recognised in income when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the recipient is recognised in income only when the performance-related conditions are met. Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Equipment	20-25% straight line

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Society has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

Financial instruments

Classification

The Society holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Other loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The Society has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the Society becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the Society's obligations are discharged, expire or are cancelled.

Except for loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

3 Revenue

The analysis of the Society's revenue for the year from continuing operations is as follows:

	2020	2019
	£	£
Grants received	<u>210,005</u>	<u>19,000</u>

Included in grants received is £200,000 received from the Soros Economic Development Fund, part of the Open Society Foundations, which was recognised in full in income in the year, on the basis that the grant contained no performance criteria. The grant entitles the SEDF to apply the grant as a credit towards a future potential purchase of shares. If this event occurs in a future accounting period a transfer will be processed from the profit and loss reserve to either share capital or share premium as appropriate.

4 Operating loss

Arrived at after charging/(crediting)

	2020	2019
	£	£
Depreciation expense	1,294	750
Loss on disposal of property, plant and equipment	<u>177</u>	<u>-</u>

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	290,266	23,000
Social security costs	29,170	79
Pension costs, defined contribution scheme	<u>23,683</u>	<u>-</u>
	<u>343,119</u>	<u>23,079</u>

The average number of persons employed by the Society (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Administration and support	<u>10</u>	<u>5</u>

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£	£
Remuneration	112,750	23,000
Contributions paid to money purchase schemes	7,150	-
	<u>119,900</u>	<u>23,000</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020	2019
	No.	No.
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>-</u>

7 Auditor's remuneration

	2020	2019
	£	£
Audit of the financial statements	<u>12,000</u>	<u>-</u>

8 Tangible assets

	Equipment	Total
	£	£
Cost or valuation		
At 1 April 2019	2,998	2,998
Additions	4,248	4,248
Disposals	(236)	(236)
At 31 March 2020	<u>7,010</u>	<u>7,010</u>
Depreciation		
At 1 April 2019	750	750
Charge for the year	1,294	1,294
Eliminated on disposal	(59)	(59)
At 31 March 2020	<u>1,985</u>	<u>1,985</u>
Carrying amount		
At 31 March 2020	<u>5,025</u>	<u>5,025</u>
At 31 March 2019	<u>2,248</u>	<u>2,248</u>

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

9 Debtors

	2020 £	2019 £
Trade debtors	-	4,800
Other debtors	-	126,240
Prepayments	1,535	882
	<u>1,535</u>	<u>131,922</u>

10 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	45	-
Cash at bank	233,218	321,275
	<u>233,263</u>	<u>321,275</u>

11 Creditors

	2020 £	2019 £
Due within one year		
Trade creditors	8,404	20,988
Social security and other taxes	15,236	79
Other creditors	-	17,000
Accrued expenses	23,623	2,380
	<u>47,263</u>	<u>40,447</u>
Due after one year		
Loans and borrowings	-	50,000

12 Loans and borrowings

	2020 £	2019 £
Non-current loans and borrowings		
Other borrowings	-	50,000

Other borrowings

CBSA loan is denominated in £ with a nominal interest rate of 0%. The carrying amount at year end is £Nil (2019 - £50,000).

The loan was repayable at any time at the option of the Society or on demand from the CBSA should the Society abort its banking licence application.

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

13 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	900	-

The amount of non-cancellable operating lease payments recognised as an expense during the year was £6,300 (2019 - £Nil).

14 Pension and other schemes

Defined contribution pension scheme

The Society operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Society to the scheme and amounted to £23,683 (2019 - £Nil).

15 Share capital

Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Founder shares of £15 each	<u>34,032</u>	<u>510,480</u>	<u>28,829</u>	<u>432,435</u>

16 Contingent liabilities

The Society has entered into an agreement that upon a successful future equity fund raise of £200,000 that a £30,000 payment will become due.

The Society has entered into an agreement with a contractor that a payment of £5,250 be deferred until a Scope of Permission Notice from the PRA is received.

17 Analysis of changes in net debt

	At 1 April 2019	Cash-flow	At 31 March 2020
Cash at bank and on hand	321,275	(88,012)	233,263

South West Mutual Limited

Notes to the Financial Statements

Year Ended 31 March 2020

18 Related party transactions

Key management compensation

	2020	2019
	£	£
Salaries and other short term employee benefits	<u>94,723</u>	<u>23,000</u>

Key management personnel

Businesses controlled by directors or key management of the Society.

Summary of transactions with key management

During the prior year the Society contracted for (1) the Founder Share Offer under a contract for services (2) printing services following a tender process.

Expenditure with and payables to related parties

	Key management £
2020	
Receipt of services	-
2019	
Receipt of services	<u>17,006</u>