



**Directors' Annual Report and
Unaudited Financial Statements**
for the period from 1 February 2018
to 31 March 2019

SOUTH WEST MUTUAL LIMITED

Registered as Society number 4451
under the Co-operative and Community Benefit Societies Act 2014

South West Mutual Limited
Annual Report and Accounts
For the Period from 1 February 2018 to 31 March 2019

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Directors' Report

The Directors have pleasure in presenting their report and the unaudited financial statements of South West Mutual Limited (“the Society”) for the period ended 31 March 2019. 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 for Smaller Entities.

PRINCIPAL ACTIVITY

The Society was established on 1 February 2018 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 Regulatory 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 Broadwalk House, Southernhay West, Exeter EX1 1TS.

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

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At incorporation, the Society had 26 individual members and at 31 March 2019 the Society had 66 members comprising 10 corporate and 56 individual members. Each member therefore has 1 in 66 of the voting rights, or approximately 1.5% of the votes.

The largest holding is 4000 shares, accounting for 13.9% of issued shares at 31 March 2019.

BOARD OF DIRECTORS

Serving directors at 31 March 2019 and their month of appointment are listed alphabetically below:

Name	Role(s)	Appointed
Roger Cawse	Trustee Director	Dec 2018
Mark Drewell	Trustee Director, Chair of Nomination and Remuneration Sub-Committee	Feb 2018
Jane Dumeresque	Trustee Director, and Chair of Audit and Risk Sub-Committee	Sep 2018
Tony Greenham	Executive Director	Feb 2018
Paul Manning	Trustee Director	Nov 2018

BUSINESS REVIEW

The Society was established on 1 February 2018 with the intention of seeking necessary regulatory permissions to offer banking services to the residents and organisations of Cornwall, Devon, Somerset and Dorset.

During the first 13 months, the key activities and achievements have been to:

- form a team of experienced business and banking professionals, including a Board of independent non-executive directors referred to as Trustee Directors;
- raise £432,435 in equity capital through the sale of Founder Shares;
- deliver over 50 presentations to the public, local authorities and other stakeholders in the region;
- prepare initial financial projections and business plan.

The Society is a member of the Community Savings Bank Association (CSBA), which was established in 2015 to rebuild a network of independent, local banks in the UK. The CSBA

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is a co-operative society incorporated under the Co-operative and Community Benefit Societies Act 2014 as registered society number 4062.

FUTURE DEVELOPMENTS

Since the year end, the Society has commenced the initial stage of seeking a banking licence, known as the pre-application stage. The Directors aim to commence the formal application to the PRA and FCA in the financial year ending March 2020 with a view to gaining provisional authorisation as a bank in the year ending March 2021.

The Society is preparing the detailed regulatory business plan and necessary supporting documents required to obtain a banking licence and is also seeking further investment both to fund operations pre-authorisation and to capitalise the bank upon successful authorisation.

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.

There is also a risk that the Society does not raise sufficient investment within the required timescales to capitalise the bank and would therefore not be able to commence trading. The Directors' estimate that the Society will need to raise £20 million through the issuance of ordinary shares in order to adequately capitalise the bank.

FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS (KPIs)

The KPIs for the period under review and the related outcomes were as follows:

KPI	Outcome
To expand the Board by the addition of Trustee Directors with relevant skills and experience	Number of Trustee Directors increased from one to four, including one Fellow and one Associate of the Chartered Institute of Bankers and two directors who are or have recently held FCA 'approved positions' carrying out controlled functions in FCA authorised firms.
To raise initial capital to commence detailed preparations for the banking licence application.	The Founder Share Offer was launched in November 2018 seeking investment of between £250,000 and £500,000. The amount raised was £432,435 by 31 March 2019, with a further £49,995 of equity investment and £10,000 grant funding confirmed during April 2019.

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DIRECTORS' DUTIES AND STATEMENT OF RESPONSIBILITY ON FINANCIAL REPORTING

For each financial period, the Directors are required by the Co-operative and Community Benefit Societies Act 2014 ("the Act") to prepare financial statements that give a true and fair view of the state of affairs of the Society's financial activities during the period and of its financial position at the end of the period as of its reporting date. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Society will continue in operational existence

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that the financial statements comply with the Act. 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.

GOING CONCERN AND FINANCIAL VIABILITY

After due consideration of the financial position as at 31 March 2019, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

AUDIT

The members passed a resolution at the Society's AGM to disapply the requirement for an external auditor's report.

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Profit and Loss Account

For the period from 1 February 2018 to 31 March 2019

	Notes	£	2019 £
Turnover	4		19,000
Trustee director fees	5	23,079	
Sub-contractors		33,347	
Administrative expenses		<u>30,011</u>	
			86,437
Loss for the period			<u><u>67,437</u></u>

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Balance Sheet

as at 31 March 2019

	Notes		2019 £
Fixed assets	6		2,248
Current assets			
Debtors and prepayments	7	131,922	
Cash at bank		321,275	
		453,197	
Current liabilities falling due within one year	8	40,447	
Net current assets			412,750
Creditors falling due after one year	9		50,000
			364,998
Capital and reserves			
Called up share capital	10		432,435
Retained earnings			(67,437)
			364,998

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the Act and in accordance with the provision of FRS 102 Section 1A – Small Entities.

Approved by the board on 29 April 2019.



Jane Dumeresque, Chair of Audit and Risk Committee



Roger Cawse, Trustee Director



Mark Drewell, Secretary

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Notes to the Unaudited Financial Statements

1 Statutory 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 Mutuels Public Register maintained by the Financial Conduct Authority. The registered office is Broadwalk House, Southernhay West, Exeter EX1 1TS.

2 Compliance with accounting standards

The accounts have been prepared in accordance with the provisions of FRS 102 Section 1A Small Entities. There were no material departures from that standard.

3 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied within the same accounts.

Basis of preparation

The accounts have been prepared under the historical cost convention.

Fixed assets and depreciation

Fixed assets represent IT and computer equipment and are included at cost less accumulated depreciation.

Depreciation is applied on a straight-line basis over the following estimated useful lives:

IT and computer equipment	4 years
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4 Turnover

The turnover disclosed in the accounts relates to grant income from the Social Investment Business Foundation which has been fully used for the intended purpose of the grant, being to fund legal advice and market research in support of raising funds.

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5 Directors' Remuneration

The directors are paid a fee for performing their duties as directors of the Society, related to the number of days on which they performed these duties. The fees paid to each director for the period under review are as follows:

	£
Roger Cawse	1,500
Mark Drewell	9,000
Jane Dumeresque	3,500
Tony Greenham	6,000
Paul Manning	3,000
	23,000
	23,000

6 Fixed assets

	IT and computer equipment
	£
Additions during the period at cost	2,998
Depreciation during the period	750
Net value at 31 March 2019	2,248

7 Debtors and prepayments

	2019
	£
Trade debtors	4,800
Amounts due for Founder Shares	126,240
Prepayments	882
	131,922

All trade debtor balances and amounts due for Founder Shares had been received by the date of this annual report.

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8 Current liabilities falling due within one year

	2019
	£
Trustee directors	17,000
Trade creditors	20,988
HMRC	79
Accrued expenses	2,380
	40,447
	40,447

9 Creditors falling due after one year

CSBA loan £50,000 at 0% interest.

The loan is repayable at any time at the Society's option or on demand from CSBA should the Society abort its banking license application. The Directors consider that as the Society's application is unlikely to be decided before March 2020 this loan should be accounted for as a liability falling due after more than one year.

10 Called up share capital

	Number	Value
Founder Shares of £15 each	28,829	£432,435

11 Employees

The Society had no employees during the period. The directors are classified as officers rather than employees of the Society.

12 Related party transactions

The Society procured printing services from Coast Berry Ltd, trading as Blue Cedar Print Works, which is a company wholly owned and controlled by Paul Manning, who is a director of the Society. The total cost of services supplied was £256, and the price and service level were considered the best value out of three quotes obtained.

The Society paid £16,750 to Tony Greenham, who is a director of the Society, under a contract for services to advise on and execute the Founder Share Offer.