

**South West Mutual Limited**

**Annual Report and Financial Statements  
Year Ended 31 March 2021**

**Registration number: RS004451**

# South West Mutual Limited

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# South West Mutual Limited

## Society Information

<b>Directors</b>	Mark Drewell Jane Dumeresque Robin Foale Tony Greenham Paul Manning David Thomas
<b>Secretary</b>	John Arthur
<b>Registered office</b>	Devonport Guildhall Ker Street Plymouth PL1 4EL
<b>Auditors</b>	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 2021

### 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 2021. 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 is seeking necessary regulatory permissions to offer banking services primarily for the benefit of Cornwall, Devon, Somerset and Dorset ("the Region"), its residents, businesses and community groups.

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 and (currently) to demonstrate a local connection.

At incorporation, the Society had 26 individual members and at 31 March 2021 the Society had 110 members comprising 12 corporate and 98 individual members. Each member therefore has 1 in 110 of the voting rights, or approximately 0.9% of the votes.

The largest shareholding has a nominal value of £120,000 and accounts for 16.7% of issued shares at 31 March 2021.

## South West Mutual Limited

### Directors' Report for the Year Ended 31 March 2021

#### Board of directors

As at 31 March 2021, the directors collectively held 5.4% of the voting rights in the Society.

Roger Cawse resigned in November 2020, following a leave of absence due to ill health. The Board sought to replace him with another senior banker and was delighted to appoint Robin Foale, former Managing Director of Santander Business Banking and a non-executive director of Reliance Bank in February 2021. Robin brings considerable banking and leadership skills and experience to the Board. Since the year-end, David Thomas has indicated his intention not to seek re-election to the Board at the 2021 AGM for health reasons. While the process of seeking a permanent replacement as Chair is undertaken, Robin Foale will take over duties as Chair of the Board and Mark Drewell will Chair the 2021 AGM.

Serving directors at 31 March 2021 and their month of appointment are listed alphabetically below:

Name	Role(s)	Appointed	Resigned/ Retired	Shares (£ nominal value)
Roger Cawse	Independent Non-Executive Director	Dec 2018	Nov 2020	5,010
Mark Drewell	Chair of Nomination and Remuneration Sub-Committee	Feb 2018	-	12,015
Jane Dumeresque	Chair of Audit and Risk Sub-Committee	Sep 2018	-	5,010
Robin Foale	Independent Non-Executive Director	Feb 2021	-	1
Tony Greenham	Executive Director	Feb 2018	-	5,040
Paul Manning	Independent Non-Executive Director	Nov 2018	-	5,010
David Thomas	Chair of the Board	May 2019	-	15

# South West Mutual Limited

## Directors' Report for the Year Ended 31 March 2021

### Governance

The directors collectively have extensive leadership experience, including banking, corporate strategy, governance, 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. Jane Dumeresque is the Senior Independent Non-Executive Director.

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

As reported to members in communications throughout the year and to date, the key activities and achievements of the Society in the year under review were to:

- raise a further £210,000 in equity capital including an investment of £75,000 from the Heart of the South West Local Enterprise Partnership received after the year end;
- obtain a further £125,000 grant from Open Society Foundations to support the development of our investment proposition;
- deliver 20 presentations to local authorities, business and community groups and other stakeholders including to the All-Party Parliamentary Group on Fair Business Banking;
- submit our draft regulatory business plan to the PRA and FCA and hold feedback meetings with them to discuss the business proposition.

# South West Mutual Limited

## Directors' Report for the Year Ended 31 March 2021

The Society suffered a negative impact from the coronavirus pandemic during the year. The Society's ability to raise additional funds was severely hampered by the imposition of restrictions on travel and meetings, a significant reduction in business and investor confidence, and the fall in economic activity caused by the pandemic.

Activity was suspended three times during the year with all employees placed on furlough apart from the Executive Director who continued on a part time basis. Despite this disruption and necessary scaling back of activity, the Society was still able to submit its draft regulatory business plan and meet with regulators. Additional funds were raised at the end of 2020 enabling activity to be recommenced. The implications for future developments are described in the following section.

There are two key changes to the business model that are proposed or under consideration following strategic review by the Board.

First, after considering the implications of competition law on the basis of expert legal advice, the Directors have concluded that the regional focus of the Society's banking activities will be better managed through applying geographical criteria to each product, where relevant, rather than to the location of the customer at the time at which they first become a member. This change is informed by a combination of:

- the development of detailed risk management frameworks and their application in practice; and
- consideration of how to deliver best service to potential customers.

Proposed amendments to the Society's Rules will be brought forward for members to consider in due course to reflect this change.

Secondly, due to the potential inflexibility and limitations of the Co-operative and Community Benefit Societies Act 2014 when applied in practice to the business of banking, and the regulatory uncertainty and delay resulting from the lack of any precedents of banks incorporated under this Act, the Board is examining alternative legal structures that might be better suited to operating mutual banks - whilst maintaining our key principles, including one-member-one-vote. There are many examples of co-operatives that are incorporated under the Companies Act 2006 as companies limited by guarantee, companies limited by shares or as community interest companies. The Directors are appraising these structures in consultation with Co-operatives UK and legal experts in the field. Any proposed change resulting from this review will be brought forward for members to consider.

### Financial review

The Society's initial budget for the financial year was significantly revised at the start of the year as the Directors implemented significant mitigating actions in response to the coronavirus pandemic with the aim of securing the ongoing viability of the Society. The actual expenditure incurred during the year is summarised below:

	MAR 2021	MAR 2020
	£'000	£'000
Staff and directors (see Note 5 to Financial Statements)	241	343
Consultants and business services	115	41
Marketing, market research, events and travel	27	40
Office and administrative costs, including depreciation	14	22
Audit and accountancy	13	15
	<hr/> 410	<hr/> 461

# South West Mutual Limited

## Directors' Report for the Year Ended 31 March 2021

The reduction in staff and directors' salaries compared with the previous year reflects part-time working, furloughing and the waiving of fees by non-executive directors. Consultants and business services costs increased to £115,000 in line with plans as the Society drew on specialist advice in risk, finance and information technology to progress its banking licence application. Also included in this sum is a payment of £30,000 to the Community Savings Bank Association as a contribution to costs of services provided during 2018 and 2019 and which became payable upon successful completion of fundraising during the year ended 31 March 2021.

After grant income of £125,000 and other operating income of £54,492, the operating loss for the year was £230,553 (2020: £250,483).

The Society has contingent liabilities that become payable if certain conditions are met (see Note 16 to the Financial Statements).

### Future developments

The coronavirus pandemic and its economic consequences have caused significant delay to the planned timetable for obtaining a banking licence. Investment conditions were severely impacted during the year under review. The Directors took early mitigating actions to protect the Society's financial position by reducing costs significantly. This required reducing the use of contractors and placing staff on furlough, consequently reducing the rate of progress in preparing to apply for a banking licence.

Furthermore, as described above and previously reported to members, the Directors have had to consider the implications of two material issues.

First, a long-awaited ruling from the FCA Mutuals Register received at the end of May 2021 is disadvantageous for Societies registered under the Co-operative and Community Benefit Societies Act 2014 that are seeking to establish a start-up bank. Inflexibility about the price at which shares can be issued is likely to make it harder to raise capital. The Directors are pursuing a solution to this which we will update members on in due course.

Secondly, having sought independent legal advice on competition law the Directors undertook a detailed strategic review and made changes to the business plan in order to mitigate the risk of being perceived as breaching competition rules. The Directors believe the outcome of this exercise is positive for the Society's business model, commercial viability and member benefit, but it did require significant management and board time and attention given the importance of the issue.

The formal licence application is expected to take up to 12 months. Preparations to make a formal application are very dependent on fundraising and could take between 9 and 18 months. While this delay is disappointing, the Directors consider that the ability of the Society to have continued through these challenging circumstances is a positive result.

The Directors' fundraising plans remained unchanged in that the next round of fundraising is planned to finance the Society's activities through to obtaining a provisional banking licence (Authorisation With Restrictions) at which point a third major fundraising will be required to capitalise the bank in order to commence trading.



# South West Mutual Limited

## Directors' Report for the Year Ended 31 March 2021

### 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 business model of the bank is distinct from any previous new entrant to the banking market. This is a source of competitive advantage for the Society but also increases the uncertainty of successfully obtaining a licence. In particular, the regional focus and mutual structure of the bank are unfamiliar to banking regulators in the UK, although commonplace in many other countries. The Society is therefore a pioneer of this model of banking, and it is not possible to predict with certainty how regulations will be applied until the extensive and detailed business plan is fully developed and reviewed by regulators.

The market for banking services continues to evolve and while some trends are positive for the Society, such as falling costs and improving functionality of banking technology, there is a risk that new competitors with similar offerings and innovations enter the market before the Society is able to commence trading.

As described above, the Directors have adapted the proposed business model having conducted a review of compliance with competition law and may propose further changes in the light of deficiencies in cooperatives legislation and its application in practice.

The economic consequences of Covid-19, and the impact on the Society and its ability to raise sufficient funds to capitalise the bank, remain highly uncertain.

### 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.

The Directors have produced cash-flow forecasts out to March 2023. After due consideration of the financial position at 31 March 2021, the Directors consider that the Society has sufficient funds to sustain operations until the end of October 2021. If the Society has not raised further capital by then, the Society will reduce its ongoing costs to under £200 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 consider other potential alternatives means of pursuing the Society's objectives and deliver the desired benefit to the Society's members and stakeholders. 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, but with the understanding that this is wholly dependent on further fundraising during the current financial year.

# South West Mutual Limited

## Directors' Report for the Year Ended 31 March 2021

### 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 29 July 2021 and signed on its behalf by:



.....  
Jane Dumeresque  
Director



.....  
Tony Greenham  
Director



.....  
John Arthur  
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 2021, 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 2021 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.

### Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made on page 8 of the Directors Report and in Note 1 to the financial statements. These disclosures explain the basis for conclusion by the Directors in relation to going concern as a result of the future funding requirements of the Society. Notwithstanding the above, given that the Board of Directors has a reasonable expectation that the Society has adequate resources to continue to pay its liabilities as they fall due for the foreseeable future, the accounts have been prepared on the going concern basis.

### 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.

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.

# South West Mutual Limited

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

### **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 9, 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.

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

Based on our understanding of the Society and industry, we identified that the principal risks of non-compliance with laws and regulations related to acts by the Society which were contrary to applicable laws and regulations, including fraud.

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (FRS 102 and the Co-operative and Community Benefit Societies Act 2014) and the relevant tax compliance regulations in the UK. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting.

Audit procedures performed by the engagement team include, but were not limited to, discussion and inquiries with management of compliance with laws and regulations, review of board minutes, review of the Mutuals Public Register and review of compliance with corporation tax regulations. We also addressed the risk of management override of internal controls, including testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

## South West Mutual Limited

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. 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, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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

29 July 2021

## South West Mutual Limited

### Profit and Loss Account

Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover	3	125,000	210,005
Administrative expenses		(410,082)	(460,924)
Other operating income	4	<u>54,492</u>	<u>-</u>
Operating loss	5	(230,590)	(250,919)
Other interest receivable and similar income		<u>37</u>	<u>436</u>
Loss before tax		<u>(230,553)</u>	<u>(250,483)</u>
Loss for the financial year		<u>(230,553)</u>	<u>(250,483)</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 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	9	2,835	5,025
<b>Current assets</b>			
Debtors	10	14,519	1,535
Cash at bank and in hand		<u>136,871</u>	<u>233,263</u>
		151,390	234,798
<b>Creditors: Amounts falling due within one year</b>	12	<u>(57,202)</u>	<u>(47,263)</u>
<b>Net current assets</b>		<u>94,188</u>	<u>187,535</u>
<b>Net assets</b>		<u>97,023</u>	<u>192,560</u>
<b>Capital and reserves</b>			
Called up share capital		645,496	510,480
Profit and loss account		<u>(548,473)</u>	<u>(317,920)</u>
Total equity		<u>97,023</u>	<u>192,560</u>

Approved and authorised by the Board on 29 July 2021 and signed on its behalf by:



Jane Dumeresque  
Director



Tony Greenham  
Director



John Arthur  
Secretary

Co-operative Society Registration Number: RS004451



## South West Mutual Limited

### Statement of Changes in Equity

Year Ended 31 March 2021

	<b>Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 April 2020	510,480	(317,920)	192,560
Loss for the year	-	(230,553)	(230,553)
Total comprehensive income	-	(230,553)	(230,553)
New share capital subscribed	135,016	-	135,016
At 31 March 2021	<u>645,496</u>	<u>(548,473)</u>	<u>97,023</u>

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

# South West Mutual Limited

## Statement of Cash Flows

Year Ended 31 March 2021

	Note	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Loss for the year		(230,553)	(250,483)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,577	1,294
Loss on disposal of tangible assets		613	177
Finance income		(37)	(436)
		<u>(228,400)</u>	<u>(249,448)</u>
Working capital adjustments			
(Increase)/decrease in trade debtors	10	(12,984)	130,387
Increase in trade creditors	12	9,939	6,816
		<u>(231,445)</u>	<u>(112,245)</u>
<b>Cash flows from investing activities</b>			
Interest received		37	436
Acquisitions of tangible assets		-	(4,248)
		<u>37</u>	<u>(3,812)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares, net of issue costs		135,016	78,045
Repayment of other borrowing		-	(50,000)
		<u>135,016</u>	<u>28,045</u>
Net decrease in cash and cash equivalents		(96,392)	(88,012)
Cash and cash equivalents at 1 April		<u>233,263</u>	<u>321,275</u>
Cash and cash equivalents at 31 March	11	<u><u>136,871</u></u>	<u><u>233,263</u></u>

# South West Mutual Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 1 General information

These financial statements were authorised for issue by the Board on 29 July 2021.

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 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.

The Directors have produced cash-flow forecasts out to March 2023. After due consideration of the financial position at 31 March 2021, the Directors consider that the Society has sufficient funds to sustain operations until the end of October 2021. If the Society has not raised further capital by then, the Society will reduce its ongoing costs to under £200 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 consider other potential alternatives means of pursuing the Society's objectives and deliver the desired benefit to the Society's members and stakeholders. 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, but with the understanding that this is wholly dependent on further fundraising during the current financial year.

#### Revenue recognition

Turnover comprises the fair value of grant income received.

# South West Mutual Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
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 2021

### 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 2021

### 3 Revenue

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Grants received	<u>125,000</u>	<u>210,005</u>

Included in grants received is £125,000 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 Other operating income

The analysis of the company's other operating income for the year is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
UK Government CJRS grants	29,096	-
Recharges to Avon Mutual Limited	<u>25,396</u>	<u>-</u>
	<u>54,492</u>	<u>-</u>

### 5 Operating loss

Arrived at after charging/(crediting)

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Depreciation expense	1,577	1,294
Loss on disposal of property, plant and equipment	<u>613</u>	<u>177</u>

### 6 Staff costs

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Wages and salaries	203,085	290,266
Social security costs	18,460	29,170
Pension costs, defined contribution scheme	<u>19,278</u>	<u>23,683</u>
	<u>240,823</u>	<u>343,119</u>

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

# South West Mutual Limited

## Notes to the Financial Statements

### Year Ended 31 March 2021

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Administration and support	<u>10</u>	<u>10</u>

#### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Remuneration	63,625	112,750
Contributions paid to money purchase schemes	<u>5,811</u>	<u>7,150</u>
	<u>69,436</u>	<u>119,900</u>

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

#### 8 Auditor's remuneration

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Audit of the financial statements	<u>9,300</u>	<u>12,000</u>

# South West Mutual Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 9 Tangible assets

	Equipment £	Total £
<b>Cost or valuation</b>		
At 1 April 2020	7,010	7,010
Disposals	<u>(707)</u>	<u>(707)</u>
At 31 March 2021	<u>6,303</u>	<u>6,303</u>
<b>Depreciation</b>		
At 1 April 2020	1,985	1,985
Charge for the year	1,577	1,577
Eliminated on disposal	<u>(94)</u>	<u>(94)</u>
At 31 March 2021	<u>3,468</u>	<u>3,468</u>
<b>Carrying amount</b>		
At 31 March 2021	<u>2,835</u>	<u>2,835</u>
At 31 March 2020	<u>5,025</u>	<u>5,025</u>

### 10 Debtors

	2021 £	2020 £
Other debtors	10,625	-
Prepayments	<u>3,894</u>	<u>1,535</u>
	<u>14,519</u>	<u>1,535</u>

The Society has an unrecognised deferred tax asset in relation to accumulated tax losses of £104,187 (2020: £61,292).

### 11 Cash and cash equivalents

	2021 £	2020 £
Cash on hand	-	45
Cash at bank	<u>136,871</u>	<u>233,218</u>
	<u>136,871</u>	<u>233,263</u>



# South West Mutual Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 12 Creditors

	2021 £	2020 £
<b>Due within one year</b>		
Trade creditors	9,237	8,404
Social security and other taxes	6,052	15,236
Accruals	41,913	23,623
	<u>57,202</u>	<u>47,263</u>

### 13 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	20	900

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,100 (2020 - £6,300).

### 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 £19,278 (2020 - £23,683).

### 15 Share capital

#### Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Founder shares of £15 each	<u>43,033</u>	<u>645,495</u>	<u>34,032</u>	<u>510,480</u>

### 16 Contingent liabilities

The Society has entered into employment contracts which would require it to make payments of £7,532 were the Society to cease trading. The Society has also agreed with one employee that salary payments of £2,600 are contingent on achieving a successful future share capital raise.

# South West Mutual Limited

## Notes to the Financial Statements

### Year Ended 31 March 2021

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 2020	Cash-flow	At 31 March 2021
Cash at bank and on hand	233,263	(96,392)	136,871

#### 18 Related party transactions

##### Key management compensation

	2021 £	2020 £
Salaries and other short term employee benefits	<u>67,561</u>	<u>94,723</u>

The Society undertook no transactions with any other related parties as defined under FRS102 during the year.