

The background of the cover is a photograph of a narrow canal. On the left, there are historic half-timbered buildings with blue roofs and white walls. On the right, there are stone buildings and lush green trees. The water in the canal is calm, reflecting the buildings and the sky. A large, white, semi-transparent rectangular box is centered over the image, containing the title and other text.

# Annual Members' Review

31 December 2018

Incorporating the Financial statement

**Kent Reliance Provident Society Limited (the Society):**  
Registered No. 31056R

**KentReliance**  
Provident Society

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# 01

## Society Information

**Directors:**

Andy Golding (Chairman and Chief Executive Officer)  
John Eastgate (Resigned 31 January 2019)  
Clive Kornitzer  
John Paddick  
April Talintyre

**Secretary:**

Jason Elphick

**Registered Office:**

Reliance House  
Sun Pier, Chatham  
ME4 4ET

**Auditor:**

KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square, London  
E14 5GL

**Registered Number:**

31056R

# 02

## Introduction

The Directors have pleasure in presenting the summary Report and Financial Statements for the year ended 31 December 2018. These Financial Statements are an extract of the audited accounts and the Directors' Report which will be available to members free of charge on demand from the Kent Reliance Provident Society Limited's (the Society) Registered Office from 20 June 2019 (and on the Society's website, [www.krps.com](http://www.krps.com)).

This is the eighth reporting period for the Society. The Society is regulated under the Co-operative and Community Benefit Societies Act 2014. The Society is a mutual organisation and operates exclusively for the benefit of its members.

**Andy Golding**

Chairman and Chief Executive Officer

# 03

## STRATEGIC REPORT

### Chairman and Chief Executive Officer's Statement

I am pleased to report on the performance of the Society for 2018, together with a brief outline of the performance of OneSavings Bank plc ('OSB' or 'the Bank'), in which the Society retains its shareholding and which is the legal entity providing the banking services to the Society's Members.

OSB continues to enjoy a close working relationship with the Society, utilising dialogue directly with the Society's membership to inform its service and product development by bringing the voice of its customers (the Members) directly into the key operational committees of the Bank.

The Society held a number of Member events in 2018 and actively used its online consultation portal; seeking input on a variety of issues.

The Society has retained its shareholding in OSB, the value of which has decreased in line with OSB's share price. At the time of the Bank's flotation, the Bank's Board agreed that shares put aside for executives and employees of the Bank at the time of the IPO, but where such individuals have left the Bank before their awards had matured, would be transferred to the Society. The final tranche of IPO awards vested during 2018. No additional shares were received during 2018.

Members will recall that at last year's Annual General Meeting ('the AGM'), the Society's Board recommended that the revenue received by the Society, by way of dividends from its shareholding in OSB, be donated to worthwhile causes through the Society's own Community Fund. This proposal was overwhelmingly endorsed by Members. Continuing in that spirit of mutuality and community giving, this year the Directors have once again recommended that the dividends received be similarly donated and Members will have the opportunity to indicate their preference by voting at the AGM.

The Bank and the Society share a common ancestry going back over 150 years, and continue to share the common interests of their respective customers/Members and the integrity of the trading name of Kent Reliance.

For providing these services and customer insight, OSB continues to underwrite the operational and governance costs of the Society, and also to fund the Society's monthly prize draw and community giving programme. The following information gives an overview of the Bank, how it performed during 2018 and the dividend paid to the Bank's shareholders.

## Overview of OneSavings Bank plc

(Extracted from the 2018 Annual Report & Accounts)

# 23%

Growth on the Group's net loan book

### Continued strong performance

I am delighted to report another excellent year for OneSavings Bank ('OSB'). The Group achieved strong results as we worked together to deliver our vision of being our customers' favourite bank.

### Results

Underlying basic earnings per share grew by 14% to 58.5 pence with underlying pre-tax profit up 15% to £193.6m. Our strategy continues to provide us with a platform to grow profitably and develop the business whilst we are ever mindful of the uncertain economic and political environment in which we are operating.

Our ability to raise and retain retail funds given the long-standing heritage of the Kent Reliance brand, track record of raising funds whenever needed and our leading retention rate of 95%, means we can safely and confidently fund the lending business we wish to write. The strength of our proposition continues to attract new customers. Our manual underwriting process, strong risk management and enhanced stress testing, including numerous Brexit scenarios, give us a deep understanding of the markets in which we operate.



## Overview of OneSavings Bank plc

(Extracted from the 2018 Annual Report & Accounts)

# 14.6p

Total dividend per share

We flex our lending in different business areas according to the opportunities present, always underpinned by appropriate prudence given the current uncharted political and economic environment. Whilst Brexit may impact certain business opportunities, our balance sheet remains strong, our core markets remain extremely attractive and we have a high-quality secured asset portfolio. Combined with an excellent funding franchise and customer proposition, this positions us well to continue to deliver value for our shareholders regardless of the uncertain macroeconomic backdrop.

### An award-winning secured lender

The Group grew its loan book by 23% to £9.0bn in 2018 and, whilst maintaining its discipline on understanding and pricing for risk, delivered a strong net interest margin ('NIM') of 3.04% for the year. Our core Buy-to-Let business continues to grow as professional landlords recognise the strength of our proposition and enjoy the excellent levels of customer service that they receive.

New Buy-to-Let/SME mortgage origination increased to £2.8bn during 2018, reflecting our specialism and expertise in lending to limited companies and large portfolio landlords. We are particularly proud of our lending growth as it was achieved in the context of industry-wide gross Buy-to-Let advances increasing by 4% in the year to £37.1bn. Our target market of professional/multi-property landlords accounted for 81% of completions for OSB by value during 2018, with a continued

# 26%

Return on equity

high proportion of professional landlords choosing to remortgage with us. This performance demonstrates the sustainable strength of our proposition, in particular our specialist, manual underwriting, as well as our deep and historic relationships with mortgage intermediaries.

Through the Bank's mortgage product transfer scheme, Choices, we are consistently increasing the proportion of borrowers who choose a new product within three months of their initial product ending and this grew to around 69% by December 2018. This is driven by success in highlighting opportunities available to borrowers who might otherwise revert to standard variable rate ('SVR') and who should ensure that they are actively choosing appropriate mortgage pricing and features.

.....

We finished the year with a strong balance sheet, a **high quality secured asset portfolio** and an **excellent reputation** for customer service.

.....

## **Overview of OneSavings Bank plc**

(Extracted from the 2018 Annual Report & Accounts)

# 95%

Customer retention rate

# 40,000

New savings customers in 2018

### **Sustainable funding model with award-winning savings**

Our stable and award winning retail funding franchise continues to support lending growth, with retail deposits up 21% to £8.1bn during the year. Over 40,000 new savings customers joined the Bank in 2018. Key to our vision is becoming our customers' favourite bank and we put our customers at the heart of everything we do. This is demonstrated by our market-leading 95% retention rate amongst customers with maturing fixed rate bonds and ISAs. The strength and fairness of our retail savings proposition, coupled with excellent customer service and high retention rates, allow the Bank to raise significant funds when required without needing to price at the very top of the best buy tables and provides a consistent and stable source of liquidity.

We continue to develop our savings proposition and following investment in a new ISA transfer management system, we had a particularly strong ISA season in 2018. We opened a record number of accounts, raising a significant amount of fixed term savings at a price below our target cost of funds, further demonstrating the value of the Bank's strong retail presence.

### **Looking Forward To 2019**

We recognise the macroeconomic uncertainty caused by the Brexit negotiations, however, based on what we are currently seeing in our core markets and assuming current application levels continue, we would expect to deliver mid-teens net loan book growth in 2019. Based on current asset pricing, swap spreads and cost of funds, we would anticipate NIM for 2019 to be marginally lower than in 2018, due to the changing mix of the loan book, despite broadly stable asset pricing. Whilst we will continue to invest in the business for growth in 2019, as always, we will maintain a strong focus on cost efficiency and control as reflected in our cost to income and management expense ratios.

We start 2019 with a fully loaded CET1 ratio of 13.3% and a proven organic capital generation capability through profitability. Our dividend policy remains a pay-out ratio of at least 25% of underlying profit after taxation attributable to ordinary shareholders.

I believe that OneSavings Bank's customer-focused business model, and the strength of both our lending and savings franchises, mean we are exceptionally well-placed to continue to generate attractive returns for our shareholders.



### Customers, Community and the Society

The Bank and the Society continue to work closely to preserve the values of service excellence, innovation and value that have been a key part of the Kent Reliance history. The Society continues to play an important role for the OSB Group, with its principal function to act as the eyes, ears and voice of the Bank's customers and help it to shape its product and service offering in a way that meets the needs of both savers and borrowers.

This commitment to preserving the place of customers within the heart of the Bank is reflected in the measurement of its customer satisfaction, the scores for which have continued to improve, with the key performance indicator of Net Promoter Score ('NPS' – broadly a reflection of the number of customers who would definitely recommend the Bank to others) increasing 1% to 63% during 2018.

In addition, I am delighted to report that the Society has continued its monthly free prize draw for qualifying Members, with a further 12 Members receiving a prize of £1,000 each during the year. Details of the rules of the draw can be found on the Society's website ([www.krps.com](http://www.krps.com)).

To match this prize fund, the Society also donates £1,000 each month to the Kent Reliance Community Fund, which is administered on its behalf by the Kent Community Foundation. In addition, the Society is also a member of the Medway 100 Club, a group of businesses which pool donations into a fund designed to support the many good community causes that operate within the Medway Area. More details of the causes that have benefited from these funds and others that OSB has supported directly appear in this Annual Members' Review.

### Summary

Once again I am happy to report that the Bank and the Society have continued to grow and deliver against their joint mandates; working in partnership to bring our customer values to life, and through the generosity of Members, providing financial assistance to a wide range of community causes and organisations. Despite regulatory and political uncertainty, OSB has shown itself as resilient and will maintain its focus on delivering its stated strategy and objectives. Our achievements in 2018 are a testament to our management and employees and I would like to thank my colleagues for their hard work and commitment throughout the year.

In view of the strength of this financial performance, OSB has recently announced a final dividend of 10.3p per share, which together with the interim dividend already paid of 4.3p per share makes a total 14.6p per share from which the Society will of course benefit by virtue of its shareholding in the Bank. True to its values as a mutual, the Board of the Society will consult with Members on the potential use of this income.

### Andy Golding

Chairman and Chief Executive Officer  
25 April 2019

# 04

## Community Matters

For over 150 years, Kent Reliance has been synonymous with the county of Kent and a passionate supporter of its local community. This passion is equally shared across the OSB Group, most significantly via the charitable activity of Kent Reliance and the Society.

It has been five years since we announced that the Society had developed a community fund and committed to donating £1,000 each month to it, together with the dividend received by the society in respect of its holding of ordinary shares in OSB. During 2018, the Society donated over £137,000 to community and charitable organisations throughout Kent via its relationship with the Kent Community Foundation, which provides the administration for the fund. It provides the Society with a suggested shortlist of worthy causes and specific requests which is then passed to a panel of Society members for their decision.

The focus of these donations has been in support of smaller, volunteer-based services assisting young and older people in need. The Directors have decided to place any surplus funds directly with OSB in an interest-bearing account.

**During 2018, a panel of Members of the Society met to decide which applicants were to receive donations from the Community Fund. The panel, which included Members from the Canterbury area, met three times and agreed awards to 50 causes throughout Kent, totalling over £137,000.**

The Kent Community Foundation collates and presents to the panel, applications for community projects, having undertaken appropriate due diligence. It also follows up each award, with successful applicants required to submit a formal end-of-grant report, with evidence that the grant was spent as intended.

The following is just a sample of the feedback from previously funded projects.

### **Tenterden and District Day Centre**

Community Meals and Lunch Clubs

**£5,000 Grant Awarded**

65 Beneficiaries

Tenterden and District Day Centre aims to support elderly people and people with a disability to enjoy and lead fulfilling lives, giving them the opportunity to enjoy a wide range of activities.

Members come from Tenterden and surrounding villages, where local people attend sessions which combat social isolation and loneliness. The funding enabled Tenterden and District Day Centre to purchase the equipment needed to run a Community Meals and Lunch Club for the people of Tenterden and the surrounding areas. For a small additional fee a meal is delivered by request of the elderly locals allowing them a hot meal and pudding, with the option to also have something delivered for tea.

The service has supported many elderly people in the area, who have a volunteer visitor to talk to and drop off their food but also to make sure they are eating something healthy, nutritious and hot.

### **Sittingbourne and Sheppey Branch of Parkinson's**

Parkinson's Exercise Classes

**£1,500 Grant Awarded**

15 Beneficiaries

Sittingbourne and Sheppey Parkinson's Branch was established in 1986 and has been supporting people affected by Parkinson's for over 30 years. They host monthly social meetings and regular group outings with membership of over 50 people. This social support is fundamental to both people with the condition as well as their partners, carers and family members as it gives them the opportunity to share experiences with others who are in a similar position as themselves.

The funding from the Kent Reliance Provident Society Fund has been used to start up an exercise class for members of the branch who suffer from Parkinson's. The exercise classes have helped with the beneficiaries general well being both mentally and physically and it is also a social interaction session.

The hour spent at the exercise class also included a game which has helped to test the memory, by passing a ball to each other and at the same time adding to a shopping list made up by the participants. The group has become an integral part of the week for the attendees and they have looked forward to taking part and also building bonds with other members of the classes.



## Hi Kent

Gravesend Hearing Aid Maintenance Clinics  
Outreach Project

**£5,000 Awarded in May 2016**

1,020 Beneficiaries

Hi Kent is established to promote and further charitable purposes for the benefit of deaf and hearing impaired people. They do this by giving free support, training and advice services to the one in five people suffering from severe hearing loss and/or tinnitus throughout Kent, including lipreading classes, tinnitus support groups, hearing aid maintenance clinics and advice on assistive equipment available to persons with hearing loss.

Funding has been used by Hi Kent to run the Gravesend hearing clinics. The project supported people who have become isolated, marginalised and often depressed because of their hearing loss to gain assistance to regain the ability to communicate and feel able to resume social and familial activities, re-engage with their community and in some cases to regain the confidence to return to work or take up volunteering or some other new activity. Not only has this project benefited those residents with a hearing loss who attend the Hi Kent Outreach Clinics for hearing aid aftercare and maintenance, but this help and support impacted families, work colleagues and social acquaintances, as these residents are better able to engage with conversation and interaction.

.....

“This planting opportunity  
is **helping** to make him feel  
**useful** and have a **purposeful**  
occupation.”

.....

## Thanet Community Forest School

Allotment in Bloom

**£1,000 Awarded**

220 Beneficiaries

Thanet Community Forest School aims to advance education and to promote community education outside of the classroom for students from deprived backgrounds in Thanet and the surrounding areas. They provide a relaxed and supportive atmosphere where people, young and old, with varying degrees of ability can experience all aspects of the Forest School at a pace which is suitable for them.

The funding from the Kent Reliance Provident Society Fund has allowed the Forest School to begin the setup and arrangement of their Forest School area by planting and clearing areas for use. Volunteers from the local area young and old were able to assist with the project which allowed them to clear the areas needed for planting of bulbs by the young people in the area. The bulbs were purchased from the grant and have allowed children in Thanet to learn more about nature as well as the process involved in growing plants. This has given the children knowledge in an area that many in the area do not experience at home.

“One of our young people who felt very isolated and had difficulties socialising worked with us clearing, composting and planting. At the start he said he felt worthless and was no good at anything. When we finished planting the bulbs he started to realise that he could achieve and have a positive impact on the environment. The young person’s poor self-esteem and feelings of worthlessness have reduced but are still near the surface. This planting opportunity is helping to make him feel useful and have a purposeful occupation.”

### Young Lives Foundation

Lifeskills and Positive Activities for Care Leavers

**£2,000 Awarded**

20 Beneficiaries

Young Lives Foundation (YLF) aims to meet the needs of young people and to promote their personal and social development and advancement in life by providing information, assistance and guidance. They do this by offering positive activities on a regular term time basis for young people in and leaving care, where they can meet together in a safe and welcoming environment, engage in positive activities and gain support from each other and staff.

Funding from the Kent Reliance Provident Society Fund was used to support the Lifeskills and positive activities project for young people in and around Maidstone. The funding covered the cost of the facilitator to run the sessions and trips for the young people to attend. The young people involved were able to work on their C.V but also go on trips and experiences to improve their knowledge and skills. The sessions supported life skills and allowed the young people to learn skills to take forward in their daily lives.

#### Case Study

Anne was living in supported accommodation and was frequently struggling with money and getting behind with her rent, resulting in her not having enough money for food. One day she informed us that she hadn't eaten for three days and was really worried as it was another two days before she received her money and that she had used up all of her foodbank vouchers. Anne started attending our workshops and we worked very closely with her to help her to budget better, to find ways to regularly save a bit of money and we also showed her how to shop by focusing on the essentials and choosing cheaper options rather than brands, to not always buy packaged foods and to cook a larger meal and freeze the left over portions.

### UJ Community Partnerships

Access for all

**£1,600 Awarded**

70 Beneficiaries

UJ Community Partnerships works to improve social inclusion, upgrade skills and give support to learn new skills. They support the local community through IT courses in Microsoft programmes, email to assist all seeking employment or volunteer opportunities for the unemployed in and around the Isle of Grain and run sessions on reducing isolation for the local elderly residents.

The organisation used the funding from the Kent Reliance Provident Society Fund to help bring together elderly people on the Isle of Grain. It gave the local elderly residents a new place to meet, helping to reduce social isolation. The project included a lunch club and activities which included such things as crafts, cookery and computer skills. This brought the elderly, of which many felt socially isolated, together to make friends and gain new skills and enjoy lunch. The project has helped to bring people together with many of the beneficiaries now in contact with one another over the phone, when its not a day they are at the sessions.

#### Case Study

Irene is living with her son and daughter-in-law and was left to her own devices as they both work. She knew no one in the area and sat looking out the window most days. She was invited to attend a luncheon and we escorted her to the Chapel and she is now out and about with other groups and attending other activities. She is an avid knitter that has shown her skills off in the local community and helping teach her skills – like many others – to those who want to learn. Irene has gained a circle of friends due to access for all and now feels less alone when her son and her daughter-in-law head off to work as she has people to call and meet.

# 05

## Directors' Report

### **Business review**

The Society's operating profit, derived from an agreement entered into with OSB to assist the Bank in ensuring its operations and services fairly represent the wishes and desires of Members wherever possible, generated a modest profit for the year. The Society made an overall loss during the year as the decline in OSB's share price led to revaluation losses on its investment in OSB shares.

The Society assisted the Bank in conducting a number of customer research activities during the year.

The Society also continued with its free monthly prize draw, and its charitable giving programme.



### Financial results

The Society's operating profit for the year to 31 December 2018 was £69k (2017: £45k). The revaluation of investment in OSB shares resulted in a loss before taxation of £664k (2017: £918k profit). The loss after taxation for the year was £556k (2017: £786k profit).

### Assets

The Society's sole investment is its holding of equity in OSB.

As at 31 December 2018 the Society held (and continues to hold) 1,169,815 Ordinary Shares of £0.01 in OSB (2017: 1,169,815). As per last year, the Board has decided it is appropriate that the investment be valued in the Society's accounts at the prevailing market value as at the accounting reference date.

### Capital

The Society is not regulated as a financial institution, but is registered with the Financial Conduct Authority as the registering authority under the Co-operative and Community Benefit Societies Act 2014. This legislation replaced the former Acts of Parliament that governed Industrial and Provident Societies, and under which the Society was originally incorporated.

There are no specific externally set capital requirements. However, the Board is mindful of its financial obligations and has agreed to have sufficient reserves (from retained earnings) to enable an orderly wind-down of its affairs in the event that such action is required.

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The Society holds **1,169,815**  
Ordinary 1p Shares in  
**OneSavings Bank plc**  
.....

### **Creditor Payment Policy**

The Society's policy concerning the payment of its trade creditors is to pay within the agreed terms of credit, usually 30 days from invoice, once the supplier has discharged its contractual obligations. These terms of payment were settled with suppliers when agreeing the terms of each transaction.

### **Going concern**

In preparing the financial statements the Directors must satisfy themselves that it is reasonable for them to consider whether it is appropriate to adopt the going concern basis.

In considering this issue, the Board has examined financial projections for the Society for the next financial period, and considered the operational and business risks associated with its primary activity of assisting the Bank with its customer research activity.

The Society interacts with OSB in a number of areas:

- KRPS receives reimbursement from OSB to cover its ongoing operating and governance costs for services and activities it undertakes on behalf of the Society's Members.
- The Relationship and Services Agreement dated 31 January 2011 between the Society and OSB details a number of essential corporate support activities which OSB undertakes to provide (e.g. including the maintenance of the membership database).

The Society's current business plans indicate a satisfactory liquidity and trading performance, and with its close working association with, and knowledge of OSB's own strategic plans, the Board of the Society believes it is appropriate that these financial statements are prepared on a going concern basis.

### **Charitable donations**

During year, the Society made charitable donations of £137k (2017: £92k).

### **Directors**

The full list of Directors who served on the Board during the year to 31 December 2018 was as follows:

Andy Golding (Chairman and Chief Executive Officer)  
John Eastgate (Resigned on 31 January 2019)  
Clive Kornitzer  
John Paddick  
April Talintyre

### **UK corporate governance code**

The Board remains committed to the achievement of high standards of corporate governance which it considers to be central to the effective management of the Society and to maintaining the confidence of Members.

### **Indemnity provision**

During the year covered by these accounts there were no new or outstanding third parties qualifying indemnity provisions in force.

.....  
The Society made charitable  
donations of **£137,000**  
.....

### Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

### Auditors

KPMG LLP has been appointed as auditors of the Society for the year ended 31 December 2018. Following a tender process, the OSB Group of companies and the Society have appointed Deloitte LLP as the auditor for the year beginning 1 January 2019.

On behalf of the Board

### Andy Golding

Chairman and Chief Executive Officer  
Kent Reliance Provident Society Limited  
25 April 2019

The Society only currently  
receives **one source**  
of income





# 06

## Corporate Governance Report

### Introduction

The Board recognises the importance of sound corporate governance, and is committed to ensuring best practice is applied throughout the Society in a proportionate manner.

### The Board of Directors

The Board was chaired by Andy Golding and constituted five Directors (including the Chairman). The Chairman and three other Directors are executives of OSB; of which the Chairman and one other are also Directors. The remaining Director is an executive of the Society. The Board meets at appropriate intervals throughout the year and in 2018 met twice, however given their co-location; Directors meet informally on a regular basis in the normal course of business. Additional Board meetings may be called at such other times as the Chairman deems appropriate.

The Board is responsible for setting the strategy for the Society and for ensuring that there are appropriate financial and business systems and controls in place to safeguard the interests of the Society's Members. The Board is also responsible for ensuring the Society's continuing commitment to carrying out its business fairly, honestly and openly, in line with its mutual principles.

The Board has oversight of the strategy and retains control through challenge at Board meetings. All Board members receive accurate, timely and clear information to enable them to make an effective contribution to Board discussions. The scope and nature of such information is reviewed on an ongoing basis to ensure that it remains relevant and concise.

Directors have access to the advice and services of the Society Secretary, whose appointment is a matter for the Board and who is responsible for ensuring Board procedures are followed and for advising the Board, through the Chairman, on matters relating to governance.

### Board attendance record

A table showing attendance at scheduled meetings is shown below. Against each Director's name is shown the number of meetings he or she attended in the year to 31 December 2018. The number of meetings each Director was eligible to attend is shown in brackets.

Director	Meeting
Andy Golding	2(2)
John Eastgate	2(2)
Clive Kornitzer	2(2)
John Paddick	2(2)
April Talintyre	2(2)

### Board balance and independence

The Board consisted of five Directors as at 31 December 2018 and currently consists of four Directors. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience is represented on the Board.

### Appointments to the Board

There were no new appointments to the Board during 2018 and up to the date of signing this Annual Report. John Eastgate ceased to be a Director with effect from 31 January 2019.

### Re-election

Directors are required to submit themselves for re-election at the first Annual General Meeting after their appointment and at least once in every three years thereafter.

### System of internal control

The Board is responsible for determining the Society's strategy for managing risk and overseeing its systems of internal control, and is committed to embedding internal control and risk management into the operation of the Society. The Chief Executive Officer and the Chief Operating Officer are responsible for designing, operating and monitoring risk management and internal controls.

The Board is satisfied that during the period the Society maintained an adequate and appropriate system of internal control.

The role of the Board includes a review of the Society's accounting policies at least annually, a review of the financial statements including any significant financial reporting judgements on which they are based and monitoring the systems of internal control.

### Financial reporting

The Statement of Directors' Responsibilities in preparing the Society's accounts are set out on pages 22 and 23.

# 07

## Directors' Remuneration Report

### Introduction

The purpose of this report is to outline the Board's policy for the remuneration of the Society's Executive team and its Non-Executive Directors and explains the process for setting Directors' remuneration and how it applies the principles of the UK Corporate Governance Code ('the Code'). The Code is available at [www.frc.org.uk](http://www.frc.org.uk).

### Remuneration of the Society's executive management

Currently, the Chief Executive Officer is remunerated solely by OSB, where he holds the same position as Chief Executive Officer. Three other Directors are also remunerated solely by OSB. Their remuneration is determined in accordance with OSB Board governance procedures which are laid out in the Bank's latest Annual Report and Accounts, which is available to download from [www.osb.co.uk](http://www.osb.co.uk). The Society has only one executive Director, the Chief Operating Officer, whose terms and conditions fall within the remit of the Society's Board.

The remuneration of the Chief Operating Officer is shown below:

	2018 £'000	2017 £'000
Basic pay	69	68
Bonus	10	11
Payments in respect of personal pension plans	7	7
Gains made in the exercise of SAYE options	-	18
	<b>86</b>	<b>104</b>

- Basic salary is determined by levels of responsibility, external market competitiveness and individual performance in the role. The Society's policy is to position salaries so that on average, they are in line with salary packages for similar positions in comparable institutions, taking account of the fact that no benefits in kind – such as company cars and private medical insurance – are enjoyed by the Society's employee.
- An annual bonus is paid at the discretion of the Board, when determined appropriate, according to success in the delivery of corporate and individual objectives.
- The current executive management is an inactive member of the OSB Group pension scheme.
- Standard contractual terms for executive level appointments include notice periods of between 3 and 12 months.
- Participation in the OSB Save As You Earn scheme ('SAYE'). The scheme is open to all UK-based employees and allows them to save a fixed amount of between £5 and £500 per month over either three or five years in order to use these savings at the end of the qualifying period to buy OSB's shares at a fixed price which includes a 20% discount. The cost of the discount is borne by OSB.

Specific remuneration and terms and conditions of employment of Members of the OSB executive management team are determined annually by the OSB Board on the basis of recommendations by the OSB Remuneration Committee. The Committee ensures that OSB's policy remains appropriate to attract, motivate and retain high calibre executives with the skills and experience needed to lead a business of this nature and complexity, and develop it for the long-term benefit of Members. Details of the approach of OSB to its own remuneration policy are set out in the latest Annual Report and Accounts for the Bank, which are available at [www.osb.co.uk](http://www.osb.co.uk).

### Non-Executive Directors' fees

During the year under review, none of the non-executive Directors received any remuneration for their time spent in connection with their role as a director of the Society.

### Summary

This report, together with the disclosure in note 3 to the Annual Report and Accounts, is provided to give Members insight into the overall cost of the Society's Directors' remuneration.



# 08

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Society's Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Societies law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period.

In preparing the Society 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:

**Andy Golding**

Chairman and Chief Executive Officer  
Kent Reliance Provident Society Limited  
25 April 2019

# 09

## Independent auditor's report to the members of Kent Reliance Provident Society Limited

We have audited the Financial Statements of Kent Reliance Provident Society Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive income, Statement of Financial position, Reconciliation of Members' Funds, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the Financial Statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of the Society's affairs as at 31 December 2018 and of the income and expenditure of the Society for the year then ended; and
- comply 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Society in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the Financial Statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Society’s future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Society’s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## Going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Society or to cease its operations as they have concluded that the Society’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Financial Statements (‘the going concern period’).

We are required to report to you if we have

concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Directors’ conclusions, we considered the inherent risks to the Society’s business model, including the impact of Brexit, and analysed how those risks might affect the Society’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Society will continue in operation.

## Other Information

In addition to our audit of the Financial Statements, the Directors have engaged us to review whether their Corporate Governance Report on pages 18 to 19 reflects the Society’s compliance with provisions 43 and 123 to 152 of Co-operatives UK Limited’s Corporate Governance Code for Consumer Co-operative Societies issued in November 2013 (‘the Code’). We have nothing to report in this respect.

## Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Society has not kept proper books of account; or
- the Society has not maintained a satisfactory system of control over its transactions; or
- the Financial Statements are not in agreement with the Society’s books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

## **Directors' responsibilities**

As more fully explained in their statement set out on pages 22 and 23, the Society's Directors are responsible for the preparation of Financial Statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company; and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

## **Auditors' responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Society in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and, in respect of the reporting on corporate governance, on terms that have been agreed. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it in an auditor's report and, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our 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 for our audit work, for this report, or for the opinions we have formed.

**Pamela McIntyre (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP,  
Statutory Auditor Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

25 April 2019

# 10

## Financial Statements





## Statement of Comprehensive Income

	Notes	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Commission and dividend income	2	404	374
Administrative expenses	3	(335)	(329)
<b>Operating profit</b>		<b>69</b>	<b>45</b>
Other (expense)/Income	4	(733)	873
<b>(Loss)/Profit before taxation</b>		<b>(664)</b>	<b>918</b>
Taxation	5	108	(132)
<b>(Loss)/Profit for the year</b>		<b>(556)</b>	<b>786</b>

The above results are derived wholly from continuing operations.

There were no recognised gains or losses other than the profit for the year and accordingly no statement of other comprehensive income is given.

The notes on pages 33 to 38 form part of these Financial Statements.

## Statement of Financial Position

	Notes	As at 31 Dec 18 £'000	As at 31 Dec 17 £'000
<b>Non-current assets</b>			
Investment in OneSavings Bank plc	6	4,094	4,827
<b>Current assets</b>			
Cash at bank		302	368
Debtors: Amounts falling due within one year	7	165	48
		467	416
Creditors: Amounts falling due within one year	8	(66)	(68)
<b>Net current assets</b>		401	348
<b>Total assets less current liabilities</b>		4,495	5,175
Creditors: Amounts falling due after more than one year	8	(454)	(578)
<b>Net assets</b>		4,041	4,597
<b>Reserves</b>			
Retained earnings		4,041	4,597
<b>Total Members' Funds</b>		4,041	4,597

The notes on pages 33 to 38 form part of these financial statements.

The report and accounts were approved by the Board of Directors on 25 April 2019 and were signed on its behalf by:

**Clive Kornitzer**  
Director

**April Talintyre**  
Director

## Reconciliation of Members' Funds

	Retained earnings £'000	Total Members' funds £'000
As at 1 January 2017	3,811	3,811
Profit for the year	786	786
<b>As at 31 December 2017</b>	<b>4,597</b>	<b>4,597</b>
Loss for the year	(556)	(556)
<b>As at 31 December 2018</b>	<b>4,041</b>	<b>4,041</b>

## Statement of Cash Flows

	2018 £'000	2017 £'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(664)	918
<b>Adjustments for non-cash items:</b>		
Unrealised loss/(gains) on investments	733	(873)
<b>Cash generated from operations</b>	<b>69</b>	<b>45</b>
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in net amounts receivable from OSB	(132)	412
Increase in debtors	(1)	-
(Decrease)/Increase in other creditors	(2)	37
Tax paid	-	(126)
<b>Movement in cash and cash equivalents</b>	<b>(66)</b>	<b>368</b>
Cash and cash equivalents at beginning of year	368	-
Cash and cash equivalents at end of year	302	368
<b>Movement in cash and cash equivalents</b>	<b>(66)</b>	<b>368</b>

## 1. Accounting policies

The principal accounting policies applied in the preparation of the accounts for the Society are set out below.

### a) Basis of preparation

These Financial Statements have been prepared in accordance with applicable UK accounting standards, including Financial Reporting Standard 102: The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland ('FRS 102'), and with the Companies Act 2006. The presentation currency of these Financial Statements is Pounds Sterling. All amounts in the Financial Statements have been rounded to the nearest thousand ('£'000').

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

There were no significant judgements made by the Directors, in the application of these accounting policies that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year.

### b) Going Concern

In preparing the Financial Statements the Directors must satisfy themselves that it is reasonable for them to consider whether it is appropriate to adopt the going concern basis.

In considering this issue, the Board has examined financial projections for the Society for the 12 month period following the signing of these accounts, and considered the operational and business risks associated with its activities.

The Society interacts with OSB in a number of areas:

- KRPS receives reimbursement from OSB to cover its ongoing operating and governance costs for services and activities it undertakes on behalf of the Society's Members.
- The Relationship and Services Agreement dated 31 January 2011 between the Society and OSB details a number of essential corporate support activities which OSB undertakes to provide (e.g. including the maintenance of the membership database).

The Society's current business plans indicate a satisfactory liquidity and trading performance, and with its close working association with, and knowledge of OSB's own strategic plans, the Board of the Society believes it is appropriate that these financial statements are prepared on a going concern basis.

### c) Commission and other income

The Society derives its management income from a management fee charged to OneSavings Bank plc. This income is recognised on an accruals basis.

### d) Administrative expenses

Administrative expenses for the Society include all operating and governance costs and are recognised on an accruals basis.



### **e) OSB Sharesave Scheme**

The OSB Save As You Earn ('SAYE') or Sharesave Scheme is open to the Society's employee and allows him to save a fixed amount of between £5 and £500 per month over either three or five years in order to use these savings at the end of the qualifying period to buy OSB shares at a fixed price established when the schemes were announced. The OSB Group has offered three and five year Sharesave Schemes annually since 2014, with the exercise price set at a 20% discount on the OSB share price on the scheme dates. The cost of the Society's employee enrolled in the SAYE scheme is borne by OSB. Further details about the Sharesave Schemes are included in the OSB Group Annual Report and Accounts.

### **f) Taxation including deferred taxation**

The charge for taxation is based on the result for the period and takes into account current and deferred taxation. The tax charge is taken to the profit or loss account, consistent with the items it relates to. Current taxation is the expected taxation charge on the taxable profits in the period. Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amounts of assets or liabilities for accounting purposes and carrying amounts for tax purposes.

### **g) Investment in OneSavings Bank plc**

Following the re-organisation of OSB's share capital in 2014, the Society's holding decreased below the levels required to control or significantly influence OSB. As a result, the investment has been classified as other investments, originally recognised at cost of acquisition and subsequently re-measured at market value. Changes in its market value and related tax effect are taken to the statement of profit or loss.

### **h) Related parties**

The Society has a related party relationship with OSB. Details of the related party transactions can be found in note 10.

## 2. Commission and dividend income

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Management fee	208	242
Dividend income	196	132
	<b>404</b>	<b>374</b>

## 3. Administrative expenses

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Staff costs (see below)	96	99
Fees payable to the auditors and their associates	16	16
AGM Costs	70	104
Charitable donations	137	92
Other administrative expenses	16	18
	<b>335</b>	<b>329</b>

### Staff numbers and costs

The average number of persons employed by the Society (including executive Directors) during the year was 1 (2017: 1). Four of the Society's Directors are employees of OSB. These Directors are paid by OSB and receive no additional remuneration from the Society. The aggregate costs of the one person, which are also the remuneration of the highest paid Director, were:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Salaries and other benefits	78	81
Social security costs	11	11
Other pension costs <sup>1</sup>	7	7
	<b>96</b>	<b>99</b>

<sup>1</sup> Other pension costs relate to contributions to personal pension plans.

## 3. Other (expense)/income

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Revaluation of investment in OSB	(733)	873
	<b>(733)</b>	<b>873</b>

## 5. Taxation

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Corporation tax	16	(16)
Deferred tax	(124)	148
	<b>(108)</b>	<b>132</b>

Tax is charged at the weighted average rate of corporation tax for the period of 19.00% (2017: 19.25%). The tax reconciliation is presented below:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
<b>(Loss)/Profit before taxation</b>	<b>(664)</b>	<b>918</b>
(Loss)/Profit multiplied by the weighted average rate of corporation taxation in the UK	(126)	177
Non-taxable dividend income	(37)	(25)
Expenses not deductible for taxation purposes	25	-
Tax adjustments in respect of share-based payments	(1)	-
Unrealised gains on investment in OSB	15	(20)
Adjustments in respect for prior years	16	-
<b>Total taxation</b>	<b>(108)</b>	<b>132</b>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Society's future tax charge accordingly.

## 6. Investment in OneSavings Bank plc

The Society is one of the two founding shareholders of OSB. On 1 February 2011, it transferred to OSB the trade and net assets of the Kent Reliance Building Society in exchange for 26,000 ordinary A shares. OSB Holdco Limited, the other founding party, injected £50m of new capital in exchange for 17,426 ordinary B shares and 32,574 convertible preference shares in OSB.

Between 2011 and 2013, OSB Holdco Limited injected a further £45m of capital in OSB in exchange for ordinary B shares and convertible preference shares. In 2012, OSB issued 1,000 E shares in connection with an acquisition of a subsidiary.

In 2014, OSB reorganised its share capital in preparation for the listing on the London Stock Exchange ('Initial Public Offering' or 'IPO'). The reorganisation included an issue of interim shares, conversion, bonus issue and change of denomination from £1 to £0.01. Each ordinary B, E and preference share was exchanged for 200 new £0.01 ordinary shares. Ordinary A shares of the

Society were exchanged for 677,800 new shares, a ratio of about one for 26. This included an additional allocation of ordinary shares to settle OSB's liability of £700k for the buy-out of the agency agreement.

An additional 147,855 shares were received at IPO in accordance with the reorganisation agreement. In addition, the terms of settlement entitled it to the forfeited IPO shares granted to OSB employees. The Society received no additional forfeited shares during the year ended 31 December 2018 (2017: nil). The Society's total holding in OSB at 31 December 2018 remained 1,169,815 (2017: 1,169,815) shares which equates to about 0.5% (2017: 0.5%) of OSB's capital after the IPO. The current level of voting rights does not allow the Society to significantly influence business decisions of OSB. Accordingly, the investment is classified as other long-term investments.

Until the capital reorganisation, the investment was valued at nil cost. Since OSB's IPO, the investment has been measured at market value based on OSB's share price on the reporting date. Changes in its market value are taken to the statement of profit or loss together with the related deferred tax disclosed in the note below.

The movements in the investment's value are analysed as follows:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
At 1 January	4,827	3,954
Fair value change due to share price movements	(733)	873
At 31 December	4,094	4,827

## 7. Debtors

	2018 £'000	2017 £'000
Amount receivable from OSB	163	31
Corporation tax receivable	-	17
Other debtors	2	-
	165	48

## 8. Creditors

	2018 £'000	2017 £'000
<b>Due after more than one year</b>		
Deferred tax (see note 9)	454	578
	<b>454</b>	<b>578</b>
<b>Due within one year</b>		
Accruals	63	65
PAYE & NIC	3	3
	<b>66</b>	<b>68</b>

## 9. Deferred tax

Deferred tax represents the expected tax liability on the difference between the current market value and original cost of the investment in OSB at the reporting date.

	2018 £'000	2017 £'000
At 1 January	578	430
Tax recognised in the profit or loss account and attributable to:		
Movements in the value of shares	(124)	148
At 31 December	<b>454</b>	<b>578</b>

## 10. Related party transactions

During the year, the Society had the following transactions with its related party, OSB, all of which were at an arm's length basis:

	Year ended 31 Dec 18 £'000	Year ended 31 Dec 17 £'000
Commission and dividend income	404	374

## 11. Events after the reporting date

There were no material events after the reporting date.





Kent Reliance Provident Society Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014. Registered No: 31056R.  
Registered office: Reliance House, Sun Pier, Chatham, Kent, ME4 4ET.

**KentReliance**  
Provident Society