

PENRITH BUILDING SOCIETY

Annual Report and Accounts

31 December 2022

Head Office and Branch

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CONTENTS

CHIEF EXECUTIVE’S BUSINESS REVIEW	2
DIRECTORS’ REPORT	4
CLIMATE CHANGE REPORTING	9
CORPORATE GOVERNANCE REPORT	10
AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT	13
DIRECTORS’ REMUNERATION REPORT	15
DIRECTORS’ RESPONSIBILITIES.....	16
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY	17
INCOME STATEMENT (INCLUDING STATEMENT OF COMPREHENSIVE INCOME).....	22
STATEMENT OF FINANCIAL POSITION.....	23
CASH FLOW STATEMENT	24
STATEMENT OF CHANGE IN MEMBERS’ INTERESTS	24
NOTES TO THE ACCOUNTS.....	25
ANNUAL BUSINESS STATEMENT	40

CHIEF EXECUTIVE'S BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2022

When I reflect on the disruptive and uncertain nature that was brought about by the Covid-19 pandemic, there was always going to be a need for fiscal tightening as the UK and the rest of the world returned to a degree of normality. I think very few of us could have predicted the scale of the economic and political challenges that would play out both domestically and on a global scale following the war in Ukraine. We have achieved a great deal in 2022 against huge amounts of economic volatility and a marketplace that was as fast changing as I have ever experienced. Some of my proudest moments have come from what we have achieved together as a team despite this.

2022 was a year in which we demonstrated resilience, produced strong financial results, and ensured that we maintained a supportive and safe environment for both our staff and members. We implemented and completed many change projects that will continue to support an operationally resilient and efficient business. Our member loyalty and staff commitment were a huge factor in our successes, and I must thank you all for this. It is testament to the staff that we have been able to continue to operate both effectively and safely throughout these testing times. I am heartened that our loyal members have continued to understand and trust in the decisions we have taken to ensure we continue to provide high levels of service and fair returns.

I am delighted to report that we achieved a profit of £0.45m in 2022. This was a result of margin management during the year in a marketplace that was fast changing and extremely competitive. We ensured fair rates of return for our loyal savers, especially as market rates began to rise steeply. We continued to build our new mortgage business, whilst managing the back book effectively. Regarding our total assets, I am also delighted to be able to report growth of 8.90% to £138.01m.

These financial results were particularly pleasing in the context of the amount of change that we went through as a business. We continued to make changes to our operational model and to the structure of the business. Further improvements to our member experience were driven by a project focused on making our processes more efficient. We also undertook the full refurbishment and improvements of our Head Office building.

Mortgage performance

I talk each year about how fundamentally important mortgage lending remains to our long-term success and sustainability. We took a controlled approach to our mortgage lending in the first half of 2022 due to the programme of change that we introduced in the department. This has resulted in more efficient processes, which have improved our servicing times and the experience of our borrowing members and the mortgage intermediaries who we work with. Whilst we continued to see positive signs regarding products offered within the mortgage marketplace, the fast pace of pricing, driven primarily by the regularity of changes in monetary policy, resulted in us pausing the acceptance of new applications for a number of weeks in September and October. Despite the slower start and this pause, we still saw our mortgage assets growing by 5.83% to £102.57m. We achieved a significant milestone, as our mortgage assets reached £100m for the first time in our history. We are confident that we are well placed in the areas of the market that we both want to, and are able, to compete in. Whilst it is likely that the mortgage market will continue to contract and activity reduce through 2023, we are certain that we will retain our share of the market.

Savings growth

We remain committed to providing fair rates of return to our loyal saving members and we continued to provide these in 2022. We reacted to the rises in interest rates throughout the year to ensure that our members were provided with good returns on their deposits. As a result of this we saw a net increase in savings flows of £10.34m taking our saving balances to £124.64m. We did, due to the fast paced market as a result of the constant rises in interest rate, have to restrict the admission of new saving members at different points to ensure that we were able to balance the demand for savings products alongside our mortgage products.

Member engagement and community

I am pleased to report a stable year in our membership base which continues to show a real vote of confidence in us, as well as indicating that the products and services we provide are positioned well in the marketplace. The loyalty that is afforded to us by our members is something we are appreciative of and I am proud that we have been able to continue to provide fair rates and returns to both our borrowing and saving members throughout 2022, particularly when we compare ourselves to other providers in the market.

As is key to our purpose, we remain committed to the community that we serve in Penrith and the Eden Valley. In 2022, we again provided donations to charities and families in our community who really needed it. We gave a total of £6,000 in December alone to local schools and charities in Penrith to ensure that people and families who require financial support have been able to receive it. Our social purpose, as a mutually owned organisation, continues to be at the heart of all we do, and these donations perfectly illustrate our commitment to supporting the local community and the people who live within it, regardless of whether they are our members or not.

Whilst we have moved to a greater degree of normality as we have come out of the impacts of the pandemic, we will commit to both engagement and volunteering that we have been able to support in the past. We have continued to support the financial education of the younger generation in Penrith in conjunction with Queen Elizabeth Grammar School and Ullswater Community College, and we will support this again moving forward through our ongoing partnership with the Wize Up Financial Education Charity.

Our affinity accounts have also supported Pride in Penrith Lottery, Eden Valley Hospice & Jigsaw, Annie Mawson's Sunbeams Music Trust, Greener Every Day, Penrith RUFC Juniors, and Penrith & District Red Squirrel Group. Where any member has an interest or relationship with one of these charities, I would encourage you to contact us to review how you may be able to further support them whilst saving for the future. Collectively, in 2022, we made contributions of £5,918 to these charities thanks to your support.

**CHIEF EXECUTIVE'S BUSINESS REVIEW continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

People


I must give thanks to our incredible team. I want to acknowledge their exceptional commitment, loyalty and support which has been instrumental in driving our performance and in supporting our members and partners against what has been another year of demanding circumstances. In addition, their acceptance and support of our change initiatives has been instrumental in successfully completing key projects and they should be proud of what has been achieved together.

In addition to this, the Board of Directors remain committed to continuing to provide and foster an environment for all staff and members that is safe, diverse, and inclusive.

Future outlook

The UK is clearly facing a period of extraordinary political and economic uncertainty. Growth is forecast to continue to contract throughout 2023 and may take some time to recover dependent on several variables. This is likely to directly affect the housing market and we expect to see a decline in both prices and stock. In addition to this, due to inflationary pressures for UK households, there is the possibility that we see a rise in the numbers of people who could struggle to maintain their mortgage payments. We have a strong track record of supporting our members and this will continue through what will be a challenging period.

The Board continues to believe strongly that we have a sustainable future as an independent, vibrant Building Society mutually owned by you, our loyal members. We retain an experienced, capable, and talented team that will continue to monitor any adverse indicators relating to all factors in the marketplace, economy and political arenas whilst ensuring we support our members. Additionally, we remain well capitalised which will support us in navigating this uncertain period. I say it each year and this year will be no different. We exist because of the commitment and dedication of our staff, who we will continue to invest in, as well as the ongoing loyalty and support of our members. I would like to thank you all for your support and I wish you both health and happiness for the coming year.



Tim Bowen (Chief Executive)

14 March 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in presenting their Annual Report, together with the Group and Society Accounts (the Annual Accounts) and Annual Business Statement, for the year ended 31 December 2022.

Penrith Building Society and its 100% owned subsidiary, Cumbria Mortgage Centre Limited report consolidated Group results. The principal activity of the subsidiary is detailed in Note 17 on page 33 of the Accounts. As the activity of the subsidiary is aligned with that of the Society, references and results reported throughout the Annual Report and Accounts include the consolidated performance and position of the subsidiary, unless specifically noted otherwise.

Strategic Business Review 2022

We have seen a positive year overall, achieving growth in all areas and strong profitability. Inflation continues to rise and alongside this interest rates, which present challenges to us and our members. We believe that we have in place a strong business model and a commitment to continue on our journey in 2023 and beyond.

We consider our reason for being as part of our strategy event each year, and have retained our purpose and values as follows:

Our purpose - confirms that we are proud to be here for our members and community. We offer a safe place to build your savings, which in turn helps others to buy their home.

Our values - which support the purpose, are summarised as follows:

We are trustworthy

We are relevant

We are straightforward

We listen to you

We care about you

Our objectives – which support the achievement of our purpose and delivery of our long-term strategy to grow in a controlled manner, are as follows:

- To remain confident that we will identify areas of the mortgage market within our risk appetite, that we can be competitive in, wish to compete in and develop and leverage our intermediary relationships.
- To ensure that we fund our mortgage business in a sustainable and controlled manner that preserves our net interest margin and profitability.
- To commit to being an independent, profitable and operationally resilient mutual, whilst fulfilling the social aspect of our purpose within the community in which we are based.
- To maximise the value of our brand, by engaging with and supporting the financial education of our members and our communities. We will work with local businesses and government to connect and promote us further within our local community.
- To continue to invest in improving our people, processes, systems and controls.
- To agree about the requirement to focus on creating an environment from which to build our inclusive and diverse culture and the wellbeing of our people.
- To identify the right strategic partners, to maximise value in all areas of the business.
- To comply with the regulatory agenda and adapt to changes in an agile and proportionate manner.

Achieving the above will continue to see us generate stronger returns, withstand financial stress and operate credibly and competitively in the financial services environment.

Our principal business objectives are the provision of mortgage finance for residential property, savings products for private individuals and local businesses and related services.

Key Performance Indicators

The Board uses a number of key performance indicators to measure and monitor performance and position on an ongoing basis. A summary of these measures over the last five years has been explained further below.

Income and Expenditure

We made a profit for the year after taxation of £0.45m (2021: £0.56m).

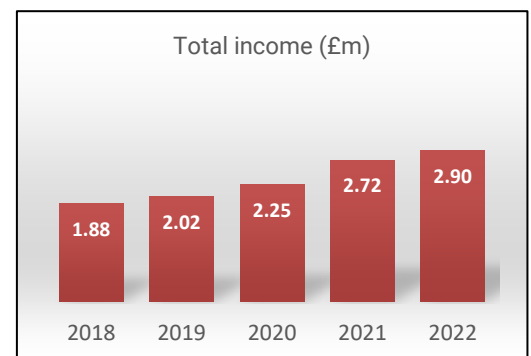
Total income is £2.90m, compared to £2.72m in 2021. The net interest margin increased from 1.89% to 2.16%, but remains an area of focus in the rising interest rate environment, to ensure we remain fair to our members in both savings and mortgage rates. We monitor our competitor activity to ensure we are pricing with or ahead of the market.

We charge fees for mortgage products, but keep these as low as possible and pay legal and valuation fees on certain products on behalf of borrowers. Introducer fees are paid to intermediaries, through whom we source a significant amount of new lending.

Management expenses including depreciation are £2.34m (2021: £2.06m), an increase of 13.43%. Management expenses expressed as a ratio of mean total assets are 1.77% (2021: 1.66%).

We invested significantly in reconfiguring our Head Office behind the scenes in 2022, creating an environment supportive of our hybrid working approach, allowing for collaborative and individual working, but also ensuring the space supported our diversity and inclusivity agenda. We also took positive steps to improve the area from a climate change perspective.

Work on our access to digital channels continued, with steps taken towards the end of the year to formally engage with partners who will support our greener initiatives and reduce the unnecessary print and postage costs we continue to see. Investment in our people remains key to our future success, and 2022 saw new resources in the savings and mortgage teams, and further qualifications achieved across departments.



**DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

Total assets

New bond products and a refresh of our notice account range, coupled with some market leading rates on ISAs in the autumn saw strong savings inflows which supported positive asset growth at year end, being 8.90% (2021: 3.98%).

Mortgage activity took advantage of this position through a good mix of product completions throughout the year, and strong activity on retentions of existing borrowers, which saw mortgage assets grow by 5.83% (2021: 5.63%).

We advanced 157 (2021: 208) new loans at a total value of £22.17m (2021: £24.62m). Within these loans, were 24 further advances (2021: 14). Our subsidiary continues to allow us to provide direct mortgage advice to borrowers, many of whom are based in our heartland. These cases represented 25.70% of our new mortgage business in 2022 (2021: 33.04%).

Increases in interest rates by the Bank of England to try and bring inflation back under control, has seen us increase our rates on both sides of the balance sheet.

We have consciously not moved our rates with each bank rate increase, but have considered where our product range needs to be to both attract new members, but importantly to retain our existing members.

We have responded to rate rises for the benefit of savings members, which saw us enter the Best Buy tables in early October on key products of cash ISAs and notice accounts.

Equally for borrowers, we had some exclusive deeper discounted products over the summer which were taken up quickly and our more specialist ranges of self-build, expat and holiday lets are still attracting good levels of business.

2023 will be challenging with interest rates set to rise further, a slow down in mortgage lending anticipated and further concerns over the cost of living impacts on household spending and saving.

We will continue to review where we are positioned in the market, reacting where necessary to keep pace, but also considering the impact on savings and borrowing members as they manage household budgets through this period of higher living costs.

Liquid assets fell to lower levels deliberately in the first half of 2022, but the savings inflows, and strong mortgage retention saw us end the year with liquidity at 27.02% of total shares and borrowings (2021: 25.15%).

Arrears performance

At the end of 2022, the arrears levels on our mortgage book has fallen to just three cases over three months, of which no cases were more than twelve months in arrears (2021: one case). Four cases (2021: one case) had forbearance measures in place at the year end. We had no properties in possession in 2022 (2021: none). As a result of the strong arrears management, we have kept our loan loss provisioning consistent with 2021, at £0.19m (2021: £0.18m). We remain cautious as to the potential for over inflation in the housing market and have continued to apply a 10% reduction in the House Price Indices used to estimate our current value of properties in our risk-weighted collective loan loss provisioning model.

We take all reasonable steps to minimise loss through ensuring that the criteria of our Responsible Lending Policy is followed through individual underwriting and is being appropriately updated to take account of the prevailing economic conditions.

In particular, we are vigilant to the financial stresses which may arise for borrowers as the interest rates continue to increase.

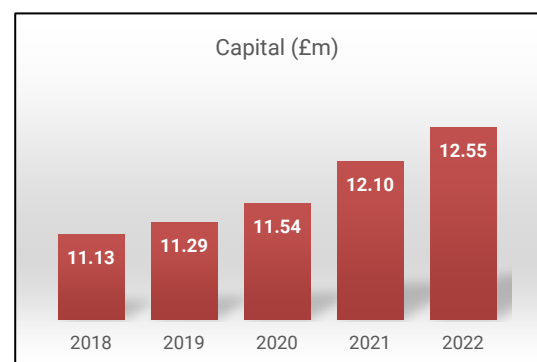
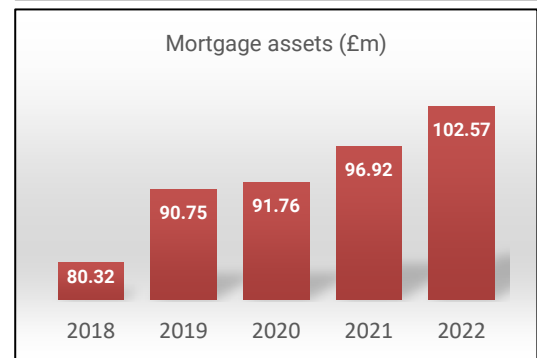
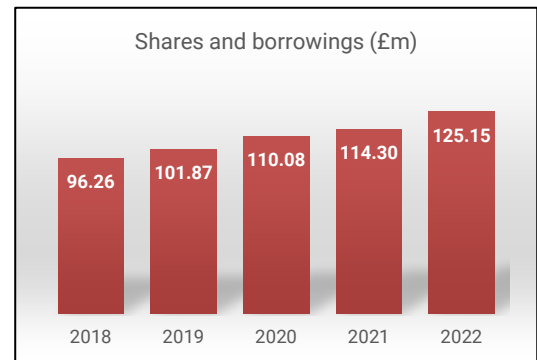
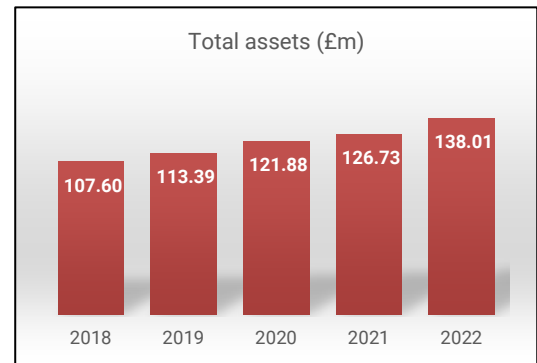
We offer constructive assistance and forbearance to borrowers in financial difficulty and maintain a personal approach, which our borrowers prefer, allowing us to develop a better understanding of their needs and individual circumstances.

Capital

At 31 December 2022, our total capital is £12.55m (2021: £12.10m). A satisfactory level of capital is maintained to ensure we are protected against any adverse changes in economic conditions in general or in circumstances particular to us.

The free capital ratio (the aggregate of general reserve and collective impairment for losses on loans and advances less tangible and intangible assets) has decreased to 9.64% of total shares and borrowings (2021: 10.56%). Additionally, the gross capital ratio (being general reserves) amounted to 10.03% of total shares and borrowings (2021: 10.59%). Although levels of profits remain good, the growth in assets has outpaced the return on capital this year, resulting in the reduced ratio positions.

Both capital ratios still remain strong for the building society sector overall.



**DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

Key Performance Indicators, continued

To meet regulatory requirements, a risk assessment of our capital policies and procedures (the Internal Capital Adequacy Assessment Process) is carried out and approved by the Board at least annually.

The table here summarises the Core Tier 1 Ratio, being Tier 1 Capital (reserves less a deduction for intangible assets) as a percentage of risk weighted assets and the Leverage Ratio, being Tier 1 Capital as a percentage of total assets plus mortgage impairments plus a proportion of mortgage pipeline commitments.

These aspects are expanded on further in the Society's Basel IV disclosures for Pillar 3, available on the Society's website, www.penrithbs.co.uk

	2022	2021
	£m	£m
Tier 1 capital (after regulatory deductions)	12.42	11.96
Tier 2 capital	0.18	0.17
Total capital	12.60	12.13
Risk weighted assets:		
Liquid assets	6.58	5.30
Loans and advances	37.82	36.06
Other assets	1.62	1.06
Operational risk	4.33	3.82
Total risk weighted assets	50.35	46.24
Capital ratios:		
Core tier 1	24.67%	25.86%
Leverage	8.80%	9.21%

Country by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 place certain reporting obligations on financial institutions that are within the scope of the Capital Reporting Directive IV (CRD IV). The purpose of the regulations is to provide clarity on the source of our income and the location of our operations. The annual reporting requirements as at 31 December 2022 are included in Note 3 on page 29.

Principal Risks and Uncertainties

We adopt the approach of a low exposure to risk so as to maintain member confidence and to allow the achievement of our corporate objectives. There is a formal structure for risk management which includes fully documented control procedures in addition to risk limits, mandates and reporting lines.

In 2022 we have been working on our operational resilience, being the ability to withstand stress across all areas of the business and we continue to work to embed this, along side other priority projects including Consumer Duty and Climate Change.

We monitor the following risk areas through the Board and sub-committee structure. Dashboards for all risk areas are presented at least quarterly to the relevant risk committee, which include details on the sub-risks and controls for each risk area, and monitoring metrics where appropriate to ensure the risks are being managed within the risk appetites set by the Board:

Area of risk	Description
Credit	<p>This is the risk of a borrower or counterparty not meeting obligations when they fall due. All applications for mortgages are assessed individually under the Board approved Responsible Lending Policy and existing mortgages are monitored regularly for potential default.</p> <p>With regard to counterparty investments, the Board has set appropriate credit limits covering exposure to individual counterparties, sectors and countries and processes are in place to ensure that such limits are not breached and are monitored on a regular basis. Exposures to this risk are set out in Note 29 on page 37.</p> <p>For counterparty risk, there is the risk of loss due to a large individual or connected exposure and the risk of a geographical concentration in Cumbria. The Board sets maximum limits for exposures to individual borrowers and treasury counterparties and monitors lending both within the county and externally. It has set targets to increase the national coverage to mitigate the local concentration risk.</p>
Operational	<p>This is the risk of loss through inadequate or failed systems, human error or other external factors. We have controls in place which are monitored by the Board with an aim to safeguard members' funds at all times and periodically reviews risks and contingency funding strategies through disaster recovery tests.</p> <p>All areas have appropriate Board approved systems of control and policies and adherence to these is monitored through risk management software, with formal attestation processes in place for each operational team.</p> <p>As a small business, we are reliant on key personnel to manage the business day to day. We maintain Blind Handover documents, in line with the Senior Managers and Certification Regime and have a formal succession plan in place for key roles, managed through the Nominations Committee.</p>
Conduct	<p>The risk we are not being fair to members in all dealings with them. The work to embed Consumer Duty is enhancing our controls in this area, which includes the monitoring of new product development, existing product performance, member feedback, complaints and other associated areas in line with the principles of Treating Customers Fairly.</p>
Liquidity	<p>This is the risk we are unable to meet our financial obligations as they fall due. The Board approved Liquidity Policy requires that sufficient liquid resources be held to ensure that all fluctuations in funding are covered, member confidence is maintained and we can meet calls on funds when they fall due, in line with the Individual Liquidity Adequacy Assessment Process undertaken annually and recovery plan options.</p>
Funding	<p>We are a retailer of financial instruments in the form of mortgage and savings products and also a user of wholesale financial instruments to invest in liquid assets. Managing how we fund both sides of the balance sheet as a result is a priority for us and we maintain a Board approved Funding Policy to manage this.</p> <p>This is further discussed in the Liquidity Risk section of Note 29 on page 39.</p>

**DIRECTORS' REPORT continued
 FOR THE YEAR ENDED 31 DECEMBER 2022**

Principal Risks and Uncertainties, continued

Area of risk	Description
Interest Rate	This is the risk of exposure to movements in interest rates. We have a small tranche of fixed rate mortgage and savings products and fixed rate investments including Certificates of Deposit, Gilts and Treasury Bills. This risk is managed through the Funding and Liquidity policies approved by the Board and Assets and Liabilities Committee oversight. Our interest rate sensitivity at 31 December 2022 is detailed in the Market Risk section of Note 29 on page 37.
Cyber	This is the risk of loss due to a cyber related event. We invest in our technology infrastructure and controls to limit the exposure to a potential loss due to a cyber-attack. Penetration tests are carried out periodically on our systems and access to the key areas is restricted by both physical and non-physical measures.
Data	This is the risk of loss due to a data breach event. We monitor how we control and process the data we hold on members, staff and other stakeholders, to ensure this remains relevant to the processing activity we undertake in line with the General Data Protection Regulations. We have a Data Protection Officer who has oversight responsibilities in this area.
Fraud and Financial Crime	This is the risk of a loss due to a fraudulent transaction or money laundering related activities. Formal processes are in place to identify all members from their initial contact with us and at other points in their relationship cycle. Ongoing transactions are monitored for unusual activity based on our knowledge of the members and other third-party relationships. We have a Money Laundering Reporting Officer who has oversight responsibilities in this area.
Climate Change	This is an emerging risk due to the changes in the climate and is split into physical and transitional risk areas. Physical risks could create a direct impact, such as properties over which we hold a mortgage becoming uninhabitable or unsaleable due to increased risk of flooding. Transition risks could include developments such as potential disruption to certain sectors of the economy as the world moves from higher to lower levels of carbon production in energy generation. In recent years we have seen increased risks due to floods and other factors for properties in the mortgage book and are assessing the risk of modern methods of construction when considering how a loan can be underwritten. Further disclosure on climate is set out on page 9.

Directors

The following persons were Directors during the year:

Non-Executive Directors

Will Lindsay	Board Chair
Rod Ashley	Acting Senior Independent Director
Richard Drinkwater	
Janice Lincoln	
Kevin Parr (resigned 31 October 2022)	

Executive Directors

Tim Bowen	Chief Executive
Elspeth James	Finance Director

All Directors retire on an annual basis and offer themselves for re-election.

None of the Directors had any beneficial interest in any connected undertaking at any time during the year. Tim Bowen re-joined the Board of Mutual Vision Technologies Limited, who provide our core banking platform under a managed service arrangement, on 13 January 2023 and to date no fees or other income have been provided to us.

We maintain liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.

Staff

The Directors are pleased to record their appreciation to management and staff for their hard work and loyal service rendered during what has been a further challenging year.

The Board encourages the personal development and training of both management and staff in order to ensure that employees have sufficient expertise, qualifications and relevant skills to provide the standard of service required. Wherever appropriate, staff and management attend suitable training courses and seminars to support their personal development.

Land and Buildings

The Directors consider that the overall market value of Head Office is in excess of the book value.

Donations

During the year charitable donations totalling £24,853 (2021: £17,794) were made. No contributions were made for political purposes.

**DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

Creditor Payment Policy

Our policy is to agree the terms of payment at the commencement of trading with each supplier, to ensure that they are aware of those terms and to abide by them. Where terms of payment have not been agreed we settle the supplier's invoice on being satisfied that the supplier has fully conformed with the terms and conditions of purchase. Creditor days were 12 at 31 December 2022 (2021: 11 days)

Going Concern

Forecasts of the financial position for the period ending at least twelve months from the date of the signing of these accounts have been prepared. In making this assessment, the risks that could impact on our capital, financial and liquidity positions over that period have been considered and stressed as appropriate. Additionally, our operational resilience continues to be reviewed and tested, with the key requirement to maintain an essential branch service for the local community, with significant numbers of staff working at home and no loss of service to members as a result of the changes made.

These forecasts and other reviews have satisfied the Directors that we have adequate resources to continue in business for the foreseeable future. For this reason, it is appropriate for the accounts to continue to be prepared on the going concern basis.

Post Balance Sheet Events

The Directors do not consider that any event since the year-end has had a material effect on the financial position as disclosed in the Annual Report and Accounts.

Approved and signed on behalf of the Board on 14 March 2023



Tim Bowen
(Chief Executive)



Will Lindsay
(Chair)

CLIMATE CHANGE REPORTING FOR THE YEAR ENDED 31 DECEMBER 2022

We have set out below our initial view on our work in the area of climate change. This includes information on how we are approaching climate change, focusing on mitigation of climate-related risks that are facing us now and into the future. The Board has oversight of the risks in this area, and we have included scenario analysis in our latest capital review, based on the data provided by Landmark, as outlined in the 'External impact' section below.

Internal impact

We undertook an extensive programme of refurbishment of our Head Office building in 2022. As part of this project we engaged with a local heritage engineer who provided a report and initial proposals on ways we could make our traditional building more efficient and energy saving. From this report we prioritised areas for immediate improvement as part of the wider refurbishment, such as insulation, ventilation and water/ electric works. However, there were areas which we will build into future plans around the outerstructure of the building and windows. Additionally, we donated all of our existing furniture to a local charity, Hopscotch Care, based in Kendal, which was needing to furnish an expanded office space. The new furniture purchased included Humanscale® furnishings which have a net positive certification.

Carbon offsetting activity

We have partnered with a local charity, Greener Every Day, to plant oak and other British woodland trees, to offset our CO2 impact. In 2022 our electricity and gas usage within the Head Office and Branch had a CO2 impact of 17,460kg CO2. The trees we planted, being 422 in total, through organised events involving staff, our attendance at the Penrith Show, a donation from the 2022 AGM voting, and a tree donation for every mortgage purchase completed, saw us offset 69,630kg of our CO2 in 2022. This resulted in us achieving a net positive position for carbon in 2022, in only the second year we have taken active steps to measure our impact.

External impact

As a mortgage lender, we lend on property across the UK which is subject to climate change risks. These are categorised as both physical and transition in nature. We partnered with a third party, Landmark, to assist us in understanding our exposure to these risks within the mortgage book at 31 December 2022. This review considered the following future risks:

- **Flood risk:** wetter winters and more concentrated rainfall events to increase flooding
- **Subsidence:** drier summers to increase subsidence on shrink/swell clay
- **Coastal erosion:** increased storm surge and rising sea levels will increase rates of erosion
- **Energy efficiency policy change:** F and G rated properties may be required to undergo expensive remediation

We have summarised below, based on the position at end of 2022, the impact of climate change by 2060 in a High-Emissions Scenario*:

£	Physical (inevitable)			Transitional (potential)
	Flood	Subsidence	Coastal erosion	Energy Efficiency Remediation
Value Impact: reduction in property value due to climate change over and above current level	631,132	43,001	0	19,111,871
Value at Risk: reduction in property value due to climate change that would result in a loss if property were possessed	111,139	139	0	1,462,024
Value at risk in downturn: reduction in property value due to climate change that would result in a loss if property were possessed and property market in downturn	156,862	507	0	2,598,258
Realised loss in downturn: the value at risk in downturn multiplied by the probability of possession	7,843	25	0	129,913

*High-Emission scenario considers impacts of temperature increases in the range 3.2-5.4 degrees

The outcomes of this review are taken into consideration in our capital planning requirements. The most significant impact to us arising from EPC ratings, which we closely monitor for our existing and new business mortgage books.

Further initiatives

We are working to signpost our members to local organisations which provide help and advice on how to improve energy efficiencies in the home and we consider energy efficiency measures in all our self-build lending.

Our valuation reports, from the start of 2023, include details on climate related impacts of the properties which are being taken into security, in addition to the EPC ratings already captured, to allow us to continue to understand how our mortgage book is placed from a climate perspective. This will inform our future lending policy in this area and allow us to consider whether any form of 'green' mortgages, which allow our members to improve the energy efficiency and carbon impact of their homes, would be appropriate.

Next steps

The information above, both from an internal and external perspective has given us insights into our potential exposures to climate change. We will use this information to finalise our Climate Change Risk policy which will be adopted as the basis for measurement of this risk moving forward.

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board views good corporate governance as an essential part of its responsibility to our members. We have regard to the UK Corporate Governance Code (2018 version) issued by the Financial Reporting Council in developing our policies and procedures as set out below:

Leadership

The Board

The Board provides leadership and direction in achieving our objectives and is responsible for our continued success. It sets the strategy, formulates policies and provides guidance on how we are managed. It regularly reviews financial performance and ensures that there are effective risk management controls and procedures in place. It reviews and updates the Corporate Plan on an annual basis ensuring the strategic objectives are fit for purpose and are aligned to our purpose and values.

Board Composition

The Board comprises two Executive Directors (the Chief Executive and Finance Director) and four Non-Executive Directors. The Executive Directors are responsible for day to day management within the guidelines set by the Board. Non-Executive Directors are essential for governance providing, amongst other things, challenge to the Executive Directors and senior management, setting objectives, monitoring performance and determining remuneration of the Executive Directors.

The Chair, a Non-Executive Director, is elected annually by the Board. The main role of the Chair is to lead the Board and ensure its effective operation in all aspects of its role.

Effectiveness

Board Independence

The Board considers that all of its Non-Executive Directors are independent. Rod Ashley is Senior Independent Director and is available to members having any concerns which they consider would be inappropriate to discuss with the Executive Directors or other management.

Our rules state that all Directors submit themselves for election by members within sixteen months of their appointment to the Board and the Board have agreed that all Directors stand for re-election annually thereafter. No Non-Executive Director should serve on the Board for a period of more than nine years and if this situation was to arise it would be disclosed in the Financial Statements.

Board Appointments

Where the need for a new Director is identified, for any reason, the Chief Executive prepares a description of the person required based on the skills, qualifications and experience needed to ensure an adequate balance of skills at Board level. This is approved by the Nominations Committee.

The Board recognises the importance that diversity and inclusion has on enhancing culture which directly impacts on attracting and retaining Directors. We continue to be committed to attracting a broad set of qualities, education, skills and behaviours when recruiting Directors to the Board. In order to support the assessment of the skills and competencies of the Board and identify any gaps and development needs, all Board members contribute to a Board skills matrix. The skills matrix provides a holistic understanding of the Board capabilities, strengthens succession planning and ensures that any Director recruitment improves the Board composition by facilitating a broader range of views, experience, background and values. All candidates, irrespective of gender or background, are always treated respectfully and inclusively.

The Nominations Committee, which includes the Chair, oversees the recruitment of all Directors.

A formal recruitment process will be employed and may include the advertising of the position in appropriate media, canvassing our membership or use of an external search agency.

The Chair, where possible, is appointed from among the existing Non-Executive Directors. Where there is no suitable candidate identified, an external search agency would be used.

It is necessary for Board appointments to be notified to our Regulators. Where an Executive Director or an Approved Non-Executive Director is to be appointed this must be formally approved by the Regulators under the Senior Managers and Certification Regime and this may include a personal interview with the Prudential Regulation Authority or Financial Conduct Authority or both.

Performance Evaluation

A formal process exists to evaluate, on an annual basis, the performance and effectiveness of individual Directors and of the Board as a whole. In 2022, the appraisal of the Chair was carried out by the Chief Executive and Senior Independent Director. The other Non-Executive Directors' appraisals were carried out by the Chief Executive and Chair, except for that of the Senior Independent Director, which was completed by the Chair and Chair of the Audit, Risk and Compliance Committee (ARCC). These appraisals are based on a number of factors including attendance at meetings and external events, contribution and performance at meetings and challenge to the Executive.

Appraisal of the Chief Executive was carried out by the Chair and Chair of the ARCC and the appraisal of the Finance Director was carried out by the Chair and Chief Executive. Both these individuals are appraised on an annual basis.

The appraisal of the Chair includes specific requirements to review how they lead the Board, promoting a culture of openness and debate, ensuring all Directors contribute to discussions and that they receive accurate, timely and clear information to allow them to discharge their Board responsibilities.

The effectiveness of the Board as a whole and its committees is reviewed annually by the Board. This includes a review of terms of reference for the Board and committees and confirmation that information, training, time and resources have been made available to all members of the Board or committees to allow them to participate in the relevant meetings.

**CORPORATE GOVERNANCE REPORT, continued
 FOR THE YEAR ENDED 31 DECEMBER 2022**

Accountability

We have created a Risk Management Framework to identify, quantify (if possible) and manage risks. The sub-risks within this framework are linked to underlying day to day controls, to ensure risk is being appropriately managed. The Board is responsible for the oversight and challenge of this process and reviews the risk strategy and policies on a continual basis as both internal and external factors impact on our day to day activities. The Board has delegated the responsibility for managing internal control to the Executive Directors and senior management. The Internal Audit function has been outsourced and provides independent assurance to the Board through the ARCC that these controls are adequate and effective.

Fitness and Propriety

All Directors must meet the fitness and propriety requirements under the Senior Managers and Certification Regime and must complete a questionnaire annually confirming their continued compliance with this requirement. All Directors are provided with clear, timely and accurate information to enable them to fulfil their duties and responsibilities and have access to the advice of the Secretary. In addition, Directors may take independent professional advice at our expense should this be necessary.

There are ever increasing burdens on Non-Executive Directors. They must devote considerable time to the business. As well as attendance at Board Meetings, there must be a commitment to develop skills and knowledge from both internal and external sources to enable them to fulfil their duties and responsibilities. All new Directors are provided with induction training and all Directors are encouraged to attend training courses, seminars and other events to maintain up to date knowledge of the matters affecting us and the building society sector as a whole.

Strategic Direction

The Board holds an annual Strategy Event to review current and future strategic plans. From this event, the Executive Directors and senior management create the Corporate Plan on an annual basis, which is agreed and approved by the Board. From the Corporate Plan an operational plan for the business is created to allow each strategic objective to be managed and monitored by both management and the Board, the latter reviewing progress on at least a quarterly basis.

Culture

We recognise the importance of staff and other critical third party relationship input into our strategic direction and ensure that their views are obtained at appropriate points in any decisions taken.

To facilitate this, the Board reviews the cultural behaviour of the Board and staff at least annually through a formal culture dashboard setting out our response to the alignment of business performance and behaviours. In 2022, the Board undertook an independent staff survey on culture, led by the Financial Services Culture Board. The output from the survey has been reviewed and actions to address points raised form part of the strategic objectives within the Corporate Plan.

The Board has appointed Richard Drinkwater as a workforce champion to allow staff to express their views outwith the Executive Directors. All Non-Executive Directors are encouraged to attend staff training sessions where strategy updates are provided, to allow additional staff engagement and to outline their role on the Board.

Separately, we have a Whistleblowing champion in Janice Lincoln. This allows the staff to raise concerns in confidence and anonymously if they wish. There is a formal agenda item each Board meeting to review any whistleblowing reports arising and to ensure arrangements are in place to undertake an independent investigation and follow up on matters that are raised.

Relationship with Members

Our on-going relationship with our members is an important area of focus. Following the pandemic we have had more opportunities this year, to engage with members face to face, returning as lead sponsor to the Penrith Show and attending other local events over the summer. The 2022 Annual General Meeting remained virtual on 20 April 2022 but we are returning to a face to face Annual General Meeting on 26 April 2023, hosted locally. Questionnaires are provided to members based on their different interactions with us and we continue to respond to member feedback received directly on an individual basis. We encourage all members to contact us if they have any concerns or views, positive or negative, at any time to allow us to support our members where we can.

Board and Committee Meetings

Main Board Meetings are held at least twice in every quarter. Additional meetings may be called as required.

Following the principles of good corporate governance, the Board has established certain committees to advise on various issues.

The composition and purpose of each of these committees is summarised as follows. Full terms of reference for each committee can be obtained from the Society's Secretary:

Committee	Members	Purpose
Nominations (NomCo)	Richard Drinkwater (Chair) Will Lindsay Janice Lincoln Tim Bowen	<ul style="list-style-type: none"> To make recommendations on appointments to the Board, including the annual review of our Succession Plan, ensuring that the Board has sufficient Directors with appropriate skill sets, who are fit and proper and independent. To consider diversity and inclusivity, and how this relates to our strategy and to consider the gender balance of those in senior management and their direct reports. <p>The matters under the heading of Board Appointments and Performance Evaluation, on page 10, are also overseen by the Nominations Committee.</p>

**CORPORATE GOVERNANCE REPORT, continued
 FOR THE YEAR ENDED 31 DECEMBER 2022**

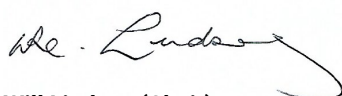
Committee	Members	Purpose
Remuneration (RemCo)	Richard Drinkwater (Chair) All other Non-Executive Directors	<ul style="list-style-type: none"> To set the Remuneration Policy for Executive Directors and Non-Executive Directors' Fees and to agree annual pay increase percentages and any bonus provisions for the wider staff base. To set all other benefits and matters relevant to the Executive Directors including contracts of employment. <p>The Executive Directors attend most of these meetings by invitation. The Directors' Remuneration Report for 2022 is on page 15.</p>
Audit, Risk and Compliance (ARCC)	Janice Lincoln (Chair) Rod Ashley Richard Drinkwater	<ul style="list-style-type: none"> To ensure we comply with all regulatory and prudential requirements. To review our internal controls and management systems against the risk management environment. To take responsibility for the review of the effectiveness of the internal compliance monitoring and internal audit functions and approval of their respective annual review plans. To monitor the External Auditor's independence, objectivity and effectiveness. <p>Members of the committee should have accountancy and audit experience, through the sector or other roles and bring recent relevant financial experience. In addition, representatives of Internal and External Audit and Internal Compliance and the Executive Directors attend most of these meetings by invitation. The ARCC Report for 2022 is on pages 13 and 14.</p>
Executive Risk (ERC)	Elspeth James (Chair) Tim Bowen Other Executive Team members Janice Lincoln (Risk Champion)	<ul style="list-style-type: none"> To provide oversight of the key risks (as set out on pages 6 and 7), and to ensure that these are being managed effectively. To monitor the activities of the sub-risk committees, which consider these key risks and their associated monitoring metrics in more detail. To report to ARCC on any risk areas where additional focus and reviews may be required. To provide assurance to the Board on a quarterly basis that all risks are being appropriately controlled and actioned. <p>The Risk Champion is encouraged to attend these meetings at least quarterly.</p>
Assets & Liabilities (ALCO)	Tim Bowen (Chair) Elspeth James Financial Controller Heads of Mortgages, Member Services, Finance and Risk & Compliance	<ul style="list-style-type: none"> To monitor liquidity and funding and other treasury risk. To undertake balance sheet management activities. To ratify product pricing for savings and mortgages against the market. To consider forward looking economic data and how our cash flow forecasts and budget projections respond and adapt to market conditions. <p>Non-Executive Directors are individually encouraged to attend ALCO periodically.</p>

Attendance at these committees is summarised as follows for 2022:

	Board	ARCC	RemCo	NomCo	ERC	ALCO
Number of meetings	14	4	3	6	11	11
Rod Ashley	14 (14)	4 (4)	3 (3)	-	-	1*
Richard Drinkwater	14 (14)	1(1) and 1*	3 (3)	-	-	1*
Janice Lincoln	14 (14)	4 (4)	3 (3)	5(6)	2*	4*
Will Lindsay	14 (14)	2*	3 (3)	6(6)	-	2*
Kevin Parr	9(10)	3(3)	2 (2)	-	1*	1*
Tim Bowen	14 (14)	4*	3*	6(6)	10 (11)	10 (11)
Elspeth James	11 (14)	4*	3*	2*	11 (11)	11 (11)

() denote number of meetings an individual was eligible to attend and * denotes the individual attended a meeting by invitation only.

Approved and signed on behalf of the Board



Will Lindsay (Chair)
14 March 2023

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The ARCC is an essential part of our governance framework, to which the Board has delegated oversight of financial reporting, internal controls, risk management, internal audit and external audit. This report provides an overview of the ARCC's work and details how it has discharged its responsibilities during the year.

The responsibilities of the ARCC are in line with the provisions of the Financial Reporting Council (FRC) Guidance on Audit Committees. The main function of the ARCC is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of:

- The integrity of the Annual Report and Accounts, any formal announcements relating to financial performance and significant financial reporting judgements contained therein;
- The effectiveness of the system of internal control processes;
- The internal and external audit processes;
- The appointment, re-appointment and removal of the external auditors and the periodic review of their performance and independence; and
- The policy on the use of external auditors for non-audit work.

Following each ARCC meeting, the minutes of the meeting are distributed to the Board, and the ARCC Chair provides an update to the Board on key matters discussed.

The composition of the ARCC is detailed on page 12. The Chief Executive, Finance Director and senior management attend the meeting by invitation. Representatives of PwC (internal auditor), and Mazars (external auditor), are also invited to each meeting. At least twice a year, the ARCC has a discussion with the external and internal auditor and internal compliance without management being present.

Key areas reviewed

The ARCC met at least four times a year and focused on the following matters:

Financial Reporting

The primary role in relation to financial reporting is to review and assess with management and the external auditor the integrity and appropriateness of the Annual Report and Accounts concentrating on amongst other matters:

- The quality and acceptability of accounting policies and practices;
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements including advising the Board on whether the Annual Report and Accounts, when taken as a whole are fair, balanced and understandable and provide information sufficient for members to assess our performance, business model and strategy; and
- The material areas in which significant judgements have been applied.

The primary areas of judgement considered by the Committee in relation to the 2022 accounts were:

- Loan loss provisions: Review of judgements used to determine timing of recognition and valuation of loan loss provisions in line with Financial Reporting Standard 102, specifically House Price Index application, forced sale discounts and selling costs and the current and potential impact of the UK economic position on the provisioning requirements;
- Interest income recognition: Review of the design, implementation and effectiveness of controls around the calculation of interest income and charges, including the timing of applicable fees and commission recognition, and behavioural life under effective interest rate methodologies; and
- Going concern: Review our response to risk assessments completed to address the key operational and strategic risks we face, and second and third line reviews of key risk areas during 2022, as agreed by the ARCC. From a financial perspective, assessments were made as to the appropriateness of financial forecasts and capital adequacy, with reference to the Corporate Plan and stress testing undertaken within this, considering potential sensitivities to market conditions.

The ARCC considered whether the 2022 Annual Report and Accounts were fair, balanced and understandable by satisfying itself that there was a robust process of review and challenge to ensure balance and consistency.

The ARCC fully discharged its responsibilities in relation to financial reporting of the Annual Report and Accounts for 2022.

Internal Audit

The ARCC is responsible for monitoring internal audit activities and effectiveness and ensuring that sufficient resources are in place. In order to provide the scalability and flexibility of specialist resources required within internal audit, we continue to outsource this role to PwC.

Key reviews were completed through their agreed work programme during the year including areas of internal control significance (being reviews of: Operational Resilience, Board Governance, Model Risk and Mortgage Lending). Internal audit findings and thematic issues identified were considered by the ARCC, as well as management's response and the tracking and completion of resultant actions.

The ARCC considers the guidance from the Chartered Institute of Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector' when ensuring that the internal auditors and the ARCC were fulfilling their obligations in a robust manner.

The ARCC also approved the fee for the internal audit work for the year having reviewed the scope of the work programme in detail.

PwC operate in accordance with an Internal Audit Charter. The ARCC is satisfied PwC satisfies the required skills and resource to fulfil the role.

**AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

Systems of Internal Controls

The Board recognises the importance of sound systems of internal control in the achievement of its objectives and the safeguarding of members' and our assets. Internal control also facilitates the effectiveness and efficiency of operations, helps to ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations.

We operate in an evolving business environment and, as a result, the risks we face are continually changing. The internal control framework has been designed to ensure thorough and regular evaluation of the nature and extent of risk and our ability to react accordingly. It is the role of management to implement the Board's policies on risk and control. It is also recognised that all employees have responsibility for internal control as part of their accountability for achieving objectives. Staff training and induction is designed to ensure that they are clear on their accountabilities in this area and are competent to operate and monitor the internal control framework.

The internal audit function provided independent assurance to the Board on the effectiveness of the internal control framework through the ARCC. The ARCC reviewed this aspect through regular reporting from management, internal audit and external audit. The main internal control matters which were reviewed by the ARCC in 2022 were:

- Conduct related issues;
- Prudential related issues;
- Internal audit plans;
- Control reports from the external auditor in relation to the financial reporting process arising from the external audit. During the year Mazars did not highlight any material control weaknesses; and
- The status of issues raised in control reports which were tracked closely. During the year, the volume and age profile of issues raised remained within appropriate parameters.

The information received and considered by the ARCC provided reasonable assurance that during 2022 there were no material breaches of control or regulatory standards and that, overall, we maintained an adequate internal control framework that met the principles of the Code.

External Audit

Mazars LLP are appointed as external auditor.

The effectiveness of the external audit process is dependent on appropriate audit risk identification and at the start of the audit cycle the ARCC receives from Mazars a detailed audit plan, identifying its assessment of the key risks.

The ARCC or the ARCC Chair, on behalf of the ARCC holds regular private meetings with the external auditor. This provides the opportunity for open dialogue and feedback from the ARCC and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management's activity in relation to these risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and the independence of their audit.

The ARCC considers the reappointment of the external auditor, including rotation of the audit partner, each year and also assesses its independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the audit at least every five years. The audit in relation to the 2022 results was the fourth for the current audit partner and firm, after they were appointed in 2019, following a robust selection process.

The ARCC approved the fees for audit services for 2022 after a review of the level and nature of the work to be performed and being satisfied that the fees were appropriate for the scope of the work required.

ARCC Effectiveness

The ARCC conducted a self-assessment review to monitor its effectiveness which concluded that the ARCC had operated effectively and in accordance with its Terms of Reference. The Terms of Reference were reviewed during the year and found to be fit for purpose.

Approved and signed on behalf of the ARCC



**Janice Lincoln (Director)
14 March 2023**

**DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Remuneration Policy is to reward Directors through salary and fees according to their skills, expertise, experience and overall contribution, taking into account salary and fee levels in comparable organisations. The Remuneration Policy follows the 'Remuneration Code' guidelines put in place by the Financial Conduct Authority (FCA), which sets out the standards and policies that we are required to meet when setting pay for Directors. We do not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to our size, we do not have any material risk takers who meet the proportionality thresholds set by the FCA on the implementation of the Remuneration Code and therefore no separate additional disclosures are required.

The Board will include an advisory resolution on the Directors' Remuneration Report at the forthcoming Annual General Meeting.

Non-Executive Directors

The remuneration of all Non-Executive Directors is fee based and is reviewed annually by the Board. They do not participate in any performance pay scheme, pension arrangements or other benefits and do not have service contracts.

The Chair and Chair of the ARCC receive higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

Executive Directors

Our policy is to set remuneration at levels sufficient to attract and retain Executives of sufficient calibre and expertise.

Executive Directors' remuneration comprises basic salary, discretionary bonus and pension benefits, the latter is based on a fixed percentage of salary. Their remuneration level and structure are considered by the Remuneration Committee which meets at least twice a year, with reference to job content and responsibilities, the performance of the individual and salaries in similar organisations.

Additionally, the Remuneration Committee considers the achievement of the strategic objectives within the Corporate Plan and the ongoing delivery of the longer-term strategy when considering any inflationary increases to Executive Directors' salaries.

There are no incentive schemes in place for the Executive Directors. The Remuneration Committee has the discretion to add a bonus payment to the remuneration of the Executive Directors annually if they feel there are aspects of their performance that would support an additional reward. This is aligned with the approach taken for all staff and is as a result of the appraisal process completed each year when achievement of objectives, aligned to the strategic goals, are reviewed.

We do not have a defined benefit final salary pension scheme. We make contributions to the private pension arrangements of the Executive Directors, the contributions being at the same level in line with that available to staff.

The Chief Executive's and Finance Director's contracts of employment require a 12 month and 9 month notice period respectively.

Remuneration detail is set out in Note 9 on page 30.

Approved and signed on behalf of the Remuneration Committee



Richard Drinkwater (Director)
14 March 2023

**DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT,
THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Annual Accounts for each financial year. Under that law they have elected to prepare the Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Annual Accounts are required by law to give a true and fair view of the state of affairs of the Group and Society as at the end of the financial year and of the income and expenditure of the Group and Society for the financial year.

In preparing these Annual Accounts, 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 Annual Accounts;
- assess the ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

In addition to the Annual Accounts the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Group and Society.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Group and Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and the Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal controls as they determine are necessary to enable the preparation of Annual Accounts 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 and to prevent and detect fraud and other irregularities.

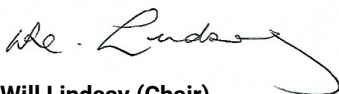
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website. Legislation in the UK governing the preparation and dissemination of Annual Accounts may differ from legislation in other jurisdictions.

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 external auditor is unaware; and
- each Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Board is recommending that Mazars LLP is re-appointed as external auditor for the financial year ending 31 December 2023. A resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Board



Will Lindsay (Chair)
14 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY

Opinion

We have audited the Annual Accounts of Penrith Building Society (the 'Society') and its subsidiary (the 'Group') for the year ended 31 December 2022 which comprise the Group and Society Income Statement (including Statement of Comprehensive Income), Group and Society Statement of Financial Position, Group and Society Cash Flow Statement, Group and Society Statement of Change in Members' Interests, and notes to the Annual Accounts, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Annual Accounts:

- give a true and fair view of the state of the Group's and Society's affairs as at 31 December 2022 and of the Group's and of the Society's income and expenditure 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 Building Societies Act 1986.

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 annual accounts" section of our report. We are independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the Annual Accounts in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to public interest entities, 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.

Conclusions relating to going concern

In auditing the Annual Accounts, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Annual Accounts is appropriate.

Our audit procedures to evaluate the Directors' assessment of the Group's and Society's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and Society's ability to continue as a going concern;
- Making enquiries of the Directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group's and Society's future financial performance;
- Challenging the appropriateness of the Directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the Directors' consideration of severe but plausible scenarios. This included reviewing the Group's and Society's 3-year corporate plan, latest ICAAP and its reverse stress testing;
- Assessing the historical accuracy of forecasts prepared by the Directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation, levels and interest rates;
- Considering the consistency of the Directors' forecasts with other areas of the Annual Accounts and our audit; and
- Evaluating the appropriateness of the Directors' disclosures in the Annual Accounts on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Society's ability to continue as a going concern for a period of at least twelve months from when the Annual Accounts are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Annual Accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Annual Accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued
Key audit matters, continued

Key Audit Matter	How our scope addressed this matter
<p>Credit Risk – Impairment of Loans and Advances to Customers</p> <p><i>Refer to note 1.8(a), for the associated accounting policy, note 2.1 for management's accounting estimates and judgements in applying the accounting policy, and note 16 of the annual accounts.</i></p> <p>A loan loss provision should be recognised when there is objective evidence of impairment. The total impairment provision of the Group and Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio.</p> <p>Collective Impairment</p> <p>The Group and Society has little to no history of actual loan loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being applied in determining assumptions to be applied in its assessment.</p> <p>The impairment model is most sensitive to movements in the house price index ('HPI'), the forced sale discount ('FSD') applied to collateral values and the probability of default ('PD') of the loans.</p> <p>Specific Impairment</p> <p>Loans are assessed for individual impairment by the Directors where the loan is in arrears by at least three months, or collateral has been repossessed by the Group and Society.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating the design and implementation and the operating effectiveness of the key controls operating at the Group and Society in relation to the credit processes (loan origination and approval, loan redemptions and arrears monitoring); • Testing the completeness and accuracy of loans that are subject to individual provision including recalculating the provision charge; • Assessing the relevance of external data used in the provisioning model (HPI and PD) based on our understanding of the Group's portfolio. • Comparing the Group's and Society's key assumptions (PD and FSD) with similar lenders and loan portfolios with similar characteristics and considering whether these assumptions are consistent with industry benchmarks. • Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Group's and Society's portfolio; • Challenging the reasonableness and completeness of the adjustment in respect of the HPI. • Performing a sensitivity analysis over the key assumptions on PD, Forced Sale Discounts and HPI; and • Assessed the adequacy of the Group's and Society's disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers in the Annual Accounts. <p>Our observations</p> <p>Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 31 December 2022 to be reasonable and in compliance with the requirements of FRS 102.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued
Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual annual account line items and disclosures and in evaluating the effect of misstatements, both individually and on the Annual Accounts as a whole. Based on our professional judgement, we determined materiality for the Annual Accounts as a whole as follows:

Overall materiality	Group: £125,000 (2021: £121,000) Society: £125,000 (2021: £121,000)
How we determined it	1% of reserves
Rationale for benchmark applied	We consider that reserves is the most appropriate benchmark to use for the Group and Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation as its primary objective. Further, reserves as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where reserves is an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the Annual Accounts exceeds materiality for the Annual Accounts as a whole. We set performance materiality at £93,800 (2021: £91,000) which was applied in the audit based on 75% (2021: 75%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount toward the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £6,200 (2021: £3,600) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the Annual Accounts, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the Annual Accounts as a whole. We used the outputs of a risk assessment, our understanding of the Group and Society, their environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all Annual Accounts line items.

Our Group audit scope included an audit of the Group's and the Society's Annual Accounts. Based on our risk assessment, the group audit team undertook a full scope audit of the Group, the Society its trading subsidiary.

	2022	2021
Number of reporting entities subject to full audit scope	2	2
% Group net interest income	100%	100%
% Group profit before tax	100%	100%
% Group total assets	100%	100%

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the Annual Report and Accounts other than the Annual Accounts and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the Annual Accounts 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 Annual Accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Accounts 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 Annual Accounts or a material misstatement of the other information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued

Other information, continued

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.

Opinions on the Annual Business Statement and the Directors' Report

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the Building Societies Act 1986;
- the information in the Directors' Report for the financial year is consistent with the accounting records and the Annual Accounts; and
- the information given in the Annual Business Statement (other than the information on which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Group and Society and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group and Society; or
- the Group and Society's individual Annual Accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the Directors are responsible for the preparation of the Annual Accounts 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 Annual Accounts that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Accounts, the Directors are responsible for assessing the Group's and 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 Group or Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the Annual Accounts 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 Annual Accounts.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Group and Society and their industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA') and anti-money laundering regulations. and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the Annual Accounts.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance with laws and regulations, our procedures included but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and Society, the industry in which they operate and the structure of the Group and Society, and considering the risk of acts by the Group and Society which were contrary to the applicable laws and regulations including fraud;
- Inquiring of the Directors, management and, where appropriate, those charged with governance, as to whether the Group and Society are in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA;
- Reviewing minutes of Directors' meetings in the year;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the Annual Accounts from our general commercial and sector experience and through discussions with the Risk and Compliance Executive, from inspection of the Group's and Society's regulatory and legal correspondence and review of minutes of the Board of Directors and ARCC during the period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued

Auditor's responsibilities for the audit of the Annual Accounts, continued

We also considered those other laws and regulations that have a direct impact on the preparation of Annual Accounts, such as the Building Societies Act 1986 and UK Tax Legislation.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the Annual Accounts, including the risk of management override of controls, and determined that the principal risks related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being skeptical to the potential of management bias through judgement and assumptions in significant accounting estimates, in particular in relation to loan loss provisions, and performing the procedures described in the "Key audit matters" section of our report.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

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

Other matters which we are required to address

Following the recommendation of the ARCC, we were appointed by the Directors on 1 November 2019 to audit the Annual Accounts for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2019 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or Society and we remain independent of the Group and Society in conducting our audit.

Our audit opinion is consistent with our additional report to the ARCC

Use of the audit report

This report is made solely to the Group and Society's members as a body and the Group and Society's depositors as a body in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Group and Society's members and depositors 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 Group and Society's members as a body and the Group and Society's depositors as a body for our audit work, for this report, or for the opinions we have formed.



Tim Hudson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

14 March 2023

**INCOME STATEMENT (INCLUDING STATEMENT OF COMPREHENSIVE INCOME)
 FOR THE YEAR ENDED 31 DECEMBER 2022**

		Group 2022	Group 2021	Society 2022	Society 2021
	Notes	£	£	£	£
Interest receivable and similar income	4	4,215,784	3,453,108	4,215,784	3,453,108
Interest payable and similar charges	5	(1,384,445)	(723,470)	(1,384,445)	(723,470)
Net interest receivable		2,831,339	2,729,638	2,831,339	2,729,638
Fees and commissions receivable		46,223	53,249	31,658	30,403
Fees and commissions payable		(6,488)	(6,816)	(6,488)	(6,816)
Fair value adjustment on investment properties	21	22,934	(68,150)	22,934	(68,150)
Other operating income	6	9,195	9,464	9,195	9,464
Total income		2,903,203	2,717,385	2,888,638	2,694,539
Administrative expenses	8	(2,242,033)	(1,981,944)	(2,236,233)	(1,976,473)
Depreciation and amortisation	19/20	(96,255)	(80,089)	(96,255)	(80,089)
Disposal of fixed assets	19	(2,048)	(1,120)	(2,048)	(1,120)
Operating profit before impairment losses and provisions		562,867	654,232	554,102	636,857
Impairment (losses)/gains on loans and advances	16	(13,000)	44,000	(13,000)	44,000
Profit on ordinary activities before tax		549,867	698,232	541,102	680,857
Tax on profit on ordinary activities	11	(98,360)	(135,325)	(96,694)	(132,024)
Profit for the financial year		451,507	562,907	444,408	548,833

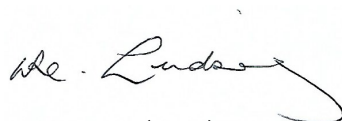
Profit for the financial year arises from continuing operations and is attributable to members.

The notes on pages 25 to 39 form part of these accounts.

**STATEMENT OF FINANCIAL POSITION
 AT 31 DECEMBER 2022**

	Notes	Group 2022 £	Group 2021 £	Society 2022 £	Society 2021 £
Assets					
Liquid assets:					
Cash in hand	12	55,676	46,039	55,676	46,039
Treasury bills	13	12,885,154	11,181,924	12,885,154	11,181,924
Loans and advances to credit institutions	14	16,338,123	14,514,372	16,286,544	14,470,605
Debt securities	13	4,536,261	3,002,714	4,536,261	3,002,714
		<u>33,815,214</u>	<u>28,745,049</u>	<u>33,763,635</u>	<u>28,701,282</u>
Loans and advances to customers					
Loans fully secured on residential properties		102,055,910	96,378,699	102,055,910	96,378,699
Loans fully secured on land		518,613	544,598	518,613	544,598
	15	<u>102,574,523</u>	<u>96,923,297</u>	<u>102,574,523</u>	<u>96,923,297</u>
Investment in subsidiary	17	-	-	102	102
Other investments	18	144,933	144,933	144,933	144,933
Tangible fixed assets	19	572,718	98,194	572,718	98,194
Intangible fixed assets	20	89,875	103,571	89,875	103,571
Investment properties	21	281,600	335,600	281,600	335,600
Prepayments and accrued income	22	527,818	380,314	527,483	380,314
Total assets		<u>138,006,681</u>	<u>126,730,958</u>	<u>137,954,869</u>	<u>126,687,293</u>
Liabilities					
Shares	23	121,761,352	111,704,861	121,761,352	111,704,861
Amounts owed to credit institutions	24	504,701	-	504,701	-
Amounts owed to other customers	25	2,881,776	2,594,037	2,881,776	2,594,037
		<u>125,147,829</u>	<u>114,298,898</u>	<u>125,147,829</u>	<u>114,298,898</u>
Other liabilities	26	63,754	158,234	62,088	154,933
Accruals and deferred income		196,932	162,646	185,718	154,115
Deferred tax liability	27	46,908	11,429	46,908	11,429
Total liabilities		<u>125,455,423</u>	<u>114,631,207</u>	<u>125,442,543</u>	<u>114,619,375</u>
Reserves					
Total reserves attributed to members of the Society		12,551,258	12,099,751	12,512,326	12,067,918
Total reserves and liabilities		<u>138,006,681</u>	<u>126,730,958</u>	<u>137,954,869</u>	<u>126,687,293</u>

Approved by the Board of Directors on 14 March 2023 and signed on its behalf by:



Will Lindsay (Chair)



Janice Lincoln (Director)



Tim Bowen (Chief Executive)

The notes on page 25 to 39 form part of these accounts.

**CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Group 2022 £	Group 2021 £	Society 2022 £	Society 2021 £
Cash flows from operating activities					
Profit on ordinary activities before tax		549,867	698,232	541,102	680,857
Adjustment to fair value of investment properties	21	(22,934)	68,150	(22,934)	68,150
Depreciation and amortisation	19/20	96,255	80,089	96,255	80,089
Increase/ (decrease) in impairment of loans and advances	16	13,000	(44,000)	13,000	(44,000)
Movement in accrued interest on debt securities	13	(113,099)	15,147	(113,099)	15,147
		523,089	817,618	514,324	800,243
Changes in operating assets and liabilities					
Increase in prepayments, accrued income and other assets	22	(147,504)	(48,388)	(147,169)	(50,272)
Increase/ (decrease) in accruals, deferred income and other liabilities		33,351	(2,411)	30,668	(6,672)
Increase in loans and advances to customers	15	(5,664,227)	(5,123,746)	(5,664,227)	(5,123,746)
Increase in shares	23	10,056,491	3,971,785	10,056,491	3,971,785
Increase in amounts owed to credit institutions and other customers	24/25	792,440	251,571	792,440	251,571
(Increase)/ decrease in loans and advances to credit institutions		(4,039,319)	193	(4,039,319)	193
Taxation paid	11	(156,426)	(69,952)	(153,125)	(67,052)
Net cash inflow/ (outflow) from operating activities		874,806	(1,020,948)	875,759	(1,024,193)
Cash flows from investing activities					
Purchase of debt securities	13	(28,257,812)	(27,181,874)	(28,257,812)	(27,181,874)
Disposal of debt securities	13	25,134,134	29,277,036	25,134,134	29,277,036
Purchase of tangible and intangible fixed assets	19/20	(559,131)	(60,802)	(559,131)	(60,802)
Disposal of tangible and intangible fixed assets	19	2,048	1,120	2,048	1,120
Disposal of investment property	21	76,934	-	76,934	-
Net cash used in investing activities		(3,603,827)	2,035,480	(3,603,827)	2,035,480
Net (decrease)/increase in cash and cash equivalents		(2,205,932)	1,832,150	(2,213,744)	1,811,530
Cash and cash equivalents at the start of the year	12	9,057,645	7,225,495	9,013,878	7,202,348
Cash and cash equivalents at the end of the year	12	6,851,713	9,057,645	6,800,134	9,013,878

**STATEMENT OF CHANGE IN MEMBERS' INTERESTS
 FOR THE YEAR ENDED 31 DECEMBER 2022**
General reserves

	Group 2022 £	Group 2021 £	Society 2022 £	Society 2021 £
Balance as at 1 January	12,099,751	11,536,844	12,067,918	11,519,085
Total comprehensive income for the year	451,507	562,907	444,408	548,833
Balance as at 31 December	12,551,258	12,099,751	12,512,326	12,067,918

The notes on page 25 to 39 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Principal accounting policies

1.1. Basis of preparation

We have prepared the Annual Accounts, comprising the individual accounts of the Society and consolidated accounts for the Group, in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 ('the accounts regulations') and Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in March 2018.

In preparing the Annual Accounts under FRS 102, the use of certain critical account estimates and judgments has been required. The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the Annual Accounts are set out in Note 2, on page 28.

1.2. Basis of accounting

The Annual Accounts have been prepared under the historical cost convention. This is except for Investment Properties, which are measured at fair value.

The Annual Accounts have been prepared on a going concern basis. This is discussed in the Directors' Report on page 8, under the heading 'Going Concern'.

The presentation currency of the Annual Accounts is sterling and all amounts have been rounded to the nearest pound.

1.3. Basis of consolidation

The Group accounts consolidate the accounts of the Society and its subsidiary undertaking, and exclude any profits or losses on intra group transactions. These accounts are made up to 31 December 2022. Unless otherwise stated, the acquisition method of accounting has been adopted. In the Society's accounts, investments in subsidiary undertakings are stated at the lower of cost and recoverable amount. Uniform accounting policies are applied throughout the Group.

1.4. Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments are recognised in 'interest receivable and similar income' or 'interest payable and similar charges' using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying amount of the financial asset or liability.

Fees receivable and payable on mortgage assets are generally recognised when all contractual obligations have been fulfilled and are spread over the expected life of the mortgage, as part of the effective interest rate model outlined in 1.6 below.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by an allowance for impairment.

1.5. Fees and commissions

Fees and commissions receivable and payable that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.6). Other fees and commission, including account servicing fees, sales commission and other fees are recognised as the related services are performed.

1.6. Financial assets

In accordance with FRS 102 (sections 11 and 12), we initially recognise loans and advances, deposits and debt securities on the date on which they originated. All other financial instruments are recognised on the trade date, being the date on which we became a party to the contractual provision of the instrument.

a) Loans and Receivables

The loans and advances to customers are classified as loans and receivables. Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

We measure our loans and advances at amortised cost less impairment provisions. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The initial value may, if applicable, include certain fees such as application, product, legal, valuation or higher lending charges, which are recognised over the expected scheme life of mortgage assets, as noted in 1.4 above.

Discounted rates on mortgages are recognised over the expected scheme life of mortgage assets and for certain schemes, will form part of the effective interest rate model.

Throughout the year and at each year end, the mortgage life assumptions for each scheme are reviewed for appropriateness.

Any changes to the expected life assumptions of the mortgage assets are recognised through interest receivable and similar income and reflected in the carrying value of the mortgage assets in loans and advances to customers.

b) Debt instruments

Debt instruments are non-derivative assets with fixed or determinable payments and fixed maturity that we have the positive intent and ability to hold to maturity, and which are not designated as at fair value through the income statement.

Debt instruments are carried at amortised cost using the effective interest rate method (see above), less any impairment losses.

We derecognise a financial asset when its contractual rights to a cash flow are discharged or cancelled, or expire or substantially all the risk and rewards of ownership have been transferred.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.7 Financial liabilities measured at amortised costs

In accordance with FRS 102 (sections 11 and 12), we classify financial liabilities, other than financial guarantees and loans and receivables, as measured at amortised cost.

We derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

1.8. Impairment of financial assets

a) Assets carried at amortised cost

A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Throughout the year and at each year end individual assessments are made of all loans and advances against land and properties which are in possession or in arrears by three months or more and/or are subject to forbearance activities. Individual impairment provisions are made against those loans and advances where there is objective evidence of impairment.

Objective evidence of impairment may include:

- Significant financial difficulty of the borrower/issuer;
- Deterioration in payment status;
- Renegotiation of the terms of an asset due to financial difficulty of the borrower or issuer, including granting a concession/forbearance to the borrower or issuer;
- Becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganisation; and
- Any other information discovered during regular review suggesting that a loss is likely in the short to medium term.

We consider evidence of impairment for assets carried at amortised cost at both an individual asset and a collective level. Those found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together loans and advances and held to maturity investments with similar risk characteristics.

In assessing collective impairment, we use external market data to build a risk weighted model of historical trends of the probability of default, the timing of recoveries and the amount of loss that may be incurred. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

In considering expected future cash flows, account is taken of any discount which may be needed against the value of the property at the statement of financial position date thought necessary to achieve a sale and anticipated realisation costs.

Where certain emerging impairment characteristics are considered significant but not assessed as part of the impairment calculation, the Board may elect to apply an overlay to the impairment provision.

The amount of impairment loss is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of provisions.

b) Forbearance strategies and renegotiated loans

A range of forbearance options are available to support borrowers who are experiencing financial difficulty. The purpose of forbearance is to support borrowers who have temporary financial difficulties and help them get back to normal payments.

The main options offered include:

- Reduced or suspended monthly payments (concessions);
- An arrangement to clear outstanding arrears; and
- Extension of mortgage term.

Borrowers requesting a forbearance option will need to provide information to support the request which is likely to include an income and expenditure form, statement of assets and liabilities, bank/credit card statements, payslips etc. in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our Borrowers Experiencing Repayment Difficulties Policy and associated procedures. At the appropriate time, the forbearance option that has been implemented is cancelled and the borrower's normal contractual payment is restored.

c) Covid-19

The Financial Conduct Authority issued guidance on how they expect mortgage lenders to treat borrowers fairly during Covid-19. The Board consider that the forbearance options described above already complied with the guidance and we had taken all reasonable steps to support its borrowers who were impacted by Covid-19.

1.9. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity at the date of the statement of financial position, including cash and loans and advances to credit institutions.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.10. Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are recognised initially at cost.

Subsequent to initial recognition, investment properties are held at fair value. An annual independent desktop valuation is completed by a RICS qualified surveyor to obtain a current market (fair) value of the investment properties, which considers their rental yield and ownership structure. Any gains or losses arising from changes in the fair value are recognised in the income statement in the period that they arise and no depreciation is provided in respect of investment properties applying the fair value model.

Rental income from investment properties is accounted for on an accruals basis.

1.11. Tangible assets – property, plant and equipment

Additions and improvements to office premises and equipment, including costs directly attributable to the acquisition of the asset, are capitalised at cost. In the statement of financial position, the value of property, plant and equipment represents the original cost, less cumulative depreciation.

The costs, less estimated residual values of assets, are depreciated on a straight-line basis over their estimated useful economic lives as follows:

- Freehold buildings - over 100 years
- Office and IT, fixtures and fittings - over 5-10 years
- Refurbishment costs - over 20 years
- No depreciation is provided on freehold land.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

1.12. Intangible assets – computer software

Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by us which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Intangible assets are stated at cost less cumulative amortisation and impairment losses.

Amortisation begins when the asset becomes available for operational use and is charged to the income statement on a straight-line basis over the estimated useful life of the software, which is 3-5 years. The amortisation period used is reviewed annually.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

1.13. Investments in non-financial assets

Investments in non-financial assets are recognised initially at cost. The carrying value of investments in non-financial assets other than investment properties are reviewed each year end to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the income statement, if the carrying amount of an asset exceeds its estimated recoverable amount. An impairment loss is reversed if, and only if, the reasons for the impairment have ceased to apply. Impairment losses recognised in prior years are assessed at each year end for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

1.14. Employee benefits

We operate a defined contribution pension scheme, the assets of which are held separately. For this scheme, the cost is charged to the income statement as contributions become due.

1.15. Leases

Leases in which we assume substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases, are classified as operating leases. Rental payments (including costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.16. Contingent liabilities

Contingent liabilities are potential obligations from past events which shall be confirmed by future events. Contingent liabilities are not recognised in the statement of financial position.

1.17. Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the date of the statement of financial position, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Annual Accounts. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax balances are not discounted.

Both current and deferred taxes are determined using the rates enacted or substantively enacted at the statement of financial position date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities and other future taxable profits.

2. Accounting estimates and judgements

We make estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are described below:

2.1. Impairment losses on loans and advances to customers

We review the mortgage book on at least a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, we are required to exercise a degree of judgement. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows.

In determining impairment losses at 31 December 2021 consideration had been given to the Covid-19 situation. We have taken into account the possibility of inflated house prices and increased propensity to default. These factors are monitored and we have adjusted the impairment provisioning model by discounting the HPI position at the end of 2021 by a 10% factor to reflect the indications of an inflated market. Although Covid-19 is not a key factor at the end of 2022, indicators in the mortgage book and the wider market are that the market remains inflated, but with no changes to the propensity for default, therefore all assumptions in the loan loss provisioning model remain unchanged from the 2021 position.

Estimates are applied in the impairment provisioning model to determine prevailing market conditions (e.g. interest rates and house prices), borrower behaviour (e.g. default rates) and forced sales discounts, reflecting the reduction in market value and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions. The impairment provisions are sensitive to changes in the underlying assumptions, with the HPI being the most critical. If the reduction in the HPI was to increase from 10% to 15% then the closing impairment provisions would increase by £61,368 (2021: £61,261). Default rates have an immaterial impact on the impairment provisions.

2.2. Effective interest rate (EIR)

We recognise interest on loans and advances to customers on the basis of their Effective Interest Rate. This is a constant rate that averages out the effect of interest, fees and incentives across the expected behavioural life of mortgage assets. The behavioural life is a critical assumption based on historic and forecast redemption data as well as management judgement.

At regular intervals throughout the year, the behavioural life of mortgage assets is reassessed for reasonableness. Any variation in the behavioural life of mortgage assets will change the carrying value in the statement of financial position and the timing of the recognition of interest income.

Decreasing the period from the date of maturity of a mortgage product to the point at which the borrower switches to either another product or redeems the mortgage by 2%, decreases the value of loans on the statement of financial position by £9,299 however an increase of 5% increases the value of loans by £78,777. The EIR asset increases and decreases accordingly.

2.3. Fair value of investment properties

We review the fair value of our investment properties on an annual basis, via either a desktop or physical valuation. The fair value is then adjusted to reflect any uplift or impairment in the market value arising from the valuation.

These properties are residential shared ownership properties where we own 50% of the property and the underlying freehold. Our intention is to sell our share in the investment properties collectively when an appropriate buyer can be found. However, we are open to selling the individual properties rather than collectively if an opportunity presents. In 2022 we were able to sell our share of one of the investment properties on that basis.

NOTES TO THE ACCOUNTS, continued

2. Accounting estimates and judgements, continued

2.1. Fair value of investment properties, continued

In reviewing the valuation at 31 December 2022, we believe that the current market (fair) value of the properties, which is based on the market value of individual sales for each property, reflects the remaining tenure of the freehold leases underlying these properties.

The impact on the fair value at 31 December 2022 is disclosed in more detail in Note 21 on page 34.

3. Country by country reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulation 2013. The purpose of these regulations is to provide clarity on our income and the location of our operations.

The Society's principal activities are mortgage lender and provider of savings accounts. The subsidiary's principal activity, as detailed in Note 17 on page 33, is that of a tied mortgage broker. All of the consolidated entities were incorporated in the UK.

The consolidated Annual Accounts of the Group include the audited results of the Society and its subsidiary company.

For the year ended 31 December 2022:

- The Group's turnover (being net interest receivable) was £2.83m (2021: £2.73m). Profit before tax £0.55m (2021: £0.70m) all of which arose from UK based activity.
- The average number of full time equivalent employees for the Group and Society was 23 (2021: 23).
- Group corporation tax of £156,426 (2021: £69,952) was paid in the year and is within the UK tax jurisdiction.
- Public subsidies were received in the year of £0 (2021: £0).

4. Interest receivable and similar income

	Group and Society	
	2022	2021
	£	£
On loans fully secured on residential property	3,944,038	3,401,453
On other loans	28,642	30,719
On debt securities	36,663	10,024
On treasury bills	129,681	(432)
On liquid assets	76,760	11,344
	4,215,784	3,453,108

Interest on debt securities includes £36,663 (2021: £10,024) arising from fixed income investment securities.

5. Interest payable and similar charges

	Group and Society	
	2022	2021
	£	£
On shares held by individuals	1,354,493	710,269
On other shares	856	495
On deposits and other borrowings	29,096	12,706
	1,384,445	723,470

6. Other operating income

	Group and Society	
	2022	2021
	£	£
Rental income	9,195	9,464

7. Employees

The average number of persons employed (including Executive Directors) during the year by the Group and Society was as follows:

	Full time	Part time	Full time	Part time
	2022	2022	2021	2021
	No.	No.	No.	No.
Head Office	15	5	15	4
Branch	4	2	4	3
Total	19	7	19	7

NOTES TO THE ACCOUNTS, continued
8. Administrative expenses

	Group 2022	Group 2021	Society 2022	Society 2021
	£	£	£	£
Staff costs				
Wages and salaries	1,074,483	984,392	1,074,483	984,392
Social security costs	109,812	87,366	109,812	87,366
Other pension costs	46,243	41,011	46,243	41,011
	<u>1,230,538</u>	<u>1,112,769</u>	<u>1,230,538</u>	<u>1,112,769</u>
Other admin expenses	1,011,495	869,175	1,005,695	863,704
	<u>2,242,033</u>	<u>1,981,944</u>	<u>2,236,233</u>	<u>1,976,473</u>

Other admin expenses include:

Audit of these Annual Accounts* (excluding VAT)	81,000	67,500
Operating lease costs	32,832	33,354

*The audit fee for the subsidiary company of £3,000 (2021: £2,500) is included above. No non-audit services were provided.

9. Directors' emoluments

Key management personnel comprises solely the Non-Executive and Executive Directors

	Group and Society	
	2022	2021
	£	£
Fees for services as Non-Executive Directors:		
Rod Ashley	17,077	16,013
Rob Cairns (retired 31 October 2021)	-	16,548
Richard Drinkwater	17,077	16,013
Janice Lincoln	17,647	16,548
Will Lindsay	21,197	16,660
Kevin Parr (resigned 31 October 2022)	14,176	16,013
Total for Non-Executive Directors	<u>87,174</u>	<u>97,795</u>
For services as Executive Directors:		
Tim Bowen		
Salary	117,584	111,656
Bonus	7,157	10,952
Benefits and allowances	6,164	1,794
Pension contributions	5,879	5,598
	<u>136,784</u>	<u>130,000</u>
Elspeth James**		
Salary	75,688	71,761
Bonus	4,607	6,943
Benefits and allowances	2,783	2,035
Pension contributions	3,784	3,604
	<u>86,862</u>	<u>84,343</u>
Total for Executive Directors	<u>223,646</u>	<u>214,343</u>
Total for Directors' emoluments	<u>310,820</u>	<u>312,138</u>

**Elspeth James works on a four-day contract.

The allocation of benefits and allowances have been restated in 2021 from inclusion within salary costs. The total reported for Directors fees is unchanged.

10. Directors' loans and related party transactions

The aggregate amount of loans outstanding at 31 December 2022 to one (2021: one) Director and connected persons was £134,549 (2021: £143,292). This loan was made on normal commercial terms. A register of loans to Directors and connected persons is maintained under Section 68 of the Building Societies Act 1986 at our Head Office. This is available for inspection during normal office hours over the period of 15 days prior to the Annual General Meeting and at the Annual General Meeting itself.

We hold unlisted shares in Mutual Vision Technologies Limited which provides IT services to the business, as detailed in Note 18 on page 33. Amounts paid to Mutual Vision Technologies Limited for IT services were £315,871 (2021: £260,916) of which £56,177 (2021: £48,117) was capitalised, see Note 20 on page 34. Tim Bowen was re-appointed as a Director of this company on 13 January 2023.

NOTES TO THE ACCOUNTS, continued
11. Taxation

	Group 2022	Group 2021	Society 2022	Society 2021
	£	£	£	£
Current tax				
Current tax on income for the period	63,325	156,426	61,659	153,125
Adjustment in respect of previous periods	(444)	-	(444)	-
Total current tax	62,881	156,426	61,215	153,125
Deferred tax (see Note 27)				
Origination and reversal of timing differences	26,963	(23,844)	26,963	(23,844)
Effect of changes in tax rates	8,516	2,743	8,516	2,743
Total deferred tax	35,479	(21,101)	35,479	(21,101)
Total tax expense	98,360	135,325	96,694	132,024
Reconciliation of effective tax rate:				
Profit for the year	549,867	698,232	541,102	680,857
Total effective tax at 19% (2021: 19%)	104,475	132,664	102,809	129,363
Effects of:				
Non-deductible expenses	97	13,040	97	13,040
Adjustments from previous periods	(444)	-	(444)	-
Income not taxable	(14,019)	(219)	(14,019)	(219)
Gains/rollover relief	5,539	-	5,539	-
Change of rate on deferred tax balances	8,531	2,743	8,531	2,743
Revaluations	(5,819)	(12,903)	(5,819)	(12,903)
Total tax expense included in income statement	98,360	135,325	96,694	132,024

Current tax has been provided at a rate of 19%. The Finance Act 2022, which was enacted in February 2022, will increase the rate of tax from 19% to 25% from 1 April 2023. For the year ended 31 December 2022 deferred tax was provided at the enacted tax rate expected to apply when the related asset or liability is realised or settled.

12. Cash and cash equivalents

	Group 2022	Group 2021	Society 2022	Society 2021
	£	£	£	£
Cash in hand	55,676	46,039	55,676	46,039
Loans and advances to credit institutions (Note 14)	6,796,037	9,011,606	6,744,458	8,967,839
	6,851,713	9,057,645	6,800,134	9,013,878

13. Debt securities

	Group and Society	
	2022	2021
	£	£
Treasury bills	12,885,154	11,181,924
Certificates of deposit	4,536,261	3,002,714
	17,421,415	14,184,638
Debt securities have remaining maturities as follows:		
In not more than one year	17,421,415	14,184,638
Transferrable debt securities (excluding accrued interest) comprise:		
Unlisted	4,501,263	3,000,796

Movement in debt securities (excluding accrued interest) during the year can be summarised as follows:

	Group and Society	
	2022	2021
At 1 January	14,184,638	16,294,947
Disposals and maturities	(25,134,134)	(29,277,036)
Acquisitions	28,257,812	27,181,874
Movement in accrued interest	113,099	(15,147)
At 31 December	17,421,415	14,184,638

NOTES TO THE ACCOUNTS, continued
14. Loans and advances to credit institutions

	Group 2022	Group 2021	Society 2022	Society 2021
	£	£	£	£
Accrued interest	42,086	2,766	42,086	2,766
Repayable on demand	6,796,037	9,011,606	6,744,458	8,967,839
Other loans and advances by residual maturity payable:				
In not more than 3 months	6,000,000	2,500,000	6,000,000	2,500,000
In not more than 1 year	3,500,000	3,000,000	3,500,000	3,000,000
	<u>16,338,123</u>	<u>14,514,372</u>	<u>16,286,544</u>	<u>14,470,605</u>

15. Loans and advances to customers

	Group and Society	
	2022	2021
	£	£
Loans fully secured on residential property	102,055,910	96,378,699
Loans fully secured on land	518,613	544,598
	<u>102,574,523</u>	<u>96,923,297</u>

The remaining maturity of loans and advances to customers from the date of the statement of financial position is as follows:

	Group and Society	
	2022	2021
	£	£
In not more than three months	1,099,460	883,818
In more than three months but not more than one year	3,022,424	2,920,236
In more than one year but not more than five years	17,491,410	17,411,765
In more than five years	81,155,229	75,888,478
	<u>102,768,523</u>	<u>97,104,297</u>
Impairment (see Note 16)	(194,000)	(181,000)
	<u>102,574,523</u>	<u>96,923,297</u>

The maturity analysis above is based on contractual maturity not expected redemption timings.

16. Allowance for impairment

	Group and Society		Total
	Loans fully secured on land	Loans fully secured on residential property	
	£	£	£
At 1 January			
Individual provision	-	8,000	8,000
Collective provision	26,000	147,000	173,000
	<u>26,000</u>	<u>155,000</u>	<u>181,000</u>
Income statement			
Individual provision	-	10,000	10,000
Collective provision	(10,000)	13,000	3,000
	<u>(10,000)</u>	<u>23,000</u>	<u>13,000</u>
At 31 December			
Individual provision	-	18,000	18,000
Collective provision	16,000	160,000	176,000
	<u>16,000</u>	<u>178,000</u>	<u>194,000</u>

We have four mortgage cases where forbearance has been exercised (2021: one), there were no cases (2021: none) where an individual provision has been created.

NOTES TO THE ACCOUNTS, continued
17. Investment in subsidiary

	Shares	Loans	Total
Cost	£	£	£
At 1 January 2022 and 31 December 2022	2	100	102

The Society directly holds 100% of the issued ordinary share capital of the following company which is registered in England and Wales:

Principal Activity

Cumbria Mortgage Centre Limited

Tied Mortgage Broker

The subsidiary operates within the United Kingdom and is included in the Group's accounts. No Director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

18. Other investments

We hold unlisted shares in Mutual Vision Technologies Limited which provides IT services, as follows:

Unlisted investments

Cost	Total
At 1 January 2022 and 31 December 2022	£
	144,933

The above investment is held with the intention of use on a continuing basis in our activities. As the fair value of the shares in Mutual Vision Technologies Limited are not readily available on an on-going basis, the investment is recognised at cost less accumulated impairment losses and is classified as a financial fixed asset.

19. Tangible fixed asset

	Group and Society			Total
	Freehold land and buildings	Office and IT, fixtures and fittings	Refurbishment costs	
Cost	£	£	£	£
At beginning of year	40,000	243,718	-	283,718
Additions	-	110,382	392,572	502,954
Disposals	-	(37,121)	-	(37,121)
At end of year	40,000	316,979	392,572	749,551
Depreciation				
At beginning of year	17,600	167,924	-	185,524
Charge for the year	400	19,057	6,925	26,382
Elimination in respect of disposals	-	(35,073)	-	(35,073)
At end of year	18,000	151,908	6,925	176,833
Net book value				
31 December 2022	22,000	165,071	385,647	572,718
31 December 2021	22,400	75,794	-	98,194

The net book value of the freehold premises occupied by the Group for its own activities is £22,000 (2021: £22,400).

NOTES TO THE ACCOUNTS, continued
20. Intangible fixed assets

	Group and Society
	IT software and development costs
	£
Cost	
At beginning of year	330,192
Additions	56,177
At end of year	<u>386,369</u>
Depreciation	
At beginning of year	226,621
Charge for the year	69,873
At end of year	<u>296,494</u>
Net book value	
31 December 2022	89,875
31 December 2021	<u>103,571</u>

21. Investment properties

	Group and Society	
	2022	2021
	£	£
Fair value		
At 1 January	335,600	403,750
Gain/ (loss) from fair value adjustment	22,934	(68,150)
Disposal of property	(76,934)	-
At 31 December 2022	<u>281,600</u>	<u>335,600</u>

We own residential investment properties at Mardale Close and Greystoke Park, Penrith, which are freehold, under a shared ownership arrangement. Our share being 50% of the property value. During the year one property was sold in the open market.

A desktop valuation was completed at 31 December 2022 to support managements estimate of a current market (fair) value of £281,600. The desktop valuation was completed by an external, independent valuer from SWH Surveyors Limited, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The fair value is estimated using the market valuation approach which uses prices and other relevant information generated by market transactions involving comparable properties. The basis of the fair value of these investment properties also reflects the remaining tenure of the freehold leases underlying the properties. Any gains or losses arising from a change in fair value are recognised in the income statement. Rental income from investment property is accounted for on an accruals basis, as set out in Note 1.10 on page 27 and disclosed in Note 6 on page 29.

22. Prepayments and accrued income

	Group	Group	Society	Society
	2022	2021	2022	2021
	£	£	£	£
Prepayments	527,818	380,314	527,483	380,314

23. Shares

	Group and Society	
	2022	2021
	£	£
Held by individuals	121,709,896	111,560,422
Other shares	51,456	144,439
	<u>121,761,352</u>	<u>111,704,861</u>

Shares are repayable with remaining maturities from the date of the statement of financial position as follows:

	Group and Society	
	2022	2021
	£	£
Accrued interest	582,743	213,119
Repayable on demand	92,864,434	110,391,760
In not more than 3 months	28,314,175	1,099,982
	<u>121,761,352</u>	<u>111,704,861</u>

NOTES TO THE ACCOUNTS, continued
24. Amounts owed to credit institutions

	Group and Society	
	2022	2021
	£	£
Accrued interest	4,701	-
Repayable with agreed maturity dates of periods of notice: In not more than 3 months	500,000	-
	<u>504,701</u>	<u>-</u>

25. Amounts owed to other customers

Amounts owed to other customers are repayable with the remaining maturity from the date of the statement of financial position as follows:

	Group and Society	
	2022	2021
	£	£
Repayable on demand	2,881,776	2,594,037

26. Other liabilities

	Group	Group	Society	Society
	2022	2021	2022	2021
	£	£	£	£
Other liabilities due within one year comprise:				
Corporation tax	63,325	156,443	61,659	153,142
Other creditors	429	1,791	429	1,791
	<u>63,754</u>	<u>158,234</u>	<u>62,088</u>	<u>154,933</u>

27. Deferred tax liability

	Group and Society	
	2022	2021
	£	£
At beginning of year	11,429	32,530
Charge/ (credit) to statement of income for year	35,479	(21,101)
At end of year	<u>46,908</u>	<u>11,429</u>

The elements of deferred taxation are as follows:

Differences between accumulated depreciation and amortisation and capital allowances	86,267	42,601
Revaluation of investment properties	4,748	12,404
Movement in collective provisions	(44,000)	(43,250)
Other timing differences	(107)	(326)
	<u>46,908</u>	<u>11,429</u>

The net reversal of deferred tax assets and liabilities expected to occur in the next reporting period is a charge of £6,579 (2021: credit of £7,296), being the impact of the revaluation of the investment properties and changes to the future tax rates from 2023.

28. Commitments

There were no contracted capital commitments at the financial year end.

Detail on future mortgage commitments is in Note 29 on page 37.

At 31 December 2022 we had future minimum lease payments under non-cancellable operating leases as follows:

	Group and Society	
	2022	2021
	£	£
Office equipment leases which expire:		
Within 1 year	33,099	32,832
Within 2-5 years inclusive	57,186	85,691
Over 5 years	-	-

NOTES TO THE ACCOUNTS, continued
29. Financial instruments

We are a retailer of financial instruments in the form of mortgage and savings products, we also use wholesale financial instruments to invest in liquid assets and may raise funds from wholesale money markets to support our retail savings operations.

These instruments also allow us to manage the risks arising from these business markets. We have a formal structure for managing risk, including formal risk policies, risk limits, reporting structures, mandates and other control procedures. This structure is reviewed regularly by the Board.

Instruments commonly used for risk management purposes include derivative financial instruments, which are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates.

We do not use any derivative financial instruments, as we do not currently offer any capped rate mortgage or savings products that would give rise to a balance sheet exposure and all fixed rate mortgage products are internally matched by fixed rate deposits.

We do not enter into any financial instruments for trading or speculative purposes.

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an on-going basis at amortised cost. Notes 1.6 and 1.7, on page 25 and 26, describe how classes of financial instrument are measured and how income and expenses are recognised.

The tables below analyse the assets and liabilities by financial classification:

Group	31 December 2022		31 December 2021	
	Cash and financial assets and liabilities at amortised cost		Cash and financial assets and liabilities at amortised cost	
	Total £	Total £	Total £	Total £
Financial assets				
Cash in hand	55,676	55,676	46,039	46,039
Loans and advances to credit institutions	16,338,123	16,338,123	14,514,372	14,514,372
Debt securities	17,421,415	17,421,415	14,184,638	14,184,638
Loans and advances to customers	102,574,523	102,574,523	96,923,297	96,923,297
Total financial assets	<u>136,389,737</u>	<u>136,389,737</u>	<u>125,668,346</u>	<u>125,668,346</u>
Non-financial assets		1,616,944		1,062,612
Total assets		<u>138,006,681</u>		<u>126,730,958</u>
Financial liabilities				
Shares	121,761,352	121,761,352	111,704,861	111,704,861
Amounts owed to credit institutions	504,701	504,701	-	-
Amounts owed to other customers	2,881,776	2,881,776	2,594,037	2,594,037
Total financial liabilities	<u>125,147,829</u>	<u>125,147,829</u>	<u>114,298,898</u>	<u>114,298,898</u>
Non-financial liabilities		307,594		332,309
General reserves		12,551,258		12,099,751
Total liabilities		<u>138,006,681</u>		<u>126,730,958</u>
Society				
	31 December 2022		31 December 2021	
	Cash and financial assets and liabilities at amortised cost		Cash and financial assets and liabilities at amortised cost	
	Total £	Total £	Total £	Total £
Financial assets				
Cash in hand	55,676	55,676	46,039	46,039
Loans and advances to credit institutions	16,286,544	16,286,544	14,470,605	14,470,605
Debt securities	17,421,415	17,421,415	14,184,638	14,184,638
Loans and advances to customers	102,574,523	102,574,523	96,923,297	96,923,297
Total financial assets	<u>136,338,158</u>	<u>136,338,158</u>	<u>125,624,579</u>	<u>125,624,579</u>
Non-financial assets		1,616,711		1,062,714
Total assets		<u>137,954,869</u>		<u>126,687,293</u>
Financial liabilities				
Shares	121,761,352	121,761,352	111,704,861	111,704,861
Amounts owed to credit institutions	504,701	504,701	-	-
Amounts owed to other customers	2,881,776	2,881,776	2,594,037	2,594,037
Total financial liabilities	<u>125,147,829</u>	<u>125,147,829</u>	<u>114,298,898</u>	<u>114,298,898</u>
Non-financial liabilities		294,714		320,477
General reserves		12,512,326		12,067,918
Total liabilities		<u>137,954,869</u>		<u>126,687,293</u>

NOTES TO THE ACCOUNTS, continued
29. Financial instruments, continued
Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes (or potential changes) in market interest rates and divergence of interest rates for different Statement of Financial Position elements (basis risk).

We have adopted the 'administered' approach to interest rates as defined by the Prudential Regulation Authority (PRA), whereby over 90% of rates on assets and liabilities are administered and can be adjusted at any point in time. We have an extension to this limit, as agreed with the PRA, to allow up to 20% of rates on assets and liabilities to be on non-administered rates. As a result, the exposure to movements in interest rates, reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature, is minimal. We manage this exposure by matching the maturity dates of assets and liabilities through natural hedges, allowing this risk to be minimised.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivities of financial assets and financial liabilities to various standard and non-standard interest rate scenarios.

Standard scenarios that are considered on a quarterly basis include a 2% parallel fall or rise in the bank base rate. If there was a 2% parallel upwards shift in interest rates the favourable impact on reserves would be £143,000 (2021: £91,000).

Credit risk

Credit risk, as noted in the Directors' Report on page 6, is the risk that a borrower or counterparty will cause a financial loss to us by failing to discharge an obligation. We have policies in place to manage credit risk arising from a borrower or counterparty, with clearly defined risk appetite statements and appropriate credit limits. The risk appetite statements are supported by a number of qualitative and quantitative measures that are monitored by the Board on a monthly basis. Further challenge and oversight are provided by the ARCC as part of its quarterly meetings.

The maximum credit risk exposure is detailed in the table below:

	Group 2022	Group 2021	Society 2022	Society 2021
	£	£	£	£
Cash in hand	55,676	46,039	55,676	46,039
Loans and advances to credit institutions	16,338,123	14,514,372	16,286,544	14,470,605
Debt securities	17,421,415	14,184,638	17,421,415	14,184,638
Loans and advances to customers	102,574,523	96,923,297	102,574,523	96,923,297
Total statement of financial position exposure	<u>136,389,737</u>	<u>125,668,346</u>	<u>136,338,158</u>	<u>125,624,579</u>
Off balance sheet exposure – mortgage commitments	7,070,580	9,129,455	7,070,580	9,129,455
	<u>143,460,317</u>	<u>134,797,801</u>	<u>143,408,738</u>	<u>134,754,034</u>

Credit quality analysis of counterparties

The Board is responsible for approving treasury counterparties for investment purposes. Limits are placed on the amount of risk accepted in relation to a single counterparty or group of counterparties, and to industry sectors. This is monitored daily by the Finance team and reviewed monthly by ALCO.

The following table provides details on the exposure to counterparties, being all liquid assets with financial institutions, excluding cash in hand, by their Fitch rating, where appropriate:

	Group 2022	Group 2021	Society 2022	Society 2021
	£	£	£	£
UK Government securities	12,885,154	11,181,924	12,885,154	11,181,924
Financial institutions				
A+ to A-	15,344,991	12,014,319	15,293,412	11,970,552
Unrated	5,529,393	5,502,767	5,529,393	5,502,767
Total exposure to counterparties	<u>33,759,538</u>	<u>28,699,010</u>	<u>33,707,959</u>	<u>28,655,243</u>

At 31 December 2022 all exposures to financial institutions were within the UK (2021: all exposures were within the UK).

Credit quality analysis of loans and advances to customers

The Board is responsible for approving the Responsible Lending Policy which includes our credit risk appetite. The lending portfolio is monitored daily by the Mortgage team and reviewed monthly by the Retail Credit Risk Committee (RCRC) to ensure it remains in line with the stated risk appetite, including adherence to lending principles, policies and limits.

To manage good customer outcomes and responsible lending, we ensure at the outset that borrowers can meet the mortgage repayments. This is achieved by obtaining specific information from the borrower concerning income and expenditure, but also with reference to external credit reference agency data. The maximum credit risk exposure is disclosed in the tables above.

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property, as set out in the table on the next page. These are residential or buy to let loans, with only 0.52% of the mortgage book secured on commercial property.

NOTES TO THE ACCOUNTS, continued
29. Financial instruments, continued
Credit risk
Credit quality analysis of loans and advances to customers, continued

Approximately half our borrowers are based in Cumbria, being 47.66% (2021: 50.85%) of the mortgage book totals. Borrowers in Scotland represent 9.29% (2021: 7.29%) and the remaining 43.06% (2021: 41.86%) is spread across the rest of England and Wales.

The table below sets out information about the credit quality of loans and advances to customers by payment due status net of provisions:

	Group and Society			
	2022 £	%	2021 £	%
Arrears analysis				
Not impaired:				
Neither past due or impaired	101,307,790	98.76	95,923,532	98.97
Past due up to 3 months but not impaired	897,910	0.88	574,281	0.59
Past due over 3 months but not impaired	154,286	0.15	298,262	0.31
Impaired:				
Not past due	-	-	-	-
Past due up to 3 months	214,537	0.21	127,222	0.13
Past due 3 to 6 months	-	-	-	-
Past due 6 to 12 months	-	-	-	-
Past due over 12 months	-	-	-	-
	102,574,523	100.00	96,923,297	100.00
	Indexed £	Unindexed £	Indexed £	Unindexed £
Value of collateral held:				
Neither past due or impaired	289,258,057	238,516,037	275,361,505	228,403,977
Past due but not impaired	4,139,477	3,308,000	2,731,804	2,255,000
Impaired	434,975	373,000	217,473	190,000
	293,832,509	242,197,037	278,310,782	230,848,977

Note 1.8(a), on page 26, sets out our approach to the impairment of financial assets. We use HPI indexing to update the property values of its residential and buy to let portfolios on a quarterly basis. Collateral values are adjusted by HPI to derive the indexed valuation at 31 December. This is a UK HPI and takes into account regional data from the 12 standard planning regions of the UK. The collateral consists of UK property and land.

Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 80% of the value of the total security at the point of origination.

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount. Possession balances represent the loans where we have taken action to realise the underlying security. Various forbearance options are available to support borrowers who may find themselves in financial difficulty.

Note 1.8(b), on page 26, sets out our approach to forbearance strategies. Scheme reviews for mortgages are undertaken if a change of scheme is appropriate, this could be due to a borrower not switching schemes on the maturity of their fixed or discounted term. All borrowers are contacted on maturity of their discount or fixed rate scheme. Capitalisation occurs when arrears are incorporated into the capital balance outstanding for the purpose of restructuring the loan.

All forbearance arrangements are formally discussed with the borrower and reviewed by the Executive, prior to acceptance of the forbearance arrangement. By offering borrowers in financial difficulty the option of forbearance we potentially expose ourselves to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the borrower into a detrimental position at the end of the forbearance period.

The level and different types of forbearance activity is reported to the RCRC on a monthly basis. In addition, all forbearance arrangements are reviewed and discussed with the borrower on a regular basis to assess the ongoing potential risk and ongoing suitability of the arrangement for the borrower.

The table below details the number of forbearance cases within the 'not impaired' category:

	2022 No.	2021 No.
Type of Forbearance:		
Interest only concession at year end	2	-
Reduced payment concessions at year end	2	1
Total	4	1

Total loans in forbearance represent £490,093 (2021: £92,471).

NOTES TO THE ACCOUNTS, continued
29. Financial instruments, continued
Liquidity risk

Liquidity risk, as noted in the Directors' Report on page 6, is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset.

We monitor liquidity requirements on a daily basis in line with specific policies in this area, approved by the Board.

The liquidity risk appetite is supported by qualitative and quantitative measures that are monitored by the Board on a monthly basis.

Our policy is to maintain sufficient funds in a liquid form at all times to ensure that we can cover all fluctuations in funding, retain public confidence in our solvency and to enable us to meet our financial obligations

The tables below analyse the remaining contractual maturity of our financial liabilities, at undiscounted amounts.

The analysis of the contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued, for the average period until maturity on the amounts outstanding at the statement of financial position date.

31 December 2022	On demand	Not more than 3 months	More than 3 months, but no more than 1 year	More than 1 year but not more than 5 years	More than five years	Total
	£	£	£	£	£	£
Financial liabilities						
Shares	86,811,668	28,345,667	3,026,858	3,577,159	-	121,761,352
Amounts owed to other customers	2,881,776	-	-	-	-	2,881,776
Amounts owed to credit institutions	-	506,464	-	-	-	506,464
Total financial liabilities	89,693,444	28,852,131	3,026,858	3,577,159	-	125,149,592

31 December 2021	On demand	Not more than 3 months	More than 3 months, but no more than 1 year	More than 1 year but not more than 5 years	More than five years	Total
	£	£	£	£	£	£
Financial liabilities						
Shares	103,159,475	3,806,773	1,641,910	3,096,703	-	111,704,861
Amounts owed to other customers	2,594,037	-	-	-	-	2,594,037
Total financial liabilities	105,753,512	3,806,773	1,641,910	3,096,703	-	114,298,898

Capital

Our policy is to maintain a strong capital base to allow our members, creditors and the wider market to be confident that we can sustain current and future development. The Individual Capital Adequacy Assessment Process (ICAAP) is used to support our management of capital and is formally completed at least annually. Monthly reporting of key capital ratios is given to the Board to demonstrate that we have sufficient capital to withstand risks arising and to meet our Total Capital Requirements (as set by the PRA). We also have a standing Board agenda item to consider whether any decisions we have taken could impact our future capital position.

There were no reported breaches of capital requirements during the year and there have been no material changes to our management of capital during the year.

Under Basel IV Pillar 3, we are required to publish further information regarding our capital structure and exposures. Our Pillar 3 disclosures can be obtained from our website, www.penrithbs.co.uk. Our regulatory capital position at 31 December was as follows:

	2022	2021
	£	£
Tier 1 Capital		
General reserves	12,551,258	12,512,326
Tier 2 Capital		
Collective provision	176,000	173,000
Total Regulatory Capital	12,727,258	12,685,326

30. Contingent liabilities

We have reviewed our mortgage back book to identify all properties with external cladding which may require remediation activity moving forward. There are four (2021: six) properties in mortgage where cladding has been identified. The total outstanding loan balance on these properties is £323,978 at 31 December 2022 (2021: £562,457).

At this time there is not sufficient certainty as to where the responsibility lies for the remediation costs on these properties, as neither the Government nor the house builders have announced their final position. We have therefore not specifically provided for these loans at 31 December 2022, but will continue to monitor the situation closely.

**ANNUAL BUSINESS STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2022**
1. Statutory percentages

	2022	Statutory Limit
Lending Limit	1.44%	25.00%
Funding Limit	2.71%	50.00%

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986 as amended by the Building Societies Act 1997.

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property and is calculated as $(X-Y)/X$ where:

X = business assets, being the difference between the total assets plus provisions for bad and doubtful debts and the aggregate of liquid assets and tangible and intangible fixed assets as shown in the accounts.

Y = the principal of, and interest accrued on, loans owed which are fully secured on residential property, plus provisions for bad and doubtful debts and interest in suspense.

The Funding Limit measures the proportion of shares and amounts owed to other customers not in the form of shares held by individuals and is calculated as $(X-Y)/X$ where:

X = shares and amounts owed to other customers, being the aggregate of: the principal value of, and interest accrued on, shares; and the principal of, and interest accrued on, sums deposited.

Y = the principal value of, and interest accrued on, shares held by individuals otherwise than as bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate.

The statutory limits are as laid down under the Building Societies Act 1986 as amended by the Building Societies Act 1997 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

Other percentages

	2022	2021
	%	%
As percentage of shares and borrowings:		
Gross capital	10.03	10.59
Free capital*	9.64	10.56
Liquid assets	27.02	25.15
As a percentage of mean total assets:		
Profit after tax	0.34	0.45
Management expenses	1.77	1.66

The above percentages have been prepared from the accounts and in particular:

“Shares and borrowings” represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

“Gross capital” represents the general reserves.

“Free capital” represents the aggregate of gross capital and collective impairment for losses on loans and advances less tangible and intangible fixed assets.

“Liquid assets” represent the total cash in hand, treasury bills, loans and advances to credit institutions and debt securities.

“Management expenses” represent the aggregate of administrative expenses and depreciation.

“Mean total assets” is the average of the total assets at 31 December 2021 and 31 December 2022.

**ANNUAL BUSINESS STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2022, continued**

2. Information relating to the Directors

Name (Date of Birth)	Date of Appointment	Business Occupation	Other Directorships
Rod Ashley	23/04/2020	Chief Executive	AlbaCo Ltd
Richard Drinkwater	01/07/2017	Business Entrepreneur	Amber Securities Ltd Amber Sourcing Ltd Stamford Lodge Ltd
Janice Lincoln	01/10/2014	Retired Finance Director	Manchester Building Society
Will Lindsay, Chair	01/06/2015	Retired Banker	
Tim Bowen, Chief Executive	27/04/2017	Chief Executive	Mutual Vision Technologies Ltd
Elsbeth James	01/01/2013	Finance Director	Cumbria Mortgage Centre Ltd

Documents may be served on the above named Directors c/o Mazars LLP at the following address:
 One St Peter's Square, Manchester, M2 3DE

Service Contracts

None of the Non-Executive Directors has a service contract.

The Chief Executive and Finance Director have contracts which can be terminated by either party giving not less than 12 and 9 months prior written notice respectively. These specific contracts were entered into on 1 January 2018 and 1 September 2012 respectively.