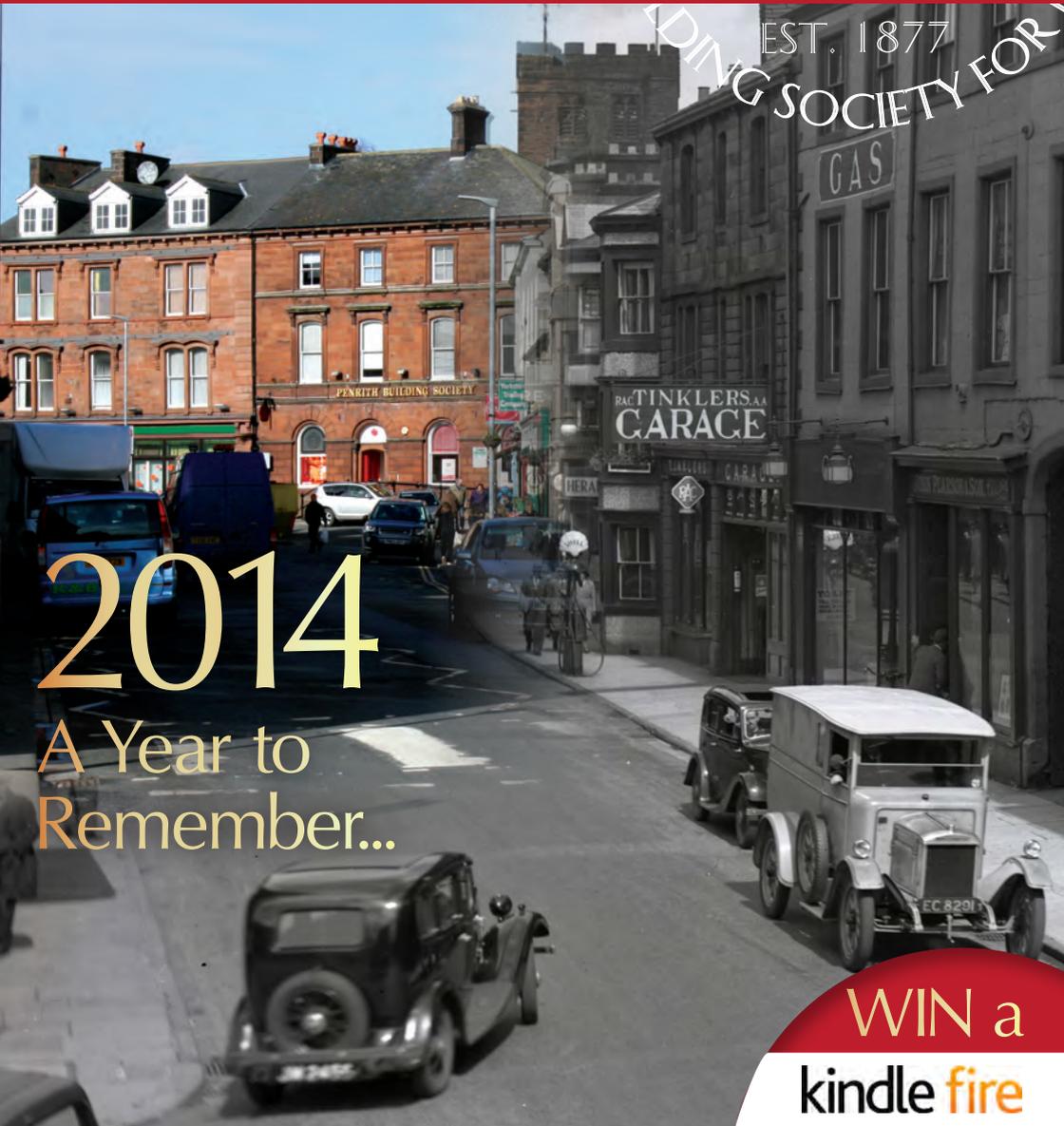


# your PENRITH



BUILDING SOCIETY | *for life*



BUILDING SOCIETY FOR  
EST. 1877

2014  
A Year to  
Remember...

WIN a  
kindle fire

ANNUAL REVIEW | FINANCIAL STATEMENT

See page 7 for details.



WELCOME  
MESSAGE  
FROM OUR  
CHAIRMAN,  
Rob Cairns.

## Dear Member

I am delighted to welcome you to our Annual Review of 2014 and, after reading it, I feel sure that you will agree with me that Penrith Building Society has had a year full of notable achievements.

Despite the low interest rate and economic environment continuing throughout 2014, your Society has been able to achieve some record results as well as reaching a number of worthy milestones.

I was honoured to be asked to take on the role of Chairman of your Society in October of last year and I will do my utmost to ensure that the Penrith continues to perform well in what remains an extremely competitive financial services marketplace. I must however thank my predecessor, Stephen Hollins-Gibson, for the magnificent contribution he made to the Society in his 29 years as a director, two of which were in the role of Chairman.

Our Annual General Meeting will be held at the North Lakes Hotel, Penrith on **Wednesday 29 April 2015, commencing at 5.30pm**. Please come along to hear about your Society's record-breaking year and join us for some refreshments. We would be very pleased to see you.

Yours sincerely

*Rob Cairns*  
Chairman

# CONTENTS

Page 2  
MESSAGE FROM THE  
CHAIRMAN

Page 3  
MESSAGE FROM THE CHIEF  
EXECUTIVE

Page 8  
ACTIVITIES IN THE  
COMMUNITY

Page 11  
PRIZE CROSSWORD

Page 12  
OUR DIRECTORS

Page 14  
SUMMARY DIRECTORS  
REPORT

Page 19  
SUMMARY FINANCIAL  
STATEMENT

Page 21  
INDEPENDENT AUDITOR'S  
STATEMENT TO THE  
MEMBERS AND DEPOSITORS  
OF PENRITH BUILDING  
SOCIETY

Page 22  
DIRECTORS REMUNERATION  
REPORT



## MESSAGE FROM THE CHIEF EXECUTIVE, Aryn Fazal.

The Society continues to make significant strides forward for savers and borrowers and the desire to balance the needs of both these sets of stakeholders has been at the forefront of our minds in 2014. As always, we also need to create sufficient value in order to invest in our business, our people and our technology and also to ensure that we set aside sufficient annual profits to build a healthy capital base for the future.

We are pleased to report another year of progress for the Society as it consolidates its position as the **UK's best local Building Society** as judged by What Mortgage Magazine in 2014. Our assets have grown by 1.94% to £95.19 million and our membership base is at the highest level in living memory having grown by the highest number in any single year. Our profits have increased by 43.79% which gives us the ability to increase our capital and reserves and allows us to build on the comfort this provides to help with any unwelcome surprises



and future uncertainty in our markets which remain extremely challenging. Against a backdrop of far-reaching regulatory change in the mortgage market, our mortgage team coped remarkably well to deliver fine results and helped many people realise their home ownership dreams.

The UK economy has been recovering at a relatively strong rate compared to other G7 economies and we actually began to see some positive signs as early as 2013. Whilst there has been a slight slowdown in growth since the summer of 2014, we feel that a recovery is taking hold but potential problems in the Eurozone and global geopolitical risks could still

affect us: no institution can be immune to these global movements. The obvious impact could be on interest rates. The Bank of England base rate has remained at historically low rates for over five years whilst talk of an interest rate rise has surfaced and receded with regularity over the year. An interest rate rise would clearly provide a helpful respite to savers but will



affect affordability for some borrowers and may deter some from entering the market. The interest rate outlook at present looks uncertain although it would be prudent for households to prepare for an upward trend at least in the medium term.

**Penrith Building Society continues to make significant strides forward for savers and borrowers and our desire to balance the needs of both sets of stakeholders has been at the forefront of our minds in 2014.**



## Savers

We are delighted to report that the Society grew its membership base again in 2014 to record levels. There was considerable new account activity and the year saw us launching another fixed rate Capital Bond. We reissued our extremely popular Christmas Saver account and launched a Regular Savers account. We

also entered into a partnership with the Shepherds Friendly Society and we are now able to offer a product that allows



savers to save in a tax efficient way for their children and their university education. The year saw us recording the highest number of new accounts since our electronic records began. This is tangible proof of our strength and of our relevance to the local economy. The whole team is constantly heartened by the very many compliments and letters of appreciation we get from our customers.

**“I rang Penrith Monday first thing, received the forms on Tuesday and returned them the same day. They obviously got them Wednesday and I received passbooks this morning (Thursday). I wish all building societies were this efficient.”**



## Mortgages

The year saw a major change in the way that mortgages are regulated and therefore sold in the UK. Whereas previously we only offered mortgages on a non-advised basis, since 26th April 2014, all customers applying for a mortgage on a property for their own residential use, or for that of a dependant have received advice and a recommendation for a mortgage product from the Society. The change meant that our mortgage team had to increase in size to cope with the additional time that would be taken to process each case. It also meant that individuals in the team had to acquire a professional qualification in order to give competent advice and recommendations to potential borrowers.

The way that all our teams, not just in the mortgage department, coped with this major change is a testament to the attitude, professionalism and dedication of our staff. In effect this was the equivalent of changing the engines while the plane continued flying. The mortgage team continued to process mortgage applications efficiently and



at the same time worked through some demanding study documents to pass their exams and become fully qualified. In this task they were assisted by their colleagues from other parts of the business.

Despite this regulatory upheaval, our gross mortgage lending was the highest in any one year growing by 34.01% from the previous record and our net lending, and therefore our mortgage assets, went up by 13.51% over the previous year.

“Thank you very much for your help over the years. You’ve made a big difference to our lives, in helping us get the mortgage and all the way through. I really appreciate it... It is refreshing to be able to speak to people who operate a common-sense approach to lending ..... restores my faith in the industry.”



## Our people

“The Society lifts the mark as a simple savings & loan institution with no complexity... One of the best banking transactions I have ever done. – Staff are excellent... From start to finish our interaction with Penrith Building Society has been excellent.”

The Society’s most valuable asset is its staff and in 2014 while we said goodbye to a couple of members of our established team, we added four new people to ensure that we continue to provide the levels of service that we are rightly renowned for. In a world where goods and services are becoming more homogenised, the fact that when you visit the Society, call or write, you will encounter real people gives confidence to our customers. But we do recognise that we need to be available and accessible to our customers in whichever way that they would like to interact and our teams have readily grasped the new processes and technologies that we have introduced in the year.



## Our community

The Society makes its contribution to the community in a variety of ways. First and foremost, as a flagship Penrith brand, we contribute to the local economy by being a thriving local business and our aim is to be nationally recognised for our values.



Second, our staff are involved in various ways by providing their expertise as charity trustees, school governors and as office holders in the local business community such as for the Chamber of Trade & Commerce, Eden Carers and Eden Arts.

Third, we have sponsored annual events such as the Penrith Agricultural Show and are contributors to a number of charities, sports clubs and educational bodies amongst others.

**“We would like to thank all the team at Penrith Building Society for their hard work and incredible support to Eden Carers over the last year. It has been a real privilege working with all of them and their professionalism, commitment, enthusiasm and creativity has been really impressive”**



## Looking Forward

The Society is one of the region's established businesses providing a home for savings and a way for people to borrow money to buy their homes. Our customers value openness, honesty and dealing with real people who care passionately about giving excellent service.

It's values like these that have earned us press comment and awards. The future for us is about strengthening that business and making an even greater contribution to the local economy both through employment opportunities and the use of local services and businesses wherever possible.

Our business cannot stand still and in 2015 and beyond we intend to invest further in technology and in the fabric of the building so that we truly stand out as one of the town's flagship businesses.



Amyn Fazal, Chief Executive.



Date for your diary...

This year the AGM will take place at 5.30pm, April 29th at North Lakes Hotel.



WIN!

To enter the draw to win a Kindle Fire, you need to register your vote for the AGM. This can be done online, by post or in person at our branch.

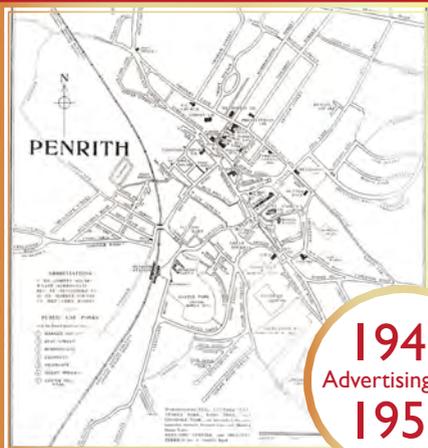
kindle fire

We have a host of surprises planned for this year's AGM and would be delighted if you would attend, PLUS, register your vote for the chance to win a Kindle Fire!

Full prize draw terms and conditions can be found at [www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk)

## Turning back the clock...

An advert for the building society from the Penrith, Ullswater and District Guide from 1949 and 1953. Our values may not have changed, but our advertising certainly has!



1949  
Advertising from  
1953

### A few words on HOUSE OWNERSHIP

Are You ?  
Aware



That for a weekly payment slightly more than a Rent you can be your own LANDLORD, and for an additional small weekly sum the home, in the event of your death, would pass to your widow freed from further payments. Then

### WHY PAY RENT?

### THE Penrith Building Society

has been in existence for over 70 years and the benefit of advice based on experience is at your disposal.

ALL TRANSACTIONS with the SOCIETY are STRICTLY CONFIDENTIAL.

Particulars may be obtained from the Secretary—  
J. W. SMITH, O.B.E., Penrith.



## FEBRUARY

The year got off to a great start with the presentation of the **Affinity Account dividend of nearly £500 to the Pride in Penrith Lottery**. The dividend donation gives our members an easy way to support a diverse range of organisations and projects in Penrith and the wider area, while looking after their savings at the same time.

## MARCH

Although grey and gloomy outside, March was bright and colourful inside when local artist **Emma J Lock displayed some of her work in the branch**. We were delighted to show our support for the growing artistic and creative side of Penrith.

It was also the month that **Steven Thomlinson and Rebecca Ward** became the first couple to move into a new home purchased via the **Eden Mortgage Boost scheme**. This scheme is a joint pilot initiative between the Society and Eden District Council and is a way to help local people to get that all important foot on the housing ladder.

And the icing on the cake for a very busy month was our very own **Secretary and Operations Risk Manager, Sue Askew, being named Junior Compliance Officer of the Year** at the inaugural Women in Compliance awards. Sue likened the event at 8 Northumberland in London's West End to 'attending the Oscars'!





## APRIL

Spring had definitely arrived by the time we held our **AGM at the North Lakes Hotel** and our annual meeting took on a fresh new in 2014. We were pleased to see so many of our members there to hear the usual reports and to participate in elections to the board. There followed a short film which celebrated the Society's achievements and activities over the previous twelve months and musical entertainment provided by a very talented group of **jazz musicians from Ullswater Community College**. Refreshments and conversation made an informal end to the meeting.

## JUNE

Across the nation 2014 was a year to remember the start of the First World War. **The Society was pleased to be a supporter of Penrith Remembers**, a group set up to commemorate the experience of the people living in Penrith in 1914. We unearthed old ledgers which became source material for a piece written for Home Thoughts and Foreign Fields, a collection of stories and memoirs launched this month.



And also in June, **Mr Arthur Bailes**, the winner of the 2014 Crossword competition, received his £50 prize.

We value our engagement with local schools and once again were proud to fund **Wizeup workshops** for both **Queen Elizabeth Grammar School** and **Ullswater Community College**.

## JULY

July saw a flurry of activity. Staff again baked and created delicacies for **Food and Farming Week** with all monies raised going to our chosen charity for 2014, **Eden Carers**. We have been very proud to support Eden Carers with a number of events throughout the year, not least **Britain's Best Breakfast**. Food and Farming Week concluded with the Society again being main sponsor at the hugely popular **Penrith Agricultural Show**. Another fabulous day was had in our marquee, meeting customers old and new, and enjoying some refreshing Pimms on a beautiful Cumbrian summer's day.



More awards came our way this month when we were declared **Best Local Building Society** at the prestigious **What Mortgage Awards** – a real feather in the cap for our newly formed mortgage team.



## OCTOBER

Of course, PBS wasn't going to be left out when the town held its **Hallowe'en festival** and the Society was spookily transformed with staff throwing themselves into the spirit of the event, dressing for the occasion and devising activities to entertain younger members of the community. The Hallowe'en pig hunt was won by one of our junior customers **Keian McCombie, 5**.



Another young prize winner this month was **Hollie Kirkton, 7**, whose clever design incorporating part of our logo won the **Junior Savers Design a Birthday Card** competition.



## DECEMBER

The year ended with us producing a beautiful and winning Christmas window display during the sparkling **Winter Festival**, and enjoying festive drinks with colleagues and customers.



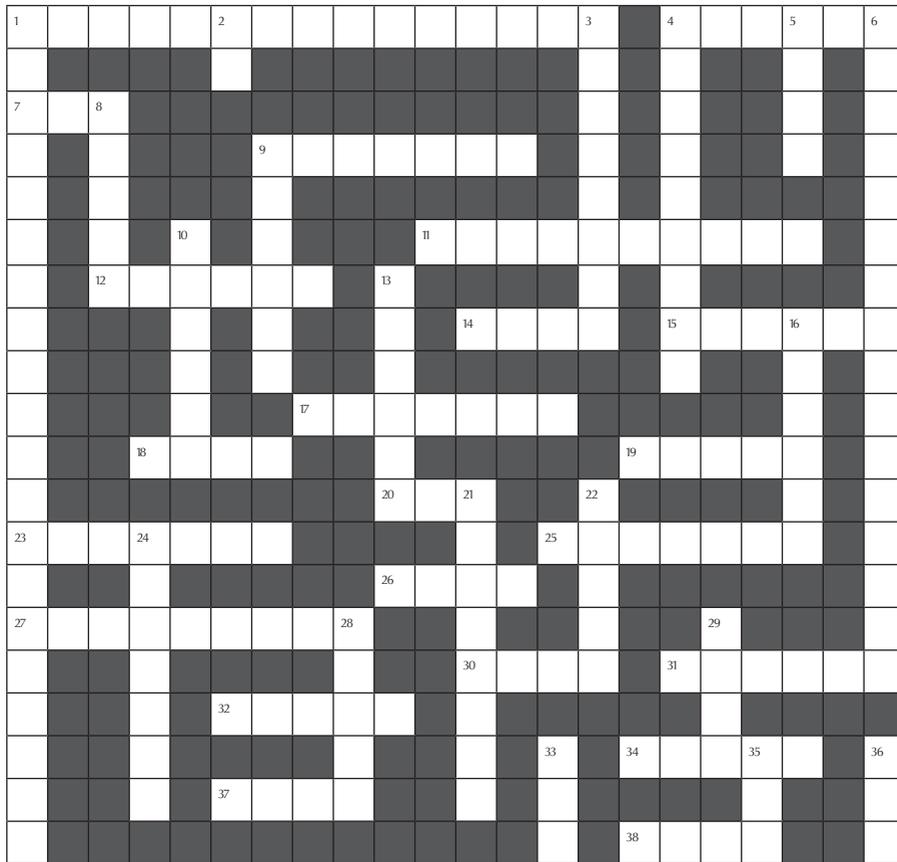
# Crossword Competition 2015



# WIN!

£50 paid into  
your PBS  
account

Please hand in or post your entry to Penrith Building Society, 7 King Street, Penrith, Cumbria CA11 7AR. **Entry is for members only.** Closing date is 31st May 2015. A draw will be held from the correct entries. £50 prize to be paid to a new or existing account with the Society.



NAME: .....

ADDRESS: .....

## Across

- 1 Pride in Penrith lottery benefitted from this (8,7)
- 4 School workshops (6)
- 7 Abbreviation for a board member who is not part of the executive team (3)
- 9 Fixed rate bond for savers (7)
- 11 Our partnership with the friendly shepherds might help with the cost of this (10)
- 12 See 8 down
- 14 Money box animals (4)
- 15 First name of last year's crossword winner (6)
- 17 Month 23 across was appointed (7)
- 18,19 Our building society came out top in this category at the What Mortgage awards (4,5)
- 20,31 Our new chairman (3,6)
- 23 New NED – or could be a biscuit! (7)

- 25 Elspeth James is the director in charge of this (7)
- 26 See 10 down
- 27 Her paintings cheered us up (4,1,4)
- 30 Hallowe'en activity looking for 14 across (4)
- 31 See 20 across
- 32 Fourth month (5)
- 34 See 37 across
- 37,34 Top guy (4,5)
- 38 Watched at last year's 1 down (4)

## Down

- 1 290415 (6,7,7)
- 2 Modern communication although we love talking to real people too (2)
- 3 Roles our staff take in the community to share their expertise (8)

- 4 Day of 1 down (9)
- 5,9 2014's nominated good cause (4,6)
- 6 Group looking back to 1914 (7,9)
- 8,12 Audit, risk and compliance guru (5,6)
- 10,26 Get that vote in and you may win one of these (6,4)
- 13 Our window display was a winner at this festival (6)
- 16 Winning young artist (6)
- 21 Card designed by 16 down (8)
- 22 Number of 1914-18 war (5)
- 24 5,9 down is one of these (6)
- 28 Another young prize winner (5)
- 29 Type of music at last year's 1 down (4)
- 33 Us in short (3)
- 35 1 down in short (3)
- 36 Compliance star (3)



## Alan Waterfield

Non-Executive Director & Senior Independent Director

Alan was educated at Dulwich College and the University of Sussex and has a degree in economics. He qualified as an accountant in 1996 whilst working for Andersen Consulting. He enjoys working in smaller organisations and has held several finance director roles, primarily in telecoms and technology businesses over recent years. Following a number of years in the London area, Alan moved to Cumbria with his wife, who is from Penrith, and their two children. He became a director of Penrith Building Society in 2010 and was appointed to the position of Senior Independent Director in 2013. He loves sport including cycling, hockey, rugby and cricket.



## Geoff Silburn

Non-Executive Director & Chair of Conduct Risk Committee

Educated at Hull Grammar School and Manchester University, Geoff has a degree in pharmacy. Since leaving university he has worked for Joseph Cowper Ltd in Penrith and became the Managing Director in 1984. He has been a director of Penrith Building Society since 2002. He was appointed the chair of the Conduct Risk Committee in July 2012 and is a member of the Audit, Risk and Compliance Committee. Geoff enjoys gardening, photography and watching sports.



## Amyn Fazal

Chief Executive

Amyn was educated at the King's School, Canterbury and at Reading University and is a Fellow of the Chartered Institute of Bankers. He worked with Nationwide for 30 years in a wide range of roles and came to Penrith as Deputy Chief Executive in January 2011 from the Furness Building Society where he was General Manager (Operations). He was appointed to the role of Chief Executive on 1 January 2013. Amyn is married and has three children. A keen runner and walker, Amyn also enjoys music, films and cooking.



## Elspeth James

Finance Director

Elspeth was born in Carlisle and studied at Edinburgh University where she qualified with a mathematics and statistics degree. Elspeth then gained over 17 years' accounting experience with KPMG and latterly Johnston Carmichael where she worked with retail banking clients and other building societies both in the UK and Australia. Elspeth became the Finance Director of Penrith Building Society at the start of 2013. She lives with her partner and two Airedale terriers in Penrith and enjoys running, rugby and pilates in her spare time.



## Robert Cairns

Non-Executive Director & Chairman

Rob joined the Board in May 2013 having retired from the Furness Building Society where he was Chief Executive for 14 years. Prior to this he was the Deputy Chief Executive at the Cumberland Building Society. He is a graduate of the University of Sussex, holding a degree in psychology. Following his retirement he has remained actively involved in the Cumbrian business community and is currently Treasurer of the Cumbria Community Foundation. He is a sports fan, particularly when it comes to football and cricket. He has two grown-up daughters and has become a grandfather more recently.



## David Driver

Non-Executive Director & Chair of Audit, Risk and Compliance Committee

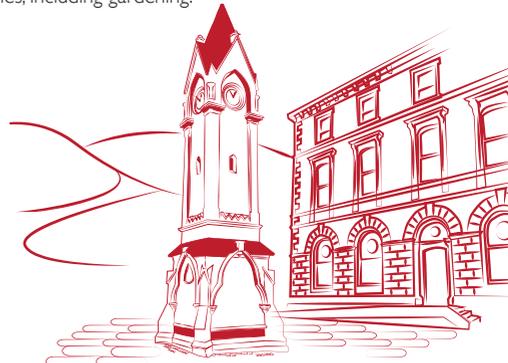
David was born in Manchester where he qualified as a chartered accountant. He worked for ICI for three years before moving to Penrith to join O'Reilly, becoming a partner in 1975 and was a senior partner when he left in 2001. David has been a director of Penrith Building Society since 2003 and was appointed to the position of chair of the Audit, Risk and Compliance Committee in March 2012. He is also a member of the Conduct Risk Committee. David is married and has two children.



## Janice Lincoln

Non-Executive Director

Janice joined the Society's board in 2014. She brings a vast knowledge of the building society sector, having spent her entire working life in various roles at the Darlington Building Society where she started in back office administration and then worked in several roles in the accounts department. In 2010 she was appointed as the Finance Director of Darlington Building Society, a post she has held until her recent retirement from the Society. She has been actively involved in her local community throughout her working life and won the 2014 Leadership Award through Mortgage Finance Gazette. Qualified as a Chartered Certified Accountant, she is married with two grown up daughters and is looking forward to spending more time with her family and on her various hobbies, including gardening.



## SUMMARY FINANCIAL STATEMENT

The summary financial statement, on pages 14 to 20, is a summary of information in the audited annual accounts, directors report and annual business statement, all of which will be available to members and depositors free of charge on demand in our branch and on our website, from 8th April 2015. A summary of events of the Society during the year can be found in the Message from the Chief Executive on pages 3 to 6.

### Business Review

The principal business activity of the Society is the provision of long-term residential mortgages to borrowers, financed by personal savings from members, in keeping with traditional building society principles and values.

The Society uses a number of key performance indicators to measure and monitor performance. A summary of these measures over the last five years has been provided in the graphs below.

### Total Assets

The Society has seen a continuing growth in its total assets in 2014 to a level of £95.19 million (2013: £93.38 million), building a strong balance sheet platform for the Society to operate on.

The focus in 2014 has been on reducing the liquid assets (being cash and treasury investments) which have been yielding decreasing returns and replacing these with good quality residential mortgages, to improve the margin. As a result, liquid assets have reduced to £24.83 million in 2014 (2013: £31.33 million) representing 26.09% of total assets (2013: 33.55%) and 29.30% of total shares and amounts owed to other customers (2013: 37.73%).

Liquidity requirements are reviewed on an ongoing basis. Also, to meet regulatory requirements an assessment of the Society's liquidity position, policies and procedures (Individual Liquidity Systems Assessment) is carried out by management and approved by the Board annually.



## Mortgages

New mortgage lending in 2014 totalled £23.13 million (2013: £9.19 million). There were 184 advances, including 19 further advances. As noted above this has been a strategic decision to improve the net interest income and has allowed net growth on the mortgage book since 2010 to exceed 20%. This has led to a significant increase in mortgage assets, now at £69.64 million (2013: £61.35 million). This has been achieved on the back of changes implemented from April 2014 in the way regulated mortgages are sold across the financial services industry.

At 31st December 2014 there were three mortgages (2013: three) where the repayment of

principal and interest was twelve or more months in arrears. The total amount of arrears on these cases was £20,332 (2013: £16,088) on balances totalling £231,512 (2013: £191,231). All cases have a low loan to value ratio, hence none are specifically provided against. This has confirmed a continuing trend of declining arrears cases over the last five years in the current low interest rate environment. The Society had four properties in possession (2013: four) at the end of 2014.

The Society will continue to take all necessary action to minimise loss and to ensure that the provisions of the lending policy are monitored so that due account may be taken of prevailing economic conditions.

## Savings

Shares and amounts owed to other customers have grown by 2.08% to a total of £84.76 million at the year end (2013: £83.03 million). As with mortgages, there has been a strategic decision to grow in the core areas of the business over recent years and since 2010, this growth has been 8%.

The Society closed a small number of savings products to new customers during the year to manage inflows. Rate changes were also made to some accounts in accordance with business requirements. The launching of ISA, regular saver and bond products brought in new monies and customers to the Society and further new product launches to refresh the range are planned for 2015 for the benefit of both existing and potential new customers.



## Results for the year

The Society made a profit for the year of £0.07 million (2013 £0.05 million) and continues to strengthen its financial position.

The increase in mortgage activity has contributed to the improvement in net interest income to £1.43 million (2013: £1.25 million). A number of the mortgage products were offered to borrowers with legal and valuation fees paid for by the Society, which has given rise to a small, but planned loss in other income for the year. However, the operating profit before provisions has still grown to £0.19 million (2013: £0.12 million).

As in 2013 there has not been a requirement for an additional general mortgage provision and the overall level of this provision has been reduced. An increased balance has been recognised in the specific provision to reflect the current market conditions on a small number of mortgages with the Society. We continue to provide for the charge on all deposit taking firms imposed by the Financial Services Compensation Scheme levy, as a result of the failure of other financial services institutions in recent years. We have set aside £94,983 to cover our share this year (2013: £98,465).

## Management Expenses

Management expenses including depreciation were £1.23 million (2013: £1.16 million) an increase of 6.03%. As income has improved, the cost income ratio has fallen to 86.59% (2013: 90.52%).

Management expenses expressed as a ratio of mean total assets is 1.31% (2013: 1.28%). The rise in costs has been attributed to the investment required following the introduction of the Mortgage Market Review requirements. The Society has made significant changes to its mortgage department which now has three qualified mortgage advisers, compared to a single adviser at the start of the year, refreshed interview areas for customers and a dedicated area within the Society's King Street premises where the team are based.



## Capital

At 31st December 2014, the Society's capital had increased to £10.23 million (2013: £10.16 million). A satisfactory level of capital must be maintained to ensure the Society is protected against any adverse changes in economic conditions in general or in circumstances particular to the Society.

The free capital ratio (the aggregate of General Reserve and general provision for bad and doubtful debts less tangible fixed assets) arising from this was 11.92% (2013: 12.12%) of total shares and amounts owed to other customers.

Gross capital amounted to 12.07% (2013: 12.23%) of total shares and amounts owed to other customers. The free and gross capital ratios continue to be amongst the highest in the sector.



Risk assessment is carried out on an ongoing basis. To meet regulatory requirements an Internal Capital Adequacy Assessment Process is carried out and approved by the Board annually.

Details of the Society's Basel II disclosures for Pillar 3 are available on the website, [www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk), together with the country by country disclosures required by the Capital Requirements Directive IV.



## Principal Risks and Uncertainties

The Society has a risk averse culture and maintains a policy of low exposure to risk so as to maintain public confidence and to allow the achievement of its corporate objectives.

The main risks to which the Society is exposed are Credit Risk, Interest Rate Risk, Liquidity Risk, Concentration Risk, Conduct Risk, Operational Risk and Reputational Risk. These are described in more detail within the full Annual Accounts.

## Financial Risk Management Objectives and Policies

The Society is a retailer of financial instruments in the form of mortgage and savings products and also uses wholesale financial instruments to invest in liquid assets and, if necessary, to raise funds from wholesale money markets in support of its retail savings operations. These instruments also allow the management of risks arising from these business markets.

There is a formal structure for risk management in place which includes full control procedures including the establishment of risk limits, mandates and reporting lines. All risk management policies are reviewed regularly by the Board of Directors.

## Staff

The Directors are pleased to record their appreciation to management and staff for their hard work and loyal service rendered during the 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 are sent on training courses and seminars.



## Donations

During the year charitable donations totalling £6,832 (2013: £7,693) were made.

No contributions were made for political purposes.



# DIRECTORS

The following persons were Directors of the Society during the year:

## Non-Executive Directors

**R J Cairns**, Chairman (with effect from 1st Oct 2014)

**G Silburn**, Vice Chairman

**A G Waterfield**, Senior Independent Director

**D Driver**

**J Lincoln** (Appointed 1st Oct 2014)

**J S Hollins-Gibson** (Retired 30th Sept 2014)

## Executive Directors

**A S Fazal**, Chief Executive

**E L James**, Finance Director

The Directors retiring in accordance with the Rules and offering themselves for re-election are Mr Silburn, having served on the Board for over 9 years and Mr Fazal, having served on the Board for a 3 year period.

Mrs Lincoln, having been appointed to the Board in 2014, is eligible for and offers herself for election in accordance with Rule 25(5).

During the 12 months ended 31st December 2014 Mr Fazal has been a non-executive director to Mutual Vision Technologies Limited, which provides IT services to the Society. There were no other associated bodies in which the Society or its Directors had an interest.

## Post Balance Sheet Events

There are no post balance sheet events to report.

## Going Concern

Forecasts of the Society's financial position for the period ending twelve months from the date of the signing of these accounts have been prepared. The effects of various stressed scenarios on the Society's financial position have also been calculated. These forecasts have satisfied the Directors that the Society has adequate resources to continue in business for the foreseeable future. For this reason the accounts continue to be prepared on the going concern basis.

Approved and signed on behalf of  
the Board

**A S Fazal**  
(Director & Chief Executive)  
26th February 2015

## SUMMARY FINANCIAL STATEMENT

For the year ended 31<sup>st</sup> December 2014

<b>RESULTS FOR THE YEAR</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Net Interest Receivable	1,432,861	1,252,305
Other Income and Charges	(9,479)	26,842
Administrative Expense	(1,232,548)	(1,157,934)
Provisions	<u>(97,176)</u>	<u>(54,094)</u>
Profit/(Loss) for the Year before Taxation	93,658	67,119
Taxation	<u>(19,640)</u>	<u>(14,379)</u>
Profit/(Loss) for the Year	<u>74,018</u>	<u>52,740</u>

<b>FINANCIAL POSITION AT END OF YEAR</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>

### ASSETS

Liquid Assets	24,834,907	31,329,991
Mortgages	69,638,519	61,347,770
Fixed and Other Assets	<u>712,162</u>	<u>703,867</u>
<b>Total Assets</b>	<b><u>95,185,588</u></b>	<b><u>93,381,628</u></b>

### LIABILITIES

Shares	83,216,313	81,712,790
Amounts Owed to Other Customers	1,539,655	1,320,779
Other Liabilities	198,606	191,063
Reserves	<u>10,231,014</u>	<u>10,156,996</u>
<b>Total Liabilities</b>	<b><u>95,185,588</u></b>	<b><u>93,381,628</u></b>

Approved by the Board of Directors on 26th February 2015 and  
signed on its behalf by:

R J Cairns (Chairman)

D Driver (Director)

A S Fazal (Director & Chief Executive)

## SUMMARY OF KEY FINANCIAL RATIOS

	2014	2013
Gross capital as a percentage of shares and amounts owed to other customers (Note 1)	12.07%	12.23%
Liquid assets as a percentage of shares and amounts owed to other customers (Note 2)	29.30%	37.73%
Profit for the year as a percentage of mean total assets (Note 3)	0.08%	0.06%
Management expenses as a percentage of mean total assets (Note 4)	1.31%	1.28%

## NOTES TO THE SUMMARY FINANCIAL STATEMENT

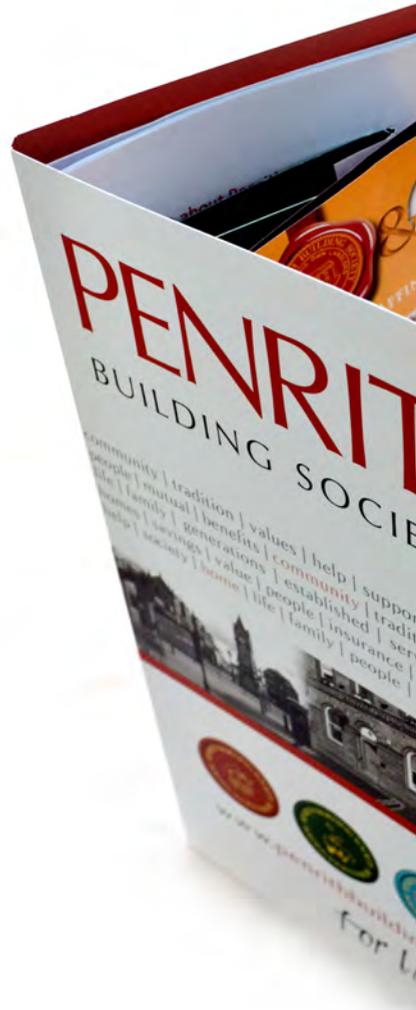
1. The gross capital ratio measures the proportion which the Society's capital bears to the Society's shares and amounts owed to other customers. The Society's gross capital consists of reserves, which are the Society's profits accumulated over many years.

Capital provides a financial cushion against difficulties which might arise in the Society's business and therefore protects investors.

2. The liquid assets ratio measures the proportion which the liquid assets held in the form of cash, short term deposits and government securities bears to the Society's shares and amounts owed to other customers. Liquid assets are utilised by the Society in its cash management enabling the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

3. The ratio of profit for the year as a percentage of mean total assets measures the proportion which the profit after taxation for the year bears to the average of the total assets at the beginning and end of the financial year. The ratio is similar to a company's return on assets. Profit is transferred to reserves, thus forming the capital which is essential in order to protect investors.

4. The ratio of management expenses as a percentage of mean total assets measures the proportion which administrative expenses as reported in this document (which includes depreciation) bear to the mean total assets in accordance with the Accounts Regulations.



# INDEPENDENT AUDITOR'S STATEMENT TO MEMBERS & DEPOSITORS OF PENRITH BUILDING SOCIETY

We have examined the summary financial statement of Penrith Building Society ('the Society') for the year ended 31st December 2014 on pages 14 to 20.

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditor

The Directors are responsible for preparing the summary financial statement within the Annual Review, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review with the full Annual Accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## Basis of opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the Annual Accounts;
- Annual Business Statement and Directors' Report of the Society for the year ended 31st December 2014, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the Annual Accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31st December 2014.

We also read the other information contained in the Annual Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society's Annual Accounts describes the basis of our opinions on those Annual Accounts, the Annual Business Statement and Directors' Report.

## Opinion on summary financial statement

On the basis of the work performed, in our opinion the summary financial statement is consistent with the Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31st December 2014 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

**Richard Gabbertas**  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
1 The Embankment, Neville Street, Leeds, LS1 4DW



26<sup>th</sup> February 2015

## DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2014

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

## Executive Directors

The Society's policy is to set remuneration at levels sufficient to attract and retain executives of sufficient calibre and expertise.

Executive Directors' remuneration comprises basic salary and pension benefits. The Society does not have bonus or share option schemes. Their salaries are considered by the Remuneration Committee which meets at least once a year. Salary levels are set having regard to job content and responsibilities, the performance of the individual and salaries in similar organisations.

The Society does not have a defined benefit or final salary pension scheme. The Society makes contributions to the private pension arrangements of the Executive Directors.

The Chief Executive's and Finance Director's contracts of employment require a 12 month and 6 month notice period respectively.

## 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 Chairman of the Board, Chairman of the Audit, Risk and Compliance Committee and the Chairman of the Conduct Risk Committee receive higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

### Details of Remuneration

<b>Fees for services as Non-Executive Directors</b>		<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>£</b>
R J Cairns		11,362	6,532
G Silburn		12,022	11,786
D Driver		12,022	11,786
A G Waterfield		9,994	9,798
J Lincoln	<i>(Appointed 1<sup>st</sup> October 2014)</i>	2,498	-
J S Hollins-Gibson	<i>(Retired 30<sup>th</sup> September 2014)</i>	11,601	15,164
G M Rigg	<i>(Retired 30<sup>th</sup> September 2013)</i>	-	7,348
P O'M Campbell	<i>(Retired 30<sup>th</sup> April 2013)</i>	-	3,266
<b>TOTAL FOR NON EXECUTIVE DIRECTORS</b>		<b>59,499</b>	<b>65,680</b>
<b>For services as Executive Directors</b>			
A S Fazal	Salary	105,000	100,000
	Pension Contributions	10,500	10,000
		<b>115,500</b>	<b>110,000</b>
E L James	Salary	73,500	70,000
	Pension Contributions	7,350	7,000
		<b>80,850</b>	<b>77,000</b>
<b>TOTAL FOR EXECUTIVE DIRECTORS</b>		<b>196,350</b>	<b>187,000</b>
<b>GRAND TOTAL</b>		<b>255,849</b>	<b>252,680</b>

Approved and signed on behalf of the Remuneration Committee

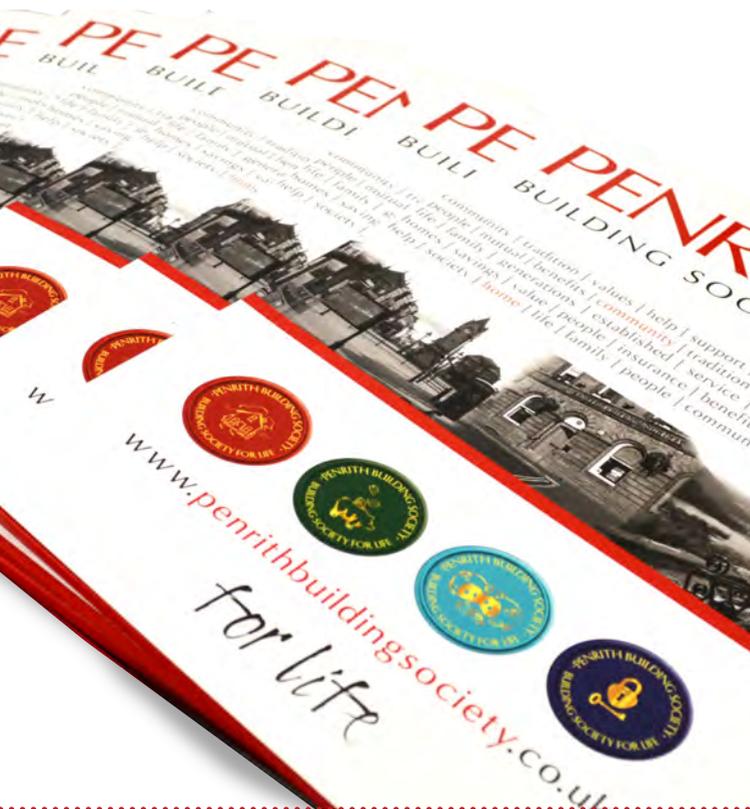
R J Cairns (Chairman)

26th February 2015



[www.penrithbuildingsociety.co.uk](http://www.penrithbuildingsociety.co.uk)

*for life*



**Directors**

R J Cairns (Chairman),  
D Driver, G Silburn,  
A G Waterfield, J Lincoln,  
A S Fazal, E L James.

**Solicitors**

Gaynam King & Mellor,  
2 Mason Court, Gillan Way,  
Penrith, CA11 9GR

**Auditor**

KPMG LLP,  
1 The Embankment, Neville  
Street, Leeds, LS1 4DW

**Bankers:** NatWest Bank Plc

**Chief Executive:** A S Fazal

**Finance Director:** E L James

**Operational Risk Manager/  
Secretary:** S J Askew

**PENRITH**



7 King Street, Penrith,  
Cumbria, CA11 7AR.

BUILDING SOCIETY | *for life*

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