PENRITH BUILDING SOCIETY

Annual Report and Accounts

31st December 2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2016

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended 31st December 2016.

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.

We are pleased to report that the Society has had another creditable year as we once again report a healthy growth in assets and a slight increase in profit year on year. It was a year that saw us achieving our second highest ever mortgage lending and we continued to attract healthy savings inflows at a time of some very low interest rates in both markets. Added to this, I am also able to report another healthy rise in our membership base - a real vote of confidence from our members.

When we entered 2016, we were working on the possibility that interest rates, which had remained unprecedentedly low for some seven years would be likely to rise sometime in that year. We now know of course that immediately after the UK electorate's vote to leave the European Union, the Bank of England reduced its base rate by 0.25% as well as announcing the introduction of its Term Funding Scheme (TFS) which enabled participant banks and building societies to borrow money at close to the base rate. We are aware that these even lower rates have nationally filtered down with savers in particular bearing the brunt.

The Society has always operated one of the lowest standard variable rates (SVR) for mortgages in the sector and we again kept any savings rate changes to the minimum striving to ensure that we remained fair to both savers and borrowers. Our performance in the market in both these areas shows that we achieved that balance.

There is however no doubt that the political events of 2016 have already had and are likely to have significant impact on the UK's economy and therefore on the financial services sector in the years to come. Concerns over rates, changes to regulatory requirements and a possible impact on local tourism, the farming economy and general confidence could all affect the Society's members in the coming months. The Society monitors press and regulatory updates relating to Brexit on a daily basis currently and our key governance committees monitor and report to the Board any developments and activity in our core markets together with recommended actions. We are also working closely with our trade body, the Building Societies Association who are lobbying the Government to ensure that we maintain a strong focus as a sector on delivering an impact that is positive for our members.

As can be seen from the key financial highlights below, the Society has performed well:

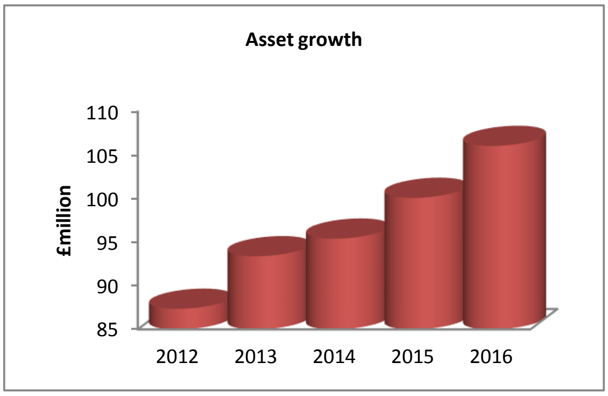
- Record assets of £106.06 million (2015: £100.08 million)
- Gross mortgage advances at £21.89 million – our second highest ever
- Mortgage assets have increased by 6.23% to a new record level of £79.27 million (2015: £74.62 million)
- Stable profit year on year, with a profit before tax of £202,312 (2015: £200,724)
- Increased reserves to £10.83 million or 11.39% of shares and amounts owed to other customers (2015: £10.66 million and 11.94% respectively)
- Net interest receivable of £1.69 million has increased from £1.55 million in 2015 on the back of improved margins

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 explained further below.

Total Assets

The Society has seen growth in its total assets in the past five years to a level of £106.06 million in 2016. (2015: £100.08 million).

The focus continues to be on attracting good quality residential mortgage assets to replace liquid assets (being cash and treasury investments) to improve the margin. Liquid assets were £25.67 million in 2016 (2015: £24.38 million), representing 24.20% (2015: 24.36%) of total assets and 27.01% (2015: 27.31%) of total shares and amounts owed to other customers.



DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

Business Review, continued

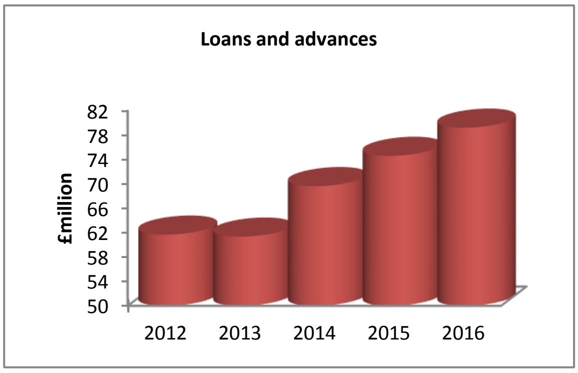
Total assets, continued

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

Loans and advances

In a period which saw intense competition in the mortgage market and a reduction in housing transactions nationally, we have responded with products and used our marketing opportunities to obtain a creditable performance exceeding last year's gross lending total. Maintaining market share is important to maintaining profitability and continued strength in our balance sheet.

We were recognised as the Best Local Building Society in one of the two awards we received in the Mortgage Finance Gazette Awards announced late in 2016. The results were based on independent analytical data compiled by financial research company Defaqto and took into account various lending criteria including interest rates and fees on both low and high loan-to-value bands, fixed and variable products over a number of time frames. The award therefore highlights us as one of those providers who have proved to be consistent in offering good, competitively priced mortgage products during the whole year.



New mortgage lending in 2016 totalled £21.89 million, an increase from 2015, which was £18.12 million. There were 171 advances, including 20 further advances. The strategy to improve net interest income through mortgage lending growth has seen net growth on the mortgage book since 2012 exceed 28%. This is a significant increase in mortgage assets, which now stand at £79.27 million (2015: £74.62 million). It has been achieved at a time of continuing changes in the way regulated mortgages are sold across the financial services industry.

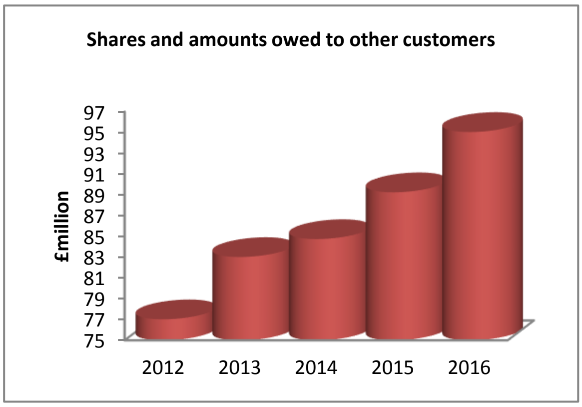
At 31st December 2016 there were no mortgage cases (2015: one) where the repayment of principal and interest was twelve or more months in arrears and six cases (2015: five) where forbearance measures were in place. This confirms a continuing trend in low numbers of arrears cases over the last five years in the current low interest rate environment. The Society had three properties in possession (2015: four) at the end of 2016. Individual provisions are held for each of these properties.

The Society will continue to take all necessary action to minimise loss and to ensure that the provisions of the lending policy are monitored through individual underwriting so that due account may be taken of prevailing economic conditions. In particular, the Society is vigilant to the financial stresses which may arise for borrowers if interest rates start to increase. We continue to 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.

Shares and amounts owed to other customers

The Society is acutely aware of the impact that the continuing low interest rate environment has had particularly on our saving members. Interest rate forecasting has been increasingly difficult since the financial crisis and there have been frequent predictions of imminent rate rises that have not occurred.

The significant downward pressure on savings rates led to many societies reducing rates more than once so we are pleased that we have continued to be attractive to our savers.



DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

Business Review, continued

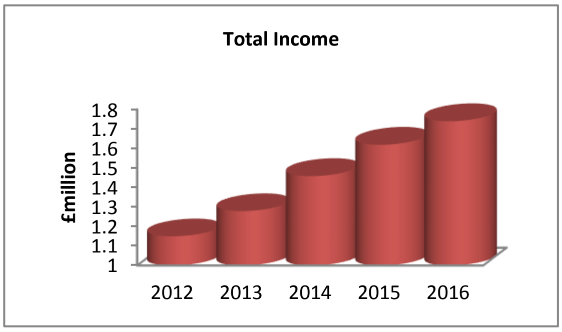
Shares and amounts owed to other customers, continued

Shares and amounts owed to other customers have grown by 6.48% to a total of £95.05 million at the year-end (2015: £89.27 million). As with mortgages, this has been a strategic decision to grow the core areas of the business over recent years and since 2012 this growth has been over 23%.

The Society continues to make changes to its product range to ensure that the products on offer are meeting customer needs. Rate changes were also made to some accounts in accordance with business requirements. Regular saver products, the very popular Help-to-Buy ISA and periodic Capital Bonds continue to bring in both new monies and customers to the Society. The junior account range has also been expanded further to include accounts linked to local charity and sporting clubs, enhancing our contact with this age group. Further new product launches to refresh our range are planned for 2017, in our ISA and notice account ranges in particular, for the benefit of both existing and new customers.

Profit for the year

The Society made a profit for the year after taxation of £166,546 and so continues to strengthen its financial position (2015: £165,404).



The continued positive mortgage activity has contributed to the improvement in total income to £1.74 million (2015: £1.62 million). The Society has continued to keep fees for mortgage products at a low level and in many cases will pay fees on behalf of borrowers. In addition, introducer fees are paid to brokers through which the Society sources mortgage business. However, the operating profit before provisions has still grown to £249,241 (2015: £248,896).

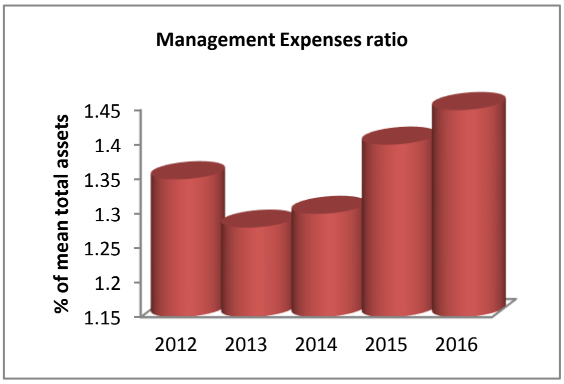
The overall level of both individual and collective provisions has been decreased to £295,941 (2015: £303,200). The performance of the mortgage back book continues to be good in the low interest rate environment, with arrears being managed through arrangements being put in place with the affected borrowers . We continue to set aside funds to cover our share of the Financial Services Compensation Scheme levy, as a result of the failure of other financial services institutions in recent years. The charge in 2016 decreased to £21,898 (2015: £54,898), as explained in note 25

Management Expenses

Management expenses including depreciation were £1.49 million (2015: £1.38 million), an increase of 8.65%. The cost income ratio has increased slightly to 85.71% by the end of 2016 (2015: 84.68%). Management expenses expressed as a ratio of mean total assets are 1.45% (2015: 1.41%).

The rise in the cost base is attributed to further investment in people, including the recruitment of a Retail Operations Director to help with sales activity across the core business areas and further expansion of the mortgage team.

The Society continues to invest in technology and ongoing projects started in 2016 will allow mortgage applications to be made on-line for broker and direct cases and the Society will continue to explore the option of on-line savings accounts. The need to streamline processes and leverage from the improved branch facilities remain key priorities for the business in the face of increasing market competition.

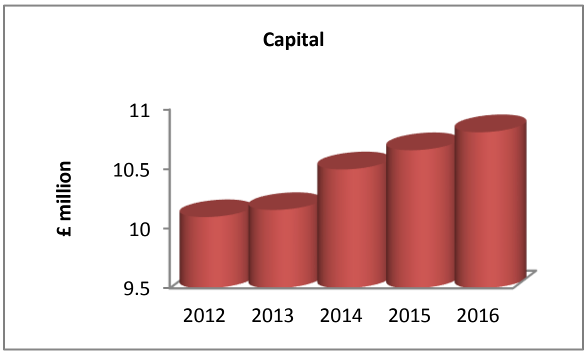


DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

Business Review, continued

Capital

At 31st December 2016, the Society's capital has increased to £10.83 million (2015: £10.66 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 collective impairment for losses on loans and advances less tangible and intangible assets) arising from this was 11.20% of total shares and amounts owed to other customers (2015: 11.72%).

Gross capital amounted to 11.39% of total shares and amounts owed to other customers (2015: 11.94%). Our 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 assessment of the Society's capital position, policies and procedures (the Individual Capital Adequacy Assessment Process) is carried out by management and approved by the Board annually.

Details of the Society's Basel III disclosures for Pillar 3 are available on the website, www.penrithbuildingsociety.co.uk

Our service and our people

Our strategy is to continue to provide simple and great value products and services to our members. The continuing partnership relationship which we have with Mutual Vision Technologies Limited has brought increased efficiencies in the way that we handle transactions and further investment in technology is necessary and inevitable as rapid advances continue to occur in financial services provision. However, it is our people that make the most difference and in 2016, we made further additions to our team. The appointment of a Retail Operations Director and a Mortgage Administration Manager will bring greater focus and enhancements to both the savings and mortgage teams within the Society. We have also completed a full review of our current product range and how they are marketed in time for the start of 2017.

Outlook for 2017

Building societies continue to play an extremely important role in the UK's diverse financial services sector. We believe that in that sector, Penrith Building Society stands out as a beacon. Our aim is that this will continue and all staff from the front line right through to all the support and governance functions are determined to strive to improve further the access to our products and services. We will continue to offer competitive products to current and prospective members and maintain margins to keep the confidence in our financial strength.

Remaining true to our founding principles is very important and will remain so in an uncertain climate brought about by recent political events. What is clear is our ambition and our desire to do the right thing for our members and that means keeping close to new developments and responding to the ever changing demands of consumers as well as staying relevant.

We are grateful for the dedication of management and staff who continue to provide members with an excellent personal service. The Society remains committed to being customer led and member owned, providing financial security and long-term value and choice for current and future generations of members.

The Society only exists because of its members and I would like to place on record my sincere thanks for the continuing support and goodwill from our growing membership base.

Donations

During the year charitable donations totalling £7,255 (2015: £7,637) were made. No contributions were made for political purposes.

DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

Business Review, continued

Principal Risks and Uncertainties

The Society maintains a policy of low exposure to risk so as to maintain public confidence and to allow the achievement of its corporate objectives. There is a formal structure for risk management in place which includes full control procedures as well as the establishment of risk limits, mandates and reporting lines. All risk management policies are reviewed regularly by the Board.

The main risks to which the Society is exposed are detailed below:

Credit Risk
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. With regard to 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.

Interest Rate Risk
This is the risk of exposure to movements in interest rates. The Society has a small tranche of fixed rate mortgage and savings products and this risk arises from the exposure to fixed rate investments including Certificates of Deposit, Gilts and Treasury Bills. This risk is managed by appropriate policies approved by the Board. The interest rate sensitivity of the Society at 31st December 2016 is detailed in note 27 to the accounts.

Liquidity Risk
This is the risk of the Society being unable to meet its 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, public confidence is maintained and the Society is able to meet calls on funds when they fall due, in line with recovery plan options.

Concentration Risk
This is the risk of loss due to a large individual or connected exposure that could be affected by common factors and the risk to the Society of its geographical concentration in Cumbria. The Board sets maximum limits for exposures to individual borrowers and treasury counterparties. It also monitors lending both within the county and externally and has set targets to increase the national coverage to mitigate the local concentration risk.

Conduct Risk
This is the risk of the Society not being fair to its members in all dealings with them. The Board monitors the Society's response to this risk through the Conduct Risk Committee, which considers within its role new product development, the existing product base, member feedback and complaints and overall trends in member management information.

Operational Risk
This is the risk of loss through inadequate or failed systems, human error or other external factors. All areas of the Society's business have appropriate Board approved systems of control and policies and adherence to these is monitored by senior management and the Audit, Risk and Compliance Committee.

Reputational Risk
This is the risk of events arising which damage our reputation or lead to loss of public confidence. The Society has 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.

Financial Risk
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. This is further discussed in note 27.

Land and Buildings

The Directors consider that the overall market value of the Society's Principal Office is in excess of the book value.

DIRECTORS' REPORT continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

Country by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1st January 2014 and 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 the Society's income and the location of its operations. The annual reporting requirements as at 31st December 2016 are included in note 3 on page 21.

Directors

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

Non-Executive Directors	
Robert J Cairns	Chairman
Janice Lincoln	
Will Lindsay	Senior Independent Director
Natalie Ruane	
Geoff Silburn	(Retired 20th April 2016)
Alan G Waterfield	Vice Chairman
Executive Directors	
Amyn S Fazal	Chief Executive
Elspeth L James	Finance Director

The Directors retiring by rotation in accordance with the Rules and offering themselves for re-election are Robert J Cairns and Elspeth L James, having served on the Board for a 3 year period and Alan G Waterfield, having served on the Board for a 6 year period.

During the 12 months ended 31st December 2016, Amyn S Fazal has been a non-executive director of 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.

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 attend suitable training courses and seminars to support their personal development.

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.

The Society's board is heartened by and would like to express our sincere gratitude for the continuing strong support and loyalty shown by you, the members.

Post Balance Sheet Events

There are no post balance sheet events to report.

Approved and signed on behalf of the Board

Amyn S Fazal (Director & Chief Executive)
16th February 2017

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2016

The Society's Board views good corporate governance as an essential part of the Board's responsibility to the Society's members. The Society has regard to the UK Corporate Governance Code issued by the Financial Reporting Council in developing its policies and procedures as set out below:

Leadership

The Board

The Board provides leadership and direction in achieving the Society's objectives and activities and is responsible for the continued success of the Society for its members. It is responsible for setting strategy, formulating policies and providing guidance on the management of the Society. It regularly reviews financial performance and ensures that there are effective risk management controls and procedures in place.

Board Composition

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

The Chairman, a Non-Executive Director, is elected annually by the Board. The main role of the Chairman 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. Will Lindsay 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 senior management.

The Society's rules require all Directors to submit themselves for election by members within sixteen months of their appointment to the Board and for re-election every three years thereafter.

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. The Nominations Committee, which includes the Chairman, 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 the Society's membership or use of an external search agency.

The Chairman of the Board, 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.

The Board has regard to the Walker Report on Diversity.

It is necessary for Board appointments to be approved by the Society's Regulators under the Senior Managers Regime and this may include a personal interview with the Financial Conduct Authority or Prudential Regulation Authority or both.

CORPORATE GOVERNANCE REPORT continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

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 2016, the appraisal of the Chairman was carried out by the Chief Executive and the Vice Chairman. The other Non-Executive Directors' appraisals were carried out by the Chief Executive and Chairman. 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 is carried out by the Chairman and Vice Chairman and the appraisal of the Finance Director is carried out by the Vice Chairman and Chief Executive. Both these individuals are appraised on an annual basis.

The effectiveness of the Board as a whole and its committees is reviewed annually by the Board.

Fitness and Propriety

All Directors must meet the fitness and propriety requirements under the Senior Managers Regime and must complete a questionnaire 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. They have access to the advice of the Secretary. In addition, any Director may take independent professional advice at the Society's expense should this be considered necessary.

There are ever increasing burdens on Non-Executive Directors. They must devote considerable time to the Society. 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 the Society and the building society sector as a whole.

Accountability

The Executive Directors and senior management have created a Risk Management Framework to identify, quantify (if possible) and manage risks faced by the Society. 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 the day to day activities of the Society.

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 Audit, Risk and Compliance Committee that these controls are adequate and effective.

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 terms of reference for these committees may be obtained from the Secretary. The committees in question are outlined below and a table detailing meeting attendances is provided at the end of the section.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (ARCC) consists of Janice Lincoln, Will Lindsay and Alan Waterfield, the latter being appointed to the Committee on 1st May 2016. Janice Lincoln is Chair of the Committee and is a retired building society Finance Director. Both Janice Lincoln and Alan Waterfield are qualified accountants and bring recent, relevant financial experience. Geoff Silburn stepped down from the Committee at 20 April 2016 when he retired from the Board. In addition, representatives of the outsourced and Internal Compliance Functions, Internal and External Auditors and the Executive Directors attend most of these meetings.

The principal purposes of the Committee include ensuring that the Society complies with all regulatory and prudential requirements and reviewing the Society's internal controls and management systems against the Society's risk management environment. The Committee is also responsible for the review of the effectiveness of the compliance monitoring and internal audit functions, approval of their respective annual review plans and the monitoring of the External Auditor's independence, objectivity and effectiveness.

CORPORATE GOVERNANCE REPORT continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

Board and Committee Meetings, continued

Conduct Risk Committee

The Conduct Risk Committee (CRC) consists of Elspeth James, Amyn Fazal and Will Lindsay. Elspeth James is Chair of the Committee. Geoff Silburn retired from the committee on 20th April 2016. Four members of the Society's staff also attend the meetings. The Committee has oversight of the Society's policies and procedures in all areas having an impact on the Society's members and makes recommendations thereon to the Board and management.

Remuneration Committee

The Remuneration Committee is comprised of the Society's Non-Executive Directors. The Chairman of the Remuneration Committee is Natalie Ruane. The Committee is responsible for setting the Society's remuneration policy for Executive Directors and Non-Executive Directors Fees. The Committee also sets all other benefits and matters relevant to Executive Directors including contracts of employment with the Society. The Directors' Remuneration Report for 2016 is on page 10.

Nominations Committee

The Nominations Committee is comprised of Robert J Cairns, Alan G Waterfield and Amyn S Fazal. Alan G Waterfield is Chair of the Committee. The Committee is responsible for making recommendations on appointments to the Board, ensuring that the Board has sufficient directors with appropriate skill sets, who are fit and proper and independent. The Committee has an annual responsibility to review the Society's Succession Plan and to ensure this remains appropriate to the on-going needs of the Society.

The following table details attendance of the Directors at the Board and Committee meetings held during 2016:

	Board	CRC	ARCC	Remuneration	Nominations
Number of meetings in 2016	**9**	**4**	**4**	**2**	**6**
Robert J Cairns (Chairman)	9(9)	1*	2*	2(2)	6(6)
Janice Lincoln	9(9)	-	4(4)	2(2)	-
Will Lindsay	9(9)	4(4)	4(4)	2(2)	
Natalie Ruane**	1(9)	-	-	1(2)	-
Geoff Silburn	2(2)	1(1)	1(1)	-	-
Alan G Waterfield	7(9)	-	3*(3)	1(2)	6(6)
Amyn S Fazal	9(9)	4(4)	4*	2*	6(6)
Elspeth L James	9(9)	3(4)	4*	2*	-

(Brackets denote the number of meetings an individual was eligible to attend and * denotes where an individual attended a meeting by invitation only)
**The director has been absent for a significant period of 2016 on compassionate leave.

Assets and Liabilities Committee

The Society has a separate Assets and Liabilities Committee (ALCO). This is a management committee chaired by Amyn S Fazal which reports monthly to the Board. The Committee monitors liquidity and treasury risk and reviews product development for both savings and mortgages against the market. It also reviews forward looking economic data and how the Society's cash flow forecasts and budget projections respond and adapt to market conditions.

Relationship with Members

The Society's on-going relationship with its members is an important area of focus. In 2016 opportunities to engage directly with members, included the Annual General Meeting, the Penrith Show and the Christmas gathering. These will continue in 2017, with the first being the Annual General Meeting of the Society on 26th April 2017.

Approved and signed on behalf of the Board

Robert J Cairns (Chairman)
16th February 2017

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2016

The Society's remuneration policy is to reward executive and non-executive 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 set out the standards and policies the Society is required to meet when setting pay for directors. The Society does not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to its size, the Society does 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.

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. Their salaries are considered by the Remuneration Committee which meets at least twice 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 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, the Senior Independent Director and Chairman of the Nominations Committee receive higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

Details of Remuneration are set out in note 8 to the accounts.

Approved and signed on behalf of the Remuneration Committee

Robert J Cairns (Board Chairman)
16th February 2017

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT, THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2016

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 Society as at the end of the financial year and of the income and expenditure of the 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;
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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 Society.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

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

We have audited the annual accounts of Penrith Building Society for the year ended 31st December 2016 set out on pages 13 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Society's members, 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 Society's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11 the Directors are responsible for the preparation of annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the annual accounts

A description of the scope of an audit of annual accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on annual accounts

In our opinion the annual accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Society as at 31st December 2016 and of the income and expenditure of the Society for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

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

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Society; or
- the 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.

Jessica Katsouris (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
16th February 2017

INCOME STATEMENT (INCLUDING STATEMENT OF COMPREHENSIVE INCOME)
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Notes	2016 £	2015 £
Interest receivable and similar income	4	2,746,022	2,687,872
Interest payable and similar charges	5	(1,052,743)	(1,134,482)
Net interest receivable		1,693,279	1,553,390
Fees and commissions receivable		3,478	12,976
Other operating income		46,902	58,001
Total income		1,743,659	1,624,367
Administration expenses	7	(1,424,105)	(1,316,728)
Depreciation and amortisation	18/19	(70,313)	(58,743)
Operating profit before provisions		249,241	248,896
Impairment (losses)/ gains on loans and advances	15	(25,031)	6,726
Provisions for FSCS scheme levy	25	(21,898)	(54,898)
Profit on ordinary activities before tax		202,312	200,724
Tax on profit on ordinary activities	10	(35,766)	(35,320)
Profit for the financial year		166,546	165,404

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

The notes on pages 16 to 32 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2016

	Notes	2016 £	2015 £
Assets			
Liquid assets:			
Cash in hand	11	54,204	34,226
Treasury bills	13	8,798,258	7,742,601
Loans and advances to credit institutions	12	11,291,404	9,004,662
Debt securities	13	5,524,803	7,600,965
		25,668,669	24,382,454
Loans and advances to customers			
Loans fully secured on residential properties		78,092,590	73,417,327
Loans fully secured on land		1,173,600	1,202,604
	14	79,266,190	74,619,931
Investments	16	173,015	173,015
Tangible fixed assets	18	152,119	156,968
Intangible fixed assets	19	100,602	96,082
Investment property	20	445,000	421,000
Other debtors	17	257,980	226,651
Total Assets		106,063,575	100,076,101
Liabilities			
Shares	21	93,330,473	87,792,071
Amounts owed to other customers	22	1,720,110	1,474,355
		95,050,583	89,266,426
Other liabilities	24	33,396	59,967
Accruals and deferred income		73,267	8,274
Deferred tax liability	23	50,883	48,444
Provisions for liabilities	25	27,472	31,562
Total Liabilities		95,235,601	89,414,673
Reserves			
Total reserves attributed to members of the Society		10,827,974	10,661,428
Total reserves and liabilities		106,063,575	100,076,101

Approved by the Board of Directors on 16th February 2017 and signed on its behalf by:

Robert J Cairns (Chairman) **Janice Lincoln (Director)** **Amyn S Fazal (Director & Chief Executive)**

The notes on page 16 to 32 form part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2016

	2016	2015
	£	£
Net cash outflow from operating activities (see reconciliation below)	(66,395)	(1,226,017)
Cash flows from investing activities:		
Purchase of debt securities and fixed term deposits	(28,274,809)	(23,824,742)
Proceeds from sale and maturity of debt securities and fixed term deposits	29,218,889	24,070,291
Purchase of tangible and intangible fixed assets	(69,984)	(114,357)
Increase/ (decrease) in cash and cash equivalents	**807,701**	**(1,094,825)**
Cash and cash equivalents at beginning of year	5,533,038	6,627,863
Cash and cash equivalents at end of year (note 11)	**6,340,739**	**5,533,038**
Represented by:		
Cash in hand	54,204	34,226
Loans and advances to credit institutions with less than three months' maturity	6,286,535	5,498,812

Reconciliation of operating profit to net cash flow from operating activities		
Profit before tax	202,312	200,724
Decrease/ (increase) in prepayments and accrued income	1,275	(15,323)
Increase in accruals and deferred income	64,993	1,291
(Decrease)/ increase in impairment on loans and advances	(7,259)	18,040
Depreciation and amortisation	114,134	122,721
(Decrease)/ increase in provisions for liabilities	(4,090)	31,786
Taxation paid	-	(3,536)
Net cash inflow from trading activities	371,365	355,703
Increase in loans and advances to customers	(4,639,000)	(5,020,784)
Increase in shares	5,538,402	4,575,758
Increase/ (decrease) in amounts owed to other customers	245,755	(65,300)
Increase in loans and advances to credit institutions	(1,499,019)	(990,127)
Increase in other assets	(24,000)	(46,374)
Decrease in other liabilities	(59,898)	(34,893)
Net cash outflow from operating activities	(66,395)	(1,226,017)

STATEMENT OF CHANGE IN MEMBERS' INTERESTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

General reserves

	2016	2015
	£	£
Balance as at 1st January	10,661,428	10,496,024
Total comprehensive income for the year	166,546	165,404
Balance as at 31st December	10,827,974	10,661,428

The notes on page 16 to 32 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Principal accounting policies

1.1. Basis of preparation

The Society has prepared the annual accounts 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 September 2015.

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.

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

The annual accounts have been prepared under the historical cost convention.

The annual accounts have been prepared on a going concern basis. This is discussed in the Directors' Report on page 6, under the heading 'Going Concern'.

1.2 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 1.5 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.

1.3 Commissions

Commission receivable from the sale of third party products is recognised on fulfilment of contractual obligations, that is when policies go on risk or on completion of a mortgage.

1.4 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.

1.5 Financial assets

The Society initially recognises 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 the Society becomes a party to the contractual provision of the instrument.

a) Loan commitments

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

The Society measures its 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 indemnity guarantee premiums, which are recognised over the expected scheme life of mortgage assets, as noted in 1.2 above.

NOTES TO THE ACCOUNTS continued

1. Principal accounting policies, continued

1.5 Financial assets, continued

Mortgage discounts 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.

b) Debt instruments

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

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

The Society derecognises 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.

1.6 Financial liabilities measured at amortised cost

The Society classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

1.7 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 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.

The Society considers 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, the Society uses external market data to build a risk weighted modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

NOTES TO THE ACCOUNTS continued

1. Principal accounting policies, continued

1.7 Impairment of financial assets, continued

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, amounts recoverable under mortgage indemnity policies 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 on their feet.

The main options offered by the Society include:

- Reduced monthly payment;
- 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.

1.8 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 equipment, fixtures and fittings - over 5 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.

1.9 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. 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.

NOTES TO THE ACCOUNTS continued

1. Principal accounting policies, continued

1.10 Intangible assets - computer software

Purchased software and costs directly associated with the internal development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Society which will generate future economic benefits and where costs can be reliability 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 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 that 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.

1.11 Investments in other assets

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.

1.12 Employee benefits

The Society operates a defined contribution pension scheme. The assets of which are held separately from those of the Society. For this scheme, the cost is charged to the income statement as contributions become due.

1.13 Leases

Leases in which the Society assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases, being those held by the Society, 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.

1.14 Provisions and contingent liabilities

The Society has an obligation to contribute to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet compensation claims from, in particular, retail depositors of failed banks. A provision is recognised to the extent it can be reliably estimated and when the Society has an obligation in accordance with International Financial Reporting Interpretation Committee, Interpretation 21: Levies. The amount provided is based on information received from the FSCS, forecast future interest rates and the Society's historic share of industry protected deposits. 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.

NOTES TO THE ACCOUNTS continued

1. Principal accounting policies, continued

1.15 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 substantially 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

The Society makes 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:

a) Impairment losses on loans and advances to customers

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

Estimates are applied to determine prevailing market conditions (e.g. interest rates and house prices), borrower behaviour (e.g. default rates) 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 collective impairment provision is sensitive to changes in the underlying assumptions, with forced sales discount ('FSD') being the most critical. If the FSD were to rise by 10% then the closing collective impairment provision would increase by £42,317.

b) Expected mortgage life

In determining the expected life of mortgage assets, the Society uses historical and forecast redemption data as well as management judgement.

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

c) Financial Services Compensation Scheme (FSCS)

The Society has created a provision for a FSCS levy covering the period 1st April 2016 to 31st March 2017. The amount has been determined by reference to the expected path of future interest rates applicable at the date of the statement of financial position. Changes in interest rates over the period of the levy will impact the final amount of the payment.

NOTES TO THE ACCOUNTS continued

3. Country by country reporting

The Society is UK registered, with the head office and branch in one location in Penrith, Cumbria.

The chief operating decision maker has been identified as the Board. The Board reviews the Society's internal reporting in order to assess performance and allocate resources.

The table below sets out the country by country disclosures required by the Capital Requirements Directive IV:

Year ended 31st December 2016:

Name	Type of entity	Nature of activity	Location	Turnover (£)	Number of Employees	Profit before tax (£)	Tax paid in the year (£)
Penrith Building Society	Credit Institution	Financial Services	United Kingdom	1,743,659	23	202,312	Nil

Year ended 31st December 2015

Name	Type of entity	Nature of activity	Location	Turnover (£)	Number of Employees	Profit before tax (£)	Tax paid in the year (£)
Penrith Building Society	Credit Institution	Financial Services	United Kingdom	1,624,367	21	200,724	Nil

4. Interest receivable and similar income

	2016 £	2015 £
On loans fully secured on residential property	2,571,913	2,490,151
On other loans	47,744	53,566
On debt securities	55,869	62,472
On treasury bills	31,839	35,355
On liquid assets	38,657	46,328
	2,746,022	2,687,872

Interest on debt securities includes £55,869 (2015: £62,472) arising from fixed income investment securities.

Included within interest income is £2,203 (2015: £2,203) in respect of interest income accrued on impaired loans two or more months in arrears.

5. Interest payable and similar charges

	2016 £	2015 £
On shares held by individuals	1,034,825	1,114,060
On other shares	1,819	2,077
On deposits and other borrowings	16,099	18,345
	1,052,743	1,134,482

6. Employees

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

	2016 No	2015 No
Full time	15	14
Part time	8	7
Total	23	21

NOTES TO THE ACCOUNTS continued

7. Administrative expenses

	2016	2015
Staff costs	£	£
Wages and salaries	524,509	504,681
Social security costs	95,793	86,157
Other pension costs	52,529	51,400
	672,831	642,238
Other administrative expenses	751,274	674,490
	1,424,105	1,316,728

Other administrative expenses includes:

Audit of these annual accounts (excluding VAT)	37,500	45,500

8. Directors' emoluments

		2016	2015
Fees for services as non-executive directors		£	£
Robert J Cairns		18,270	18,000
David Driver (Retired 29th April 2015)		-	4,833
Janice Lincoln		14,718	13,833
Will Lindsay (Appointed 1st June 2015)		14,718	7,292
Natalie Ruane (Appointed 1st June 2015)		1,226	7,292
Geoff Silburn (Retired 20th April 2016)		4,906	14,500
Alan G Waterfield		14,718	14,500
Total for non-executive directors		68,556	80,250
For services as executive directors			
Amyn S Fazal	Salary	109,776	108,150
	Pension Contributions	10,978	10,815
		120,754	118,965
Elspeth L James	Salary	77,220	76,075
	Pension Contributions	7,722	7,608
		84,942	83,683
Total for executive directors		205,696	202,648
Total for directors emoluments		274,252	282,898

The fees for Natalie Ruane are paid to a third party, Burnetts Solicitors, where she is a partner in the business.

9. Directors' loans and related party transactions

The aggregate amount of loans outstanding at 31st December 2016 to two (2015: two) director(s) and connected person(s) was £268,814 (2015: £285,114). These loans were 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 the head office of the Society. This is available for inspection during normal office hours over the period of 15 days prior to the Society's Annual General Meeting and at the Annual General Meeting.

The Society received a dividend and fees of £8,460 (2015: £5,417) from Mutual Vision Technologies Limited, who provide the software on which the Society's operating platform is based. Mr Fazal is a director of this company but receives no fees or other income for this role.

NOTES TO THE ACCOUNTS continued

10. Taxation

	2016	2015
Current tax	**£**	**£**
Current tax on income for the period	33,327	-
Total current tax	33,327	-
Deferred tax (see note 23)		
Origination and reversal of timing differences	11,437	40,720
Impact of change of rate on deferred tax balances	(8,998)	(5,400)
Total deferred tax	2,439	35,320
Total tax expense	35,766	35,320
Reconciliation of effective tax rate:		
Profit for the year	202,312	200,724
Total effective tax at 20%	40,462	40,145
Effects of:		
Non-deductible expenses	1,097	948
Change of rate on deferred tax balances	(8,998)	(5,400)
Movement in deferred tax	3,205	(373)
Total tax expense included in income statement	35,766	35,320

The main rate of UK corporation tax is 20%. This will be reduced to 19% from 1st April 2017 and to 17% from 1st April 2020. These rate reductions were substantively enacted at 7th September 2016 and their effects are therefore recognised in the annual accounts.

11. Cash and cash equivalents

	2016	2015
	£	**£**
Cash in hand	54,204	34,226
Loans and advances to credit institutions (see note 12)	6,286,535	5,498,812
	6,340,739	5,533,038

12. Loans and advances to credit institutions

	2016	2015
	£	**£**
Accrued interest	4,869	5,850
Repayable on demand	6,286,535	4,498,812
Other loans and advances by residual maturity payable:		
In not more than three months	1,000,000	1,000,000
In not more than one year	4,000,000	3,500,000
	11,291,404	9,004,662

NOTES TO THE ACCOUNTS continued

13. Debt securities

	2016	2015
	£	£
Gilts	-	2,069,246
Treasury bills	8,798,258	7,742,601
Certificates of deposit	5,524,803	5,531,719
	14,323,061	15,343,566
Debt securities have remaining maturities as follows:		
Accrued interest	25,966	58,570
In not more than one year	14,297,095	13,241,175
In more than one year	-	2,043,821
	14,323,061	15,343,566
Transferable debt securities (excluding accrued interest) comprise:		
Listed on a recognised investment exchange	-	2,043,821
Unlisted	5,500,991	5,509,060
	5,500,991	7,552,881
Market value of listed transferable debts	-	2,075,625

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

	2016	2015
	£	£
At 1st January	15,284,996	15,594,523
Premium amortisation during the year	(43,821)	(63,978)
Disposals and maturities	(29,218,889)	(24,070,291)
Acquisitions	28,274,809	23,824,742
At 31st December	14,297,095	15,284,996

14. Loans and advances to customers

	2016	2015
	£	£
Loans fully secured on residential property	78,092,590	73,417,327
Loans fully secured on land	1,173,600	1,202,604
	79,266,190	74,619,931

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

	2016	2015
	£	£
In not more than three months	1,125,497	983,341
In more than three months but not more than one year	2,870,312	2,568,811
In more than one year but no more than five years	15,875,639	15,393,450
In more than five years	59,690,683	55,977,529
	79,562,131	74,923,131
Impairment (see note 15)	(295,941)	(303,200)
	79,266,190	74,619,931

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

NOTES TO THE ACCOUNTS continued

15. Allowance for impairment

	Loans fully secured on land	Loans fully secured on residential property	Total
At 1st January	£	£	£
Individual provision	115,059	131,323	246,382
Collective provision	5,000	51,818	56,818
	120,059	183,141	303,200
Utilisation of provision			
Individual provision	-	(32,290)	(32,290)
Collective provision	-	-	-
	-	(32,290)	(32,290)
Income statement			
Individual provision	15,400	(4,820)	10,580
Collective provision	-	14,451	14,451
	15,400	9,631	25,031
At 31st December			
Individual provision	130,459	94,213	224,672
Collective provision	5,000	66,269	71,269
	135,459	160,482	295,941

The Society has six mortgage cases where forbearance has been exercised (2015: five). None (2015: one) of these cases has required an individual provision to be created.

16. Other investments

Unlisted investments	Shares	Loans	Total
Cost	£	£	£
At beginning and end of year	6,914	166,101	173,015

The Society holds unlisted shares and an interest bearing loan in Mutual Vision Technologies Limited which provides IT services to the Society.

The above investment is held with the intention of use on a continuing basis in the Society's activities and hence is classified as a financial fixed asset.

17. Other debtors

	2016	2015
	£	£
Prepayments and accrued income	257,980	226,651

NOTES TO THE ACCOUNTS continued

18. Tangible fixed assets

	Freehold land and buildings	Office and IT equipment, fixtures and fittings	Total
Cost	£	£	£
At beginning of year	40,000	564,148	604,148
Additions	-	17,514	17,514
At end of year	40,000	581,662	621,662
Depreciation			
At beginning of year	15,200	431,980	447,180
Charge for the year	400	21,963	22,363
At end of year	15,600	453,943	469,543
Net book value			
At 31st December 2015	24,800	132,168	156,968
At 31st December 2016	24,400	127,719	152,119

The net book value of the freehold premises occupied by the Society for its own activities is £24,400 (2015: £24,800).

19. Intangible fixed assets

	IT software and development costs
Cost	£
At beginning of year	263,549
Additions	52,470
At end of year	316,019
Depreciation	
At beginning of year	167,467
Charge for the year	47,950
At end of year	215,417
Net book value	
At 31st December 2015	96,082
At 31st December 2016	100,602

20. Investment properties

	Total
	£
Balance at 1st January 2016	421,000
Net gain from fair value adjustments	24,000
Balance at 31st December 2016	445,000

The investment properties have been fair valued at 31st December 2016. This valuation was completed by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

Any gain arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for on an accruals basis, as set out in the accounting policies in note 1.

NOTES TO THE ACCOUNTS continued

21. Shares

	2016	2015
	£	£
Held by individuals	93,098,244	87,561,271
Other shares	232,229	230,800
	93,330,473	87,792,071

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

	2016	2015
	£	£
Accrued interest	300,909	346,741
Repayable on demand	91,084,968	85,869,114
In not more than three months	1,944,596	1,576,216
	93,330,473	87,792,071

22. 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:

	2016	2015
	£	£
Repayable on demand	1,720,110	1,474,355

23. Deferred taxation

	2016	2015
	£	£
At beginning of year	48,444	13,124
Charge to statement of income for year	2,439	35,320
At end of year	50,883	48,444
The elements of deferred taxation are as follows:		
Differences between accumulated depreciation and amortisation and capital allowances	34,705	35,778
Other timing differences	16,178	16,655
Tax losses	-	(3,989)
	50,883	48,444

The net reversal of deferred tax assets and liabilities expected to occur in the next reporting period is an increased charge of £3,003 (2015: £3,003), being the ongoing unwinding of the tax charges associated with the transition to FRS 102.

24. Other liabilities

	2016	2015
Other liabilities due within one year comprise:	£	£
Income tax	-	59,898
Corporation tax	33,327	-
Other creditors	69	69
	33,396	59,967

NOTES TO THE ACCOUNTS continued

25. Provisions for liabilities

FSCS levy	2016	2015
	£	£
At beginning of year	31,562	35,096
Levy paid in year	(25,988)	(58,432)
Charge for the year	21,898	54,898
At end of year	27,472	31,562

In common with all regulated UK deposit takers, the Society pays levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the FSCS pays, net of any recoveries it makes using the rights that have been assigned to it.

During 2008 and 2009 claims were triggered against the FSCS in relation to Bradford & Bingley plc, Kaupthing Singer and Friedlander, Heritable Bank plc, Landsbanki Islands hf, London Scottish Bank plc and Dunfermline Building Society. The FSCS meets these claims by way of loans received from HM Treasury. The terms of these loans were interest only for the first three years and the FSCS seeks to recover the interest cost, together with ongoing management expenses, by way of annual management levies on members, including the Society, over this period. In addition to the management levies, the FSCS commenced charging for compensation levies over a number of scheme years commencing 1st April 2012.

During the year the Society recognised charges of £25,988 (2015: £31,245) payable under the management expenses levy and nil (2015: £27,187) payable under the capital levy. At the year end the Society has recognised a provision of £27,472 (2015: £31,562), being the anticipated amount that will be paid under the management expense levy during 2017. This amount is paid with reference to the Society's protected deposits as at 31st December 2015.

26. Contingent liabilities and commitments

There were no contracted capital commitments at the financial year end. At 31st December 2016 the Society has annual commitments under non-cancellable operating leases as follows:

	2016	2015
Office equipment leases which expire:	£	£
Within 1 year	-	1,602
within 2 – 5 years inclusive	20,719	16,729
over 5 years	1,938	-

27. Financial instruments

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 may raise funds from wholesale money markets in support of its retail savings operations. These instruments also allow it to manage the risks arising from these business markets. The Society has 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. The Society does not use any derivative financial instruments, as the Society does 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. The Society does not enter into any financial instruments for trading or speculative purposes.

NOTES TO THE ACCOUNTS continued

27. Financial instruments, continued

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 describe how classes of financial instrument are measured, and how income and expenses are recognised. The table below analyses the Society's assets and liabilities by financial classification:

31st December 2016	**Measured amortised cost**		
	Loan commitments	**Debt instruments**	**Total**
Financial assets	**£**	**£**	**£**
Cash in hand	-	54,204	54,204
Loans and advances to credit institutions	-	11,291,404	11,291,404
Debt securities	-	14,323,061	14,323,061
Loans and advances to customers	79,266,190	-	79,266,190
Total financial assets	79,266,190	25,668,669	104,934,859
Non-financial assets			1,128,716
Total assets			106,063,575
Financial liabilities			
Shares	-	93,330,473	93,330,473
Amounts owed to other customers	-	1,720,110	1,720,110
Total financial liabilities	-	95,050,583	95,050,583
Non-financial liabilities			11,012,992
Total liabilities			106, 063,575

31st December 2015	**Measured at amortised cost**		
	Loan commitments	**Debt instruments**	**Total**
Financial assets	**£**	**£**	**£**
Cash in hand	-	34,226	34,226
Loans and advances to credit institutions	-	9,004,662	9,004,662
Debt securities	-	15,343,566	15,343,566
Loans and advances to customers	74,619,931	-	74,619,931
Total financial assets	74,619,931	24,382,454	99,002,385
Non-financial assets			1,073,716
Total assets			100,076,101
Financial liabilities			
Shares	-	87,792,071	87,792,071
Amounts owed to other customers	-	1,474,355	1,474,355
Total financial liabilities	-	89,266,426	89,266,426
Non-financial liabilities			10,809,675
Total liabilities			100,076,101

Credit risk

Credit risk is the risk that a borrower or counterparty of the Society will cause a financial loss for the Society by failing to discharge an obligation.

NOTES TO THE ACCOUNTS continued

27. Financial instruments, continued

Credit risk, continued

The Society has 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 is provided by the ARCC as part of its quarterly meetings.

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

	2016	2015
	£	£
Cash in hand	54,204	34,226
Loans and advances to credit institutions	11,291,404	9,004,662
Debt securities	14,323,061	15,343,566
Loans and advances to customers	79,266,190	74,619,931
Total statement of financial position exposure	104,934,859	99,002,385
Off balance sheet exposure – mortgage commitments	5,243,033	3,968,670
	110,177,892	102,971,055

The Society's borrowers are primarily based in Cumbria, with 58.53 % (2015: 66.31%) of the mortgage book being in this area. Borrowers in Scotland represent 0.82 % (2015: 0.88%) of the mortgage book and the remaining 40.65 % (2015: 32.81%) is spread across the rest of England and Wales.

Credit quality analysis of loans and advances to customers

The table on the following page sets out information about the credit quality of financial assets and the allowance for impairment/loss held by the Society against those assets:

	2016		2015	
In respect of loans and advances to customers:	**£**	**%**	**£**	**%**
Fully secured on residential property:				
Current	75,860,791	95.35	71,346,090	95.22
Past due up to 3 months	1,380,696	1.73	637,606	0.85
Past due 3 to 6 months	737,493	0.93	510,423	0.68
Past due 6 to 12 months	83,337	0.10	548,719	0.73
Past due over 12 months	-	-	176,387	0.24
Possessions	190,755	0.24	381,243	0.51
Total fully secured on residential property	78,253,072	98.36	73,600,468	98.23
Fully secured on land				
Current	1,110,011	1.39	1,009,267	1.35
Past due up to 3 months	11,564	0.01	125,912	0.17
Possessions	187,484	0.24	187,484	0.25
Total fully secured on land	1,309,059	1.64	1,322,663	1.77
Gross loans and advances to customers	79,562,131	100.00	74,923,131	100.00
Provision for impairment losses	(295,941)		(303,200)	
Total loans and advances to customers	79,266,190		74,619,931	

NOTES TO THE ACCOUNTS continued

27. Financial instruments, continued

Credit risk, continued

Credit quality analysis of counterparties

The following table provides details on the exposure the Society has to counterparties. Included in the table is an analysis of the financial institutions by their Fitch rating, where appropriate:

	2016	2015
	£	£
UK government securities	8,798,258	9,811,847
Financial institutions		
AAA to AA-	-	1,003,488
A+ to A-	13,811,394	11,017,807
BB+ to BBB-	500,610	504,476
Unrated	2,504,203	2,010,610
Total exposure to counterparties	25,614,465	24,348,228

At 31st December 2016 all exposures to financial institutions were within the UK (2015: all exposures were within the UK).

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Society monitors 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.

The Society's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Society can cover all fluctuations in funding, retain public confidence in the solvency of the Society and to enable the Society to meet its financial obligations.

The following table analyses the remaining contractual maturity of the Society's financial assets and liabilities. In practice the contractual maturities are not always reflected in actual experience. For example loans and advances to customers tend to repay ahead of contractual maturity and customer deposits (for example shares) are likely to be repaid later than on the earliest date on which repayment can be required.

31st December 2016	**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 assets	**£**	**£**	**£**	**£**	**£**	**£**
Cash in hand	54,204	-	-	-	-	54,204
Loans and advances to credit institutions	5,786,590	3,503,063	2,001,751	-	-	11,291,404
Debt securities	-	2,999,370	11,323,691	-	-	14,323,061
Loans and advances to customers	-	1,125,497	2,870,312	15,875,639	59,394,742	79,266,190
Total financial assets	5,840,794	7,627,930	16,195,754	15,875,639	59,394,742	104,934,859
Financial liabilities						
Shares	88,548,447	-	1,906,085	2,875,941	-	93,330,473
Amounts owed to other customers	1,720,110	-	-	-	-	1,720,110
Total financial liabilities	90,268,557	-	1,906,085	2,875,941	-	95,050,583

NOTES TO THE ACCOUNTS continued

27. Financial instruments, continued

Liquidity risk, continued

31st December 2015	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 assets	**£**	**£**	**£**	**£**	**£**	**£**
Cash in hand	34,226	-	-	-	-	34,226
Loans and advances to credit institutions	4,504,662	1,000,000	3,500,000	-	-	9,004,662
Debt securities	-	7,249,287	6,050,458	2,043,821	-	15,343,566
Loans and advances to customers	-	983,341	2,568,811	15,393,450	55,674,329	74,619,931
Total financial assets	4,538,888	9,232,628	12,119,269	17,437,271	55,674,329	99,002,385
Financial liabilities						
Shares	86,215,855	1,576,216	-	-	-	87,792,071
Amounts owed to other customers	1,474,355	-	-	-	-	1,474,355
Total financial liabilities	87,690,210	1,576,216	-	-	-	89,266,426

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk.

The Society is only affected by interest rate risk. It is exposed 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. The Society manages this exposure continually by matching the maturity dates of assets and liabilities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivities of the Society's 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 £100,000 (2015: £111,000).

ANNUAL BUSINESS STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2016

1. Statutory percentages

	2016	Statutory Limit
Lending Limit	2.72%	25.00%
Funding Limit	1.81%	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 of the Society plus provisions for bad and doubtful debts and the aggregate of liquid assets and tangible and intangible fixed assets as shown in the Society's accounts.

Y = the principal of, and interest accrued on, loans owed to the Society 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:
- i) the principal value of, and interest accrued on, shares in the Society; and
- ii) the principal of, and interest accrued on, sums deposited with the Society.

Y = the principal value of, and interest accrued on, shares in the Society 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.

2 Other percentages

	2016 %	2015 %
As percentage of shares and amounts owed to other customers:		
Gross capital	11.39	11.94
Free capital	11.20	11.72
Liquid assets	27.01	27.31
Profit for the financial year after taxation as a percentage of mean total assets	0.16	0.17
Management expenses as a percentage of mean total assets	1.45	1.41

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

"Shares and amounts owed to other customers" represent the total of shares 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 31st December 2015 and 31st December 2016.

ANNUAL BUSINESS STATEMENT, continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

3 Information Relating to the Directors at 31st December 2016

Name (Date of Birth)	Date of Appointment	Business Occupation	Other Directorships
Robert J Cairns Chairman (01/06/1951)	01/05/2013	Retired Chief Executive	Barrow & District Credit Union Limited Corrie & Co Limited Number One Police Credit Union Limited
Alan G Waterfield (29/12/1970)	01/07/2010	Director	Alan Waterfield Consulting Limited
Janice Lincoln (08/02/1957)	01/10/2014	Retired Finance Director	
Natalie Ruane (05/03/1973)	01/06/2015	Lawyer	Burnetts Solicitors Building Futures Enterprise Academies Trust
Will Lindsay (06/10/1953)	01/06/2015	Retired Banker	Lindsay Consultants Limited
Amyn S Fazal Chief Executive (17/03/1958)	01/01/2013	Chief Executive	Mutual Vision Technologies Limited
Elspeth L James Finance Director (06/05/1974)	01/01/2013	Finance Director	

Documents may be served on the above named Directors c/o KPMG LLP at the following address:
1 St Peter's Square, Manchester, M2 3AE.

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 6 months prior written notice respectively. These specific contracts were entered into on 1st January 2013 and 1st September 2012 respectively.