



# Annual Report and Accounts

For the year ended 3 February 2020

**Chorley  
Building  
Society**  
TRUSTED SINCE 1859



## Our Vision

To be the provider of choice for savings and residential mortgages whilst remaining true to our mutual values.

## Our Values

- Security and Stability
- Trust
- Investment in our People and in our Systems
- Customer Service

### Employee Values, Behaviours and Conduct



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## Key Highlights of the Year



Total Assets increased by  
**11.9%**  
(2019: 2.2%)



Mortgage balances increased by  
**11.2%**  
(2019: 7.6%)



Net profit  
**£0.81m**  
(2019: £0.87m)



Savings balances increased by  
**9.8%**  
(2019: 2.5%)



Capital increased to  
**£20.3m**  
(2019: £19.5m)

## Chairman's Statement

“ It gives me great pleasure to report a truly remarkable year with record levels of lending, overall growth in our membership, high Member satisfaction levels and continued community support. ”

During 2019, we have been celebrating the 160th anniversary of the founding of our Society.

This was an important milestone for us and demonstrated the importance of maintaining mutuality in the financial sector as we offer a different approach compared to other financial institutions. As a mutual organisation you, the Member, are not only a customer but an owner of the Society. This means that as a Board our focus is not to maximise profit, but instead maximise the benefits to you. We do this by providing Members with a trusted and safe home for their money and a fair return, whilst lending these savings to mortgage Members, who in turn pay a fair price for that money, all whilst investing in our local communities. You can expect that your Society will:

- provide you with a safe place for your money.
- provide you with a personal service, delivered by a real person crafted to meet your needs, be it our savings team in Branch, via the phone or post, online or through our individual underwriting of each mortgage case.
- support our local community.

It's our aim to continue to be here for our Members and to help people achieve their aim of owning a house and saving for the future.

I said last year that we were keen to hear from Members as to how we could better meet your needs and I am delighted that during the year we partnered with Smart Money People. Smart Money People is the UK's leading review and insight platform focused on financial services and we have used this tool to capture a wealth of valuable feedback from our Members throughout the year. The Board pay particular attention to this feedback and it has a real influence in driving improvements in our service. We are focused on continuing to improve our online services, as we recognise that the way our Members want to interact with us is changing, however remain committed to the fantastic face-to-face service we offer through our branch network. As always, I remain extremely proud of the team we have at Chorley and their knowledge, experience and effort ensures that business performance continues to exceed expectations.

During the year Joanna Hall was appointed to the Board as a Non-Executive Director. Joanna has a depth of knowledge and experience in digital communication and marketing and further strengthens your Board of Directors by bringing key skills to help drive this important part of our strategy.

At the time of writing we are dealing with a very difficult situation in relation to the Coronavirus (COVID-19) which is constantly changing and evolving. We are continuing to monitor and respond to Government advice and our priority is to protect the health and safety of our staff, Members and community as much as possible, whilst maintaining services to our savers, borrowers and business partners. These accounts demonstrate that your Society is responding from a position of financial strength in terms of capital (retained profits) and liquidity (cash) reserves.

### Conclusion

I am proud to be your Chair of the Board and to serve the Society. As a Board, we are mindful that mortgage market conditions remain challenging in 2020 with competition and new entrants to the mortgage market squeezing operating margins. Nevertheless, your Society remains secure and strong and is focused on delivering benefits to you, our Members, both now and in the future.

**John Sandford**  
Chairman

27 March 2020



## Chief Executive's Review

“ Throughout 2019, we worked hard to provide security and value to all our Members as we balanced the needs of both savers and borrowers through a range of activities, whilst focusing on supporting good causes in the local area. ”

I am pleased to report that we have once again delivered on our mission to make a difference to the lives of our Members and the local community.

Savings, mortgage balances, assets and capital are all at record levels. I am delighted to report yet another strong business performance with healthy levels of profitability and an increase in assets and reserves underpinned by high Member satisfaction levels. A summary of key financial performance indicators is detailed in the Strategic Report on page 6.

Despite prolonged political and economic uncertainty throughout the year, we were able to continue to attract savings balances and achieved record levels of mortgage lending. As well as lending on standard residential cases, we also focused on lending to borrowers with non-standard needs where an automated mainstream lender may have been unable to help. We continued to support first time buyers, buyers in the local area with a smaller deposit, Buy-to-Let landlords as well as those building their own homes and those borrowing later in life.

I was particularly proud that both our Members and brokers who submit mortgage cases to us recognised and valued the exemplary levels of service provided by the Society. Our average Member satisfaction score was 96% and we were delighted to be

awarded a 4 star Broker Satisfaction Rating from Smart Money People.

I have no doubt that our continued success is attributable to our focus on providing Member value. This is achieved through an attractive range of savings and mortgage products, combined with excellent service levels, delivered by highly trained staff. Our employees are passionate about the Society and proud of our traditional mutual values and commitment to supporting our local community.

During the year we continued to invest in our teams as well as our systems and technology to support our future growth ambitions and to enhance our Member experience. This investment will continue throughout the coming year and we have exciting plans to improve our digital capability as we strive to meet the changing needs of our Members.

Uncertainty around the UK's economic position following the exit from the EU will remain and competition in our core markets of savings and mortgages is expected to increase. We are also closely monitoring the situation with regard to COVID-19, the Coronavirus. We continue to follow the latest Government advice and as events develop we will respond accordingly. The safety and well-being of our employees, Members and their families is the highest priority as we navigate through this period of concern and uncertainty. Notwithstanding this, we are very well placed to continue to act in the long term interests of our Members. I am confident that our mutual business model and focus on delivering real Member value will enable the Society to continue its success and make a difference to the lives of our Members and the local community.

I would like to thank all of our Members for your support throughout the year and our staff for their continued commitment and dedication.

**Stephen Penlington**  
Chief Executive

27 March 2020



# Strategic Report

## Purpose and Strategy

The principal purpose of the Society is that of making loans that are secured primarily on residential property which are funded substantially by its Members.

The Society's vision is 'to be the provider of choice for savings and residential mortgages whilst remaining true to our mutual values'. This is underpinned by our mission statement 'to make a difference to the lives of our Members and the local community'.

The Society's overarching goal is to offer a unique and individual proposition whereby as a Member you are:



### Provided with a safe home for your money

The Society is committed to remaining safe by continuing to be financially strong and effectively governed in order to protect Members' money.



### Unique and provided with a personal service crafted to meet your needs

The Society is committed to delivering a personal service by embracing our Members' individual needs and wants whilst offering savers and mortgage products distributed through multi-channels.



### Supporting the local community in which we operate

The Society is committed to making a difference in the local community in which we operate by supporting and helping causes that matter to our Members.



### Rewarded for helping more people reach their aspirations of home ownership and realise their savings ambitions

The Society is committed to encouraging our Member base to flourish by being a provider of choice, rewarding membership and meeting the needs of each unique Member at every stage of life.

Our values are at the heart of everything we do. They are what drive our everyday behaviour, shape our culture and guide our decision making. Living by our values allows us to demonstrate what is special and different about the Society to those with whom we interact and engage. Our values ensure that every Member receives a level of service of which we can be proud.

## The Society Values are:

Be the **Best** we can be;  
Be **Respectful**;  
Act with **Integrity**;  
Work as a **Team**; and  
Ensure **Every Member** counts.

The Society is committed to living by our **BRITE** Values.



## Business Review

This has been an excellent year for the Society with another good set of results. The main Key Performance Indicators which are used by the Board to monitor the performance of the Society are detailed below:

Remaining safe	2020	2019
Total assets	£266.5m	£238.1m
Total asset growth	11.9%	2.2%
Profit after taxation	£0.81m	£0.87m
Net interest margin	1.8%	1.9%
Management expenses as a percentage of mean total assets	1.5%	1.5%
Gross mortgage lending	£59.0m	£46.6m
Net mortgage balances	£213.2m	£191.8m
Mortgage asset growth	11.2%	7.6%
Shares and deposit balances	£236.1m	£215.0m
Capital	£20.3m	£19.5m
Gross capital as a percentage of shares and borrowings	8.3%	8.9%
Free capital as a percentage of shares and borrowings	7.6%	8.1%
Tier 1 capital ratio	22.3%	22.8%
Liquid assets as a percentage of shares and borrowings	20.8%	20.2%

### Delivering a personal service

The Society has recognised that the way in which our Members want to deal with us is changing and as a result, during the year we continued to enhance our online service offering. With an increasing demand for online and digital solutions, we were delighted to launch a new website as well as offering our borrowers the option of transferring mortgages schemes online. These improvements are complementary to our branch network and not replacements as we place great value on providing a face-to-face service through our friendly and well-trained staff. Throughout the year ahead, we will be making further enhancements to our digital offerings as well as improving our branch facilities.

### Making a difference in the local community in which we operate

The communities in which our branches operate form the heart of the Society. We have continued to support local charities and good causes, taking part in a whole host of community events and offering donations and sponsorships. Activities this year included the following:

- Employee donations on dress-down days;
- Employee Easter egg hunt;

- Breakfast clubs' and pancake day sales;
- Each branch hosted a Macmillan coffee morning as well as holding a Macmillan Cancer Support bake-off;
- At Christmas, each branch collected gifts for local vulnerable children;
- Attended numerous careers fairs at local schools and colleges;
- Sponsored Chorley Football Club; and
- Sponsored Chorley Cricket Club.

Our employee-voted charity for the year was 'Rosemere Cancer Foundation' for which £2,814 was raised during the year. We also donated gifts for the benefit of the local children who would otherwise not receive any presents at Christmas. In addition, we gave £17,567 to 19 local charities and community organisations and paid £32,659 to our affinity savings account partners during the year. No donations were made for political purposes. Further details of our charity and community activity can be found on page 13.

During the year, we asked our Members to vote for their chosen charity for 2020/21 from a shortlist of charities voted for by our employees. Hundreds of votes were received and we are delighted that we will be supporting 'North West Air Ambulance Charity' as our nominated charity throughout the year ahead.

### Encouraging our Member base to flourish

Mortgage growth was achieved against a backdrop of intense competition. New challenger banks have entered the residential mortgage market and the Society has had to compete with lenders entering the specialist lending markets which have been the hallmark of the Society in recent years. Nevertheless, the Society has used a combination of attractive pricing, appropriate lending criteria and high quality service and underwriting to achieve this level of growth without any diminution in the quality of lending. During the year we launched new mortgage products including professional mortgages, a joint borrower, sole proprietor proposition and new fixed rate mortgages for new and existing Members.

Growth in savings balances during the year reflects the popularity of several of our products.

For our saver Members, we have added to our range with new notice products, new fixed rate bonds and a new regular saver product.

### Living by our BRITE values

The Society's service proposition is founded upon highly qualified and well-trained employees who are motivated to act in the best interests of our Members, equipped with the appropriate training, systems and tools to do the job properly. As the Society continues to grow, we have strengthened our resources to meet the needs of the business.

The Society remains committed to training and career development for all employees. It is particularly pleasing to report that two senior employees graduated from Loughborough University during the year both with an MSc degree in Leadership and Management. The Society is supporting a further senior employee to achieve the same qualification.

As an equal opportunities' employer, the Society values the differences that a diverse workforce can bring and is committed to ensuring that its workplaces are free from discrimination because of race, nationality, ethnic or national origin, gender (including gender reassignment), sexual orientation, age, religious beliefs, marital status or disability.

## Profitability

The Society seeks to make sufficient profit in order to invest in and grow the business for the benefit of its current and future Members. Profit enhances our financial strength and is necessary to meet the levels of capital, including protection buffers, required under the Capital Requirements Directive. Financial strength also protects the Society against its principal risks and uncertainties and safeguards Members' funds.

Income Statement	2020 £m	2019 £m
Total income	4.6	4.5
Administrative expenses	(3.7)	(3.4)
Loan impairment provisions	0.1	0.0
<b>Profit before tax</b>	<b>1.0</b>	<b>1.1</b>

Profit before tax decreased by £0.1m to £1.0m during the year from £1.1m in the previous year due to increased administrative expenses. Nevertheless, the year end position was in excess of our planned objective and more than sufficient to maintain the financial strength of the Society. The Society anticipates that the market will remain competitive and that our business model will ensure that sufficient profitability will be generated in 2020/21 to meet our future planned objectives.

## Net interest margin

Net interest margin is a measure of the Society's net interest income and equates to the difference between interest received on assets and interest paid on liabilities, divided by the Society's average total assets during the year.

The Society's net interest margin remains healthy, although it decreased from 1.9% to 1.8% during the year as the Society continued to manage the margin by balancing the risks and rewards in relation to borrowing Members while offering value to saver Members.

## Administrative expenses and depreciation

Administrative expenses and depreciation (together "management expenses") increased by £189,058 in the year reflecting the Society's investment in systems, people and processes to support expected growth in the business and to deliver Member value.

Employee costs increased by 7.5% and other administrative costs increased by 3.1% compared to the prior year. The increase was driven in part by investments made in the Mortgages team to support the growth of the Society and allow an increasing number of Members to be serviced. Further details can be found in note 5 on page 47.

The ratio of management expenses to mean total assets decreased in the year from 1.48% to 1.46%.

## Impairment charges

The impairment provision for loans and advances to customers was reduced by £141,234 (2019: reduction £22,923). The Board carefully and closely manages potential credit risk. During the year, the Society has experienced lower provision levels.

## Provisions for liabilities and charges

During the year, a net expense of £571 (2019: net income £22,943) was recognised in the Statement of Income and Movements in Members' Interests relating to a reduction in the provision for the Financial Services Compensation Scheme (FSCS) levy.

## Taxation

The Society discloses an effective corporation tax rate of 19.00% for the year (2019: 19.00%). For further information see note 9 on page 48.

## Financial Position

### Liquidity

Liquid assets as a percentage of shares, deposits and loans (SDL) increased to

**20.8%**  
(2019: 20.2%)

Liquid assets were representing an increase of

**£51.0m** **16%**  
(2019: £43.9m) (2019: decrease of 16%)



The Society has continued to maintain high quality liquid assets throughout the year. The Society's liquid assets are maintained principally in the form of cash and government debt of an appropriate level and quality. Liquid assets are readily realisable as cash when required to ensure that the Society can meet its financial obligations as they fall due under normal and stressed scenarios. The Society has no exposure to any counterparty outside of the UK.

Liquid Assets	2020	2019
Total liquid asset balances	£51.0m	£43.9m

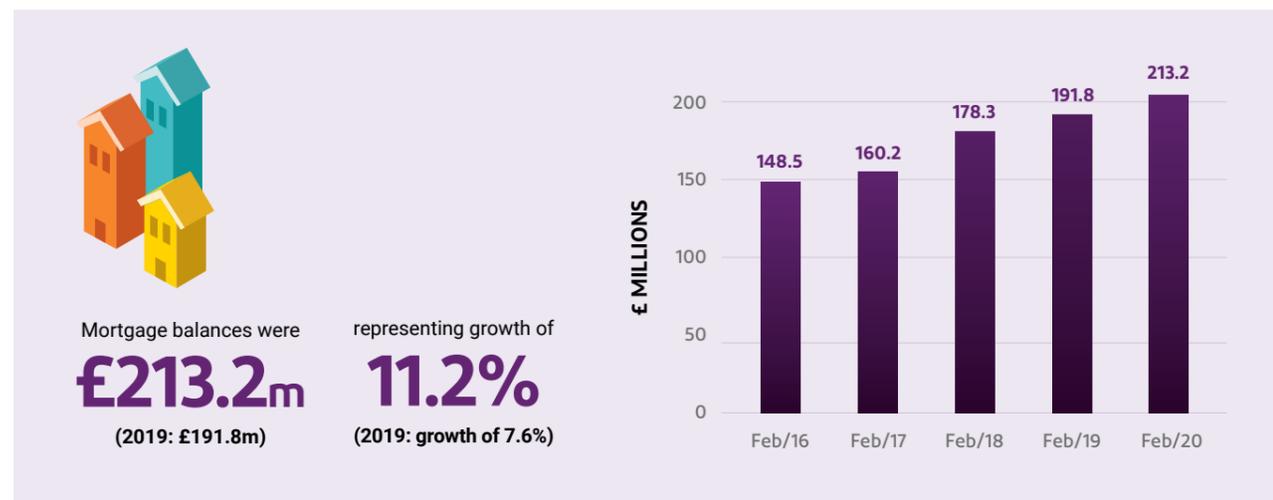
By Asset Class	£m	%	£m	%
Cash in hand and balances with the Bank of England	48.3	95	29.4	67
Central Government (UK Gilts and Treasury Bills)	0.0	0	0.5	1
Loans and advances to credit institutions	2.7	5	14.0	32
<b>Total</b>	<b>51.0</b>	<b>100</b>	<b>43.9</b>	<b>100</b>

The Liquidity Coverage Ratio (LCR) measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period. The LCR is measured monthly and as at 31 January 2020 was 285% (31 January 2019: 324%).

The Net Stable Funding Ratio (NSFR) measures the stability of the Society's funding beyond 30 days. The NSFR is measured quarterly and as at 31 December 2019 was 178% (31 December 2018: 174%).

Both the LCR and the NSFR were comfortably in excess of the minimum regulatory limit set by the regulators of 100%.

### Mortgages (Loans and Advances to Customers)



A summary of the Society's mortgage portfolios are shown in the table below.

Mortgage Portfolios	2020		2019	
	£m	Avg. LTV	£m	Avg. LTV
Prime Residential	195.9	56.5%	175.7	58.0%
Buy-to-Let	16.6	70.1%	15.8	69.6%
Commercial	0.6	47.7%	0.7	48.5%
Provisions	0.1		(0.4)	
<b>Total</b>	<b>213.2</b>		<b>191.8</b>	

The Society's mortgage book comprises over 99% residential loans; included in this are Self-Build mortgages (12%) and Buy-to-Let mortgages (8%). The Society has historical commercial mortgages amounting to less than 1%, however the Society is continuing to decrease its exposure in this area. Our mortgage assets remain of high quality with a weighted average loan-to-value (LTV) of 58% (2019: 59%). Lending over 80% LTV at inception is insured through a mortgage indemnity policy which protects the Society from any losses incurred if the property is taken into possession.

All loans are individually underwritten by experienced, qualified underwriters based in the Society's Head Office. Every mortgage application is personally considered on a case-by-case basis when assessing affordability rather than utilising computerised underwriting tools. Responsible lending and reviewing each case on an individual basis is fundamental to the high quality of our loan book.

The Society's mortgages are all secured with a first charge registered against the underlying property as collateral.

All loans are shown at an indexed LTV using the quarterly regional Nationwide House Price Indices. Further information on security LTV is provided in note 25 on page 53.

### Mortgage Credit Quality

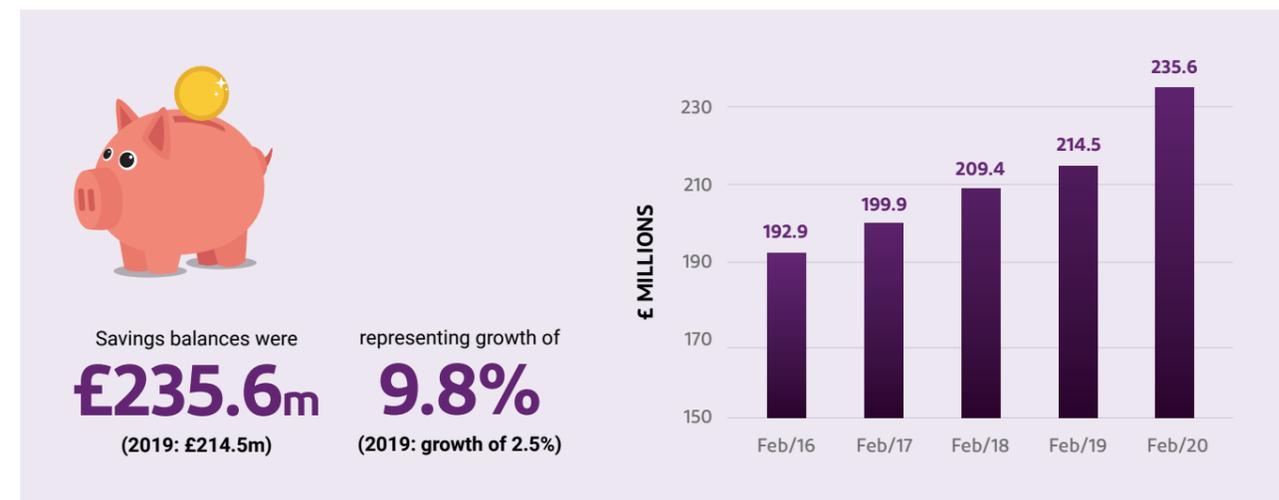
#### Arrears

The Society's arrears statistics as at 3 February 2020 remain low both compared to the building society sector and the mortgage industry as a whole. There were 4 cases in serious arrears of 12 months or greater at the year end (2019: 4 cases). The total amount of arrears outstanding on these accounts was £24,533 (2019: £37,838) and the aggregated capital balance was £365,036 (2019: £334,916). In all cases, the Society has assessed whether the mortgage assets affected are supported by adequate underlying equity with specific provisions raised where necessary. The Society maintains an appropriate policy for provisioning. Once again, the Society is pleased to report that there were no properties in possession at the year end.

#### Forbearance

The Society will work closely with any borrower experiencing difficulties, offering help and advice on the situation where appropriate. Forbearance measures may include actions such as temporary interest-only concessions, extensions of term and/or reduced payment concessions. Forbearance towards borrowers was applied to 40 accounts at the year end (2019: 41).

### Savings (Share Balances)



The Society aims to generate a level of savings balances that meets its mortgage funding and liquidity requirements. The strengthening of our savers base during the year was achieved at a time when interest rates remain historically low, demonstrating our attractive pricing in the market for new and existing Members alike and the quality of our service proposition.

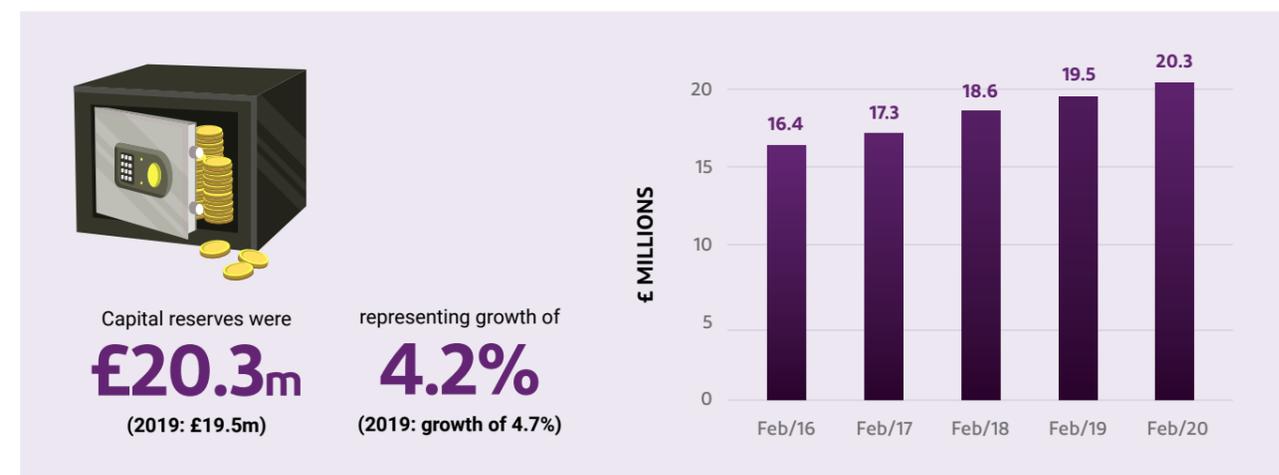
Our philosophy remains to operate fairly with simple product design, attractive terms and conditions and to deliver long-term Member value. We continue to benchmark our interest rates, monitor trends and most importantly, ensure our Members remain at the heart of any decisions that we make.

#### Funding

The Society manages its funding levels carefully to ensure it achieves an appropriate level, mix and duration of funding which is essential in providing the Society with the financial resources it needs to meet its growth aspirations. As a mutual building society, the Society's business model is to obtain most of its funding through retail savers funds from its Members, with the balance of funds to support liquidity levels obtained from the wholesale markets. Wholesale borrowings increased during the year by £6.5m to £9.5m compared to the previous year of £3.0m. This level is comfortably within the limits established by the Board.

#### Capital

The Board seeks to maintain a satisfactory level of capital to ensure that the Society is protected against any adverse changes in economic conditions and to cover the level and nature of the risks to which it is or might be exposed.



The table below shows the composition of the Society's capital and the capital ratios at the end of the year.

Capital	2020 £m	2019 £m
General Reserve	20.3	19.5
Intangible Assets	(0.3)	(0.2)
<b>Tier 1 Capital</b>	<b>20.0</b>	<b>19.3</b>
Collective Provision for Impairment Losses	0.1	0.2
<b>Tier 2 Capital</b>	<b>0.1</b>	<b>0.2</b>
<b>Total Capital</b>	<b>20.1</b>	<b>19.5</b>
<b>Total Risk-Weighted Assets</b>	<b>89.5</b>	<b>84.3</b>
<b>CAPITAL RATIOS</b>	<b>%</b>	<b>%</b>
Common Equity Tier 1 Ratio	22.3	22.8
Leverage Ratio	7.4	8.0
Pillar 1 Ratio	8.0	8.0
Pillar 2A Ratio	1.7	1.7

The leverage ratio is a measure of capital strength assessing qualifying Tier 1 capital against on-and-off-balance sheet assets. The leverage ratio as at the year end was 7.4% (2019: 8.0%) and although the 3.25% minimum regulatory limit prescribed to firms with retail deposits in excess of £50 billion does not apply to the Society, it is in excess of this limit.

The Society is required to set out its capital position, risk exposures and risk assessment process in its Pillar 3 disclosure document. This is available on the Society's website [www.chorleybs.co.uk](http://www.chorleybs.co.uk) or may be obtained by writing to the Secretary at the Society's Head Office.

### Principal risks and uncertainties

The principal risks and uncertainties faced by the Society are set out in the Audit, Risk & Compliance Committee Report on page 27.

### The Future Outlook

Our business model remains viable and the future outlook is encouraging. The risks to our business are understood, well-controlled and our assets are of high quality, with low levels of arrears and substantial equity. We have more than sufficient levels of capital and liquidity to meet our objectives and our underlying profitability performance is strong.

Global macroeconomic and political factors may continue to impact the UK economy following the prolonged period of uncertainty subsequent to the Brexit vote. As a UK organisation, the Society has no direct exposure to the EU however, the wider economic implications may have an impact. The Society has carried out stress tests to assess the impact of possible wider economic implications, for example, falling house prices and rising unemployment levels. The Society maintains adequate levels of liquidity and capital and is able to withstand the stresses it has undertaken. Our Board remains vigilant and continues to watch for any adverse signs as the UK navigates its way through the Brexit negotiations.

The Society has recognised that the way in which current and future Members want to deal with us is changing. Improvements will continue and the Board is fully committed to providing fair and transparent savings and mortgage products which offer good value in the short, medium and long term.

The Board also remains committed to making a difference to the local community in which we operate and the scale of activity detailed on page 13 will be heightened further in the future as we strengthen our engagement activity with Members and the local community.

Whilst there may be challenges on the horizon, the Society is well placed to continue its successful business performance and to deliver our vision, 'to be the provider of choice for savings and residential mortgages whilst remaining true to our mutual values' and mission statement 'to make a difference to the lives of our Members and the local community'.

On behalf of the Board  
**Angela Kos**  
 Finance Director  
 27 March 2020

## Charity and Community Support

Since 1859 the Society's Members and the local community have remained at the heart of everything we do and each year we aim to make a real difference in the local community by supporting deserving causes.

'Rosemere Cancer Foundation' was our chosen charity for 2019/20 and we raised funds for this extremely deserving cause throughout the year. We also sponsored and donated to numerous other charities and sporting clubs in the local area. We would like to take this opportunity to thank every one of our Members and the local community for their continued support.

Together we have helped make a real difference in our local community.

The Society is a socially-aware business and our community involvement and activity has focused on areas which are aligned with our core values. The contributions which we have made to local deserving causes have helped them to continue their great work and support those who rely on their services.

**During the year, we donated over £17,000 to local charitable organisations, over £2,800 for our chosen charity and gave over £32,000 to our affinity savings account partners. Here are some examples of the local charities and organisations we have supported.**

Given so many of our employees know someone who has been affected by cancer, they were delighted to support a cause so close to their hearts. Throughout the year, we have supported our chosen charity with monetary and gift donations. There have been various fund raising challenges taking place with ingenious ideas from team challenges, Easter egg hunts, pancake sales, car vacuuming, brownie making, 'breakfast clubs' and team quizzes! The result of this amazing effort is that we have raised over £2,800 throughout the course of the year. A huge thank you to all our employees and Members who have supported this amazing cause.



Pictured above: employees from our Key House, Head Office branch taking part in the Easter egg hunt for 'Rosemere Cancer Foundation'.

## Rosemere Cancer Foundation – our chosen Charity of the Year

Rosemere Cancer Foundation supports world class cancer treatment throughout Lancashire and South Cumbria. Their aim is to work in partnership with local clinical staff to achieve the best possible care for cancer patients, wherever they are treated. They do this by:

- Funding cutting edge equipment to help clinicians remain at the forefront of the fight against cancer
- Supporting innovative ways to take the fear out of cancer for patients and their families during treatment, making it as comfortable and stress-free as possible
- Backing local research projects that help improve our understanding of cancer and how it can be better diagnosed and treated
- Facilitating top quality training to help clinical staff treating cancer patients be the very best they can be



Members of our Charity Committee pictured: Julie Goodwin, Head of Business Development, Kimberley Roby, Customer Services Director, Lottie Clayton, Local Business Development Manager, Angela Platt, Process Improvement Manager, Gemma Kinsman, Business Development Manager and Cathy Skidmore, Trust and Corporate Fundraiser at Rosemere Cancer Foundation.

## Our Charity Work

# Supporting Chorley Inspire Youth Zone

We were proud to support Chorley Youth Zone, named by young people as 'Inspire', for the first time this year.

'Inspire' is a purpose-built facility for the borough's young people aged 8-19 and up to 25 for those with disabilities.

'Inspire' provides a fun and safe environment where young people can come and enjoy themselves and the Youth Zone enables young people to raise their aspirations and confidence to create a happier and healthier generation.

At Christmas, 'Inspire' asked us to support their worthy cause by donating gifts for the benefit of the local children who would otherwise not receive any presents at Christmas. The team collected over 100 gifts to help ensure that no teenager in the local area woke up without a gift on Christmas morning.

As well as this, we were proud to support the annual 'Inspire' Christmas lunch with a financial donation. The weekend before Christmas, 'Inspire' welcomed over 100 of the most vulnerable children and their families from across Chorley to share in a family Christmas meal. For some of the children, this was the first time they had ever enjoyed a Christmas meal and for many, a bag full of presents, a food hamper to take away and lots of fun and games on the day. The Society was proud to support such an amazing event where fantastic memories were made.



Pictured above: Angela Platt, Process Improvement Manager and Charity Committee member with Head of Fundraising at Chorley Inspire Youth Zone, Karen Hunter.



## Macmillan Cancer Support Bake-Off

In September 2019, we took part in Macmillan's biggest fundraising event for people facing cancer. We hosted a coffee morning in our branches for our Members and employees to generate donations.

We held our very own "bake-off" competition and our employees made some fabulous tasty treats including brownies, cupcakes and chocolate flapjacks – to name just a few!

Pictured above: Amy Egginton, Head of Products & Marketing and Kimberley Roby, Customer Services Director.

## Great press-coverage for our 160th year

News about our great support for community and charity activities during our 160th anniversary year, along with news about our services and careers, has appeared in local newspapers the Chorley Guardian and Lancashire Post.

The Chorley Guardian highlighted the range of fundraising activities we held throughout 2019 to support Rosemere Cancer Foundation as our charity of the year. This included our history and mutual values and how we make annual donations to a range of local charities and community groups connected to our Affinity Savings Accounts.

Kimberley Roby, Customer Services Director, was pictured and quoted in the article, along with Head Office staff members, who all received certificates for their great contribution in team fundraising challenges for Rosemere Cancer Foundation.

Meanwhile the Lancashire Post visited our Key House Head Office in Chorley to interview staff and hear more about the Society. This resulted in an in-depth feature for the newspaper's weekly business supplement and also appeared on its website. The Lancashire Post met Mortgage Administrator, Neve Stafford and Head of Products & Marketing, Amy Egginton.

## Affinity Accounts

The Society was delighted to give **£32,659** across our eight affinity account partners. Our affinity accounts are an example of how our Members contribute so generously to local charities and organisations.



### Derian House

Elaine Middleton, Corporate and Partnerships Manager for Derian House pictured with members of our Charity Committee: Gemma Kinsman, Business Development Manager and Rosie Hopkinson, Executive & Secretarial Assistant.



### St Catherine's Hospice

Sue Clemson, Director of Finance & Business from St Catherine's Hospice pictured with Julie Goodwin, Head of Business Development and member of our Charity Committee and Phillip Crusham, Head of Retail.



### Age UK Lancashire

David Ward, Promotions and Fundraising Manager from Age UK Lancashire pictured with members of our Charity Committee, Angela Platt, Process Improvement Manager and Rosie Hopkinson, Executive & Secretarial Assistant.

## Community Events

# Dementia Training Workshop with Age UK Lancashire

We are proud that all of our Member facing teams are now Dementia Friends! Earlier in the year, the Savings and Mortgage teams took part in a Dementia Friends training session at our Head Office. It was a very insightful workshop and we received some helpful advice on how we can all become more dementia aware within our local community.

We'd like to say a big thank you to Age UK Lancashire and the Dementia Community Links Service for running the session.



Pictured above: The Savings and Mortgage teams at Head Office on completing their Dementia Friends workshop.

## Age UK Lancashire Awards

We are proud to have sponsored the Age UK Lancashire Awards this year - well done to all those recognised at the event.

As well as all of these initiatives, we were also proud to support other good causes including local scout groups, St Laurence's Church restoration and meals for the community as well as Rivington Gardens Restoration. The Society really is making a difference to the lives of those locally.



## Supporting Local Education

In 2019, we recruited Business Apprentice Jake Parkinson from local college, Runshaw College (pictured left)

Over the course of the year, we visited local schools to talk to pupils about the Society and the importance of financial security and having a sound financial education.

We also attended events at numerous secondary schools meeting Year 9, 10 and 11 students, their teachers and parents and speaking to them about their future career aspirations.

We were delighted to have been able to support local primary school Euxton Primrose Hill by donating funds to help them improve the outside learning areas for their pupils. We hope the children enjoy the improved space! We also supported Bishop Rawsthorpe School through a donation to their school mini bus appeal and Sacred Heart Catholic Primary School who want to introduce a new play zone. We are proud to support the young people in the local community and improve the facilities available to them.



## Sponsorship of Local Sporting Clubs

The Society is invested in the belief that sport benefits the local community and the health and well-being of those involved. We are proud to support local grassroots clubs and during the year we sponsored both Chorley Football Club and Chorley Cricket Club.



Chorley Cricket Club after their successful first XI win of the Northern Premier Cricket League T20 trophy.

## Recognition in the Industry



### British Bank Awards

We were delighted to share the news last month that we have been named a finalist in the British Bank Awards 2020!

The British Bank Awards aim to find the best financial products, hottest innovation and the most trusted financial brands and partners. These awards are voted for by customers and so far over 21,000 have voted for more than 180 different companies - we are delighted to be shortlisted as finalists at these prestigious awards.



### 'What Mortgage' Awards

We were delighted to be awarded 'Highly Commended' in the Best Building Society Customer Service category at the 'What Mortgage' awards 2019.

A huge thank you to everyone who voted for us!

## Our Directors



**John Sandford**  
BA, MA, FCA  
Chairman

John joined the Board in June 2014. He previously worked for KPMG for 33 years, the last 21 as an Audit Partner/Director, leaving KPMG at the end of 2010. At KPMG John headed up the Co-operative Centre of Excellence and is totally committed to a strong mutual sector in which he believes the Chorley has an important part to play. John has been Chairman of the Society since September 2016 having previously been Chairman of the Audit Risk & Compliance Committee. John is married to Judith and has two adult children. His interests include trying to reduce his golf handicap and he is a qualified cricket coach.



**Stephen Penlington**  
BSc, MBA  
Chief Executive

Stephen joined the Society in 2006 as Chief Executive. He has a wealth of experience in financial services and has been in the building society movement ever since graduating from the University College of Wales in 1980 with a BSc Economics Honours degree. Steve is Chair of the Assets & Liabilities Committee and Risk & Compliance Committee. A committed family man, he is an avid reader, loves music, keep-fit and is a rugby enthusiast. Stephen lives in Chorley and is a trustee of the Chorley Pals, Chorley Constituency (2015) Charitable Trust and Chorley Remembers Charities and a Non-Executive Director at Magenta Living.



**Andrew Horsley**  
Chartered MCSI, FCIS  
Vice Chairman & Chair of Nominations  
& Remuneration Committee

Andrew joined the Board in December 2011. He is a Fellow of the Institute of Chartered Secretaries with over 30 years' experience, most of it in the financial services sector. He is Company Secretary and Head of Compliance for a mutual insurer. Andrew is originally from Derbyshire. He is a Chartered Member of the Institute for Securities & Investment and a Member of the Association of Financial Mutuals Legislation Committee. Andrew is also a member of the Audit Risk & Compliance Committee.



**Kevin Bernbaum**  
BSc, MBA  
Chair of Audit, Risk & Compliance Committee

Kevin joined the Board in June 2014. Kevin holds a degree in Accounting and Financial Analysis and an MBA (Finance). He has nearly 35 years' experience working within the banking and building society sector specialising in treasury, risk and balance sheet management. Having been brought up in Leicester, Kevin now lives in London and he has three children.



**Erfana Mahmood**  
LLB (Hons)  
Senior Independent Director

Erfana joined the Board in October 2011. Erfana is a qualified senior solicitor who has worked in the property lending sector for over 16 years and also has public sector housing experience. Erfana is a member of the Nominations & Remuneration Committee and is the Society's Whistleblowing Champion. In her spare time, Erfana enjoys travelling and walking.



**David Bagley**  
FCA  
Non-Executive Director

David joined the Board in July 2016. He is a graduate of Lancaster University and a Fellow of the Institute of Chartered Accountants in England & Wales. David has spent his career in professional services and finance, specialising in corporate finance, commercial and investment banking and private equity. David is married with two daughters and lives in Sheffield. He and his wife are active supporters and puppy walkers for The Guide Dogs for the Blind Association where David is a trustee and board member. David is also a member of the Audit Risk & Compliance Committee.



**Angela Kos**  
FCCA, MSc, FCMI  
Finance Director

Angela joined the Society in 1999 and was appointed to the Board in April 2013 as Finance Director. She is a Fellow of the Association of Chartered Certified Accountants and graduated from Loughborough University in 2018 with an MSc degree in Leadership and Management. Angela has since become a Fellow of the Chartered Management Institute. Angela has over 20 years' experience working in financial management at the Society and is responsible for the Society's Secretarial, HR, Training, Facilities and Health & Safety functions. Angela is a member of the Assets & Liabilities Committee, Risk & Compliance Committee and Mortgage Credit Risk Committee. Angela was born in Chorley and lives in Adlington with her husband and three young children.



**Kimberley Roby**  
BA (Hons), MSc  
Customer Services Director

Kimberley joined the Society in 2006 and was appointed to the Board in September 2017 as Customer Services Director. She has responsibility for the Society's Marketing, Products, Mortgage, Savings, Business Development and IT operations. Kimberley is Chair of the Mortgage Credit Risk Committee, a member of the Assets & Liabilities Committee, Risk & Compliance Committee and Charity Committee. As a member of the Society's Charity Committee, Kimberley plays a key part in organising numerous charity events during the year, ensuring we support the local community as much as possible. She is passionate about mutuality and putting our Members at the heart of everything we do. Kimberley has a degree in Business Studies as well as a master's degree in Leadership and Management from Loughborough University. She lives in Coppull Moor with her husband and three young children.



**Joanna Hall**  
CIM  
Non-Executive Director

Joanna was appointed to the Board in June 2019. Joanna is a member of the Nominations & Remunerations Committee. She is Chartered Institute of Marketing qualified and digital marketing certified with over 30 years' experience in financial services; covering business and distribution strategy, proposition development and associated go-to-market activities. Joanna's passion is to help companies get closer to their customers, demonstrate their values and make it easier for them to do business. She is currently Marketing and Innovation Director at AXA PPP Healthcare. Previous industry roles include Fidelity and eValue, a market leading digital provider of personal finance products and services. She has also worked for a number of consulting firms, including KPMG, EY, Bacon & Woodrow (now Deloitte) and Tillinghast Towers Perrin (now Willis Towers Watson). Joanna was born and grew up in the North West and now resides in Kent with her husband, two children and dog.

# Directors' Report

The Directors have pleasure in presenting the Society's 161st Annual Report and Accounts and Annual Business Statement for the year ended 3 February 2020.

## Business Review

The Board remains unanimous in its belief that the mutual form is the most appropriate and beneficial to the interests of all existing and future Members. The Directors are pleased that the Society is reporting another successful year. A review of the Society's business performance has been incorporated into the Strategic Report on page 6.

## Capital Ratios

The Society's capital ratios are detailed in the Strategic Report on page 6.

## Financial Risk Management Objectives and Policies

The Society operates in a business environment that contains financial risks. To mitigate these risks, the Board has implemented a clearly defined Risk Management Framework that contains the following features:

- A risk-focused governance structure;
- Risk policy statements and risk limits;
- Risk identification, monitoring and reporting processes; and
- An effective internal control framework.

A detailed assessment of the Society's Risk Management Framework is set out in the Audit, Risk & Compliance Committee Report on page 27.

The financial instruments used by the Society to mitigate certain risks, particularly interest rate risk, are set out in note 25 of the accounts.

## Principal Risks and Uncertainties

A detailed assessment of the Society's principal risks and uncertainties is set out in the Audit, Risk & Compliance Committee Report on page 27.

## Directors

The following persons served as Directors of the Society during the year:

Non-Executive Directors	
John Sandford	Chairman
Andrew Horsley	Vice Chairman
David Bagley	Non-Executive Director
Kevin Bernbaum	Non-Executive Director
Joanna Hall	Non-Executive Director
Erfana Mahmood	Senior Independent Director
Executive Directors	
Stephen Penlington	Chief Executive
Angela Kos	Finance Director
Kimberley Roby	Customer Services Director

In accordance with the Memorandum and Rules of the Society, David Bagley will retire at the Annual General Meeting on 3 June 2020 and being eligible will seek re-election to the Board. In addition, Joanna Hall, being eligible, will seek election to the Board.

Directors and Officers insurance has been put in place by the Society.

## Supplier Payment Policy

The Society's policy is to ensure invoices are paid within the agreed payment terms, provided the supplier performs according to the terms and conditions of the contract. The number of creditor days as at 3 February 2020 was 5 (2019:10).

## Charitable and Political Donations

During the year we made charitable donations of £17,567 (2019: £18,673) to 19 (2019: 12) local charities and community organisations. Furthermore, the Society paid £32,659 (2019: £29,206) to our affinity savings account partners during the year.

No donations were made for political purposes.

Further details on the Society's charitable giving during the year can be found in the Charity and Community Support information on page 13.

## Events since the Year End

The Board does not consider that there have been any events since the year end of 3 February 2020 that have had a material effect on the financial position of the Society.

## Going Concern

The current economic conditions present risks and uncertainties for all businesses. The Directors have carefully considered the risks and uncertainties and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The Directors consider that:

- The Society maintains an appropriate level of liquidity that is sufficient to meet the normal demands of the business and the requirements which might arise in stressed circumstances;
- The availability and quality of liquid assets is such that funds are available to repay exceptional demand from retail saver Members;
- Other assets are primarily in the form of mortgages secured on residential property. Regular assessment of the recoverability of all mortgage assets is undertaken and provisions are made where appropriate; and
- Reasonable profits have been generated in order to keep gross capital at a suitable level to meet regulatory requirements.

The Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the accounts are prepared on a going concern basis.

## Provision of Information to the Auditor

Each person who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Society's Auditor is unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director to be aware of any relevant audit information and to establish that the Society's Auditor is aware of that information.

## Independent Auditor

The Society regularly assesses the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external Auditor. This is done on an annual basis, immediately after the completion of the year end audit and this is reported to and discussed at the Audit, Risk & Compliance Committee meeting.

KPMG LLP has expressed its willingness to continue in office as Auditor and in accordance with Section 77 of the Building Societies Act 1986, a resolution for the re-appointment of KPMG LLP as Auditor will be proposed at the Annual General Meeting on 3 June 2020.

On behalf of the Board

**John Sandford**  
Chairman

27 March 2020

# Statement of Directors' Responsibilities

## Directors' responsibilities for preparing the Annual Report and Accounts, Annual Business Statement and Directors' Report.

The following statement, which should be read in conjunction with the statement of Auditor's responsibilities on page 34 is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Report and Accounts, Annual Business Statement and Directors' Report.

The Directors are responsible for preparing the Annual Report and Accounts, Annual Business Statement and Directors' Report in accordance with applicable laws and regulations. The Building Societies Act 1986 ("the Act") requires the Directors to prepare the Society Annual Accounts for each financial year. Under that law they are required to prepare the Society Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Society 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 the Society Annual Accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts;
- Assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations or have no realistic alternative but to do so.

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, 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 Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Accounts that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets 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.

On behalf of the Board

**John Sandford**  
Chairman

27 March 2020

# Corporate Governance Report

The Directors are committed to best practice in corporate governance. The Society's approach to corporate governance is based on the principles and provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council (FRC) which directly applies to publicly listed companies. The Code does not directly apply to mutual organisations however, the Society has regard to its principles to the extent deemed reasonable and proportionate by the Board when establishing and reviewing corporate governance arrangements.

The underlying principles of good governance are leadership, effectiveness, accountability, remuneration and relationships with Members, in the context of ensuring the sustainable success of the Society over the long-term.

This report outlines the approach adopted by the Society and how the Board considers it has demonstrated application of the principles of the Code.

### The Role of the Board

The Society recognises that it must be headed by an effective Board which is responsible for the long-term success of the Society. The Board considers a strong system of governance essential to ensure the Society runs smoothly, aid effective, independent decision making and support the achievement of the Society's strategy with the objective of safeguarding Members' interests.

As at 3 February 2020, the Board comprised three Executive and six Non-Executive Directors who provided the appropriate mix of skills, diversity and professional expertise required. The Board meets in at least ten months of the year with an additional day focused on strategy and leadership.

#### The principal functions of the Board are:

- To provide leadership and direction within a framework of prudent and effective controls;
- To determine the Society's strategy;
- To review business performance; and
- To ensure that the necessary financial and business systems, procedures, controls and human resources are in place for the management of risk and to safeguard the interests of Members.

The Society appoints one of its Non-Executive Directors to the role of Senior Independent Director (SID).

#### The main role of the SID is to:

- Act as the main point of contact for Members if they have concerns which the normal channels of communication with the Chairman, Chief Executive or other Executive Directors have failed to resolve or for which such contact is inappropriate;
- Act as a sounding board for the Chairman and Chief Executive on Board and Member matters;
- Conduct the Chairman's annual performance appraisal, taking account of the views of the Non-Executive and Executive Directors;
- Be the focal point for Board members for any concerns regarding the Chairman, or the relationship between the Chairman and the Chief Executive.

Terms of Reference have been created for the SID which are reviewed on an annual basis by the Nominations & Remuneration Committee and approved by the Board.

The Board has a formal schedule of matters which are reserved to it and has delegated authority in other matters to a number of Board and Management Sub-Committees.

Board responsibilities are detailed in the Board and Board Sub-Committee Terms of Reference, which have been summarised below. Full details of the Terms of Reference can be found on the website at [www.chorleybs.co.uk](http://www.chorleybs.co.uk).

### Board Sub-Committees

#### Audit, Risk & Compliance Committee

This Committee comprises entirely Non-Executive Directors and meets at least five times a year to consider all aspects of audit, risk and compliance. It is responsible for oversight of financial reporting, internal controls, internal audit, external audit and risk management. It reviews the fairness of disclosures and recommends acceptance of the Annual Report and Accounts to the Board.

It monitors the performance, independence, objectivity, competence and effectiveness of the internal and external Auditors and is responsible for recommending appointment, re-appointment or removal of the internal and external Auditors. The Committee reviews the Risk Management Framework and supporting policies.

**As at the year end, the following Non-Executive Directors were members of this Committee:**

- Kevin Bernbaum - Chairman
- David Bagley
- Andrew Horsley

The Chief Executive, Finance Director and Customer Services Director attend representing the Executive, together with the Head of Risk and Head of Compliance. Representatives of the Society's internal Auditors and external Auditors attend each meeting of the Committee by invitation. At least once a year, the Committee meets with the Society's external and internal Auditors without any employee present. The Head of Risk and Head of Compliance have a reporting line directly to the Chair of the Committee.

The Board is satisfied that the composition of the Committee provides recent and relevant financial experience.

**Nominations & Remuneration Committee**

This Committee comprises entirely Non-Executive Directors and meets as frequently as is required to fulfil its duties and considers matters relating to Board and management succession and remuneration. It leads the process for Board appointments and makes recommendations to the Board. It considers the balance and diversity of skills, knowledge and experience of the Board, Executive and Senior Management team, the requirements of the business and recommends change where appropriate. It is responsible for approving the Remuneration Policy. The Board is satisfied that the composition of the Committee provides recent and relevant financial experience.

**As at the year end, the following Non-Executive Directors were members of this Committee:**

- Andrew Horsley - Chairman
- Joanna Hall
- Erfana Mahmood

The Chief Executive and Head of HR, Training & Facilities attend each meeting of the Committee although neither is involved in consideration of any matters relating to their own remuneration and are absented from any such discussion.

## Management Committees

### Assets & Liabilities Committee

This Committee is chaired by the Chief Executive and as at the year end, comprised three Executive Directors and members of the Senior Management team. The Committee meets monthly and is responsible for monitoring the structure of the Society's assets and liabilities, controlling financial, liquidity and treasury risks and reviewing control procedures including limits, reporting lines and mandates. The Committee focuses on liquidity risk, interest rate risk, counterparty credit risk, funding risk, basis risk and refinancing risk.

In addition, this Committee is responsible for developing and recommending new products and changes to existing products.

The Chief Executive (Chairman), Finance Director, Customer Services Director, Head of Risk and Head of Finance are members and attend each meeting of the Committee. The Board is satisfied that the composition of the Committee provides recent and relevant financial experience.

### Mortgage Credit Risk Committee

This Committee meets as frequently as is required to fulfil its duties but meets at least three times a year. It manages mortgage credit risk matters including ensuring that the Society operates within the agreed parameters set out in the Lending Policy.

### Risk & Compliance Committee

This Committee meets monthly to oversee the implementation of risk management policies, including the Risk Management Framework and the Risk Appetite Policy. In addition, the Committee is responsible for monitoring risk appetite limits and early warning escalation triggers. Furthermore, the Committee is responsible for monitoring the annual compliance plan, updating policies and procedures required to meet legal, compliance and regulatory requirements and to assist the Audit, Risk & Compliance Committee in fulfilling its oversight responsibility for the Society's Risk Management Framework.

The Terms of Reference for all Committees are approved by the Board and are available on the Society's website or by writing to the Secretary at the Society's Head Office. Proceedings of all Committees are formally minuted and minutes are reported to and considered by the full Board.

## Division of Responsibilities

The offices of Chairman and Chief Executive are held by different people and each role is clearly defined, documented and agreed by the Board. The role of the Chief Executive is to manage the Society's business on a day-to-day basis, being accountable to the Board for the financial and operational performance of the Society and for the formulation of a Corporate Plan to achieve the strategic objectives set by the Board.

### The Chairman

The Chairman's main role is to lead the Board ensuring that it acts effectively and to facilitate communication with the Society's Members on behalf of the Board. The Chairman sets the direction and culture of the Board facilitating effective contribution from Directors, maintaining constructive relations between Executive and Non-Executive Directors and ensuring that Directors receive accurate, timely and clear advice and information in order to inform strategic decision making. Under the rules of the Society, the Board elects the Chairman from their number for a twelve-month period.

### Non-Executive Directors

#### The Non-Executive Director role is to:

- Provide leadership of the Society within a framework of prudent and effective controls which enables risk to be assessed and managed;
- Constructively challenge and help develop proposals on strategy, ensuring the necessary financial and human resources are in place for the Society to meet its objectives and review management performance; and
- Agree the Society's values and standards in meeting obligations to Members whilst complying with all statutory and regulatory requirements.

Andrew Horsley is the Society's Vice Chairman. The Vice Chairman acts as a sounding board for the Chairman and will stand in for the Chairman if they are unable to attend a meeting or perform their duties.

Erfana Mahmood is the Society's Senior Independent Director and provides support for the Chairman.

The Senior Independent Director is available to Members if they have concerns regarding their Society membership where contact through the normal channels of either the Chairman or Executive Directors has failed to resolve the matter or for which it is considered inappropriate.

The Senior Independent Director is responsible for carrying out the annual appraisal of the Chairman. Erfana is also the Society's Whistleblowing Champion and provides an independent point of contact for members of staff who may wish to raise issues.

### The Composition of the Board

At the end of the financial year, the Board comprised six Non-Executive Directors and three Executive Directors, providing a balance of skills and experience appropriate for the requirements of the business. Committee and Board membership is reviewed annually to ensure that appropriate expertise and skills are maintained. All Non-Executive Directors are considered by the Board to be independent in character and judgement.

### Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Nominations & Remuneration Committee leads the process for Board appointments and makes recommendations to the Board although the Board makes the final decision. All appointments are made on merit, based on the specific skills, competencies and experience required under the Society's succession plan. The Board considers equality and diversity although it has adopted the principle that appointments should be made on merit. Vacancies are advertised widely.

Each Director must meet the tests of fitness and propriety prescribed by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Roles that fall into the Senior Managers Regime must also receive regulatory approval.

The Society is committed to diversity and at the year end had 44% (2019: 38%) female representation on the Board. This is in excess of the recommendation made in the Davies Report which, for diversity purposes, has set a minimum target of 25% female representation.

Members of the Society are entitled to nominate candidates for election to the Board. The rules of the Society clearly set out the procedure for nominating a Director and the Society welcomes nominations from suitably qualified individuals. The Nominations & Remuneration Committee evaluates the ability of Directors to commit the time required for the effective discharge of their role prior to appointment. The letter of appointment and job description set out the minimum time commitment expected. The attendance record during the year of Board and Committee members is set out on page 26 and this is taken into consideration during the annual assessment of each Director's performance.

## Development

The Society provides a formal induction for Non-Executive Directors and the Chairman ensures that Non-Executive Directors continually update their skills and knowledge to fulfil their role on the Board and any Committees. On appointment, all new Directors receive appropriate induction training and ongoing development is provided by attendance at industry courses, seminars and conferences organised by professional bodies. Any development needs are reviewed as part of the annual appraisal of the Board and individual Director's performance and effectiveness and any training needs identified are provided as appropriate.

### Management Information and Support

The Chairman ensures that the Board receives sufficient accurate, timely and clear information to enable it to discharge its responsibilities. The Society constantly reviews and improves management information to assist the Committees in discharging their duties. The Secretary provides support on corporate governance matters and the Board has access to independent advice if required.

### Evaluation

Each year all Directors are subject to a formal appraisal.

The Chairman's performance is assessed by the Senior Independent Director.

The Chairman carries out an appraisal of each individual Non-Executive Director based on an assessment of each Director's contribution to the Board's performance and the overall success of the Society and taking into account the views of the Executive Directors. The Chairman carries out the Chief Executive's appraisal based on a range of business and personal performance objectives. The Chief Executive carries out an appraisal of the Finance Director and Customer Services Director based on a range of business and personal performance objectives agreed at the beginning of each year.

The Board evaluates its overall performance and that of each Committee on an ongoing basis. This process is used to improve the effectiveness of Directors and the Board collectively.

The Non-Executive Directors meet without the Executive Directors present at least once a year. The internal Auditor carries out a Board effectiveness review as part of a rolling audit plan and the Board acts on any recommendations.

The Board has established its own Terms of Reference which include a formal schedule of matters that are reserved to it and regularly evaluates its own performance along with that of each Director.

### Re-Election

All new Directors are subject to election by Members at the Annual General Meeting following their appointment to the Board. Directors are appointed for a three year term subject to satisfactory performance. The Board does not believe it is appropriate for the Society to subject all Directors to annual re-election (unless they have served three terms) because of the need to ensure continuity.

Directors are required to seek re-election after three years and every three years thereafter and Non-Executive Directors do not generally serve more than three full terms. Any Non-Executive Director serving for a period in excess of nine years is subject to annual re-election by the Members.

## Financial and Business Reporting

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Members to assess the performance, business model and strategy of the Society. The Board has not identified any material uncertainties as to the Society's ability to continue to adopt the going concern basis of accounting over the foreseeable future. Further information is provided in the Statement of Directors' Responsibilities on page 22 and the business performance is reviewed in the Strategic Report on page 6.

## Risk Management and Internal Control

The Board determines the Society's risk appetite and strategies for risk management and has ultimate accountability for the maintenance of an effective internal risk control system. Senior management are responsible for designing, operating and monitoring risk management and internal risk control processes. The Audit, Risk & Compliance Committee reviews the adequacy of these processes and the internal audit function provides independent and objective assurance that the systems and processes are appropriate and controls effectively applied. The Society has a strong compliance culture and the Board is satisfied, following oversight by the Audit, Risk & Compliance Committee, that the Society's systems are effective and appropriate to the scale and complexity of the Society's business. Further information is provided in the Audit, Risk & Compliance Committee Report on page 27.

## Remuneration

The Nominations & Remuneration Committee Report found on page 31 sets out the remuneration policies for Non-Executive Directors, Executive Directors and Material Risk Takers. This report explains how the Society complies with the Code Principles relating to remuneration.

## Dialogue with Members

As a mutual organisation, the Society has Members rather than shareholders. The Society seeks the views of Members in a variety of ways, including face-to-face contact, written correspondence, telephone, email and questionnaires. The purpose of this dialogue is to understand the wishes of Members and better serve their needs.

## Constructive Use of the Annual General Meeting (AGM)

Each year the Society sends details of the AGM and voting forms to those Members who are eligible to vote. The resolutions include the election and re-election of Directors, a separate advisory vote on the Nominations & Remuneration Committee Report and any other relevant matters. Members are encouraged to exercise their right to vote and also to attend the AGM. Members can choose to vote by proxy if they are unable to attend the AGM. The distribution of AGM notices (with at least 21 clear days' notice) and the receipt and counting of proxy votes is carried out by independent scrutineers. At the AGM, a poll is called in relation to each resolution and the proxy votes cast are included in the result. The results are subsequently disclosed on the Society's website.

All members of the Board are present at the AGM each year unless there are exceptional circumstances. Directors are available to meet with Members both before and after the meeting and to answer questions on both a formal and informal basis.

## Directors' Attendance Record

The following persons were Directors of the Society during the year, their attendance at Board and Sub-Committee meetings being disclosed together with the total number of such meetings.

	Board	Audit Risk & Compliance	Nominations & Remuneration
<b>Non-Executive Directors</b>			
John Sandford (Chairman)	10 (10)		
Andrew Horsley (Vice Chairman)	10 (10)	5 (5)	3 (3)
David Bagley	10 (10)	5 (5)	
Kevin Bernbaum	10 (10)	5 (5)	
Joanna Hall	6 (6)		
Erfana Mahmood	10 (10)		3 (3)
<b>Executive Directors</b>			
Stephen Penlington	10 (10)		
Angela Kos	10 (10)		
Kimberley Roby	10 (10)		
<b>Total number of meetings</b>	<b>10</b>	<b>5</b>	<b>3</b>

(The number in brackets is the maximum number of scheduled meetings that the Director was eligible to attend).

On behalf of the Board

**John Sandford**  
Chairman

27 March 2020

# Audit, Risk & Compliance Committee Report

## The Audit, Risk & Compliance Committee forms part of the Society's Corporate Governance Framework.

**The main function of the Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of the following:**

- The integrity of the financial statements including significant financial reporting judgements contained therein;
- The effectiveness of the system of internal controls;
- The internal audit and external audit functions. This includes the performance and independence of both the internal and external Auditors and the engagement of the external Auditor in any non-audit work; and
- The effectiveness of the Risk Management Framework.

This report provides a summary of the Committee's work and how it has discharged its responsibilities during the year.

The composition of the Committee and Committee meeting attendance is described in detail as part of the Corporate Governance Report on page 23.

Minutes of all Committee meetings are distributed to all Board members and the Chair of the Committee reports to the Board at the Board meeting following every Committee meeting.

### Key roles and responsibilities as delegated by the Board

The main function of the Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of the areas described below.

### Financial Reporting

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Annual Report and Accounts of the Society.

**This responsibility is discharged through the following:**

- Review of the Annual Report and Accounts, for completeness and compliance with prevailing, applicable accounting standards and other regulatory and legal requirements;

- Reporting to the Board on the appropriateness of critical accounting policies and any changes thereto, taking into account the views of the external Auditor;
- Review and challenge of significant financial reporting judgements where they have been applied;
- Review of any correspondence from Regulators in relation to financial reporting; and
- Review of the going concern assessment.

**The main areas of focus by the Committee in the year were as follows:**

- **Loan impairment provisions:** This is inherently an area of accounting estimate and judgement. A review was undertaken of the estimates and judgements used to determine the timing of recognition and valuation of mortgage loan loss provisions in line with FRS 102;
- **Revenue recognition:** A review was undertaken of the design, implementation and effectiveness of controls in relation to the calculation of interest income and charges, including the timing of fees and commission recognition under the Effective Interest Rate methodologies.

The Committee considers matters raised by the external Auditors and has concluded that there were no adjustments proposed that were material to the Annual Report and Accounts.

The Committee has identified no material uncertainties as to the Society's ability to continue to adopt the going concern basis of accounting over the period of twelve months from the date the financial statements are approved, which is 27 March 2020.

Furthermore, the Committee considers that it has properly discharged its duties in relation to the financial reporting of the Annual Report and Accounts and recommends approval by the Board.

### Internal Controls

The Board recognises that robust systems of internal control are essential to the achievement of the Society's strategic objectives and in safeguarding the interests of Members and the Society's assets.

In addition, internal control contributes to effective and efficient operations.

The Committee is responsible for the ongoing review, monitoring and assessment of the Society's Risk Management Framework and seeks to ensure senior management and employees are responsible for departmental internal control. The Committee approves a risk-based internal audit plan each year based on a three year cycle of work.

**The internal control framework comprises regular reporting from the senior management team, internal and external Auditors including the following:**

- Internal audit plans;
- Reports from the internal Auditor;
- Reports from the Head of Risk; and
- Reports from the Head of Compliance.

The information received and considered by the Committee during the year provided adequate and effective assurance in relation to the Society's internal control framework.

### Internal Audit

The internal audit function provides independent assurance to the Board, via the Committee, on the effectiveness of the internal control framework. The Committee is responsible for the appointment and removal of the internal Auditor, approving the risk-based internal audit plan and monitoring relevant activity, including the progress made by management in addressing any audit findings.

In addition, the Committee assesses the effectiveness of the internal audit process through a combination of feedback from Committee members and Society management, completion of standard questionnaires and other external independent information where available.

### External Audit

The Committee is responsible for providing oversight of the Society's relationship with the external Auditor.

**The Committee is responsible for the following:**

- Appointment, reappointment, removal and assessment of independence, objectivity and effectiveness of the external Auditor;
- Recommendation to the Board for the approval of terms and remuneration in respect of audit services provided; and
- Annual approval of the use of external Auditor for non-audit work where necessary.

During the year the external Auditor did not undertake any non-audit services.

The Committee assesses the effectiveness of the external audit process through a combination of feedback from Committee members and Society management, completion of standard questionnaires and other external independent information where available.

### Risk Management

The Society's Risk Management Framework is designed to enable the Board to proactively identify, measure, manage, monitor, report and control risks to support the achievement of the Society's Strategy and to ensure fair outcomes for Members.

**The Board has implemented a clearly defined Risk Management Framework that contains the following features:**

- A risk-focused governance structure;
- Risk policy and risk limits;
- Risk identification, monitoring and reporting processes; and
- An effective internal control framework.

### Risk Governance

The Board is ultimately responsible for ensuring that adequate systems of risk management are in place and that the Society's strategy, risk appetite and risk management are consistent. To support the Board, the Audit, Risk & Compliance Committee provides oversight of the Society's risk management.

The Audit, Risk & Compliance Committee reviews and recommends for approval to the Board the Society's Risk Management Framework, Risk Appetite Statements and the supporting key limits and early warning escalation triggers that underpin them.

The Audit, Risk & Compliance Committee is further supported by the management Risk & Compliance Committee that is responsible for ensuring that appropriate risk management activity is managed. The Head of Risk provides formal updates on risk management to the Board.

### Risk Framework

The Society adopts a 'Three Lines of Defence' approach to the management of risk as illustrated below.

## 1 First Line of Defence

### Front Line Management & Staff

- Takes ownership for risk
- Ensuring effective construction and implementation of internal systems & controls and MI reporting

## 2 Second Line of Defence

### Risk & Compliance Functions

- Provides oversight & challenge to First Line of Defence
- Support appropriate risk taking using policies, frameworks, tools and analysis

## 3 Third Line of Defence

### Internal Audit

- Independent assurance over the first two lines of defence provided by Internal Audit

The first line of defence lies within each business department where operational activity takes place. Here, risks are identified and controls are put into place and assessed. Each department is responsible for updating and monitoring departmental risk registers.

The second line of defence lies within the Risk and Compliance functions, where policies are tested and challenged. In addition, risk appetites, limits and triggers are reviewed and assessed. Key responsibilities for the second line include the creation and maintenance of the Risk Management Framework and Risk Appetite, balancing the challenge and support of the first line of defence. Furthermore, the Risk function is responsible for reviewing and challenging the risks assessed by each business department, including the systems and controls in place to mitigate those risks. The Board and Sub-Committees receive regular risk reports and compliance assurance reports.

The third line of defence is provided through independent assurance activities mainly from internal audit. On an annual basis and thereafter on a rolling three year basis, the Society's internal Auditor undertakes a programme of risk-based audits. The plan covers aspects of both first and second lines of defence. Each audit examines the Society's control environment, tests that controls are robust and that they work effectively in accordance with the Society's policies and procedures and wider laws and regulations. Additionally, the audits will review the Society's relevant records and reports for accuracy and reliability. The Audit, Risk & Compliance Committee approve the annual internal audit plan and receive regular updates on the progress made against the plan and the results of each audit visit.

### Stress Testing

The Risk Management Framework makes use of stress and scenario testing to consider potential outcomes for the Society. For example, the stresses caused by falling house prices and rising unemployment. The results of stress and scenario testing are used to evaluate the adequacy of the controls in place and to test the Society's response, contingency and recovery plans.

### Principal Risks and Uncertainties

**The principal risks and uncertainties facing the Society are outlined below:**

#### Credit Risk

This is the risk that borrowers or counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due. The Society manages credit risk associated with

mortgage borrowers by maintaining a Board-approved Lending Policy. This policy includes clearly defined criteria and processes for approving individual mortgages. By way of example, the criteria include requirements to undertake a full credit history check and affordability assessment of the borrower and a full valuation of the proposed security by a suitably qualified valuer.

The Society maintains an Arrears, Payment Shortfalls and Repossessions Policy. This clearly stipulates the processes and parameters for managing borrowers with credit problems, including when and how the Society considers forbearance measures. The Society monitors borrowers on an on-going basis, with appropriate and timely action taken on those mortgages which fall into arrears. The policy is reviewed annually by the Mortgage Credit Risk Committee and is recommended to the Board for approval.

Furthermore, the Society maintains a Mortgage Loss Provisioning Policy. This clearly defines the criteria for making appropriate provisions for potential mortgage impairments. The policy is reviewed by the Mortgage Credit Risk Committee and recommended to the Audit, Risk & Compliance Committee for approval.

The Society manages credit risk arising from deposits made with treasury counterparties by maintaining a Board approved Financial Risk Management Policy (FRMP). This includes clearly defined criteria and processes for placing deposits with counterparties. By way of example, the criteria restrict the Society to placing deposits with UK institutions only and counterparties with high quality credit ratings. In addition, the Society operates with maximum exposure limits for individual counterparty exposures.

The FRMP is reviewed annually by the Assets & Liabilities Committee and is recommended to the Board for approval.

#### Liquidity Risk

This is the risk that the Society, although solvent, either does not have available sufficient financial resources to meet its financial obligations as they fall due or can do so only at excessive cost. The Society manages liquidity risk by maintaining a Board approved Financial Risk Management Policy (FRMP) and an Individual Liquidity Adequacy Assessment Process (ILAAP). The FRMP clearly defines the parameters that must be met to ensure sufficient funds are available at all times, including times of stress, in liquid form. The purpose of the ILAAP is to document and demonstrate the Society's overall liquidity adequacy setting out its approach to liquidity and funding.

Maintaining an adequate amount and composition of liquidity is essential to

cover cash flow imbalances, fluctuations in funding, maintain public confidence in the solvency of the Society and to enable it to meet its financial and regulatory obligations. Stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows.

The FRMP and ILAAP are reviewed annually by the Assets & Liabilities Committee and are recommended to the Board for approval.

#### Interest Rate Risk

This is the risk that the value of, or income from, assets and liabilities change adversely, as a consequence of movements in interest rates. The Society manages interest rate risk arising from the differing interest rate characteristics and maturity profile of its mortgage and savings products by maintaining a Board approved FRMP. This policy defines the Society's risk appetite for interest rate risk and includes clear limits and triggers for off-setting assets and liabilities. In addition, the policy includes limits and triggers for Basis Risk. Basis Risk arises when interest rates with the same maturity profile may behave in an unequal way where there is no legal or contractual relationship in place between two rates. Furthermore, the policy allows for the use of financial derivative instruments where appropriate.

The financial instruments used by the Society to mitigate certain risks, particularly interest rate risk, are set out in note 25 on page 53.

The FRMP is reviewed annually by the Assets & Liabilities Committee and is recommended to the Board for approval.

#### Operational Risk

This is the risk of direct or indirect loss resulting from the following:

- People & Processes Risk: The risk of loss arising from human error or inadequate processes.
- Change Management Risk: The inability to execute and control changes effectively to budget or to an acceptable quality.
- Financial Crime Risk: The risk of a material financial loss, or loss of reputation as a result of the Society's activities being used by criminals for the purposes of money laundering, terrorist financing, bribery and corruption and fraud.
- Operational Resilience Risk: The risk of inadequate business recovery and disaster recovery and disaster capability to recover from any operational disruption and to continue to provide critical product or service delivery to our Members.
- Cyber & Information Security Risk: The risk of inappropriate disclosure of personal or sensitive information and/ or inappropriate access to internal data sources.

In particular, cyber security threats to the Society and its Members as a result of attacks through the use of computer systems. The Society holds cyber insurance to mitigate any potential financial loss or disruption.

- Information Technology Risk: Risks to the availability, performance and capability of IT systems/telephony/ internet.
- Financial Control & Management Risk: The risk that timely, robust and accurate management information is not available to support the Society's financial and operational performance.

The Society manages operational risk through a series of policies including:

- Financial Crime
- Cyber Security (including Cyber Incident Response Plan)
- Information Security
- Recruitment & Selection
- Remuneration
- Training & Competency
- Operational Resilience (including Business Continuity and Disaster Recovery Plans)

These policies are reviewed annually by the Risk & Compliance Committee and recommended for approval by the Board either via Audit, Risk & Compliance Committee or Nominations & Remuneration Committee.

Operational risk registers are maintained by senior management for each department and are subject to regular review and assessment by the Risk & Compliance Committee.

In addition, the mitigating controls are equally subject to regular review and assessment. Furthermore, operational risks are reported to the Risk & Compliance Committee on a monthly basis.

**Strategic Risk - Brexit Risk and COVID-19 Risk**

This is the risk that a significant amount of uncertainty remains regarding both the future relationship between the United Kingdom and Europe and the situation regarding COVID-19. As a UK organisation, the Society has no direct exposure to the EU. However, the wider economic implications may have an impact on the Society. The Society is also closely monitoring the situation with regard to COVID-19, the Coronavirus, and specifically the reasonably possible impact on Credit Risk, Liquidity Risk and Operational Risk. The Society has carried out stress tests to assess the impact of possible wider economic implications, for example, falling house prices and rising unemployment levels.

The Society maintains adequate levels of liquidity and capital and is able to withstand the stresses it has undertaken, which the Directors are satisfied are more severe than

the reasonably possible impact of both Brexit and COVID-19. Our Board remains vigilant and continues to watch for any adverse signs as the UK navigates its way through the Brexit negotiations and the COVID-19 situation.

**Regulatory Risk**

This is the risk that changing laws, the volume and complexity of regulatory requirements and the risk of non-compliance with increased regulatory requirements may impact the Society's ability to compete and grow. The Society has an internal Compliance function to identify and monitor regulatory changes to allow management to respond in an appropriate manner. This risk is regularly reviewed by the Board.

**Conduct Risk**

This is the risk that actual or potential Member detriment arises, or may arise, from the way the Society conducts its business. The Board has primary responsibility for ensuring that the way the Board conducts dealings with its Members is fair and in their interests. This culture is embedded throughout the business and the Board considers all matters that impact upon the fair treatment of our Members.

The Society manages conduct risk by maintaining a Conduct Risk Framework. This describes the Board's risk appetite for conduct risk and details the responsibilities for ensuring that the Society conducts its dealings with Members in a fair and transparent manner that is in their best interests. By way of example, matters are considered in relation to product design, terms and conditions, complaints, fees and charges and ensuring that staff are trained and suitably qualified. The Conduct Risk Framework is reviewed annually by the Risk & Compliance Committee and recommended for approval to the Board via the Audit, Risk & Compliance Committee.

**Audit, Risk & Compliance Committee Effectiveness**

The Committee undertakes a self-assessment review to monitor the performance against its Terms of Reference. Feedback is received from Committee members and attendees by the completion of standard questionnaires and other external independent information where available.

On behalf of the Audit, Risk & Compliance Committee

**Kevin Bernbaum  
Chairman**

27 March 2020

# Nominations & Remuneration Committee Report

**The purpose of this report is to describe the Society's approach to remuneration for the Non-Executive Directors, Executive Directors and Material Risk Takers (MRT) and how the Society pays regard to the principles of the UK Corporate Governance Code relating to remuneration, the FCA's Remuneration Code and the disclosure requirements arising under the EU Capital Requirements Directive IV (CRD IV).**

**The Procedure for Determining Remuneration**

The Nominations & Remuneration Committee is a Board Sub-Committee that forms part of the Society's Corporate Governance Framework. The Committee operates within the Terms of Reference agreed by the Board which are reviewed annually. The Committee comprises three Non-Executive Directors. The Chief Executive attends by invitation but takes no part in the discussion regarding his own remuneration. The Head of Risk provides an Independent Report on Remuneration to the Nominations & Remuneration Committee and Board regarding pay awards. The Committee reviews Non-Executive Directors', Executive Directors' and MRT's remuneration annually, taking into consideration data from comparable organisations and from the market within which the Society operates.

Minutes of all Committee meetings are distributed to all Board members and the Chairman of the Committee reports to the Board at the Board meeting following every Committee meeting.

The Society has adopted a simple remuneration structure which is appropriate to its business and is efficient and cost effective in promoting its long-term strategy. Transparent salary, other benefits and pension contributions are supplemented by a modest and straight-forward bonus scheme that promotes continued involvement in the Society's ongoing success.

The Remuneration Policy does not include significant performance related variable remuneration. The Society does not offer guaranteed variable remuneration, share options, or medium or long-term incentive schemes. The Society does not offer variable remuneration, commission, retention awards or cash payments in excess of a set percentage of overall basic salary. This is considered an important element of risk management so that variable remuneration does not form a significant element of total remuneration and so avoids incentivising behaviour inconsistent with the proper management and control of risk. The Nominations & Remuneration Committee will consider the maximum to be paid in terms of variable remuneration on an annual basis.

**The Policy for Remuneration**

**Non-Executive Directors' Remuneration**

The Society's remuneration policy is to reward Directors through fees according to the time commitment and their expertise, experience and overall contribution to the successful performance of the Society.

The remuneration of all Non-Executive Directors is approved by the Committee on an annual basis. The elements of Non-Executive Directors' remuneration and how each element is determined are described in the table below.

Element	Approach
<b>Basic fee</b>	Reviewed annually taking into consideration fees from comparable financial services organisations and from the market within which the Society operates.
<b>Additional fees</b>	Payable for additional responsibilities such as Chairman, Vice-Chairman and Sub-Committee Chairman.
<b>Other items</b>	Payable as an additional market forces factor for Non-Executive Directors living outside a 100-mile radius of the Society.

Non-Executive Directors do not participate in any performance pay scheme, bonus, pension arrangements or other benefits.

### Executive Directors' and Material Risk Takers' Remuneration

The Society's remuneration policy is to set remuneration levels which will attract and retain Executive Directors and to set rewards that reflect responsibilities, time commitment and overall contribution to the successful performance of the Society.

The remuneration of all Executive Directors is approved by the Committee on an annual basis. The elements of Executive Directors' remuneration and how each element is determined are described in the table below.

Element	Approach
Basic fee	Reviewed annually taking into consideration responsibilities, individual performance and salaries from comparable financial services organisations and from the market within which the Society operates.
Bonus	Reviewed annually taking into consideration a range of financial and non-financial performance measures established to ensure the business is managed in the best interests of Members and benchmarked against peer societies. Bonus arrangements are usually set at a percentage of overall basic salary.
Pension	The Society operates a defined contribution pension scheme, where both the Society and the individual make contributions to the private pension arrangements and does not offer a defined benefits pension scheme.
Benefits	A number of benefits may be provided including car allowance and private medical insurance and other benefits as provided to employees generally.

### Directors' Remuneration

Total remuneration of the Society's Directors is shown in the following tables.

#### Non-Executive Directors

	2020 £000	2019 £000
John Sandford (Chairman)	28	28
Andrew Horsley (Vice Chairman)	24	24
David Bagley	20	20
Kevin Bernbaum	22	22
Joanna Hall*	14	-
Erfana Mahmood	19	19
<b>Total</b>	<b>127</b>	<b>113</b>

\* from 1 June 2019

### Contractual Terms

Non-Executive Directors have contracts for services and are appointed for an initial term of three years.

The Chief Executive is employed on a contract of employment that may be terminated by either party giving twelve months' notice.

The Finance Director and Customer Services Director are employed on a contract of employment that may be terminated by either party giving six months' notice.

### Executive Directors

2020	Salary £000	Pension Contributions £000	Bonus £000	Benefits £000	Total £000
Stephen Penlington	146	21	13	1	181
Angela Kos	111	10	10	1	132
Kimberley Roby	80	9	7	1	97
<b>Total</b>	<b>337</b>	<b>40</b>	<b>30</b>	<b>3</b>	<b>410</b>

2019	Salary £000	Pension Contributions £000	Bonus £000	Benefits £000	Total £000
Stephen Penlington	142	20	12	1	175
Lesley Cairns*	32	3	9	-	44
Angela Kos	110	10	9	1	130
Kimberley Roby	78	7	7	-	92
<b>Total</b>	<b>362</b>	<b>40</b>	<b>37</b>	<b>2</b>	<b>441</b>

\* to 22 May 2018

### Summary of Material Risk Takers' Remuneration

Total remuneration of the Society's Material Risk Takers (MRT) is shown in the tables below.

2020	Number during the year	Fixed Remuneration £000	Variable Remuneration* £000	Total £000
Non-Executive Directors	6	127	-	127
Executive Directors	3	380	30	410
Material Risk Takers	11	552	15	567
<b>Total</b>	<b>20</b>	<b>1,059</b>	<b>45</b>	<b>1,104</b>

2019	Number during the year	Fixed Remuneration £000	Variable Remuneration* £000	Total £000
Non-Executive Directors	5	113	-	113
Executive Directors	4	404	37	441
Material Risk Takers	10	503	9	512
<b>Total</b>	<b>19</b>	<b>1,020</b>	<b>46</b>	<b>1,066</b>

\*Variable remuneration reflects the annual bonus paid by the Society.

On behalf of the Nominations & Remuneration Committee

**Andrew Horsley**  
Chairman

27 March 2020

# Independent Auditor's Report

to the Members of The Chorley and District Building Society



## 1. Our opinion is unmodified

We have audited the Society Annual Accounts of The Chorley and District Building Society for the year ended 3 February 2020 which comprise the Statement of Income and Movements in Members' Interests, the Statement of Financial Position, the Cash Flow Statement and the related notes, including the accounting policies in note 1.

### In our opinion the Annual Report and Accounts:

- give a true and fair view of the state of affairs of the Society as at 3 February 2020 and of the income and expenditure of the Society for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit, Risk & Compliance Committee.

We were first appointed as Auditor by the Members on 23 May 2017. The period of total uninterrupted engagement is for the three financial years ended 3 February 2020. We have fulfilled our ethical responsibilities under and we remain independent of the Society in accordance with, UK ethical requirements including the FRC Ethical Standard applicable to public interest entities. No non-audit services prohibited by that standard were provided.

## Overview

**Materiality:** £99,000 (2019:£54,000)

Annual Report and Accounts as a whole 0.5% of Net Assets (2019: 5% of profit before tax)

### Key audit matters vs 2019

Recurring risks		
Impairment of loans and advances to customers	◀▶	
Effective interest rate adjustment	◀▶	
Other matters		
The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶	
Going concern (The Impact of uncertainty due to the COVID-19 Pandemic)		N/A

## 2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Annual Accounts and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed and our results are based on procedures undertaken, in the context of and solely for the purpose of, our audit of the Annual Accounts as a whole and in forming our opinion thereon and consequently are incidental to that opinion and we do not provide a separate opinion on these matters.

Key audit matter	The risk	Our response
<p><b>The impact of uncertainties due to the UK exiting the European Union on our audit</b></p> <p>Refer to page 27 (Audit, Risk &amp; Compliance Committee Report)</p>	<p><b>Unprecedented levels of uncertainty:</b></p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in the impairment of loans and advances to customers and effective interest rate adjustment section below and related disclosures and the appropriateness of the going concern basis of preparation of the Annual Accounts (see below). All of these depend on assessments of the future economic environment and the Society's future prospects and performance.</p> <p>Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits.</p> <ul style="list-style-type: none"> <li>• <b>Our Brexit knowledge:</b> We considered the Directors' assessment of Brexit-related sources of risk for the Society's business and financial resources compared to our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.</li> <li>• <b>Sensitivity analysis:</b> When addressing the impairment of loans and advances to customers, effective interest rate adjustment and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty.</li> <li>• <b>Assessing transparency:</b> As well as assessing individual disclosures as part of our procedures on impairment of loans and advances to customers and effective interest rate adjustments, we considered all the Brexit related disclosures together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks.</li> </ul> <p><b>Our results</b></p> <p>As reported under impairment of loans and advances to customers and effective interest rate adjustment, we found the resulting estimates and disclosures in relation to impairment of loans and advances to customers, effective interest rate adjustments and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit.</p>

Key audit matter	The risk	Our response
<p><b>Going concern (The Impact of Uncertainty due to the COVID-19 Pandemic)</b></p> <p><i>Refer to page 5 (Chief Executive's Review)</i></p>	<p><b>Going Concern – Disclosure quality</b></p> <p>The Annual Accounts explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Society.</p> <p>That judgement is based on an evaluation of the inherent risks to the Society's business model and how those risks might affect the Society's financial resources or ability to continue operations over a period of at least a year from the date of approval of the Annual Accounts.</p> <p><b>The risk most likely to adversely affect the Society's available financial resources over this period is:</b></p> <ul style="list-style-type: none"> <li>Likely capital and liquidity challenges if the COVID-19 Pandemic is prolonged; customers may start withdrawing their funds from the Society thereby endangering its continued operations.</li> </ul> <p>There are also less predictable but realistic second order impacts, such as inability of customers to repay loans and decline in interest margin with the Bank of England base rate at 0.1% which could result in a rapid reduction of available financial resources.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li><b>Our Covid-19 knowledge:</b> We have considered the Directors' assessment of Covid-19 related sources of risk for the Society's business and financial resources with our own understanding of the risks. We considered the Director's plans to take action to mitigate the risks.</li> <li><b>Sensitivity analysis:</b> We assessed and challenged management's sensitivities over the level of available financial resources indicated by the Society's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively;</li> </ul> <p>We challenged the stress testing undertaken by the Directors' of the identified critical factors such as a change in the Bank of England base rate or a fall in the house price index in their financial forecasts.</p> <ul style="list-style-type: none"> <li><b>Evaluating Directors' intent:</b> We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.</li> <li><b>Assessing transparency:</b> We have considered all the COVID-19 related disclosures including those in the strategic report, comparing the overall picture against our understanding of the risk.</li> </ul> <p><b>Our results</b></p> <p>We found the going concern disclosure without any material uncertainty to be acceptable.</p>

Key audit matter	The risk	Our response
<p><b>Impairment for loans and advances to customers</b></p> <p>£230,630; (2019: £374,299)</p> <p><i>Refer to page 27 (Audit, Risk &amp; Compliance Committee Report), page 46 (accounting policy) and page 50 (financial disclosures)</i></p>	<p><b>Subjective estimate</b></p> <p>Impairments cover loans specifically identified as impaired and a collective impairment of all other loans for those impairments incurred but not yet specifically identified.</p> <p>The Directors judge individual impairments by reference to loans that have current or historical arrears, forbearance flagging and other indicators of impairment identified.</p> <p>The collective impairment is derived from a model that uses a combination of the Society's historical experience or industry benchmarking and, due to the Society's limited loss experience, increased judgement is required in the estimate.</p> <p>In particular, judgement is required on the key assumptions of probability of default, default recovery time and forced sale discounts against collateral. These are also the assumptions the impairment model is most sensitive to changes in.</p> <p>The Annual Accounts (note 1) disclose the sensitivity estimated by the Society.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Annual Accounts as a whole.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li><b>Benchmarking assumptions:</b> We compared the key assumptions used in the model of probability of default, default recovery time and forced sale discounts with externally available data. We compared the loan portfolio key metrics, including provision coverage with those of comparable lenders;</li> <li><b>Sensitivity analysis:</b> We assessed the collective model and specific individual impairments for their sensitivities to changes in the key assumptions of probability of defaults, default recovery time and forced sale discounts by performing stress testing to help us assess the areas of potential additional focus;</li> <li><b>Historical comparison:</b> We critically assessed the key assumption used in the collective and individual models, being probability of default, against the Society's historical experience;</li> <li><b>Tests of detail:</b> We sampled a selection of loans using risk based sampling which includes specific items identified based on risk characteristics of current or historical arrears, forbearance flagging, size to identify individual loans which may have unidentified impairments. We tested the provision attached to these loans by reference to relevant supporting information such as property type and valuation to challenge the completeness and accuracy of the Society's specific impairment provision estimate; and</li> <li><b>Assessing transparency:</b> We critically assessed the adequacy of the Society's disclosures about the degree of estimation involved in arriving at the provision.</li> </ul> <p><b>Our results</b></p> <p>We found the resulting estimate of impairment to be acceptable. (2019: acceptable)</p>

Key audit matter	The risk	Our response
<p><b>Effective interest rate adjustment</b></p> <p>£161,420; (2019: £231,863)</p> <p>Refer to page 27 (Audit, Risk &amp; Compliance Committee Report), page 46 (accounting policy) and page 46 (financial disclosures)</p>	<p><b>Subjective estimate:</b></p> <p>Using an excel based model, interest earned and fees earned and incurred on loans are recognised using the effective interest rate ("EIR") method that spreads directly attributable expected cash flows over the expected lives of the loans.</p> <p>The Directors apply judgement in deciding and assessing the expected repayment profiles used to determine the EIR period and the fees and commissions that should be included within the model. The most critical element of judgement in this area is the estimation of the future redemption profiles of the loans. This is informed by product mix and past customer behaviour of when loans are repaid.</p> <p>The Annual Accounts (note 1) disclose the sensitivity estimated by the Society.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that income recognition has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Annual Accounts as a whole.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Our sector experience:</b> We assessed the key assumptions behind the effective lives and profiles of significant loan products against our own knowledge of industry experience and trends, including benchmarking with comparable lenders;</li> <li>• <b>Sensitivity analysis:</b> We assessed the model for its sensitivity to changes in the key assumptions of effective lives by performing stress testing to help us assess the areas of potential additional focus;</li> <li>• <b>Historical comparison:</b> We critically assessed the reasonableness of the model's expected repayment profiles assumptions against historical experience of loan lives based on customer behaviour, product mix and recent performance;</li> <li>• <b>Reperformance:</b> We performed recalculations of the EIR adjustment and compared to the Society's results and assessed the completeness and accuracy of model inputs; and</li> <li>• <b>Assessing transparency:</b> We critically assessed the adequacy of the Society's disclosures about the degree of estimation involved in arriving at the effective interest rate adjustment.</li> </ul> <p><b>Our results</b></p> <p>We found the resulting estimate of effective interest rate adjustment to be acceptable. (2019: acceptable)</p>

**3. Our application of materiality and an overview of the scope of our audit**

Materiality for the Annual Accounts as a whole was set at £99,000, determined with reference to a benchmark of net assets of the Society of £19.5 million of which it represents 0.5%. In the prior year materiality for the Annual Accounts as a whole was set at £54,000, which was determined with reference to a benchmark of profit before tax of the Society of £1.1 million of which it represents 5.0%.

We have changed the selected benchmark for calculating materiality to net assets from profit before tax as this reflects the fact that the Society does not seek to maximise profits as its primary objective and that net assets more closely reflects regulatory capital which is a key area of focus for regulators.

We agreed to report to the Audit, Risk & Compliance Committee any corrected or uncorrected identified misstatements exceeding £4,950 (2019: £3,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Society was undertaken to the materiality level specified above and was performed at the Society's Head Office in Chorley.

**4. We have nothing to report on going concern**

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and had there been a material uncertainty related to going concern, to make reference to that in this Audit Report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditor's Report is not a guarantee that the Society will continue in operation.

We identified going concern, in light of the uncertainty due to the COVID-19 pandemic, as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have



concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Annual Accounts.

We have nothing to report in these respects.

**5. We have nothing to report on the other information in the Annual Report**

The Directors are responsible for the other information presented in the Annual Report together with the Annual Accounts. Our opinion on the Annual Accounts does not cover the other information and accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and in doing so, consider whether, based on our Annual Accounts audit work, the information therein is materially misstated or inconsistent with the Annual Accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

**Annual Business Statement and Directors' Report**

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 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.

**6. We have nothing to report on the other matters on which we are required to report by exception**

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate 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.

We have nothing to report in these respects.

**7. Respective responsibilities**

**Directors' responsibilities**

As explained more fully in their statement set out on page 22, the Directors are responsible for: the preparation of Annual Accounts which give a true and fair view; such internal control as they determine is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error; assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the Annual Accounts as a whole are free from material misstatement, whether due to fraud or

other irregularities (see below), or error and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Annual Accounts.

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

#### Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Annual Accounts from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards) and from inspection of the Society's regulatory correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Annual Accounts varies considerably.

Firstly, the Society is subject to laws and regulations that directly affect the Annual Accounts including financial reporting legislation (including related building society legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Annual Accounts items.

Secondly, the Society is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Annual Accounts, for instance through the imposition of fines or litigation or the loss of the Society's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity and certain aspects of building society legislation recognising the financial and regulated nature of the Society's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we became aware of actual or suspected non-compliance and considered

the effect as part of our procedures on the related Annual Report and Accounts items. The actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Annual Accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the Annual Accounts, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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.

#### Alain de Braekeleer Senior Statutory Auditor

for and on behalf of KPMG LLP,  
Statutory Auditor

**Chartered Accountants**  
1 St Peter's Square  
Manchester  
M2 3AE

27 March 2020

## Statement of Income and Movements in Members' Interests

For the 52-week period ended 3 February 2020

	Note	2020 £	2019 £
Interest receivable and similar income	2	7,239,227	6,937,585
Interest payable and similar charges	3	(2,722,506)	(2,422,950)
Net interest income		4,516,721	4,514,635
Income from investments	4	2,360	2,763
Fees and commissions receivable		63,478	55,813
Fees and commissions payable		(32,411)	(28,308)
Total income		4,550,148	4,544,903
Administrative expenses	5	(3,501,684)	(3,305,421)
Depreciation and amortisation	5	(184,175)	(191,380)
Operating profit before provisions, FSCS levy and taxation		864,289	1,048,102
Provisions for impairment losses	13	141,234	22,923
Other provisions including FSCS Levy	6	(571)	22,943
Profit on ordinary activities before tax		1,004,952	1,093,968
Tax on profit on ordinary activities	9	(196,019)	(219,232)
Profit for the financial year after tax		808,933	874,736
Members' interests at the beginning of the year		19,451,838	18,577,102
Members' interests at the end of the year		20,260,771	19,451,838

The Notes on pages 44 to 58 form part of these accounts.

The above results are all derived from continuing operations.

## Statement of Financial Position

As at 3 February 2020

	Note	2020 £	2019 £
<b>Assets</b>			
<b>Liquid Assets</b>			
Cash in hand		210,024	211,829
Treasury bills	10	-	499,751
Loans and advances to credit institutions	11	50,748,123	43,229,978
<b>Loans and advances to customers</b>			
Loans fully secured on residential property	12	212,539,930	191,045,778
Other loans – fully secured on land	12	613,229	720,441
Investments in associates	14	153,898	153,898
Intangible fixed assets	15	260,507	240,981
Tangible fixed assets	16	1,588,280	1,618,236
Other assets	17	5,983	23,456
Prepayments and accrued income	18	375,011	389,225
<b>Total Assets</b>		<b>266,494,985</b>	<b>238,133,573</b>
<b>Liabilities</b>			
Shares	19	235,593,925	214,549,059
Amounts owed to credit institutions	20	9,550,527	3,003,835
Amounts owed to other customers	21	465,827	476,957
Other liabilities	22	269,293	250,591
Accruals and deferred income	23	354,642	398,013
Provision for liabilities	6	-	3,280
		246,234,214	218,681,735
General reserve		20,260,771	19,451,838
<b>Total Liabilities</b>		<b>266,494,985</b>	<b>238,133,573</b>

The Notes on pages 44 to 58 form part of these accounts.

Approved by the Board of Directors on 27 March 2020.

John Sandford  
Chairman

Andrew Horsley  
Vice Chairman

Stephen Penlington  
Chief Executive

## Cash Flow Statement

For the 52-week period ended 3 February 2020

	Note	2020 £	2019 £
<b>Cash Flows from Operating Activities</b>			
Profit before tax		1,004,952	1,093,968
Adjustments for:			
Depreciation and amortisation		184,175	191,380
Decrease in impairment of loans and advances		(143,669)	(23,937)
Loss on disposal of tangible fixed assets		6,760	117
<b>Changes in operating assets and liabilities</b>			
Decrease in prepayments and accrued income		14,214	13,338
(Decrease)/increase in accruals and deferred income		(43,371)	2,737
Increase/(decrease) in other liabilities		20,416	(31,655)
Increase in loans and advances to customers		(21,243,271)	(13,462,941)
Increase in shares		21,044,866	5,141,984
Increase/(decrease) in amounts owed to credit institutions and other customers		6,535,562	(909,177)
Decrease in loans and advances to credit institutions		42,825	9,742,946
(Decrease)/increase in treasury bills		499,751	(499,751)
Taxation paid		(183,540)	(248,322)
<b>Net cash inflow from/(used in) operating activities</b>		<b>7,739,670</b>	<b>1,010,687</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets	16	(27,947)	(37,864)
Purchase of intangible fixed assets	15	(152,558)	(148,267)
Proceeds on repayment of loan	14	-	30,354
<b>Net cash inflow from/(used in) investing activities</b>		<b>(180,505)</b>	<b>(155,777)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,559,165</b>	<b>854,910</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>43,143,984</b>	<b>42,289,074</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>50,703,149</b>	<b>43,143,984</b>
<b>Cash and cash equivalents consist of:</b>			
Cash in hand		210,024	211,829
Loans and advances to credit institutions repayable on demand	11	50,493,125	34,182,155
Loans and advances to credit institutions repayable in not more than 3 months	11	-	8,750,000
<b>Cash and cash equivalents</b>		<b>50,703,149</b>	<b>43,143,984</b>

## Notes to the Accounts

### 1. Statement of Accounting Policies

#### 1.1 General Information

The Chorley and District Building Society (the Society) is incorporated in Lancashire, UK under the Building Societies Act 1986. The address of its registered office is Key House, Foxhole Road, Chorley, PR7 1NZ.

#### 1.2 Statement of Compliance

The financial statements of The Chorley and District Building Society are prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and UK applicable accounting standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

#### 1.3 Summary of Significant Accounting Policies

The principal accounting policies are summarised below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Society's accounts.

##### Basis of Preparation

The financial statements have been prepared in accordance with applicable UK accounting standards including Financial Reporting Standard 102 and the Building Societies (Accounts and Related Provisions) Regulations 1998. The financial statements have been prepared under the historical cost accounting convention as modified by the recognition of certain financial instruments at fair value as set out in the accounting policies.

##### Going Concern

The current economic conditions present risks and uncertainties for all businesses. The Directors have carefully considered the risks and uncertainties and the extent to which they might affect the preparation of the financial statements on a going concern basis.

##### The Directors consider that:

- The Society maintains an appropriate level of liquidity sufficient to meet the normal demands of the business and the requirements which might arise in stressed circumstances;
- The availability and quality of liquid assets is such that funds are available to repay exceptional demand from retail saver Members;
- Other assets are primarily in the form of mortgages secured on residential property. Regular assessment of the recoverability of all mortgage assets is undertaken and provisions are made where appropriate; and
- Reasonable profits have been generated in order to keep gross capital at a suitable level to meet regulatory requirements.

The Society is closely monitoring the situation with regard to COVID-19, the Coronavirus. The Directors are satisfied that the liquidity and capital stress tests performed annually by the Society are more severe than the reasonably possible impact of COVID-19 and are therefore satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the accounts are prepared on a going concern basis.

##### Total Income

Interest on outstanding mortgage balances is credited to the Statement of Income and Movements in Members' Interests using the effective interest rate method. The effective interest method is

the rate that exactly discounts estimated cash flows to zero, through the expected life of the instrument. Expected lives are estimated using historic data and management judgement and the calculation is adjusted when actual experience differs from estimates, with changes being recognised immediately in the Statement of Income and Movements in Members' Interests. This policy also applies to accounts where a discounted rate of interest is charged.

Fees and commissions that are integral to the effective interest rate are included in its measurement. Other fees and commissions are recognised as the related services are performed and include insurance commissions receivable in the year net of insurance commission payable. Insurance agency commissions received or receivable are recognised by the Society as and when they are received from the agent.

##### Taxation

The charge for taxation is based on the result for the year and considers taxation deferred because of timing differences between the treatments of certain items for taxation and accounting purposes.

Deferred tax is provided at current rates on a non-discounted basis, on all timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation.

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 or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted by the period end and that are expected to apply to the reversal of the timing difference.

##### Fixed Assets and Depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

The costs of fixed assets are written down to their estimated realisable value over their estimated useful lives as follows:

Using the straight-line method:

- Freehold buildings at the rate of 2.2% per annum

Using the reducing balance method:

- Equipment at the rate of 10% to 75% per annum
- Fixtures and fittings at the rates of 10% to 25% per annum

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in the Statement of Income and Movements in Members' Interests.

##### Intangible Assets and Amortisation

FRS 102 requires judgement to be exercised when determining whether software costs should be recognised as tangible or intangible assets. Where software is regarded as an integral part of the related hardware and the hardware cannot operate without the piece of software, it is to be treated as a tangible asset. However, where the software is not an integral part of the related hardware e.g. computer software, it is to be treated as an intangible asset.

Management have decided that software costs are not an integral part of the related hardware and so have classified these costs as an intangible asset.

Intangible assets are stated at historical purchase cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated, using the reducing balance method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software development at the rate of 50% per annum
- Computer software at the rate of 25% per annum

The useful economic life was assessed at the time of purchase. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Society are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

##### Impairment of Non-Financial Assets

At each year end date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Income and Movements in Members' Interests.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Income and Movements in Members' Interests.

##### Employee Benefits

The Society provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

i. Short term benefits  
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. Pension Costs  
The Society operates a defined contribution pension scheme for all its employees, the funds of which are separate from those of the Society. Contributions are charged to the Statement of Income and Movements in Members' Interests in the period to which those contributions relate.

##### Financial Instruments

The Society has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### i. Financial assets

Basic financial assets, including liquid assets and loans and advances to customers, are initially recognised at transaction price including transaction costs, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Income and Movements in Members' Interests.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Income and Movements in Members' Interests.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Income and Movements in Members' Interests, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### ii Financial liabilities

Basic financial liabilities, including shares and amounts owed to credit institutions and other customers are initially recognised at transaction price including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### Impairment of Loans and Advances to Customers

Individual assessments are made of all loans and advances against properties which are in possession, or in arrears by two months or more, or are subject to forbearance measures or other significant cases of concern. Individual impairment allowances are made against those loans and advances where there is objective evidence of impairment.

If there is objective evidence of impairment a specific provision is made to cover anticipated losses. This is calculated as the difference between the current achievable market value of the security, calculated by applying an industry recognised national house price index to original valuations on advance and the outstanding loan balance, after making appropriate allowance for costs of repossession and sale.

In addition, where there is no objective evidence, a collective provision is made on a portfolio basis to reflect the probability that other loans may also be impaired at the year end date with the result that the amount advanced may not be recovered in full. Such provisions are calculated based on estimated loss factors using historical experience of default. The rates are regularly reviewed in the light of actual experience.

#### Accruals and Deferred Income

Accruals are made to recognise economic benefits and events regardless of when the cash transaction occurs.

Recognition of certain fee income charged to the customers is deferred until the risks and rewards are fully transferred.

#### Investments

Investment in an associate is held at cost less accumulated impairment losses.

#### Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### - Effective Interest Rate (EIR)

Interest income and expense is recognised using the effective interest method.

To calculate the appropriate EIR, certain assumptions are made in respect of the expected lives of specific asset portfolios which take into account such factors as the terms of the particular product, historic repayment data and prevailing economic conditions. These estimates are reviewed on a regular basis to ensure they reflect the portfolio's actual performance.

Sensitivity analysis has been carried out on the expected life of mortgages and shown that an increase in expected life of one month would change the carrying value of mortgages by £144,150 with a corresponding increase to income.

#### - Provisions for impairment on loans and advances to customers

The Society reviews its mortgage advances portfolio at least on a monthly 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) and customer behaviour (e.g. default rates).

Sensitivity analysis has been carried out in respect of the key estimates and indicated that a 25% rise in the probability of default would increase the provision for impairment on loans and advances to customers by £35,412 and would result in a corresponding charge to the Statement of Income and Movements in Members' Interests. Further analysis showed that a 5% reduction in the amount of collateral we expect to recover in the event of repossession would lead to a further £170,179 increase in the provision and a corresponding charge to the Statement of Income and Movements in Members' Interests. The amount of collateral held in respect of those provisions represent £2,717,301.

## 2. Interest Receivable and Similar Income

	2020 £	2019 £
On loans fully secured on residential property	6,846,126	6,612,552
On other loans	36,831	38,684
On other liquid assets	356,270	286,349
	<u>7,239,227</u>	<u>6,937,585</u>

During the year there were mortgage incentives that were charged against interest receivable of £65,606 (2019: £60,152). The movement in the effective interest rate adjustment during the year was included within interest receivable of £161,420 (2019: £231,863).

## 3. Interest Payable and Similar Charges

	2020 £	2019 £
On shares held by individuals	2,618,676	2,405,244
On deposits and other borrowings	103,830	17,706
	<u>2,772,506</u>	<u>2,422,950</u>

## 4. Income from Investments

	2020 £	2019 £
Income from loan to Mutual Vision Technologies Limited (see note 14)	2,360	2,763

## 5. Administrative Expenses

	2020 £	2019 £
<b>Employee costs (including Executive Directors)</b>		
Wages and salaries	1,948,979	1,814,372
Social security costs	178,791	173,946
Pension and other costs	147,609	128,058
	<u>2,275,379</u>	<u>2,116,376</u>
Other administrative expenses	1,226,305	1,189,045
	<u>3,501,684</u>	<u>3,305,421</u>

In addition to the other administrative expenses above are the following amounts, in respect of:

Depreciation and Amortisation	184,175	191,380
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#### Services provided by the Society's Auditor

	2020 £	2019 £
Fees payable for the audit	51,582	50,919

Remuneration of the Auditor disclosed above excludes VAT.

## 6. Provision for liabilities

	2020 £	2019 £
<b>FSCS Levy</b>		
Balance brought forward	3,280	33,373
Release for the year	571	(22,943)
Paid in the year	(3,851)	(7,150)
	<u>-</u>	<u>3,280</u>

## 7. Employees

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

	Full Time		Part Time	
	2020	2019	2020	2019
Head Office	39	35	16	15
Branch Offices	6	6	3	3
	<u>45</u>	<u>41</u>	<u>19</u>	<u>18</u>

## 8. Remuneration of and Transactions with Directors and other Related Party Transactions

#### a) Directors' remuneration

Total Directors' remuneration amounted to £536,589 (2019: £553,990). Full details of the Directors' remuneration and key management compensation are given in the Nominations & Remuneration Committee Report on page 31.

#### b) Directors' loans and transactions

At 3 February 2020 there were 3 (2019: 2) outstanding mortgage loans to 3 (2019: 2) Directors and connected persons that had been granted in the ordinary course of business, amounting in aggregate to £557,739 (2019: £311,467).

A Register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the Register, for the financial year ended 3 February 2020, will be available for inspection at the Head Office for a period of 15 days up to and including the 161st Annual General Meeting being held on 3 June 2020.

#### c) Other Directors' transactions

All Directors of Building Societies are required to maintain a savings balance of at least £1,000 each in that Society. All accounts have the same terms and conditions as available to Members of the Society. At 3 February 2020 the aggregate balances were £32,236 (2019: £55,738).

#### d) Key management compensation

Key management comprise Non-Executive Directors, Executive Directors and Material Risk Takers. The compensation paid or payable to key management for employee services is shown below:

	2020 £	2019 £
Salaries and other short-term benefits	1,103,515	1,065,841

Directors have no long-term incentive schemes or defined benefit pension schemes. During the year the Society made payments into a defined contribution pension scheme on behalf of Executive Directors and this is shown in the Nominations & Remuneration Committee Report on page 31.

#### e) Related party transactions

Mutual Vision Technologies Limited, a related party of which Stephen Penlington was a Director during the year, received Director services in the year to the value of £2,920 (2019: £3,385). As at 3 February 2020, £3,229 (2019: £3,135) was owed to the Society by Mutual Vision Technologies Limited. The Society holds an investment in Mutual Vision Technologies Limited as detailed in note 14.

During the financial year a total of £245,760 (2019: £227,866) was paid to Mutual Vision Technologies Limited in respect of IT services.

As at 3 February 2020, an amount of £94,330 (2019: £86,402) was owed to the Society by Mutual Vision Technologies Limited in respect of prepaid software maintenance services. In addition, as at 3 February 2020, an amount of £125,631 (2019: £116,758) was owed to the Society by Mutual Vision Technologies Limited in respect of prepaid software development services.

## 9. Tax on Profit on Ordinary Activities

	2020 £	2019 £
<b>a) The tax charge for the year comprises:</b>		
Corporation tax at 19.00% (2019: 19.00%)	179,672	184,666
Adjustment in respect of prior year	(1,126)	2,720
Current tax charge for the year	178,546	187,386
Deferred taxation at 19.00% (2019: 19.00%) (note 17)	17,473	31,846
Tax on profit on ordinary activities	196,019	219,232
<b>b) Factors affecting the tax charge for the year:</b>		
The tax assessed for the year differs to the standard rate of corporation tax in the UK 19.00% (2019: 19.00%)		
Profit on ordinary activities before taxation	1,004,952	1,093,968
Taxation charge at 19.00% (2019: 19.00%)	190,941	207,854
<b>Effects of:</b>		
Expenses not deductible for tax purposes	111	882
Impact of changes in tax rate	6,093	7,776
Adjustment in respect of prior year	(1,126)	2,720
Tax on profit on ordinary activities	196,019	219,232

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016 and the UK deferred tax asset as at 3 February 2020 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Society's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £6,104.

## 10. Treasury Bills

### Held to maturity investments

	2020 £	2019 £
Treasury bills	-	499,751
<b>Treasury bills have the following maturities:</b>		
In not more than three months	-	499,751

All treasury bills were held with the intention of use on a continuing basis in the Society's activities and are classified as held to maturity investments.

### Movement in held to maturity investments

Movement during the year of held to maturity investments is analysed as follows:

	2020 £	2019 £
Brought forward	499,751	-
Additions and renewals	-	499,191
Disposals and maturities	(499,751)	-
Accrued interest	-	560
Carried forward	-	499,751

Treasury bills held by the Society represent high quality unencumbered treasury bills issued by the Bank of England in accordance with the Regulator's liquidity regulations.

## 11. Loans and Advances to Credit Institutions

	2020 £	2019 £
<b>In the ordinary course of business loans and advances to credit institutions are repayable from the year end date as follows:</b>		
Accrued interest	4,998	47,823
Repayable on demand	50,493,125	34,182,155
<b>Other loans and advances by residual maturity repayable:</b>		
In not more than three months	-	8,750,000
In more than three months but not more than one year	250,000	250,000
	50,748,123	43,229,978

## 12. Loans and Advances to Customers

	2020 £	2019 £
<b>Maturity Analysis: The remaining maturity of loans and advances to customers from the year end date is as follows:</b>		
Properties in possession	-	-
Repayable on demand	-	374
<b>Repayable with remaining maturity:</b>		
In not more than three months	1,593,390	1,438,335
In more than three months but not more than one year	4,489,506	4,117,485
In more than one year but not more than five years	33,590,833	27,268,621
In more than five years	173,338,034	159,105,098
	213,011,763	191,929,913
Deduct: Provisions for impairment losses (note 13)	(230,630)	(374,299)
Add/(deduct): Effective Interest Rate adjustment	372,026	210,605
	213,153,159	191,766,219

Where accounts are in arrears at the year end, the whole of the outstanding balance, including the arrears element, has been included in the appropriate maturity section, depending on the original anticipated date of maturity when the advance was made.

### 13. Provisions for Impairment Losses

	Loans Fully Secured on Residential Property		
	£ Specific	£ Collective	£ Total
Brought forward	218,265	156,034	374,299
Utilised during the year	(2,435)	-	(2,435)
(Released)/charged during the year	(126,847)	(14,387)	(141,234)
Carried forward	88,983	141,647	230,630

### 14. Investments

#### Associated undertaking

The carrying value of the Society's investment in Mutual Vision Technologies Limited was as follows:

#### Investment in Mutual Vision Technologies Limited

	2020 £	2019 £
Brought forward	153,898	184,252
Loan repayment	-	(30,354)
Carried forward	153,898	153,898

The Society holds a 14.60% holding in Mutual Vision Technologies Limited, an unlisted company registered in England and operating in the United Kingdom, originally formed by a consortium of Building Societies to acquire the trade of their existing computer software supplier.

The Company has a 31 December year end. The Society considers key metrics to assess the financial strength of the Company on an annual basis.

The investment is an associate held at cost less accumulated impairment losses. There is no material difference when using the equity method of measurement.

On 3 February 2020 the Society's investment, which is an associated undertaking, was represented by:

	£
10,812 fully paid 1p Ordinary Shares, (acquired at 0.01p per share)	108
1,139 fully paid 1p Ordinary Shares, (acquired at 0.266p per share)	303
2,425 fully paid 1p Ordinary Shares, (acquired at 1.774p per share)	4,302
6,026 fully paid 1p Ordinary Shares, (acquired at 24.757p per share)	149,185
<b>In total, 20,402 shares (giving the Society a 14.60% holding)</b>	<b>153,898</b>

The Directors of the Society have reviewed the financial performance and financial position of Mutual Vision Technologies Limited as reported in that Company's latest Annual Report. They have also reviewed the Business Plan of Mutual Vision Technologies Limited and have concluded that there has been no impairment of the Society's investment.

As at 31st December 2019 Mutual Vision held a loan from the Society at a value of £149,185. From 1st January 2020 the loan was converted into 1p ordinary shares at 24.757p per share giving a total share holding of 14.60% and a total value of £153,898.

The loan due from Mutual Vision Technologies Limited bore interest at Bank of England base rate plus 1%, subject to a minimum interest rate of 1.5% and was credited annually to the Society. During the financial year a total of £2,611 (2019: £2,505) was received in respect of income from this loan (see note 4).

A payment of £3,229 (2019: £3,135) is due from Mutual Vision Technologies Limited which is a related party of which Stephen Penlington was a Director (see note 8).

### 15. Intangible Fixed Assets

	Software £	Total £
Cost at 4 February 2019	953,718	958,718
Additions	152,558	152,558
Disposals	(21,054)	(21,054)
At 3 February 2020	1,085,222	1,085,222
Accumulated amortisation at 4 February 2019	712,737	712,737
Charge in Year	130,742	130,742
Disposals	(18,764)	(18,764)
At 3 February 2020	824,715	824,715
Net Book Value at 3 February 2020	260,507	260,507
Net Book Value at 4 February 2019	240,981	240,981

### 16. Tangible Fixed Assets

	Freehold Land & Buildings £	Equipment, Fixtures & Fittings £	Total £
Cost at 4 February 2019	1,754,467	744,673	2,499,140
Additions	-	27,947	27,947
Disposals	-	(45,751)	(45,751)
At 3 February 2020	1,754,467	726,869	2,481,336
Accumulated depreciation at 4 February 2019	247,649	633,255	880,904
Charge in Year	12,973	40,460	53,433
Disposals	-	(41,281)	(41,281)
At 3 February 2020	260,622	632,434	893,056
Net Book Value at 3 February 2020	1,493,845	94,435	1,588,280
Net Book Value at 4 February 2019	1,506,818	111,418	1,618,236

Freehold land and buildings are occupied by the Society for its own activities.

### 17. Other Assets

	2020 £	2019 £
Deferred taxation	5,983	23,456
<b>Deferred Taxation</b>		
Brought forward	23,456	55,302
Amount utilised during the year	(17,473)	(31,846)
	5,983	23,456

The amounts recognised for Deferred Taxation are set out below:

Excess of capital allowances over depreciation	(56,214)	(53,267)
Other timing differences	62,197	76,723
	5,983	23,456

### 18. Prepayments and Accrued Income

	2020 £	2019 £
Prepayments and accrued income	375,011	389,225

## 19. Shares

	2020 £	2019 £
<b>Shares comprise:</b>		
Held by individuals	235,593,925	214,549,059
<b>Shares are repayable from the year end date in the ordinary course of business as follows:</b>		
Accrued interest	1,133,774	1,038,941
Repayable on demand	191,498,560	174,937,884
In not more than three months	18,166,788	20,983,187
In more than three months but not more than one year	10,968,946	5,425,821
In more than one year but not more than five years	13,825,857	12,163,226
	<u>235,593,925</u>	<u>214,549,059</u>

## 20. Amounts owed to Credit Institutions

	2020 £	2019 £
<b>Repayable from the year end date in the ordinary course of business as follows:</b>		
Accrued interest	50,527	3,835
In not more than three months	4,000,000	-
In more than three months but not more than one year	5,500,000	3,000,000
	<u>9,550,527</u>	<u>3,003,835</u>

## 21. Amounts owed to Other Customers

	2020 £	2019 £
<b>Repayable from the year end date in the ordinary course of business as follows:</b>		
Accrued interest	229	271
Repayable on demand	465,598	476,686
	<u>465,827</u>	<u>476,957</u>

## 22. Other Liabilities

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Corporation Tax	179,672	184,666
Other creditors	89,621	65,925
	<u>269,293</u>	<u>250,591</u>

## 23. Accrual and Deferred Income

	2020 £	2019 £
Accruals	354,642	398,013

## 24. Pension Costs

The Society contributes to a defined contribution staff pension scheme, the premiums for which are reviewed annually in consultation with independent pension advisors. The funds in the scheme are held separately from those of the Society. The scheme is operated on a contributory and non-contributory basis for employees. Contributions totalling £122,084 (2019: £101,435) were paid during the year.

## 25. Financial Instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Society is a retailer of financial instruments in the form of mortgages and savings. The Society also uses wholesale financial instruments to invest its liquid asset balances, raise wholesale funding and to manage the risks arising from its operations.

The Society has a formal structure for managing risk, including establishing risk limits, reporting lines, mandates and other control procedures. The structure is reviewed regularly by the Assets & Liabilities Committee which is charged with the responsibility for managing the Society's exposures and the use of financial instruments for risk management purposes.

Instruments used for risk management purposes may include derivative financial instruments ("derivatives"), 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.

### Derivatives

Derivatives will only be used by the Society in accordance with the Building Societies Act 1986. They are used solely to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation and are not used for trading or speculative purposes.

There were no derivatives held at or during the year end and prior year end.

The Society is aware of changes made by the Financial Reporting Council (FRC) to FRS 102 in December 2019 in relation to interest rate benchmark reform. The Society does not currently apply Hedge Accounting and does not have any exposure to LIBOR (London Inter-Bank Offered Rate), therefore does not expect any direct impact from the reforms.

### Financial Instrument Classification

The recognition and measurement of Financial Instruments is set out in the Accounting Policies (note 1). The table below shows the assets and liabilities of the Society assigned to the categories by which they are recognised and measured:

	Financial assets measured at fair value through profit or loss	Financial assets that are debt instruments measured at amortised cost	Financial assets that are equity instruments measured at cost less impairment	Financial liabilities carried at amortised cost	Total
At 3 February 2020	£000	£000	£000	£000	£000
<b>Assets</b>					
Cash in hand	-	210	-	-	210
Treasury bills (note 10)	-	-	-	-	-
Loans and advances to credit institutions (note 11)	-	50,748	-	-	50,748
Loans and advances to customers (note 12)	-	213,153	-	-	213,153
Accrued Income (note 18)	-	2	-	-	2
Total Financial Assets	<u>-</u>	<u>264,113</u>	<u>-</u>	<u>-</u>	<u>264,113</u>
<b>Liabilities</b>					
Shares (note 19)	-	-	-	235,594	235,594
Amounts owed to credit institutions (note 20)	-	-	-	9,551	9,551
Amounts owed to other customers (note 21)	-	-	-	466	466
Other creditors (note 22)	-	-	-	90	90
Accruals (note 23)	-	-	-	355	355
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,056</u>	<u>246,056</u>

	Financial assets measured at fair value through profit or loss	Financial assets that are debt instruments measured at amortised cost	Financial assets that are equity instruments measured at cost less impairment	Financial liabilities carried at amortised cost	Total
At 4 February 2019	£000	£000	£000	£000	£000
<b>Assets</b>					
Cash in hand	-	212	-	-	212
Treasury Bill (note 10)	-	500	-	-	500
Loans and advances to credit institutions (note 11)	-	43,230	-	-	43,230
Loans and advances to customers (note 12)	-	191,766	-	-	191,766
Accrued Income (note 18)	-	2	-	-	2
<b>Total Financial Assets</b>	<b>-</b>	<b>235,710</b>	<b>-</b>	<b>-</b>	<b>235,710</b>
<b>Liabilities</b>					
Shares (note 19)	-	-	-	214,549	214,549
Amounts owed to credit institutions (note 20)	-	-	-	3,004	3,004
Amounts owed to other customers (note 21)	-	-	-	477	477
Other creditors (note 22)	-	-	-	66	66
Accruals (note 23)	-	-	-	398	398
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218,494</b>	<b>218,494</b>

## Financial Risk Management

The Society's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and market risk (including interest rate risk).

### Liquidity Risk

This is the risk that the Society is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

The Society's Financial Risk Management Policy (FRMP) ensures sufficient funds in liquid form are available at all times to cover cash flow imbalances and fluctuations in funding, to maintain public confidence in the solvency of the Society and enable it to meet its financial and regulatory obligations. Stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows.

The liquidity position is managed daily by the treasury function. Liquidity risk is monitored by the Assets & Liabilities Committee which meets on a monthly basis to monitor the amount and composition of liquidity, the credit ratings of counterparties used and to ensure compliance with regulations. The FRMP is regularly reviewed by the Assets & Liabilities Committee and approved by the Board.

Liquidity by sector	2020 £000	2019 £000
<b>Liquidity Resources</b>		
Cash in hand and balances with the Bank of England	48,308	29,380
Central Government (UK Gilts and Treasury Bills)	-	500
Credit Institutions	2,650	14,062
<b>Total liquidity exposures</b>	<b>50,958</b>	<b>43,942</b>

Counterparty credit ratings are used to inform the Society's assessment of wholesale credit risk. The table below provides ratings details for the Society's treasury investment portfolio as at 3 February 2020 using the equivalent Fitch long-term deposit rating assessment.

### Credit Rating

	2020 %	2019 %
AAA to AA-	94.80	68.00
A+ to A-	5.20	18.31
BBB- to BBB+	-	4.57
Not rated	-	9.12
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Maturity groupings, based on the remaining period at the year end date to the contractual maturity date, have been disclosed in the notes to the financial statements, see note 11.

### Credit Risk

This is the risk that borrowers or counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due.

The Society manages the risk associated with mortgage borrowers by means of a Board approved Lending Policy which includes a full status check and affordability assessment of the borrower and a full valuation of the proposed security by a suitably qualified valuer. Mortgages are closely monitored following completion, with appropriate and timely action taken on those mortgages which fall into arrears. The Mortgage Credit Risk Committee reviews trends and indicators by monitoring product and sector limits, together with detailed analyses of arrears and loan-to-value ratios.

The Society's exposure to retail credit risk can be broken down as below and includes all mortgage offers as at 3 February 2020:

	2020 £000	2019 £000
Residential mortgages	214,261	191,900
Commercial lending	3,407	3,515
<b>Total gross exposure</b>	<b>217,668</b>	<b>195,415</b>

The Society monitors individual borrowers but also sets and applies limits to manage concentration risk.

The Society's geographical concentration of residential mortgage loans is as follows:

Region	2020 %	2019 %
North West	31.11	31.76
Outer South East	12.21	13.03
South West	8.25	6.68
West Midlands	7.68	8.05
Outer Metropolitan Area	7.13	5.96
Yorkshire & Humberside	6.64	6.57
Greater London	6.58	7.01
East Midlands	5.77	5.67
Scotland	4.70	3.91
Wales	4.30	5.01
North	4.19	4.62
East Anglia	1.44	1.73
<b>Total percentage</b>	<b>100.00</b>	<b>100.00</b>

One of the key indicators of the credit risk associated with a mortgage book is the relationship between the amount of the loan made and the value of the underlying security, which is known as the loan-to-value percentage (LTV). In general, the lower the LTV percentage the greater the equity within the property and the lower the losses expected to be realised in the event of default and subsequent repossession.

The Society sets strict LTV criteria for new loans, which must be supported by an external valuation of the security. The LTV profile of the Society's book is monitored closely against the limits set by the Mortgage Credit Risk Committee.

The indexed LTV analysis of the Society's loan portfolio is as follows:

	2020 %	2019 %
<80% LTV	86.55	85.79
>80-85% LTV	5.85	5.58
>85-90% LTV	4.30	5.83
>90% LTV	3.30	2.80
<b>Total percentage</b>	<b>100.00</b>	<b>100.00</b>

The Society's overall weighted average LTV ratio is 57.52% (2019: 58.91%).

The table below provides further information on the Society's loans and advances to customers by payment due status as at 3 February 2020:

	2020 £000	2020 %	2019 £000	2019 %
<b>Not Impaired</b>				
Neither past due or impaired	209,322	98.28	185,776	96.80
Past due up to 2 months but not impaired	2,330	1.09	4,031	2.10
<b>Impaired</b>				
Past due 2 to 3 months	262	0.12	852	0.44
Past due 3 to 12 months	733	0.34	936	0.49
Past due over 12 months	365	0.17	335	0.17
Possessions	-	-	-	-
<b>Total loans and advances to customers</b>	<b>213,012</b>	<b>100.00</b>	<b>191,930</b>	<b>100.00</b>

### Collateral Held

The Society holds collateral in the form of property, against impaired loans and advances to customers as follows:

	2020 £000	2019 £000
Property against impaired loans and advances to customers	2,588	4,393

### Forbearance

A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include reduced monthly payments, an arrangement to clear outstanding arrears, alternative repayment types, capitalisation of arrears or extension of the mortgage term. The following table analyses residential mortgage borrowers with renegotiated terms:

	2020 Number	2019 Number
Arrangements	12	13
Interest-Only	11	11
Extension of term	2	6
Capitalisation	15	11
Total	40	41

Impairment provisions of £54,200 (2019: £58,193) are held in respect of these mortgages, see note 1.

### Interest Rate Risk

This is the risk that the value of, or income from, assets and liabilities change adversely, as a consequence of movements in interest rates. The Society is susceptible to interest rate risk due to the differing interest rate characteristics and maturity profile of its mortgage and savings products. The risk, which includes basis risk, is managed using conservative Board approved limits, offsetting assets and liabilities and the use of financial derivative instruments where appropriate in accordance with the Financial Risk Management Policy. This is regularly reviewed by the Assets & Liabilities Committee and approved by the Board.

The table below shows the allocation of assets and liabilities, at the year end date, to time bands by reference to the earlier of the next interest repricing date and the maturity date. The interest rate sensitivity gap represents the asset/liability mismatch and quantifies the net value of assets or liabilities which will give rise to earnings variations when interest rates change.

#### The interest rate sensitivity of the Society at 3 February 2020 was:

	≤ 3 Months £000	> 3 Months - ≤ 6 Months £000	> 6 Months - ≤ 1 Year £000	> 1 Year - ≤ 5 Years £000	> 5 Years £000	Non-interest bearing £000	Total £000
<b>Assets</b>							
Liquid assets	50,493	250	-	-	-	215	50,958
Loans and advances to customers	189,900	5,189	6,892	11,031	-	141	213,153
Investments in associates	-	-	-	-	-	154	154
Intangible fixed assets	-	-	-	-	-	261	261
Tangible fixed assets	-	-	-	-	-	1,588	1,588
Other assets	-	-	-	-	-	6	6
Prepayments and accrued income	-	-	-	-	-	375	375
Total Assets	240,393	5,439	6,892	11,031	-	2,740	266,495
<b>Liabilities</b>							
Shares	209,665	4,810	6,159	13,826	-	1,134	235,594
Amounts owed to credit institutions	4,000	3,500	2,000	-	-	50	9,550
Amounts owed to other customers	466	-	-	-	-	-	466
Other liabilities	-	-	-	-	-	269	269
Accruals and deferred income	-	-	-	-	-	355	355
General Reserve	-	-	-	-	-	20,261	20,261
Total Liabilities	214,131	8,310	8,159	13,826	-	22,069	266,495
Net mismatches	26,262	(2,871)	(1,267)	(2,795)	-	(19,329)	-
Interest rate sensitivity gap	26,262	(2,871)	(1,267)	(2,795)	-	(19,329)	-
Cumulative sensitivity gap	26,262	23,391	22,124	19,329	19,329	-	-
<b>Sensitivity to General Reserves as a result of:</b>							
+2% interest rate movement	(67)	22	17	179	-	-	151
-2% interest rate movement	67	(22)	(19)	(195)	-	-	(169)

#### The interest rate sensitivity of the Society at 4 February 2019 was:

	≤ 3 Months £000	> 3 Months - ≤ 6 Months £000	> 6 Months - ≤ 1 Year £000	> 1 Year - ≤ 5 Years £000	> 5 Years £000	Non-interest bearing £000	Total £000
<b>Assets</b>							
Liquid assets	43,431	250	-	-	-	261	43,942
Loans and advances to customers	174,414	372	2,616	14,529	-	(165)	191,766
Investments in associates	149	-	-	-	-	5	154
Intangible fixed assets	-	-	-	-	-	241	241
Tangible fixed assets	-	-	-	-	-	1,618	1,618
Other assets	-	-	-	-	-	23	23
Prepayments and accrued income	-	-	-	-	-	389	389
Total Assets	217,994	622	2,616	14,529	-	2,372	238,133
<b>Liabilities</b>							
Shares	194,343	360	2,933	15,874	-	1,039	214,549
Amounts owed to credit institutions	-	2,500	500	-	-	4	3,004
Amounts owed to other customers	477	-	-	-	-	-	477
Other liabilities	-	-	-	-	-	250	250
Accruals and deferred income	-	-	-	-	-	401	401
General Reserve	-	-	-	-	-	19,452	19,452
Total Liabilities	194,820	2,860	3,433	15,874	-	21,146	238,133
Net mismatches	23,174	(2,238)	(817)	(1,345)	-	(18,774)	-
Interest rate sensitivity gap	23,174	(2,238)	(817)	(1,345)	-	(18,774)	-
Cumulative sensitivity gap	23,174	20,936	20,119	18,774	18,774	-	-

#### Sensitivity to General Reserves as a result of:

+2% interest rate movement	(59)	16	20	99	-	-	76
-2% interest rate movement	59	(17)	(20)	(107)	-	-	(85)

#### The maturity analysis of the financial liabilities of the Society at 3 February 2020 was:

	Undefined £000	≤ 3 Months £000	> 3 Months - ≤ 6 Months £000	> 6 Months - ≤ 1 Year £000	> 1 Year - ≤ 5 Years £000	> 5 Years £000	Total £000
Wholesale liabilities from UK credit institutions	-	4,000	3,500	2,000	-	-	9,500
SME Deposits	466	-	-	-	-	-	466
Retail Deposits	195,231	9,551	9,745	4,238	13,152	2,543	234,460
Total	195,697	13,551	13,245	6,238	13,152	2,543	244,426

The maturity analysis of the financial liabilities of the Society at 4 February 2019 was:

	Undefined	≤ 3 Months	> 3 Months - ≤ 6 Months	> 6 Months - ≤ 1 Year	> 1 Year - ≤ 5 Years	> 5 Years	Total
	£000	£000	£000	£000	£000	£000	£000
Wholesale liabilities from UK credit institutions	-	-	2,500	500	-	-	3,000
SME Deposits	477	-	-	-	-	-	477
Retail Deposits	172,830	15,611	5,723	3,765	13,257	2,324	213,510
<b>Total</b>	<b>173,307</b>	<b>15,611</b>	<b>8,223</b>	<b>4,265</b>	<b>13,257</b>	<b>2,324</b>	<b>216,987</b>

### Capital Management

The Board's objective when managing capital is to safeguard the Society's ability to continue as a going concern in order to provide long-term benefits for Members and other stakeholders. Regulatory capital consists of the Society's general reserves, which are profits of the Society accumulated over the last 161 years. The Society manages its capital requirements through the annual Internal Capital Adequacy Assessment Process (ICAAP). This is carried out in conjunction with the Prudential Regulation Authority (PRA). The ICAAP is closely monitored by the Board and the Board receive regular updates on the amount of capital held and the amount of headroom the Society has over its required level of capital. The required level of capital is set by the PRA through the Society's Total Capital Requirements (TCR). This allows the Board to ensure that the quantity and quality of capital held is both sufficient and appropriate to mitigate the risks the Society faces and to safeguard Members' interests.

There were no breaches of capital requirements during the year and there have been no material changes in the Society's management of capital during the year. The Society is required to set out its capital position, risk exposures and risk assessment process in its Pillar 3 disclosure document. This is available on the Society's website [www.chorleybs.co.uk](http://www.chorleybs.co.uk) or may be obtained by writing to the Secretary at the Society's Head Office.

### 26. Subsequent Events

Since the year end the emergence and spread of COVID-19, the Coronavirus, has been declared a global pandemic. Concerns over the impact of COVID-19, which are anticipated to continue in the near-term, have caused significant levels of uncertainty across all industries. Clearly this situation is unprecedented in modern times, however considering the individual facts and circumstances, we believe the Society has sufficient levels of capital and liquidity to withstand the impact of COVID-19. However, the length and depth of the global recession is a concern and we will be monitoring developments closely. We will also be working closely with our mortgage Members to support them through this difficult period. Our immediate concern is the well-being of our employees, Members and their families and we are taking every action necessary to ensure continuity of service to our Members.

### 27. Country-By-Country Reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulations.

The Society has assets in excess of £266 million.

As a mutual organisation the Society's primary focus is its Members and it aims to provide mortgage and savings products supported by excellent customer service.

The financial statements include the audited results of the Society. The principal activities are detailed in the Annual Report and Accounts. The Society was incorporated in the United Kingdom.

**For the year ended 3 February 2020:**

- Net interest income was £4.5m (2019: £4.5m), profit before tax was £1.0m (2019: £1.1m) all of which were arising from UK-based activity. Net interest income is calculated as interest receivable and similar income less interest payable and similar charges.
- The average number of full-time equivalent employees was 54 (2019: 50) all of which were employed in the UK.
- The Society paid £0.2m of corporation tax in the year (2019: £0.2m) all within the UK tax jurisdiction.
- The Chorley and District Building Society has not received any public subsidies during the year or in the previous year.

## Annual Business Statement

For the year ended 3 February 2020

### 1. Statutory Percentages

	3 February 2020	Statutory Limit
Proportion of business assets not in the form of loans fully secured on residential property (the "lending limit")	0.71%	25%
Proportion of shares and borrowings not in the form of shares held by individuals (the "funding limit")	4.08%	50%

The above percentages have been calculated in accordance with and the statutory limits are those prescribed by Sections 6 and 7 of the Building Societies Act 1986.

Business assets are the total assets of the Society as shown in the Statement of Financial Position, plus impairment losses less fixed assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the Statement of Financial Position plus impairment losses.

### 2. Other Percentages

	3 February 2020	4 February 2019
<b>As a percentage of shares and borrowings:</b>		
Gross Capital	8.25%	8.92%
Free Capital	7.55%	8.14%
Liquid Assets	20.75%	20.15%
<b>As a percentage of mean total assets:</b>		
Profit after taxation	0.32%	0.37%
Management Expenses	1.46%	1.48%

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

- "Shares and borrowings" represent the total of shares, amounts owed to credit institutions and amounts owed to other customers
- "Gross capital" represents the general reserve
- "Free capital" represents the aggregate of gross capital and collective impairment losses less intangible and tangible fixed assets
- "Mean total assets" represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year
- "Liquid assets" represent the total of cash in hand, loans and advances to credit institutions, debt securities and treasury bills
- "Management expenses" represent the aggregate of administrative expenses and depreciation.

## Directors at 3 February 2020

Name	Date of Birth	Date Appointed	Business Occupation	Other Directorships
David Bagley	09.02.56	29.07.16	Chartered Accountant	Finance Yorkshire Ltd Gradcore Ltd GDBA Pension Fund Ltd Guide Dogs for the Blind Association Leeds Arts University MyPeakPotential Ltd Progressive Care Limited University of Sheffield
Kevin Bernbaum	12.12.62	25.06.14	Treasury Consultant & Company Director	Educo Ltd Roma Finance Ltd Peartree Advisors Ltd Rangemountain Ltd
Joanna Hall	09.04.65	01.06.19	Marketing & Innovation Director	None
Andrew Horsley	18.12.60	16.12.11	Company Secretary & Head of Compliance	None
Erfana Mahmood	26.08.70	26.10.11	Solicitor	South West Yorkshire Partnership NHS Foundation Trust Plexus and Omega Housing
John Sandford	18.03.55	25.06.14	Chartered Accountant	Johnnie Johnson Housing Trust Epworth Investment Management Ltd Cheadle Golf Club (Trading) Ltd Cheadle Golf Club (Catering) Ltd Central Finance Board of the Methodist Church Edward Mayes Trust Mr. Lum's Almshouses McKellens Outsourcing LLP
Stephen Penlington	18.11.58	20.05.06	Chief Executive	Magenta Living
Angela Kos	24.07.78	01.04.13	Finance Director	None
Kimberley Roby	07.04.82	01.09.17	Customer Services Director	None

The Non-Executive Directors have contracts for services and are appointed for an initial term of three years.

The Chief Executive is employed on a contract of employment that may be terminated by either party giving twelve months' notice.

The Finance Director and Customer Services Director are employed on a contract of employment that may be terminated by either party giving six months' notice.

**Documents may be served on the above named Directors c/o the Society's Auditor, KPMG LLP, 1 St Peter's Square, Manchester M2 3AE**

## Notes



**Chorley  
Building  
Society**

TRUSTED SINCE 1859



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## Head Office

Key House  
Foxhole Road  
Chorley  
PR7 1NZ

T. 01257 235000

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## Branches

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PR7 1NZ

T. 01257 235000

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Chorley  
PR7 1DW

T. 01257 235014

153/155 Towngate  
Leyland  
PR25 2LH

T. 01257 235016

[chorleybs.co.uk](http://chorleybs.co.uk)



The Chorley and District Building Society is a member of the Building Societies Association.

The Chorley and District Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.  
Registered on the Financial Services Register under number 206023.