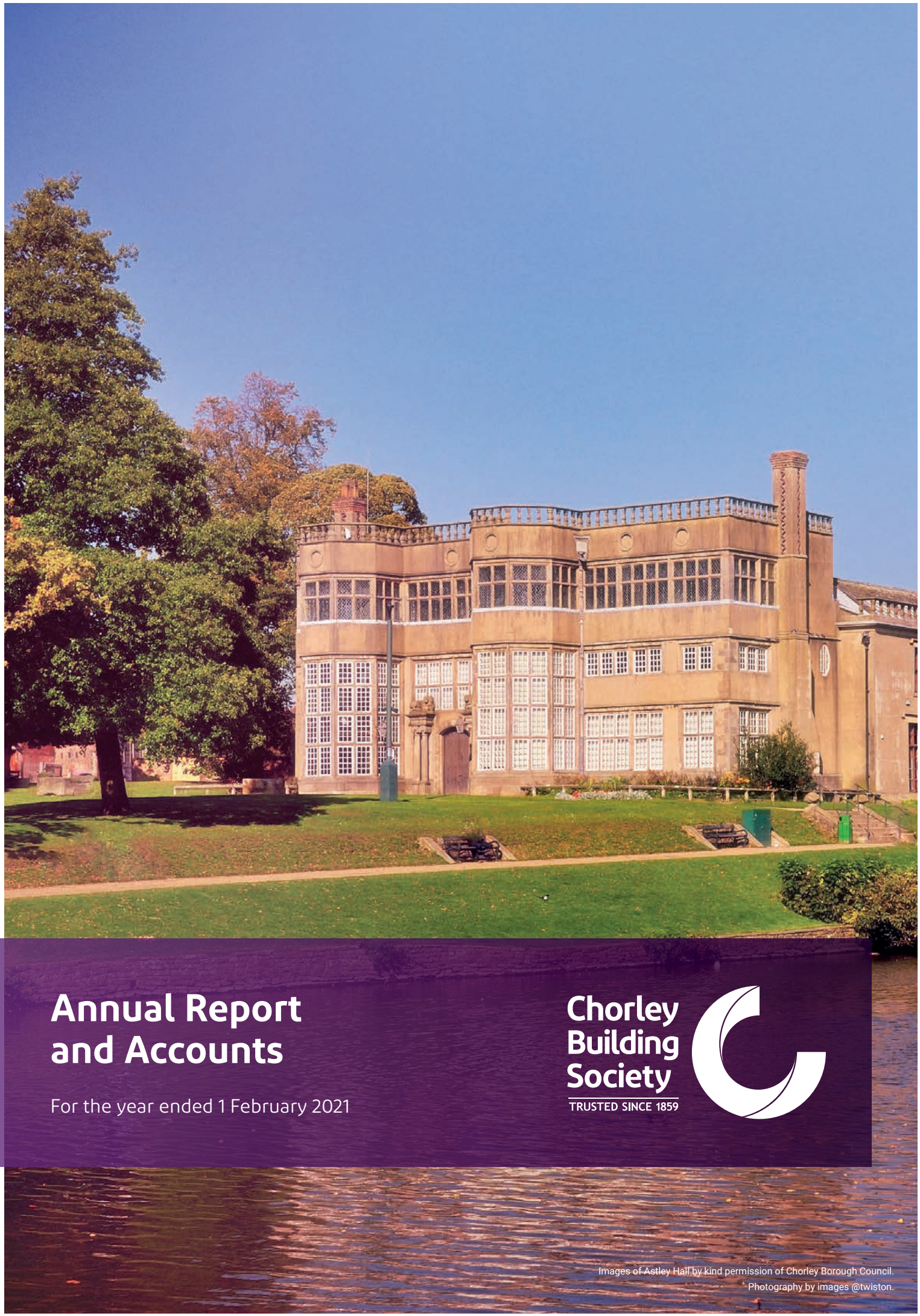

Annual Report and Accounts

For the year ended 1 February 2021

Chorley Building Society

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Our Annual Report and Accounts and Business Review have been produced on 100% recycled paper.

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

B	R	I	T	E
Be the Best we can be	Respect	Integrity	Teamwork	Every Member counts

Contents

Key Highlights of the Year

Total Assets increased by

12.7%

(2020: 11.9%)

Mortgage balances increased by

12.6%

(2020: 11.2%)

Net profit

£0.57m

(2020: £0.81m)

Savings balances increased by

12.6%

(2020: 9.8%)

Capital increased to

£20.8m

(2020: £20.3m)

Chairman's Statement

"I am proud that we have been able to support our Members during such unprecedented times."

As a mutual organisation our focus is to maximise benefits to you, our Members, who own the Society.

This means that 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.

How have we lived up to these commitments in times of turbulence? The Chief Executive refers to the feedback we have received from Smart Money People and the very high levels of Member satisfaction achieved throughout 2020. In fact, for several months we were the highest scored building society or bank in the UK.

In last year's report I talked about our 160th anniversary year. Little did I realise that the 161st year would be one of the most challenging in our history.

The real test for us is what Members say and I set out a number of quotes from Members that were received during the year:

'I contacted Chorley due to the impact of COVID-19. I had been furloughed and my husband had been put on a 20% pay cut, this of course was causing huge anxiety. I contacted Chorley and they could not have been more helpful! Thank you Chorley.'

'You can talk to an underwriter that's human.'

'What wonderful people work at the Chorley Building Society. All have gone out on a limb to help me sort things after my husband's passing, not an easy task in these terrible times due to COVID-19. They explained and solved several problems that had been worrying me and I am grateful to them. Thank you so much.'

I think these quotes demonstrate that we have provided a personal service during the year and I am proud that we have been able to support our Members during such unprecedented times.

The financial performance demonstrates that we continue to keep your money safe and although the net profit is not as high as last year, this is primarily due to the increased risk of default of mortgage borrowers as the COVID-19 pandemic persists.

Throughout the rest of the Annual Report and Accounts we show how we have increased support in the local community when it was most needed. One of our priorities in 2021 is to formalise our commitment to the community.

None of this would have been possible without the huge efforts of our people who continue to serve you, our Members. I often say how proud I am to Chair your Society and the efforts of all our people this year have been outstanding; from keeping branches open to managing huge volumes of work.

Of course, I also recognise that whilst we are proud of what we have delivered for our Members, there is always more to do.

Savings rates remain low which I know is a concern to our saver Members, however we need to broadly follow the market when setting interest rates as those significantly in excess of market rates lead to inflows of cash that we cannot lend on mortgages.

I am pleased that we have made progress in our online offerings to ensure that Members are able to communicate and transact with us using their preferred channel. This continues to be a focus and we are looking forward to continuing to develop our online services.

Another focus for 2021 will be on how the Society can respond to the climate emergency, manage risks associated with climate change and assist Members to respond to the UK's commitment to get to net zero carbon emissions by 2050.

During the year, Gail Teasdale was co-opted to the Board as a Non-Executive Director. Gail is the Chief Executive of Broadacres Housing Association. Gail is a Chartered Accountant and brings a depth of housing and commercial knowledge which further strengthens your Board of Directors.

Our Vice Chairman, Andrew Horsley, and Senior Independent Director, Erfana Mahmood, will be retiring from the Board at the AGM on 26 May 2021, having served a maximum three terms. I would like to thank them both for their immense contribution to the Board over the last nine years and for the personal support that they have given me as Chair.

Conclusion

I am proud to be Chair of the Board and to serve your Society. As a Board, we are mindful that we are entering a period of huge uncertainty however, we start from a secure and strong base with a resilient team and we will continue to focus on delivering benefits to you, our Members and to our local community.

John Sandford
Chairman

31 March 2021

Chief Executive's Review

"We have once again delivered on our mission to make a difference to the lives of our Members and local community."

I am delighted to report that, despite facing one of the most challenging periods in the history of your Society, we have once again delivered on our mission to make a difference to the lives of our Members and our local community.

Despite the year being dominated by the uncertainty surrounding the UK's departure from the European Union on 31 December 2020, combined with a global pandemic that has led to the deepest recession since records began and sadly destroying so many lives and livelihoods, we have achieved an excellent all round business performance.

As well as achieving healthy levels of profitability, we also saw a record increase in savings balances, mortgage assets and reserves. I was delighted that the Society's achievements and performance were also recognised through a number of industry awards and accolades. I am particularly proud of the exceptional Member satisfaction levels achieved during the year. This is no better exemplified than by Smart Money People, the UK's largest independent financial services review website, who described our customer service levels as 'Amazing!' with an average Member satisfaction score of 4.76 out of 5.

In addition, the Society was the winner of the Mortgage Finance Gazette (MFG) award in the category of 'Later Life Lending Innovation' and achieved highly commended in the MFG awards category for 'Community Services'.

A summary of the key financial performance indicators is detailed in the Strategic Report on page 7.

The fact that we were able to achieve record levels of capital, savings and mortgage balances, notwithstanding numerous lock-downs and the closure of the housing market in March 2020, is testament to the strength of the Society's business model, the varied range of products and services we offer and the quality of service provided by a team of truly dedicated individuals. Throughout the pandemic and resulting lock-downs, we were able to maintain branch opening and seamlessly moved the core business operations to an entirely new way of remote working. This is a testament to the professionalism and dedication of the whole team who have all performed above and beyond expectations during extremely challenging circumstances. I am very proud of each and every member of the team who remained entirely focused on the needs of our Members throughout the year.

As a mutual organisation, we also pride ourselves on the support we provide to the local community. This year they have needed our support more than ever and we responded by re-focusing our efforts, as you can see from reading the stories on pages 13 to 15 of this Annual Report and Accounts.

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 further enhance our digital capability as we strive to meet the changing needs of our Members.

Looking forward, 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 real difference to the lives of our Members and to the local community.

I would like to thank all of our Members for your support throughout the year and our amazing team for their outstanding performance and continued commitment and dedication to the Society.

Stephen Penlington
Chief Executive

31 March 2021

Strategic Report

The Strategic Report sets out the Society's progress against our strategy together with an assessment of the environment in which the Society operates.

Last year's report commented on the uncertainties surrounding the Brexit outcomes and whilst these challenges remain as valid now as they did then, they are overshadowed by the COVID-19 situation that has persisted throughout the year.

As expected, the financial performance of the Society has been impacted as a result of the ongoing pandemic however, the results for the year ended 1 February 2021 represent another year of strong asset growth, matched with appropriate levels of profitability to support the Society's capital base.

Purpose, Strategy and Values

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 business model and strategy continues to serve us well and remains largely unchanged. The Society's strategic objectives are to:

Deliver 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.

Remain a safe home for Members' money

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

Encourage our Member base to flourish, 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.

Always live by our BRITE values

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.

Make a difference in 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.

Results for the year and Key Performance Indicators

Deliver a personal service crafted to meet your needs

The Society places great value on offering a professional and personalised experience for all Members, both through our friendly and well-trained staff in our three branches and through our complementary online solutions.

Throughout the year, as the COVID-19 pandemic persisted, the Society continued to deliver a personal service to its Members by ensuring that our branches remained safely open and our telephone lines available. We also utilised the drive-through facility situated at our Key House branch which allowed Members to carry out transactions without having to leave their vehicle.

Our digital services have continued to develop and we are delighted that Members are now able to apply for and open savings accounts online, whilst our Mortgage Intermediary portal allows mortgage brokers to submit applications to us quickly and easily. We are committed to continuing to enhance our digital offerings to ensure that Members are able to communicate with us using their preferred channel. Exciting developments such as web chat will launch during 2021 further demonstrating this commitment.

Remain a safe home for your money

One of the Board's roles is to set the Society's strategy. The main Key Performance Indicators which are used by the Board to monitor the performance of the Society's strategy are detailed in the table below:

Key Performance Indicators	2021	2020
Total assets	£300.3m	£266.5m
Total asset growth	12.7%	11.9%
Profit after taxation	£0.57m	£0.81m
Net interest margin	1.7%	1.8%
Management expenses as a percentage of mean total assets	1.4%	1.5%
Gross mortgage lending	£66.4m	£59.0m
Net mortgage balances	£240.0m	£213.2m
Mortgage asset growth	12.6%	11.2%
Shares and deposit balances	£266.1m	£236.1m
Capital	£20.8m	£20.3m
Gross capital as a percentage of shares and borrowings	7.5%	8.3%
Free capital as a percentage of shares and borrowings	6.9%	7.6%
Tier 1 capital ratio	20.7%	22.3%
Liquid assets as a percentage of shares and borrowings	20.7%	20.8%

Encouraging our Member base to flourish

Despite the backdrop of a global pandemic, the Society achieved record levels of mortgage growth in the year. Our mortgage and underwriting teams have been dedicated to supporting Members, providing them with a high quality service and a flexible approach, whilst many other lenders withdrew from the market. During the year, we launched a new range of 'Later Life Lending' products which acknowledged the ever changing needs of our Members, whilst remaining a responsible lender.

In response to the COVID-19 pandemic, the Bank of England announced two decreases to the Bank Base Rate (BBR) during the year from 0.75% to 0.25% on 11 March 2020, followed by a further decrease from 0.25% to 0.10% on 19 March 2020. In response, the Society decreased its interest rates across its mortgage and savers product range however, our savings balances continued to grow throughout the year as the Society continued to offer popular products at competitive rates, including a range of notice products.

The Society keeps its savers and mortgage product offerings and market positioning under constant review and makes changes accordingly.

Always live 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. Our employees' health and safety is of paramount importance and as a result of the COVID-19 pandemic, remote working facilities were arranged and successfully implemented for all appropriate employees and remain in operation as the pandemic continues.

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

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 (including citizenship), ethnic or national origin, sex (including gender reassignment), sexual orientation, age, pregnancy and maternity, religion and belief, marital status and civil partnership, or disability.

Make a difference in the local community in which we operate

The communities in which our branches operate form the heart of the Society. During the year, supporting local community groups and charities has been more important than ever. As a Society we have continued to support local charities with much needed donations, as many have encountered a decrease in donations and volunteering activities as a result of the COVID-19 pandemic. Our employees have been involved in many activities to raise money for charity and community groups including:

- Pancake day sales
- Employee donations on dress-down days
- Raffles
- Virtual pumpkin-carving
- Virtual quizzes

Many of our employees have also taken part in sponsorship and volunteering events including our Charity Committee walking one million steps in September, a sponsored head-shave and employees volunteering in a local food bank.

Our Member voted charity for the year was the North West Air Ambulance Charity for which £753 has been raised during the year. The Society is going to extend its support of the North West Air Ambulance Charity throughout 2021, in order to provide the charity with a full year of support from our dedicated fundraising employees.

In addition to this activity, we donated Christmas gifts to local children who would not otherwise receive presents at Christmas. We also gave 11 local charities and community organisations £19,341 in donations and paid £31,886 to the following affinity savings partners during the year: Rosemere Cancer Foundation, Age Concern, The North West Air Ambulance Charity, Derian House, St Catherine's Hospice, Galloways Society for the Blind, Chorley Football Club and Age UK Lancashire.

No donations were made for political purposes. Further details of our charity and community activity can be found on pages 13-15.

Business Review

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.

The Society prepares its results under Financial Reporting Standard (FRS) 102.

Income Statement	2021 £m	2020 £m
Total income	4.9	4.6
Management expenses	(4.0)	(3.7)
Loan impairment provisions	(0.2)	0.1
Profit before tax	**0.7**	**1.0**

Profit before tax decreased by £0.3m to £0.7m during the year from £1.0m in the previous year due to increases in mortgage impairment charges. The Society anticipates that the market will remain competitive and that our business model will ensure that sufficient profitability will be generated in 2021/22 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 decreased from 1.8% to 1.7% during the year principally due to the impact of the reduction in Bank Base Rate (BBR) from 0.75% at the start of the year to its current level of 0.1%. The Board seeks at all times to manage the margin by balancing the risks and rewards in relation to borrowing Members while offering value to saver Members.

With BBR expected to remain at or near this level in the medium term, the Board anticipates the margin will continue to come under pressure and its future plans take this into account.

Administrative expenses and depreciation

Administrative expenses and depreciation (together "management expenses") increased by £272,699 in the year. Employee costs increased by 14.1% and other administrative costs decreased by 5.5% compared to the prior year. The increase in employee costs was driven by the increase in headcount to match the continued growth of the Society.

Although other administrative expenses decreased in the year, costs were incurred by the Society's response to the COVID-19 pandemic, including the investment in IT equipment and additional health and safety costs. Further details can be found in note 5 on page 42.

The Society did not utilise the Government's Job Retention Scheme due to our status as key workers and as the Society was never required to close.

The ratio of management expenses to mean total assets decreased in the year from 1.46% to 1.40%.

COVID-19

The Society is closely monitoring the situation with regard to the COVID-19 pandemic. The Society has maintained all key services and requirements, both internal and external, throughout the pandemic so far and does not foresee any reasonably expected eventuality which would prevent it from continuing to do so. The Society has assisted over 300 borrowing Members through mortgage payment deferrals, which were introduced by the government in March 2020 as part of its response to the economic impact of the COVID-19 pandemic. The Society has dealt with each of these Members individually to ensure that they have received the support that is most appropriate to their individual needs. Where a payment deferral has been agreed, the Society has contacted each customer at every stage of the process and the information obtained has helped inform the level of provisions held in respect of the impairment of loans and advances to customers.

Impairment charges

The Society maintains an appropriate Mortgage Impairment Policy designed to protect against estimated losses resulting from mortgages that are impaired on either an individual or collective basis. Impairment provisions for loans and advances to customers increased by £214,414 (2020: reduction £141,234).

As at 1 February 2021, impairment provisions totalling £306,608 were held in respect of borrowers that had requested a mortgage payment deferral in the year. This includes £248,586 of additional provisions held to cover the potential losses identified when analysing the impact of the COVID-19 pandemic on these cases.

Mortgage Credit Quality

Mortgage Arrears

The Society's arrears statistics as at 1 February 2021 remain low compared to both the building society sector and the mortgage industry as a whole. There were 5 cases in serious arrears of 12 months or greater at the year end (2020: 4 cases). The total amount of arrears outstanding on these accounts was £42,532 (2020: £24,533) and the aggregated capital balance was £422,588 (2020: £365,036). 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 low arrears levels reflect the macroeconomic environment, with ongoing low mortgage interest rates assisting borrowers with their repayment obligations and Government support schemes such as furlough helping to keep unemployment low. However, the position also reflects the Society's low risk business model and prudent underwriting approach. The Society always seeks to ensure that borrowers can meet affordability requirements at the date of inception of the mortgage and throughout the full mortgage term.

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, including some borrowers still subject to COVID-19 payment deferral arrangements referred to on the previous page. Forbearance towards borrowers was applied to 45 accounts as at the year end (2020: 40). The increase can be almost entirely attributed to the COVID-19 situation. The ending of the Government support schemes increases the risk of borrowers falling into arrears or requiring forbearance measures.

Taxation

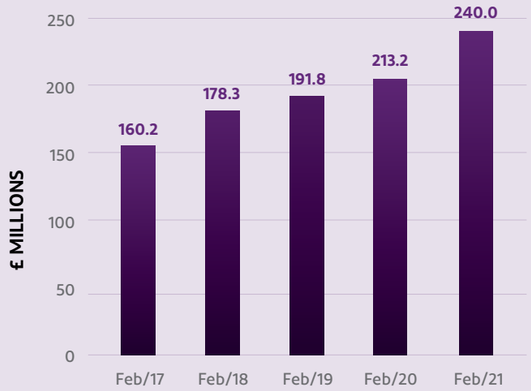
The Society discloses an effective corporation tax rate of 19.00% for the year (2020: 19.00%). For further information see note 9 on page 43.

Financial Position

Mortgages (Loans and Advances to Customers)

Mortgage balances were **£240.0m** (2020: £213.2m)

representing growth of **12.6%** (2020: growth of 11.2%)



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

Mortgage Portfolios	2021		2020	
	£m	Avg. LTV	£m	Avg. LTV
Prime Residential	220.8	55.4%	195.9	56.5%
Buy-to-Let	18.6	65.4%	16.6	70.1%
Commercial	0.6	45.3%	0.6	47.7%
Provisions	-		0.1	
Total	**240.0**		**213.2**	

Despite the impact of the COVID-19 pandemic, demand for the Society's range of standard residential owner-occupied mortgage products remained strong, leading to record levels of gross advances in the year.

As at 1 February 2021, the Society's mortgage book comprises over 99% residential loans; included in this are Self-Build mortgages (9%) 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 56% (2020: 58%). 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.

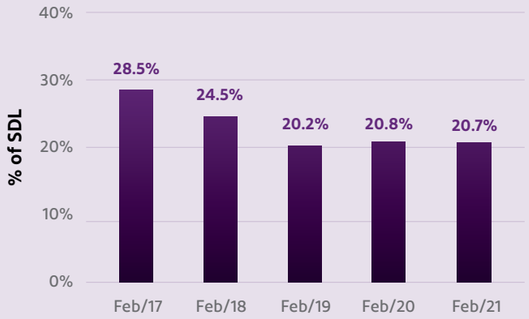
All loans are individually underwritten by experienced, knowledgeable underwriters. Every mortgage application is personally considered on a case-by-case basis when assessing affordability rather than utilising computerised underwriting tools. Responsible lending and reviewing each case on an individual 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 Prices Indices. Further information on security LTV is provided in note 25 on page 48.

Liquidity

Liquid assets as a percentage of shares, deposits and loans (SDL) decreased to **20.7%** (2020: 20.8%)

Liquid assets were **£57.8m** (2020: £51.0m) representing an increase of **13%** (2020: increase 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	2021	2020
Total liquid asset balances	£57.8m	£51.0m

By Asset Class	£m	%	£m	%
Cash in hand and balances with the Bank of England	52.0	90	48.3	95
Loans and advances to credit institutions	5.8	10	2.7	5
Total	**57.8**	**100**	**51.0**	**100**

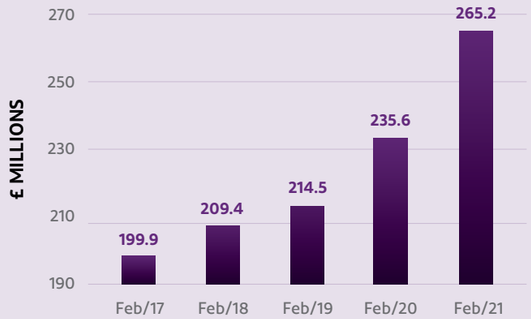
The Liquidity Coverage Ratio (LCR) measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period. The LCR is measured monthly and as at 31 January 2021 was 385% (31 January 2020: 285%).

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 2020 was 176% (31 December 2019: 178%).

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

Savings (Share Balances)

Savings balances were **£265.2m** (2020: £235.6m) representing growth of **12.6%** (2020: growth of 9.8%)



The Society aims to generate a level of savings balances that meet its mortgage funding and liquidity requirements. Following the reduction in Bank Base Rate (BBR) in March 2020, the Society responded with reductions to the interest rates offered on its savings products, balanced alongside decisions impacting borrowing Members and the Society's overall liquidity requirements. After these reductions, the majority of the Society's savings accounts continue to pay rates of interest that benchmark favourably in the wider market and the Society aims to protect, as far as possible, the Society's saver Members from the full impact of the low interest rate environment. Therefore, it was pleasing to strengthen our savers base during the year, demonstrating our competitive 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, competitive 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 non-retail sources.

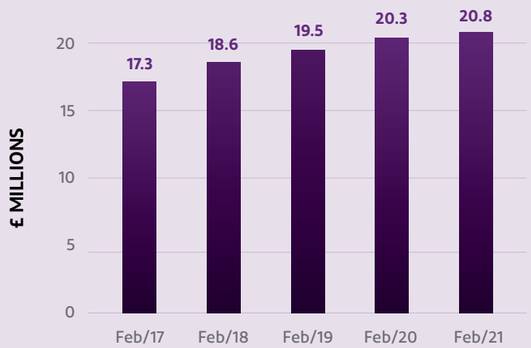
During the year, the Society became an active participant in the Bank of England's Sterling Monetary Framework (SMF) by accessing the Term Funding Scheme with additional incentives for SME's (TFSME). As at 1 February 2021, the amount borrowed from this scheme amounted to £5.0m (2020: £nil) with amounts being repayable no later than four years from the date of draw-down. The draw-down was used to support lending activities throughout the financial year.

The Society also accesses funding from the wholesale market. Wholesale borrowings decreased during the year by £1.8m to £7.7m compared to the previous year of £9.5m. 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.

Capital reserves were **£20.8m** (2020: £20.3m) representing growth of **2.8%** (2020: growth of 4.2%)



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

Capital	2021 £m	2020 £m
General Reserve	20.8	20.3
Intangible Assets	(0.3)	(0.3)
Tier 1 Capital	**20.5**	**20.0**
Collective Provision for Impairment Losses	0.2	0.1
Tier 2 Capital	**0.2**	**0.1**
Total Capital	**20.7**	**20.1**
Total Risk-Weighted Assets	**99.5**	**89.5**
CAPITAL RATIOS	**%**	**%**
Common Equity Tier 1 Ratio	20.7	22.3
Leverage Ratio	6.8	7.4
Pillar 1 Ratio	8.0	8.0
Pillar 2A Ratio	-	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 6.8% (2020: 7.4%) 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 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 25.

The Future Outlook

The outlook for the UK economy remains highly uncertain, impacted by the ongoing COVID-19 pandemic and the outcomes of Brexit. These uncertain conditions for 2021/22 can be expected to impact financial performance.

As a UK organisation, the Society has no direct exposure to the EU however the wider economic implications may have an impact.

Whilst the Society's mortgage offers remain strong, it is anticipated that the removal of Stamp Duty concessions may lead to delays in the home buying process which could lead to a higher than usual percentage of offers not reaching completion. Furthermore, rising unemployment is anticipated which can be reasonably expected to impact mortgage affordability.

As reported earlier, as a result of the COVID-19 pandemic, temporary forbearance measures have already been implemented and we continue to support our borrowers in financial difficulty, however the full extent of the impact to the Society is uncertain. The Board remains confident in the quality of the Society's underwriting however, profitability may be impacted by further impairment charges given the economic uncertainty.

The Board considers the Society to be well positioned for a potential severe economic downturn as evidenced in the stress tests carried out including 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 remain vigilant and continue to watch for any adverse economic indicators.

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'.

Our business model remains viable and 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.

The Board believes that a successful future outlook lies ahead.

On behalf of the Board

Angela Kos
Finance Director

31 March 2021

Charity and Community Support

During what has been such a difficult year for so many, our focus as a community based building society has been to provide support to as many of our local charities and good causes as possible.

We would like to take this opportunity to thank each and every one of our Members and the local community for their continued support. Together we have helped make a real difference during a year when support has been so needed. The Society is a socially-aware business and our community involvement and activity has been 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. 'The North West Air Ambulance Charity' was our Member voted charity for 2020/21 and we raised funds for this extremely deserving cause throughout the year. We also sponsored and donated to numerous other charities and good causes in the local area.

During the year, we donated over £19,000 to local charitable organisations, raised over £750 for our chosen charity and gave over £31,886 to our affinity savings account partners.

So many of our employees have been touched by stories from North West Air Ambulance about the difference they have made to people's lives. Whilst we haven't been able to carry out normal bake sales and other face-to-face events, the team have come up with various innovative ideas to continue to raise money.

Ingenious ideas have ranged from our Charity Committee walking one million steps to a sponsored head shave and virtual staff quizzes and pumpkin carving challenges.

Pictured above: Lee Ellison, Mortgage Underwriter, who 'braved the shave' for North West Air Ambulance.

The North West Air Ambulance Charity – our chosen Charity of the Year

North West Air Ambulance (NWAA) takes advanced healthcare to scene; reaching, treating and transferring patients to definitive care as quickly as possible and working collaboratively with other emergency services to ensure they are transferred to the best treatment centre thus improving chances of survival and reducing the risk of long term injury. The service is funded by the generosity of the public through donations, fundraising activity, lottery membership and through NWAA's network of retail outlets, who provide vital charitable funding to keep the service flying.

We have been delighted to support NWAA throughout the year and plan to extend their time as our chosen Charity throughout 2021. Fundraising has proven somewhat difficult due to the restrictions in place for most of the past year and so we want to ensure NWAA obtain the benefit of a full year of our renowned fundraising efforts!

Members of our Charity Committee completed an enormous one million steps for North West Air Ambulance in September 2020.

A huge thank you to all our employees and Members who have supported this amazing cause and we are looking forward to continuing our support for The North West Air Ambulance Charity over the coming year.

Our Charity Work

Supporting Chorley Inspire Youth Zone

Pictured above: a number of talented 'Inspire' attendees show their gratitude for our continued support with their hand-drawn posters.

We were proud to continue our support of Inspire, a local charity that has touched the hearts of the entire team at Chorley.

'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.

During the year, Inspire adapted their services to ensure support was still available for those young people and families who needed it. When they were unable to open their doors they instead offered outreach services in local communities, virtual sessions, telephone and text support lines as well as providing free meals to any local families in need. We were delighted to be able to support this important work with financial donations throughout the year.

Supporting Inspire's 'Operation Festive Cheer'

At Christmas we collected hundreds of gifts, 50 pairs of Christmas pyjamas and goody bags filled with delicious treats to support Inspire's 'Operation Festive Cheer'. The aim of 'Operation Festive Cheer' was to ensure all local children woke up with gifts to open on Christmas morning. The team at Chorley and our Members were delighted to help and the level of support received was overwhelming.

Financial Support

As well as supporting Inspire, we also provided financial support to a number of other local good causes who were all impacted by the COVID-19 pandemic.

Firstly, we donated to Living Waters Food Bank who have seen a dramatic increase in the number of people accessing their service over recent months.

We also supported Derian House who continued to provide practical, clinical and emotional support to children throughout the pandemic.

St Catherine's Hospice saw a significant increase in the cost of Personal Protective Equipment (PPE) needed by their staff.

All of these charities were delighted to receive financial donations.

Pictured: St Catherine's Hospice and Derian House say thank you for our continued support this year.
Below: Living Waters Food Bank

Affinity Accounts

The Society was delighted to give **£31,886** 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

St Catherine's Hospice

Age UK Lancashire

Sponsorship of Local 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 continued to sponsor Chorley Cricket Club.

Pictured right: Members of Chorley Cricket Club

Recognition in the Industry

Mortgage Finance Gazette Awards

We were delighted to win the 'Later Life Lending Innovation' category at the Mortgage Finance Gazette awards which were held virtually in November 2020. We were also highly commended for our commitment to community services. We are so proud of our teams for achieving this coveted industry recognition.

Smart Money People

5* Broker Rated

Smart Money People (the UK's number 1 review and insight platform for financial services) carry out regular surveys of the mortgage broker market to understand the levels of service that brokers are experiencing when dealing with mortgage lenders across the country. We were delighted that we were awarded a 5* Broker Rating - the highest rating possible - demonstrating our commitment to providing exceptional levels of service.

Mortgage Lender Benchmark
H2 2020
BROKER RATED

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. Stephen 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
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 over 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 grown-up 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.

Gail Teasdale
ACA

Non-Executive Director

Gail was co-opted to the Board in October 2020. She is a member of the Institute of Chartered Accountants England & Wales having qualified in 1993. She has held various Finance Director roles in a variety of industries before becoming the Chief Executive of Broadacres in January 2018. Broadacres is a housing association owning 6,500 homes across North Yorkshire. Gail is also a member of the Audit, Risk & Compliance Committee. Gail was born in Bradford and now lives near Harrogate with her husband and dog. In her spare time she loves walking and running.

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 21 years' experience working in financial management at the Society and is also 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 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, Product, Mortgage, Savings, Business Development and IT operations. Kimberley is Chair of the Mortgage Credit Risk Committee and 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 the Society supports 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 joined 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. 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 also a Member Trustee Director for AON's Retirement Plan. Previous industry roles include AXA Health, Fidelity and eValue. 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.

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 of Guide Dogs where, for 10 years, David was a trustee and board member. David is also a member of the Audit, Risk & Compliance Committee.

Directors' Report

The Directors have pleasure in presenting the Society's 162nd Annual Report and Accounts and Annual Business Statement for the year ended 1 February 2021.

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 7.

Capital Ratios

The Society's capital ratios are detailed in the Strategic Report on page 7.

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 25.

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 25.

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
Gail Teasdale	Non-Executive 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, Andrew Horsley and Erfana Mahmood will retire at the Annual General Meeting on 26 May 2021. Kevin Bernbaum, Stephen Penlington, Kimberley Roby and John Sandford will also retire at the Annual General Meeting on 26 May 2021 and being eligible will seek re-election to the Board. In addition, Gail Teasdale, 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 1 February 2021 was 9 (2020:5).

Land and Buildings

The Directors consider that the overall market amount of the land and buildings held by the Society is in excess of the book value recognised within the Society's Statement of Financial Position.

Charitable and Political Donations

During the year we made charitable donations of £19,341 (2020: £17,567) to 11 (2020: 19) local charities and community organisations. Furthermore, the Society paid £31,886 (2020: £32,659) 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 pages 13- 15.

Events since the Year End

The Board does not consider that there have been any events since the year end of 1 February 2021 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 Society is required to consider three types of stresses, these are documented within the Internal Liquidity Adequacy Assessment Process (ILAAP).

The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to the COVID-19 pandemic and Brexit.

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 and reappointment of the external Auditor. This assessment is done on an annual basis, after the completion of the year end audit. This is reported to and discussed at the Audit, Risk & Compliance Committee meeting.

Mazars 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 appointment of Mazars LLP as Auditor will be proposed at the Annual General Meeting on 26 May 2021.

On behalf of the Board

John Sandford
Chairman

31 March 2021

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 32 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

31 March 2021

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, aids effective, independent decision making and supports the achievement of the Society's strategy with the objective of safeguarding Members' interests.

As at 1 February 2021, the Board comprised three Executive and seven 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.

Members of the Board convened for an additional two meetings during the first three months of the COVID-19 pandemic which focused on the Society's Members and employees, financial and operational implications as well as recovery.

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.

Board Sub-Committees

Audit, Risk & Compliance Committee

This Committee comprises entirely Non-Executive Directors and meets at least four 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
- Gail Teasdale

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 and H&S 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 at least four times a year to oversee the implementation of risk management policies, including the Risk Management Framework and the Risk Appetite Framework. 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 seven 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 50% (2020: 44%) 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 24 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 co-option 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 20 and the business performance is reviewed in the Strategic Report on page 7.

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 25.

Remuneration

The Nominations & Remuneration Committee Report found on page 29 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. This year there will also be a resolution to approve amendments to the Memorandum and Rules of the Society. Details of the proposed amendments can be found in the AGM notice. The AGM will take place on Wednesday 26 May 2021 from The Chorley and District Building Society Head Office, Key House, Foxhole Road, Chorley, Lancashire, PR7 1NZ at 18:00pm. Due to the ongoing situation with COVID-19 and to protect Members, the AGM will be a closed meeting which means that Members are unable to attend in person (other than a minimum number of employees who are also eligible Members, who will attend the meeting in order to meet the legal quorum requirements).

Members are invited to join a livestream of the AGM and a link to the livestream will be made available, to all those who register, on the day of the AGM, 26 May 2021. Members are encouraged to exercise their right to vote. Please note that, unfortunately, it will not be possible for Members to vote during the livestream itself, so please do vote in advance of the AGM by voting online or by completing and returning a proxy form.

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.

Directors will be able to answer any questions you may have about the Society by submitting questions using the email address AGM@chorleybs.co.uk by Friday 21st May 2021.

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
Non-Executive Directors			
John Sandford (Chairman)	10 (10)		
Andrew Horsley (Vice Chairman)	10 (10)	4 (5)	2 (2)
David Bagley	10 (10)	5 (5)	
Kevin Bernbaum	10 (10)	5 (5)	
Joanna Hall	10 (10)		2 (2)
Erfana Mahmood	10 (10)		2 (2)
Gail Teasdale	3 (3)	1 (1)	
Executive Directors			
Stephen Penlington	10 (10)		
Angela Kos	10 (10)		
Kimberley Roby	10 (10)		
Total number of meetings	**10**	**5**	**2**

(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

31 March 2021

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 21.

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. The Committee considered the impact of the approach to forbearance adopted when managing the Society's mortgage portfolio. It considered the impacts of the COVID-19 pandemic on the mortgage portfolio which are expected to lead to a greater volume of forbearance and ultimately, impairment. It also considered other key assumptions contained in the Society's mortgage impairment model on the level of provisions made, most significantly the assumptions for forced sale discount and the relevant disclosure in the Accounts. The Committee examined and challenged the assumptions adopted and is satisfied with the level of impairment provisions made for the mortgage portfolio.
- 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 31 March 2021.

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 Committee carried out a tender exercise and after careful assessment, appointed Mazars LLP as external Auditor.

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.
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.

1 First Line of Defence

Front Line Management & Staff

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

2 Second Line of Defence

Risk & Compliance Functions

- Provides oversight and 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

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.

The Society has considered the financial impacts of the risks arising as a result of the COVID-19 pandemic by undertaking rigorous stress-testing of the potential outcomes, the results of which demonstrate that it has sufficient capital resources to withstand a range of severe stress scenarios. The Corporate Plan has also been reviewed and scenarios modelled to take account of the possible difficult market conditions in 2021.

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 Impairment 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 economic impact, arising from the COVID-19 pandemic, including levels of unemployment, has been felt by the Society through the level of payment deferrals that have been granted to mortgage Members during the year.

Whilst no mortgage losses have materialised to date, it is anticipated that arrears and potential losses will be experienced in 2021/22. The Society's Mortgage Impairment Policy and Corporate Plan have allowed for further impairment charges.

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 51.

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.

Operational risk arising as a result of the COVID-19 pandemic is highlighted through the changes in operational processes which were required in order to facilitate a significant increase in home-working arrangements and the increase in remote working brings new cyber challenges. In addition, new processes were necessary to implement measures for the health and safety of our employees whilst working on site. These changes resulted in additional controls being implemented, including second-line and third-line assurance work.

Strategic Risk

The COVID-19 pandemic has had and continues to have a significant impact on the UK and global economy, with falling levels of GDP and rising unemployment in the UK, which is likely to increase further as Government schemes come to an end in 2021. Remote working arrangements have led to a greater use of technology and an increase in the potential associated cyber risks. The COVID-19 pandemic has led to an increase in online transactions from consumers, including our Members. As the pandemic continues, it is uncertain whether this change in customer behaviour is permanent and the Society is continuing with its programme of digital development to ensure its Members can choose how they would like to interact with the Society in the future.

Brexit Risk

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. This could exacerbate the effect on the economy and the housing market as well as the ability for borrowers to pay their mortgages. The impact of this has been considered in the stress tests mentioned in the Directors Report on page 19.

Climate Change Risk

The Society recognises the risks and challenges posed by climate change. While the financial risks from climate change may only crystallise in full over longer time horizons, they are becoming apparent now. The Society particularly recognises two risks: physical and transitional.

Physical risks relate to specific weather events such as flooding, or longer-term events such as rising sea levels. A key element of this risk is to property, both the Society's own properties and properties held as security for lending.

Transition risks can arise from the process of adjustment towards a low-carbon economy. This could lead to a changing regulatory expectation in terms of the way the Society is expected to run its own business, including who it uses as suppliers. It may also impact property held as security, for example the energy efficiency expectations of mortgaged properties.

The Society is increasingly mindful of these risks when making business decisions, including mortgage underwriting ones. The Head of Risk has responsibility for monitoring climate change risk at an operational level, with oversight provided by the Audit, Risk & Compliance Committee.

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

31 March 2021

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 V (CRD V).

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 Term 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 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
Basic fee	Reviewed annually taking into consideration fees from comparable financial services organisations and from the market within which the Society operates.
Additional fees	Payable for additional responsibilities such as Chairman, Vice-Chairman and Sub-Committee Chairman.
Other items	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.

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.

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

	2021 £000	2020 £000
John Sandford (Chairman)	28	28
Andrew Horsley (Vice Chairman)	23	24
David Bagley	19	20
Kevin Bernbaum	21	22
Joanna Hall	20	14
Erfana Mahmood	19	19
Gail Teasdale*	6	-
Total	**136**	**127**

* from 1 October 2020

Executive Directors

2021	Salary £000	Pension Contributions £000	Bonus £000	Benefits £000	Total £000
Stephen Penlington	151	21	21	1	194
Angela Kos	114	11	15	1	141
Kimberley Roby	90	8	11	1	110
Total	**355**	**40**	**47**	**3**	**445**

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
Total	**337**	**40**	**30**	**3**	**410**

Summary of Material Risk Takers' Remuneration

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

2021	Number during the year	Fixed Remuneration £000	Variable Remuneration* £000	Total £000
Non-Executive Directors	7	136	-	136
Executive Directors	3	398	47	445
Material Risk Takers	10	587	17	604
Total	**20**	**1,121**	**64**	**1,185**

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
Total	**20**	**1,059**	**45**	**1,104**

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

On behalf of the Nominations & Remuneration Committee

Andrew Horsley
Chairman

31 March 2021

Independent Auditor's Report

to the Members of The Chorley and District Building Society

mazars

Opinion

We have audited the Annual Accounts of Chorley Building Society (the 'Society') for the 52-week period ended 1 February 2021 which comprise the Statement of Income and Movements in Members' Interests, the Statement of Financial Position, the Cash Flow Statement and related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Annual Accounts:

- give a true and fair view of the state of the Society's affairs as at 1 February 2021 and of the Society's income and expenditure for the 52-week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and;
- have been prepared in accordance with the requirements of the Building Societies Act 1986 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 under those standards are further described in the Auditor's responsibilities for the audit of the Annual Accounts section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the Annual Accounts in the UK, including the FRC's Ethical Standard, as applied to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the Directors' going concern assessment;
- Making enquiries of the Directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the Directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the Society's latest ICAAP and its reverse stress testing;
- Testing the accuracy and functionality of the model used to prepare the Directors' forecasts;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the COVID-19 pandemic;
- Considering the consistency of the Directors' forecasts with other areas of the Annual Accounts and our audit and;
- Evaluating the appropriateness of the Directors' disclosures in the Annual Accounts on going concern.

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

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

Key audit matters

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

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

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

Key audit matter	How our scope addressed this matter
Credit risk – impairment of loans and advances to customers (refer to page 44 for the Accounting Policy and page 48 for the Annual Accounts disclosures) A loan loss provision is recognised when there is objective evidence of impairment. The Society has limited actual loan loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being applied in determining assumptions to be applied in its assessment. The impairment model is most sensitive to movements in the house price index (HPI), forced sales discount (FSD) applied to collateral values and the probability that a loan will default (PD). Other factors such as payment holidays and other indicators of impairment triggers as a result of the COVID-19 pandemic are also considered in the assessment.	We performed the following procedures: • Tested the design and the operating effectiveness of the key controls operating at the Society in relation to credit processes for the monitoring of loans, collections and provisioning (approval of loans, loan redemptions, arrears monitoring, monitoring of loans); • Assessed the reasonableness of external data in the provisioning model and checked the relevance of this data based on our understanding of the Society's portfolio. • Compared the Society's key assumptions with similar lenders and considered whether these assumptions are consistent with industry practices, and developed an independent estimate using the Society's model and reasonable assumptions; and • Performed sensitivity analysis over the key assumptions on PD, forced sale discounts, COVID-19 overlays and HPI. • **Our observations** Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision to be acceptable.

Our application of materiality and an overview of the scope of our audit

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

Overall materiality	Society: £208,300, (prior period end per previous auditors: £99,000)
How we determined it	1% of net assets
Rationale for benchmark applied	We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation. Regulatory capital is a key benchmark for management and regulators although it not a statutory measure in the annual accounts. Therefore, we base our materiality calculation on net assets, which is an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the Annual Accounts exceeds materiality for the Annual Accounts as a whole. Performance materiality of £125,000 was applied in the audit based on 60% overall materiality.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £6,200 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the Annual Accounts and our Auditor's report thereon. Our opinion on the Annual Accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Annual Accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Annual Accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

Matters on which we are required to report by exception:

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

- adequate accounting records have not been kept by the Society or;
- the Society's Annual Accounts are not in agreement with the accounting records or;
- we have not obtained all the information and explanations which we consider necessary for the purpose of our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 20, the Directors are responsible for the preparation of the Annual Accounts and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Accounts, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Society and its industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA) and non-compliance with implementation of government support schemes relating to COVID-19 and we considered the extent to which non-compliance might have a material effect on the Annual Accounts.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- At the planning stage of our audit, gaining an understanding of the legal and regulatory framework applicable to the Society, the industry in which it operates and considered the risk of acts by the Society which were contrary to the applicable laws and regulations;
- Discussing with the Directors and management the policies and procedures in place regarding compliance with laws and regulations;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance and;
- During the audit, focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the Annual Accounts from our general commercial and sector experience and through discussions with the Directors (as required by auditing standards), from inspection of the Society's regulatory and legal correspondence and review of minutes of Directors' meetings in the year. We identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the PRA and the FCA. We also considered those other laws and regulations that have a direct impact on the preparation of Annual Accounts, such as the Building Societies Act 1986 and UK tax legislation.

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

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud such as opportunities for fraudulent manipulation of Annual Accounts, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions, and significant one-off or unusual transactions; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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

As a result of our procedures, we did not identify any key audit matters relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Directors on 12 October 2020 to audit the Annual Accounts for the 52-week period ended 1 February 2021 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the 52-week period ended 1 February 2021.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of the audit report

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.

David Allen
Senior Statutory Auditor

for and on behalf of Mazars LLP,
Chartered Accountants and Statutory Auditor

Mazars LLP
Statutory Auditor

One St Peter's Square
Manchester
M2 3DE

31 March 2021

Statement of Income and Movements in Members' Interests

For the 52-week period ended 1 February 2021 and for the 52-week prior period ended 3 February 2020.

	Note	2021 £	2020 £
Interest receivable and similar income	2	6,866,460	7,239,227
Interest payable and similar charges	3	(2,010,746)	(2,722,506)
Net interest income		4,855,714	4,516,721
Income from investments	4	-	2,360
Fees and commissions receivable		55,657	63,478
Fees and commissions payable		(31,814)	(32,411)
Total income		4,879,557	4,550,148
Administrative expenses	5	(3,756,431)	(3,501,684)
Depreciation and amortisation	5	(202,127)	(184,175)
Operating profit before provisions and taxation		920,999	864,289
Provisions for impairment losses	13	(215,760)	141,234
Other provisions		-	(571)
Profit on ordinary activities before tax		705,239	1,004,952
Tax on profit on ordinary activities	9	(130,446)	(196,019)
Profit for the financial year after tax		574,793	808,933
Members' interests at the beginning of the year		20,260,771	19,451,838
Members' interests at the end of the year		20,835,564	20,260,771

The Notes on pages 39 to 51 form part of these accounts.

The above results are all derived from continuing operations.

Statement of Financial Position

As at 1 February 2021 and as at 3 February 2020.

	Note	2021 £	2020 £
Assets			
Liquid Assets			
Cash in hand		309,282	210,024
Loans and advances to credit institutions	11	57,502,972	50,748,123
Loans and advances to customers			
Loans fully secured on residential property	12	239,399,473	212,539,930
Other loans – fully secured on land	12	599,123	613,229
Investments	14	153,898	153,898
Intangible fixed assets	15	288,011	260,507
Tangible fixed assets	16	1,573,082	1,588,280
Deferred tax	17	-	5,983
Prepayments and accrued income	18	469,497	375,011
Total Assets		**300,295,338**	**266,494,985**
Liabilities			
Shares	19	265,235,964	235,593,925
Amounts owed to credit institutions	20	7,766,767	9,550,527
Amounts owed to other customers	21	5,871,739	465,827
Other liabilities	22	206,382	269,293
Accruals and deferred income	23	370,526	354,642
Provision for liabilities	6	8,396	-
		279,459,774	246,234,214
General reserve		20,835,564	20,260,771
Total Liabilities		**300,295,338**	**266,494,985**

The Notes on pages 39 to 51 form part of these accounts.

Approved by the Board of Directors on 31 March 2021.

John Sandford
Chairman

Andrew Horsley
Vice Chairman

Stephen Penlington
Chief Executive

Cash Flow Statement

For the 52-week period ended 1 February 2021 and for the 52-week prior period ended 3 February 2020.

Cash Flows from Operating Activities	Note	2021 £	2020 £
Profit before tax		705,239	1,004,952
Adjustments for:			
Depreciation and amortisation		202,127	184,175
Increase/(decrease) in impairment of loans and advances		214,414	(143,669)
Loss on disposal of tangible fixed assets	16	69	6,760
Changes in operating assets and liabilities			
(Increase)/decrease in prepayments and accrued income		(94,486)	14,214
Increase/(decrease) in accruals and deferred income		15,884	(43,371)
Increase in other liabilities		8,979	20,416
Increase in loans and advances to customers		(27,059,851)	(21,243,271)
Increase in shares		29,642,039	21,044,866
Increase in amounts owed to credit institutions and other customers		3,622,152	6,535,562
(Increase)/decrease in loans and advances to credit institutions		(1,399)	42,825
Decrease in treasury bills		-	499,751
Taxation paid		(187,957)	(183,540)
Net cash inflow from operating activities		7,067,210	7,739,670
Cash flow from investing activities			
Purchase of tangible fixed assets	16	(48,544)	(27,947)
Purchase of intangible fixed assets	15	(165,958)	(152,558)
Net cash used in investing activities		(214,502)	(180,505)
Net increase in cash and cash equivalents		6,852,708	7,559,165
Cash and cash equivalents at the beginning of the year		50,703,149	43,143,984
Cash and cash equivalents at the end of the year		57,555,857	50,703,149
Cash and cash equivalents consist of:			
Cash in hand		309,282	210,024
Loans and advances to credit institutions repayable on demand	11	57,246,575	50,493,125
Cash and cash equivalents		57,555,857	50,703,149

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.

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 Directors are satisfied that the liquidity and capital stress tests performed annually by the Society are more severe than the reasonably possible impact of the COVID-19 pandemic. The scenarios modelled various stresses including outflows of retail balances, rising unemployment levels and falling property prices. Further detail is provided on page 19. The Directors 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 historical 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.

The calculation of the Effective Interest Rate includes transaction costs and fees paid or received that are an integral part of the Effective Interest Rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. 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
Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date and any adjustment to tax payable in respect of previous years.

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 substantively 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 historical 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.

The Society has no assets held at fair value and investments in equities over which the Society has no significant influence 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.

Term Funding Scheme (TFS), Term Funding Scheme with additional incentives for SMEs (TFSME) and Sterling Monetary Framework (SMF)
Loans and advances over which the Society transfers its rights to the collateral thereon to the Bank of England under the TFS/TFSME/SMF are not derecognised from the Statement of Financial Position, as the Society retains substantially all the risks and rewards of ownership, including all cash flows arising from the loans and advances and exposure to credit risk. TFS/TFSME/SMF borrowings are recognised in 'Amounts owed to other customers'.

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
Where objective evidence of impairment is identified in relation to an individual mortgage, an assessment is carried out to determine whether a specific impairment provision to cover anticipated losses is required. Where the assessment does not result in a specific impairment provision being made, the mortgage is assessed for a collective impairment provision. Specific individual impairment assessments are carried out for mortgages which are in possession, are in arrears by two or more months, have known employment issues or are cases of significant concern for the Society.

The specific individual impairment assessment compares the current achievable market value of the security to the outstanding loan balance and calculates an impairment provision that would cover any potential losses. The current achievable market value is calculated by applying an industry recognised national house price index to the original valuation on advance and the calculation takes into account an appropriate allowance for costs of repossession and sale, the impact of any applicable Mortgage Indemnity Guarantee (MIG) cover and the expected time taken between the mortgage defaulting and the Society taking possession of the property.

Where the criteria for a specific impairment provision is not met, mortgages are assessed for a collective impairment provision. Collective impairment assessments are carried on a portfolio basis out using a risk-based approach and 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 the higher of the Society's historical experience of default and that of the Society's peers. The rates are regularly reviewed in the light of actual experience. The calculation incorporates the same assumptions for property value and sale costs as the specific provision calculation.

COVID-19
In determining provisions for impairment losses, the Society has also considered the ongoing impact of the COVID-19 pandemic. Each mortgage that has taken a payment deferral, as a result of the COVID-19 pandemic, is categorised as low, medium, or high risk. The higher the risk category the higher the probability of default that is used when calculating the collective provision for each individual mortgage. Where the information obtained in relation to a mortgage is deemed to represent objective evidence of impairment, the mortgage is assessed for a specific impairment provision.

The Society's approach to provisioning for payment deferral cases and the prudent assumptions that are incorporated into the calculation of both collective and specific impairment provisions has resulted in total provision balances of £455,044 as at 1 February 2021. The Society believes that this level of impairment provisions is sufficient to cover the estimated level of incurred losses as at 1 February 2021 that can be reasonably expected to crystallise.

In addition, the Society has also developed a process for assessing the potential impact of mortgage payment deferrals on potential impairment of loans. An assessment is made using the financial information the Society holds in relation to each individual mortgage, as well as the customer's individual circumstances and each mortgage that has taken a payment deferral is categorised as low, medium, or high risk. The higher the risk category the higher the probability of default that is used when calculating the collective provision for each individual mortgage. Where the information obtained in relation to a mortgage is deemed to represent objective evidence of impairment, the mortgage is assessed for a specific impairment provision.

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, historical 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.

The difference between the contractual interest rates and the effective interest rates of mortgages gives rise to accrued income, described as an EIR asset. As at 1 February 2021, the value of the EIR asset totalled £416,052 (2020: £372,025).

- 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).

As at 1 February 2021, provisions for impairment of loans and advances to customers totalled £445,044 against £240,027,588 of mortgage balances. The full economic impact of the COVID-19 pandemic is still unknown and together with the UK's withdrawal from the EU, this creates a high level of uncertainty to take into account when estimating the Society's exposure to potential impairment losses.

Management judgement has been used to increase the levels of provisions held in respect of these uncertainties and the additional credit risk arising from them. The true impact on the Society will only be known in the future and actual losses could be far more, or far less than those provided for at year end. As such and in order to understand the potential impact of inaccuracies in the management judgements, the Society has carried out sensitivity analysis in respect of the key estimates which indicated that a 25% rise in the probability of default would increase the provision for impairment on loans and advances to customers by £53,973 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 £372,350 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 £6,638,294.

2. Interest Receivable and Similar Income

	2021 £	2020 £
On loans fully secured on residential property	6,760,984	6,846,126
On other loans	29,580	36,831
On other liquid assets	75,896	356,270
	6,866,460	7,239,227

During the year there were mortgage incentives that were charged against interest receivable of £89,150 (2020: £65,606). The movement in the effective interest rate adjustment during the year was included within interest receivable of £44,027 (2020: £161,420).

3. Interest Payable and Similar Charges

	2021 £	2020 £
On shares held by individuals	1,945,691	2,618,676
On deposits and other borrowings	65,055	103,830
	2,010,746	2,722,506

4. Income from Investments

	2021 £	2020 £
Income from loan to Mutual Vision Technologies Limited (see note 14)	-	2,360

The loan to Mutual Vision Technologies Limited was settled in full on 31 December 2019.

5. Administrative Expenses

	2021 £	2020 £
Employee costs (including Executive Directors)		
Wages and salaries	2,220,831	1,948,979
Social security costs	217,175	178,791
Pension and other costs	159,228	147,609
	2,597,234	2,275,379
Other administrative expenses	1,159,197	1,226,305
	3,756,431	3,501,684

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

Depreciation and amortisation	202,127	184,175

Services provided by the Society's Auditor

	2021 £	2020 £
Fees payable for the audit	81,000	51,582

Remuneration of the Auditor disclosed above excludes VAT.

As at 1 February 2021, the external Auditor is Mazars LLP (2020: KPMG LLP).

6. Provision for Liabilities

	2021 £	2020 £
Deferred Tax (note 17)	8,396	-
	8,396	-

The deferred tax charge is included within the tax on profit on ordinary activities line within the Statement of Income and Movements in Members' Interests.

7. Employees

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

	Full Time		Part Time	
	2021	2020	2021	2020
Head Office	45	39	16	16
Branch Offices	4	6	2	3
	49	**45**	**18**	**19**

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

a) Directors' remuneration
Total Directors' remuneration amounted to £581,534 (2020: £536,589). Full details of the Directors' remuneration and key management compensation are given in the Nominations & Remuneration Committee Report on page 29.

b) Directors' loans and transactions
At 1 February 2021 there were 3 (2020: 3) outstanding mortgage loans to 3 (2020: 3) Directors and connected persons that had been granted in the ordinary course of business, amounting in aggregate to £516,103 (2020: £557,739). All mortgage loans have the same terms and conditions as available to Members of the Society.

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 1 February 2021, will be available for inspection at the Head Office for a period of 15 days up to and including the 162nd Annual General Meeting being held on 26 May 2021.

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 1 February 2021 the aggregate balances were £74,924 (2020: £32,236).

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:

	2021 £	2020 £
Salaries and other short-term benefits	1,185,437	1,103,515

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 29.

e) Related party transactions
As at 1 February 2021, £nil (2020: £3,229) 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 £311,244 (2020: £245,760) was paid to Mutual Vision Technologies Limited in respect of IT services.

As at 1 February 2021, an amount of £126,210 (2020: £94,330) was owed to the Society by Mutual Vision Technologies Limited in respect of prepaid software maintenance services. In addition, as at 1 February 2021 an amount of £153,173 (2020: £125,631) was owed to the Society by Mutual Vision Technologies Limited in respect of prepaid software development services.

9. Tax on Profit on Ordinary Activities

	2021 £	2020 £
a) The tax charge for the year comprises:		
Corporation tax at 19.00% (2020: 19.00%)	116,178	179,672
Adjustment in respect of prior year	(111)	(1,126)
Current tax charge for the year	116,067	178,546
Deferred taxation at 19.00% (2020: 19.00%) (note 17)	14,379	17,473
Tax on profit on ordinary activities	130,446	196,019
b) Factors affecting the tax charge for the year:		
The tax assessed for the year differs to the standard rate of corporation tax in the UK 19.00% (2020: 19.00%)		
Profit on ordinary activities before taxation	705,239	1,004,952
Taxation charge at 19.00% (2020: 19.00%)	133,996	190,941
Effects of:		
Expenses not deductible for tax purposes	1	111
Impact of changes in tax rate	(3,440)	6,093
Adjustment in respect of prior year	(111)	(1,126)
Tax on profit on ordinary activities	130,446	196,019

The UK deferred tax liability as at 1 February 2021 has been calculated on the 19% corporation tax rate as enacted in April 2020. In the March 2021 Budget, it was announced that the UK corporation tax rate will increase to 25% in April 2023. This will have a consequential effect on the Society's future tax charge. If this rate change had been enacted at the current balance sheet date, the deferred tax liability would have increased by £2,652.

10. Treasury Bills

Held to maturity investments

	2021 £	2020 £
Treasury bills	-	-
Treasury bills have the following maturities:		
In not more than three months	-	-

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:

	2021 £	2020 £
Brought forward	-	499,751
Additions and renewals	499,875	-
Disposals and maturities	(499,875)	(499,751)
Carried forward	-	-

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

	2021 £	2020 £
In the ordinary course of business loans and advances to credit institutions are repayable from the year end date as follows:		
Accrued interest	6,397	4,998
Repayable on demand	57,246,575	50,493,125
Other loans and advances by residual maturity repayable:		
In more than three months but not more than one year	250,000	250,000
	57,502,972	50,748,123

12. Loans and Advances to Customers

	2021 £	2020 £
Maturity Analysis: The remaining maturity of loans and advances to customers from the year end date is as follows:		
Repayable with remaining maturity:		
In not more than three months	2,747,154	1,593,390
In more than three months but not more than one year	6,512,672	4,489,506
In more than one year but not more than five years	39,489,841	33,590,833
In more than five years	191,277,921	173,338,034
	240,027,588	213,011,763
Deduct: Provisions for impairment losses (note 13)	(445,044)	(230,630)
Add: Effective Interest Rate adjustment (note 1)	416,052	372,026
	239,998,596	213,153,159

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	88,983	141,647	230,630
Utilised during the year	(1,346)	-	(1,346)
Charged during the year	141,514	74,246	215,760
Carried forward	229,151	215,893	445,044

14. Investments

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

Investment in Mutual Vision Technologies Limited

	2021 £	2020 £
Brought forward	153,898	153,898
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.

On 1 February 2021 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
In total, 20,402 shares (giving the Society a 14.60% holding)	**153,898**

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. The Society receives no income from Mutual Vision Technologies Limited and has determined that it is not relevant to include summarised financial information about the investment.

15. Intangible Fixed Assets

	Software £	Total £
Cost at 3 February 2020	1,085,222	1,085,222
Additions	165,958	165,958
Disposals	-	-
At 1 February 2021	1,251,180	1,251,180
Accumulated amortisation at 3 February 2020	824,715	824,715
Charge in Year	138,454	138,454
Disposals	-	-
At 1 February 2021	963,169	963,169
Net Book Value at 1 February 2021	288,011	288,011
Net Book Value at 3 February 2020	260,507	260,507

16. Tangible Fixed Assets

	Freehold Land & Buildings £	Equipment, Fixtures & Fittings £	Total £
Cost at 3 February 2020	1,754,467	726,869	2,481,336
Additions	-	48,544	48,544
Disposals	-	(22,120)	(22,120)
At 1 February 2021	1,754,467	753,293	2,507,760
Accumulated depreciation at 3 February 2020	260,622	632,434	893,056
Charge in Year	12,972	50,701	63,673
Disposals	-	(22,051)	(22,051)
At 1 February 2021	273,594	661,084	934,678
Net Book Value at 1 February 2021	1,480,873	92,209	1,573,082
Net Book Value at 3 February 2020	1,493,845	94,435	1,588,280

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

During the year, the Society made a loss of £69 on disposal of Equipment, Fixtures & Fittings.

17. Deferred Tax

	2021 £	2020 £
Deferred taxation	(8,396)	5,983
Deferred Taxation		
Brought forward	5,983	23,456
Amount utilised during the year	(14,379)	(17,473)
	(8,396)	5,983
The amounts recognised for Deferred Taxation are set out below:		
Excess of capital allowances over depreciation	(63,037)	(56,214)
Other timing differences	54,641	62,197
	(8,396)	5,983

In the year the deferred tax asset of £5,983 changed to a deferred tax liability of £8,396.

The UK deferred tax liability as at 1 February 2021 has been calculated on the 19% corporation tax rate as enacted in April 2020. In the March 2021 Budget, it was announced that the UK corporation tax rate will increase to 25% in April 2023. This will have a consequential effect on the Society's future tax charge. If this rate change had been enacted at the current balance sheet date, the deferred tax liability would have increased by £2,652.

18. Prepayments and Accrued Income

	2021 £	2020 £
Prepayments and accrued income	469,497	375,011

19. Shares

	2021 £	2020 £
Shares comprise:		
Held by individuals	265,235,964	235,593,925
Shares are repayable from the year end date in the ordinary course of business as follows:		
Accrued interest	680,397	1,133,774
Repayable on demand	201,024,955	191,498,560
In not more than three months	43,615,885	18,166,788
In more than three months but not more than one year	8,670,757	10,968,946
In more than one year but not more than five years	11,243,970	13,825,857
	265,235,964	235,593,925

20. Amounts owed to Credit Institutions

	2021 £	2020 £
Repayable from the year end date in the ordinary course of business as follows:		
Accrued interest	16,767	50,527
In not more than three months	3,500,000	4,000,000
In more than three months but not more than one year	4,250,000	5,500,000
	7,766,767	9,550,527

21. Amounts owed to Other Customers

	2021 £	2020 £
Repayable from the year end date in the ordinary course of business as follows:		
Accrued interest	394	229
Repayable on demand	871,345	465,598
In more than one year but not more than five years	5,000,000	-
	5,871,739	465,827

Included in the amounts above for 1 February 2021 is £5,000,000 (2020: £nil) borrowed from Bank of England under the Term Funding Scheme. As at 1 February 2021, mortgages with total redemption balances of £34,352,288 were pledged as collateral in relation to the borrowed funds. £2,500,000 is due to be repaid on 1 September 2024 and the remaining £2,500,000 is due to be repaid on 17 September 2024.

22. Other Liabilities

	2021 £	2020 £
Amounts falling due within one year:		
Corporation Tax	116,178	179,672
Other creditors	90,204	89,621
	206,382	269,293

23. Accrual and Deferred Income

	2021 £	2020 £
Accruals	370,526	354,642

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 £130,295 (2020: £122,084) 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:

At 1 February 2021	Financial assets that are debt instruments measured at amortised cost £000	Financial liabilities carried at amortised cost £000	Total £000
Assets			
Cash in hand	309	-	309
Loans and advances to credit institutions (note 11)	57,503	-	57,503
Loans and advances to customers (note 12)	239,999	-	239,999
Total Financial Assets	297,811	-	297,811
Liabilities			
Shares (note 19)	-	265,236	265,236
Amounts owed to credit institutions (note 20)	-	7,767	7,767
Amounts owed to other customers (note 21)	-	5,872	5,872
Other creditors (note 22)	-	90	90
Accruals (note 23)	-	371	371
Total Financial Liabilities	-	279,336	279,336

At 3 February 2020	Financial assets that are debt instruments measured at amortised cost £000	Financial liabilities carried at amortised cost £000	Total £000
Assets			
Cash in hand	210	-	210
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	264,113	-	264,113
Liabilities			
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	-	246,056	246,056

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.

The maturity analysis of the financial liabilities of the Society at 1 February 2021 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
Amounts owed to credit institutions	-	3,513	2,753	1,501	-	-	7,767
Amounts owed to other customers	872	-	-	-	5,000	-	5,872
Shares	207,803	29,098	7,983	7,247	10,706	2,399	265,236
Total	208,675	32,611	10,736	8,748	15,706	2,399	278,875

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
Amounts owed to credit institutions	-	4,023	3,518	2,010	-	-	9,551
Amounts owed to other customers	466	-	-	-	-	-	466
Shares	196,364	9,551	9,746	4,238	13,152	2,543	235,594
Total	196,830	13,574	13,264	6,248	13,152	2,543	245,611

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.

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 1 February 2021 using the equivalent Fitch long-term deposit rating assessment.

Credit Rating

	2021 %	2020 %
AAA to AA-	89.91	94.80
A+ to A-	10.09	5.20
Total	100.00	100.00

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.

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 1 February 2021:

	2021 £000	2020 £000
Residential mortgages	240,905	214,261
Commercial lending	3,393	3,407
Total gross exposure	244,298	217,668

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	2021 %	2020 %
North West	29.65	31.11
Outer South East	10.23	12.21
Outer Metropolitan Area	9.04	7.13
South West	8.65	8.25
Greater London	7.73	6.58
West Midlands	7.22	7.68
Yorkshire & Humberside	6.91	6.64
East Midlands	5.54	5.77
Scotland	4.61	4.70
North	4.31	4.19
Wales	3.52	4.30
East Anglia	2.59	1.44
Total percentage	100.00	100.00

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:

	2021 %	2020 %
≤60% LTV	53.50	51.15
>60-70% LTV	20.27	18.79
>70-80% LTV	15.13	16.61
>80-85% LTV	6.32	5.85
>85-90% LTV	3.78	4.30
>90% LTV	1.00	3.30
Total percentage	100.00	100.00

The Society's overall weighted average LTV ratio is 56% (2020: 58%).

The table below provides further information on the Society's loans and advances to customers by payment due status as at 1 February 2021:

	2021 £000	2021 %	2020 £000	2020 %
Not Impaired				
Neither past due or impaired	236,418	98.50	209,322	98.28
Past due up to 2 months but not impaired	1,810	0.75	2,330	1.09
Impaired				
Past due 2 to 3 months	122	0.05	262	0.12
Past due 3 to 12 months	1,023	0.43	733	0.34
Past due over 12 months	655	0.27	365	0.17
Possessions	-	-	-	-
Total loans and advances to customers	240,028	100.00	213,012	100.00

Collateral Held

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

	2021 £000	2020 £000
Property against impaired loans and advances to customers	3,264	2,588
Property against non-impaired loans and advances to customers	651,297	577,516
Total	654,561	580,104

COVID-19

During the period, over 300 of the Society's borrowing Members requested to take a mortgage payment deferral on mortgage balances of more than £53.8m. As at 1 February 2021, there were 29 payment deferrals remaining in force totalling £4.7m of mortgage balances. In order to appropriately provide for all mortgages which have deferred payments, a monthly assessment is performed using the financial information the Society holds in relation to each individual mortgage, as well as the borrower's individual circumstances and any information the customer has provided the Society throughout the deferral process.

As at 1 February 2021, of the 287 borrowers which had taken a payment deferral and whose mortgage had not redeemed, 202 were categorised as low risk, 28 as medium risk and 26 as high risk. The remaining 31 cases where deemed to display objective evidence of impairment and were assessed for a specific impairment provision.

Forbearance

A range of forbearance options are available to support borrowers 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:

	2021 Number	2020 Number
Arrangements	13	12
Interest-only	15	11
Extension of term	2	2
Capitalisation	15	15
Total	45	40

Impairment provisions of £95,494 (2020: £54,200) 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 management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various interest rate scenarios. The key scenario that is considered on a monthly basis is that of a 200 basis point (bps) parallel fall or rise in the yield curve.

The interest rate sensitivity of the Society at 1 February 2021 was:

	2021 £000	2020 £000
Sensitivity to profit and reserves		
200bps parallel increase	77	151
200bps parallel decrease	(84)	(169)

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 162 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 or may be obtained by writing to the Secretary at the Society's Head Office.

26. Country-By-Country Reporting

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

The Society has assets in excess of £300 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 1 February 2021:

- Net interest income was £4.9m (2020: £4.5m), profit before tax was £0.7m (2020: £1.0m) 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 58 (2020: 54) all of which were employed in the UK.
- The Society paid £0.2m of corporation tax in the year (2020: £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 1 February 2021

1. Statutory Percentages

	1 February 2021	Statutory Limit
Proportion of business assets not in the form of loans fully secured on residential property (the "lending limit")	0.68%	25%
Proportion of shares and borrowings not in the form of shares held by individuals (the "funding limit")	4.89%	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

	1 February 2021	3 February 2020
As a percentage of shares and borrowings:		
Gross Capital	7.47%	8.25%
Free Capital	6.88%	7.55%
Liquid Assets	20.73%	20.75%
As a percentage of mean total assets:		
Profit after Taxation	0.20%	0.32%
Management Expenses	1.40%	1.46%

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 1 February 2021

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 Leeds Arts University MyPeakPotential Ltd Progressive Care Limited University of Sheffield
Kevin Bernbaum	12.12.62	25.06.14	Treasury & Risk Consultant & Company Director	Educo Ltd Roma Finance Ltd Peartree Advisors Ltd Rangemountain Ltd
Joanna Hall	09.04.65	01.06.19	Marketing Director	AON Retirement Plan
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 Riverside Group
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 Number One CopperPot Credit Union
Gail Teasdale	26.02.68	01.10.20	Chief Executive	National Housing Federation
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, Mazars LLP, One St Peter's Square, Manchester, M2 3DE.

Notes

Chorley Building Society
TRUSTED SINCE 1859

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