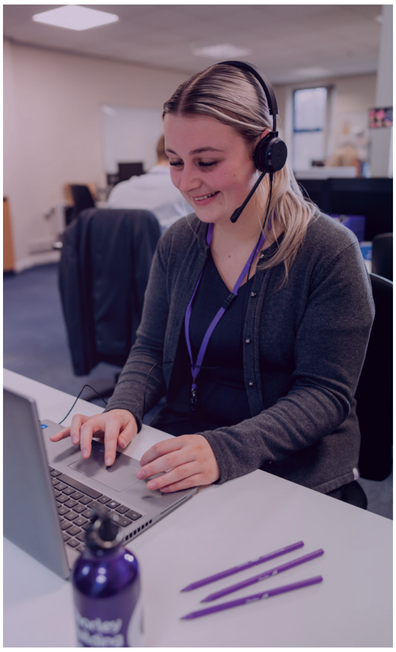
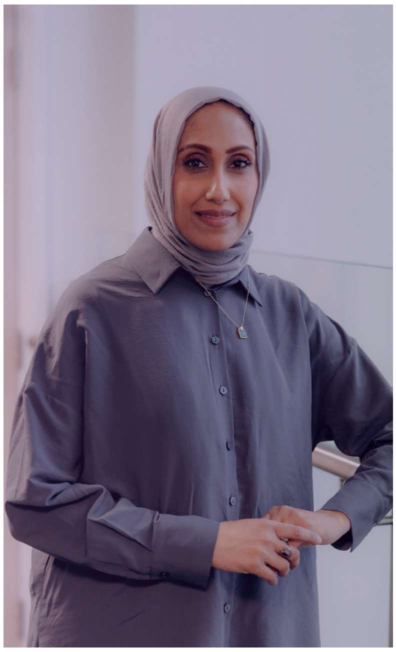


Chorley Building Society

TRUSTED SINCE 1859

Annual Report and Accounts

For the 52-week period ended
5 February 2024



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	Mortgage balances increased by	Net profit	Savings balances increased by	Capital increased to
21.7%	**17.1%**	**£0.27m**	**26.5%**	**£23.5m**
(2023: 7.1%)	(2023: 3.2%)	(2023: £1.22m)	(2023: 7.5%)	(2023: £23.2m)

Directors' Report

The Directors have pleasure in presenting the Society's 165th Annual Report and Accounts and Annual Business Statement for the 52-week period ended 5 February 2024.

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 saver 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.

Introduction from the Chair of the Board

Welcome to our 2024 Annual Report and Accounts. It has been another challenging and eventful year for the Society with subdued housing market activity, multiple Bank of England base rate changes, extraordinary geopolitical events, the cost of living crisis and a highly competitive savers and mortgages market. Despite this, the Society has achieved record levels of mortgage growth, and has been able to offer a comprehensive range of easy access, notice and fixed rate savings products throughout the year. Despite all of the challenges, I am very proud of what has been accomplished.

As a mutual organisation, owned by our Members, our aim is to pay a fair return to our saver Members and charge a fair price to our borrower Members. We retain a surplus to keep our Members' money safe and to invest to improve services for our Members and the local communities where we live and work. I am pleased to advise that we have increased the number of Members we support and will continue to build both financial resilience and help Members buy or build homes.

Your Directors have worked hard on putting into action the five-year, forward looking business plan they set out to achieve in 2023 that continues to support our aims. We have made investments in our technology, people, data management and strengthened operational resilience. We are also working to reduce the carbon footprint left by the Society and our Members, by adopting best practices on climate change throughout our operations.

I am delighted that the Society has won two exceptional accolades for the Best Specialist Mortgage Provider from the British Bank Awards, and Later Life Lender of the Year from the MoneyAge Awards, which truly reflects our commitment to and understanding of our Members.

We have also recently made changes to our governance process and introduced one key new sub-committee of the Board, the Board Risk Committee, and made consequential changes to the Audit, Risk & Compliance Committee that has now become the Board Audit Committee. This will improve the Board's effectiveness in providing oversight in key financial, operational, strategic and risk areas across the business.

I am pleased that Steven Melbourne, our Chief Risk Officer, joined the Board as an Executive Director in October 2023. He joined the Society six years ago and his extensive experience of risk and compliance equips him ideally to lead our ambitions in these areas.

I am also delighted that Lee Bambridge was appointed to the Board as a Non-Executive Director in November 2023, following a career as the Finance Director and then Chief Risk Officer at the Newbury Building Society. Lee is a qualified Accountant and holds a wealth of knowledge and experience in the mutuality sector.

Sadly, Kevin Bernbaum and I will retire from the Board after nine years of service to the Society. I would like to thank Kevin for his dedication and support to the Society, the Executive Directors and the rest of the Board over this extended period.

However, it gives me great pleasure to announce that Peter Brickley, currently a Non-Executive Director for the Society, has been appointed the Chair in succession, after my departure in May 2024. Peter was co-opted to the Board in October 2022 and has a depth of knowledge and experience for his new role as the incoming Chair, having served seven years as the Chair of the Newbury Building Society, as well as holding several other executive positions in a number of global businesses.

Over the last nine years the Society has transformed itself to respond to the needs of Members, it needs to continue to transform so that it can continue to meet those needs. The Society has a strong balance sheet and capital base. In Peter and the rest of the Board I am very confident in the future of the Society as we continue to deliver on our purpose to serve you, our Members. It has been an honour and a privilege to serve you over the last nine years.

The Board will continue to focus on delivering its business strategy and the benefits to you, our Members, and to our local community as we move forward into 2024.

Business Review

The main Key Performance Indicators used by the Board to monitor the performance of the Society are detailed in the table below.

Key Performance Indicators	2024	2023
Total assets	£406.3m	£333.9m
Total asset growth	21.7%	7.1%
Profit before taxation	£0.37m	£1.55m
Net interest margin	1.9%	2.1%
Management expenses as a percentage of mean total assets	1.8%	1.6%
Gross mortgage lending	£87.7m	£70.1m
Net mortgage balances	£312.4m	£267.2m
Mortgage asset growth	17.1%	3.2%
Shares and deposit balances	£368.1m	£291.4m
Capital	£23.5m	£23.2m
Gross capital as a percentage of shares and borrowings	6.2%	7.5%
Free capital as a percentage of shares and borrowings	5.7%	7.0%
Tier 1 capital ratio	17.7%	20.2%
Liquid assets as a percentage of shares and borrowings	23.8%	20.6%

A Successful Year of Achievements

The Society continues to place great value on offering a professional and personalised experience for all Members, both through our friendly and highly skilled employees in our branches as well as our online offerings. During the past year we have continued to improve our online services with Members now having the option to request payments from their savings account through the Chorley Online service.

We are also delighted that we have committed to refurbishing our High Street branch with work due to commence during 2024 which will improve the branch environment for all of the Members who choose to visit us.

Despite the backdrop of challenging economic conditions and geopolitical events, the Society achieved record levels of gross advances in the year. Our teams have been dedicated to supporting our Members, providing a high quality service and a flexible approach. During the year we helped 47 Members purchase their first home and continued to offer a range of mortgage products such as 'Advance Self-Build' as well as 'Green Home Improvement' products for existing borrowers, which acknowledge the ever changing needs of our Members, whilst remaining a responsible lender. Our product range for saver Members continued to include both easy access and a range of notice and fixed rate products with attractive rates.

The Society keeps its savers and mortgage product offerings and market positioning under constant review and makes changes accordingly. Total interest paid to saver Members in the year increased from £3.4m to £10.9m as the Society passed on the benefit of base rate increases through increased savers rates.

We were delighted to continue numerous initiatives during the year to provide added value to our Members. These included providing regular Member e-newsletters, a Knowledge Hub on our website, as well as providing our Members with access to a will writing service through our relationship with Accord Legal Services.

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. We were delighted to be recognised in numerous industry awards throughout the year including winner of the category 'UK's Best Specialist Mortgage Provider' in the British Bank Awards and winner of the 'Later Life Lender of the Year' category at the MoneyAge Awards.

Charitable and Political Donations

The communities in which we 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 charities with much needed donations through Chorley High Five and our employees have been involved in many activities to raise money for our chosen charity of the year.

During the year, £83,021 (2023: £59,741) was donated and comprised 29 (2023: 29) beneficiaries including our Member voted Charity of the Year, Chorley Fundraising Group for Guide Dogs. In addition, we donated Christmas gifts to local children who would not otherwise receive presents at Christmas. We also gave 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 on the Society's charitable giving during the year can be found in the Charity and Community Support information in the Business Review document. This is available on the Society's website www.chorleybs.co.uk or may be obtained by request at the Society's Head Office.

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.

Profit before tax decreased from £1.6m to £0.4m during the year mainly due to higher costs, which include £0.4m of costs relating to the core banking system migration project that the Society has begun, as well as a £0.3m impact from a change in assumption in the effective interest rate methodology due to a change in Member behaviour and £0.2m increased impairment provisions charge. Profits in future years will be reduced further due to the core banking system migration, however sufficient capital will be maintained to meet our capital requirements. The migration is expected to facilitate future growth and enhance our Member experience.

Income Statement Overview	2024 £m	2023 £m
Total income	7.2	6.7
Management expenses	(6.5)	(5.0)
Loan impairment provisions	(0.3)	(0.1)
Profit before tax	**0.4**	**1.6**

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 2.1% to 1.9% during the year principally due to increased competition for savings balances. 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.

Administrative expenses and depreciation

Administrative expenses and depreciation (together "management expenses") increased by £1.5m in the year. Employee costs increased by 17.1% and other administrative costs increased by 55.5% compared to the prior year. The increase in employee costs was driven by increased headcount and higher salaries, required to remain consistent with the market, and the increase in other administrative costs was mainly driven by the core banking system migration as well as interim consultancy costs and increased IT and recruitment costs. Further details can be found in note 5 on page 36.

The ratio of management expenses to mean total assets increased in the year from 1.6% to 1.8%.

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 £0.3m (2023: increased by £0.1m), mainly due to a new individual provision for one specific mortgage, as well as updated collective provision assumptions.

Taxation

The Society discloses an effective corporation tax rate of 26% for the year (2023: 19%). For further information see note 8 on page 37.

Mortgage Credit Quality

Mortgage Arrears

The Society's arrears statistics as at 5 February 2024 remain low compared to both the building society sector and the mortgage industry as a whole. There were 4 cases in serious arrears of 12 months or greater at the year end (2023: 7 cases). The total amount of arrears outstanding on these accounts was £51,176 (2023: £83,546) and the aggregated capital balance was £427,082 (2023: £732,283). 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 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. One property had been repossessed by the 2nd charge lender at the year end.

Forbearance

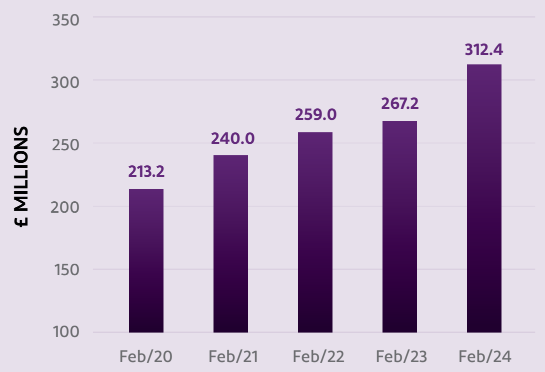
The Society will work closely with any borrower experiencing difficulties, offering help and advice on the situation where appropriate. Forbearance measures may include actions such as temporary interest-only concessions, reduced payment concessions, payment deferrals, an arrangement to clear outstanding arrears, capitalisation of arrears and/or extension of the mortgage term.

Forbearance towards borrowers was applied to 14 accounts as at the year end (2023: 19).

Financial Position

Mortgages (Loans and Advances to Customers)

Mortgage balances after provisions were **£312.4m** (2023: £267.2m) representing growth of **17.1%** (2023: growth of 3.2%).



A summary of the Society's mortgage portfolios is shown in the table:

Mortgage Portfolios	2024		2023	
	£m	Avg. LTV	£m	Avg. LTV
Prime Residential	291.3	54.9%	247.3	54.0%
Buy-to-Let	20.8	59.4%	19.2	58.7%
Commercial	0.5	41.6%	0.5	40.8%
Provisions, EIR & Fair Value Adjustment	(0.2)	-	0.2	-
	312.4	**55.2%**	**267.2**	**54.3%**

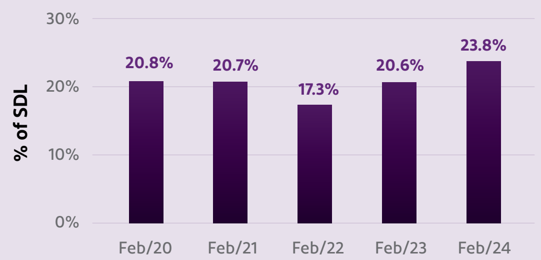
Demand for the Society's range of standard residential owner occupied mortgage products remained strong, leading to record levels of gross advances in the year. As at 5 February 2024, the Society's mortgage book comprised 99.8% residential loans; included in this are Self-Build mortgages (8.6%) and Buy-to-Let mortgages (6.6%).

The Society has historical commercial mortgages amounting to 0.2%, 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 55% (2023: 54%). 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 mortgage book. The Society's mortgages are all secured with a first charge registered against the underlying property as collateral. All mortgages are shown at an indexed LTV using the quarterly regional Nationwide House Prices Indices. Further information on security LTV is provided in note 24 on page 42.

Liquidity

Liquid assets as a percentage of shares, deposits and loans (SDL) increased to **23.8%** (2023: 20.6%)



Liquid assets were **£90.8m** (2023: £63.9m) representing an increase of **42.1%** (2023: increase of 27.5%).

Liquid Assets	2024		2023	
Total liquid asset balances	£90.8m		£63.9m	
By Asset Class	**£m**	**%**	**£m**	**%**
Cash in hand and balances with the Bank of England	87.4	96	61.0	95
Loans and advances to credit institutions	3.4	4	2.9	5
	90.8	**100**	**63.9**	**100**

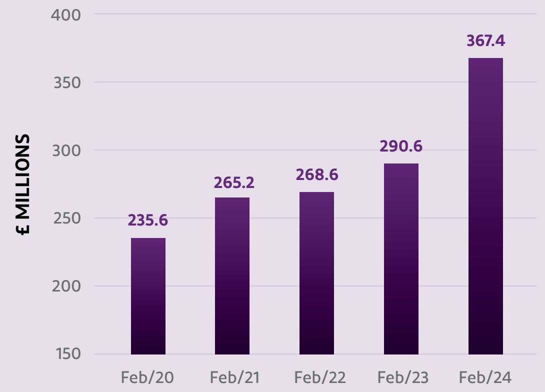
The Society has continued to maintain high quality liquid assets throughout the year. The Society's liquid assets are maintained principally in the form of cash and balances with the Bank of England of an appropriate level and quality. Liquid assets are readily realisable as cash when required to ensure 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.

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 2024 was 341% (31 January 2023: 314%). 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 2023 was 170% (31 December 2022: 160%). 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 **£367.4m** (2023: £290.6m) representing growth of **26.5%** (2023: growth of 7.5%).



The Society aims to generate a level of savings balances that meet its mortgage funding and liquidity requirements. 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.

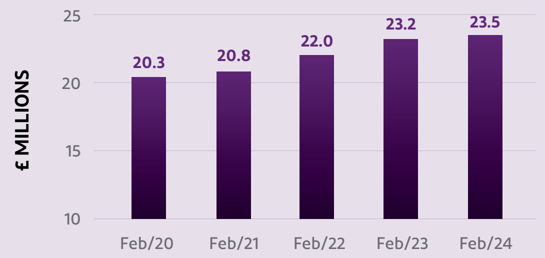
Funding

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. The Society is a participant in the Bank of England's Sterling Monetary Framework (SMF) and has acquired funding from the Term Funding Scheme with additional incentives for SMEs (TFSME) to support lending activities. As at 5 February 2024, the amount borrowed from this scheme amounted to £7.5m (2023: £12.5m) with amounts being repayable no later than four years from the date of draw-down. The Society also accesses funding from the wholesale market. Wholesale borrowings increased during the year by £0.2m to £6.0m compared to the previous year of £5.8m. 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 **£23.5m** (2023: £23.2m) representing growth of **1.2%** (2023: growth of 5.6%).



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

Capital	2024 £m	2023 £m
General Reserve	23.5	23.2
Intangible Assets	(0.5)	(0.4)
Tier 1 Capital	**23.0**	**22.8**
Collective Provision for Impairment Losses	0.4	0.3
Tier 2 Capital	**0.4**	**0.3**
Total Capital	**23.4**	**23.1**
Total Risk-Weighted Assets	**129.4**	**113.2**
CAPITAL RATIOS	**%**	**%**
Common Equity Tier 1 Ratio	17.7	20.2
Leverage Ratio	5.5	6.7
Pillar 1 Ratio	8.0	8.0
Pillar 2A Ratio	0.07	-

The decrease in the CET1 and leverage ratios from 2023 to 2024 has been driven by the growth of the balance sheet and the resulting increase in capital requirements. The balance sheet growth is expected to generate sufficient profits in future years to absorb the additional leverage.

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 5.5% (2023: 6.7%) 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 Board Risk Committee Report on pages 20 to 23.

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 policies 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 Board Risk Committee Report on pages 20 to 23.

The financial instruments used by the Society to mitigate certain risks, particularly interest rate risk, are set out in note 24 on pages 40 to 43.

Directors

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

Non-Executive Directors

John Sandford	Chair of the Board
Kevin Bernbaum	Vice Chair
David Bagley	Senior Independent Director
Julia Cattanach	Non-Executive Director
Joanna Hall	Non-Executive Director
Gail Teasdale	Non-Executive Director
Peter Brickley	Non-Executive Director
Lee Bambridge	Non-Executive Director (from 1 November 2023)

Executive Directors

Stephen Penlington	Chief Executive
David Shelley	Finance Director
Kimberley Roby	Customer Services Director
Steven Melbourne	Chief Risk Officer (from 1 October 2023)

In accordance with the Memorandum and Rules of the Society, Stephen Penlington, Kimberley Roby and Gail Teasdale will retire at the Annual General Meeting on 21 May 2024 and being eligible, will seek re-election to the Board. In addition, Lee Bambridge and Steven Melbourne, being eligible, will seek election to the Board and the Chair, John Sandford, and Vice Chair, Kevin Bernbaum will be retiring after nine years of service. Directors and Officers insurance has been put in place by the Society.

None of the directors have any interest in any connected undertakings of 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 Society has two payment dates per month, so the maximum expected payment term is 15 days unless an invoice is queried for any reason.

The Future Outlook

Economic conditions in 2024/25 are expected to improve as inflation continues to fall and the expectation that the Bank of England will reduce its interest rates, gradually easing pressures on consumers and businesses. However, the Society is cognisant of the current geopolitical risks and therefore the level of uncertainty remains high. As the UK has moved out of a period of ultra-low interest rates and

while interest rates remain heightened, there is also uncertainty regarding the impact of higher interest rates, especially for borrowers approaching the end of a fixed rate mortgage, which can be reasonably expected to impact mortgage affordability and therefore may impact profitability. As a mutual organisation and as a responsible lender we strongly encourage our mortgage Members who are in financial difficulty, or who think they may enter financial difficulty in the future, to make contact with us as early as possible so we can assess what support we can provide.

The Board considers the Society to be well positioned for future adverse events, as evidenced in severe stress tests carried out. The Society maintains adequate levels of liquidity and capital and is able to withstand the severe stresses it has undertaken. Our Board remains vigilant and continues 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. Our business model remains viable and the risks to our business are understood, well controlled and our underwriting and 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, allowing us to invest in modernising our core systems and branches to enhance member experience and this will impact negatively our net surplus in the short term. The Board believes that a successful future outlook lies ahead.

Going Concern

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

The Directors consider that:

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

The Society has considered the financial impacts of the risks arising from the current level of uncertainty 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. Further detail is provided on page 20.

The Directors are therefore satisfied that the Society has adequate resources to continue in business for the foreseeable future and at least twelve months from 27 March 2024. 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 Board Audit 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 reappointment of Mazars LLP as Auditor will be proposed at the Annual General Meeting on 21 May 2024.

On behalf of the Board

John Sandford
Chair of the Board

27 March 2024

Our Directors

John Sandford BA, MA, FCA
Chair of the Board

John was co-opted to 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. John has developed a small portfolio of other Non-Executive and advisory roles within the mutual sector, chairing the Boards of Johnnie Johnson Housing (to September 2022) and Epworth Investment Management Limited. He believes that Chorley has an important role to play within the mutual sector. John has been Chair of the Society since September 2016 having previously been Chair 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.

David Bagley BA (Hons), FCA
Senior Independent Director and Non-Executive Director

David was co-opted to 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. He is married with two daughters and lives in Sheffield. David and his wife are active supporters of Guide Dogs where, for 10 years, he was a trustee and Board member. As the Senior Independent Director, David is available to the Members if they have concerns regarding their membership of the Society and contact through the normal channels – via the Chair of the Board or the Executive Directors – has either failed to resolve the matter or is considered inappropriate.

Kevin Bernbaum BSc, MBA
Vice Chair and Chair of Board Risk Committee

Kevin was co-opted to 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.

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 Executive 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 Constituency (2015) Charitable Trust.

David Shelley BSc, MSc, FCCA
Finance Director

David joined the Society in 2016 as Head of Finance and was co-opted to the Board in November 2022 as Finance Director. He is a Fellow of the Association of Chartered Certified Accountants and graduated from Loughborough University in 2019 with an MSc degree in Leadership and Management. David has over 15 years of experience within the Financial Services industry and is also responsible for the Society's secretarial functions. He is a member of the Assets & Liabilities Committee, Conduct & Operational Risk Committee and Mortgage Credit Risk Committee. David lives in Northwich with his wife and four young children.

Kimberley Roby BA (Hons), MSc
Customer Services Director

Kimberley joined the Society in 2006 and was co-opted to the Board in September 2017 as Customer Services Director. She has responsibility for the Society's Marketing, Product, Mortgage, Savings, Business Development, Transformation and IT operations. Kimberley is Chair of the Mortgage Credit Risk Committee and, as a member of the Charity Committee, plays a key part in organising numerous charity events, ensuring the Society supports local initiatives wherever possible. She is passionate about mutuality and putting our Members at the heart of everything we do. Kimberley has a degree in Business Studies and a master's degree in Leadership and Management. She lives in Coppull Moor with her husband and three young children.

Joanna Hall CIM
Non-Executive Director and Chair of Nominations & Remuneration Committee

Joanna was co-opted to the Board in June 2019 and is Chair of the Nominations & Remuneration Committee, as well as a member of the Board Risk Committee. She is Chartered Institute of Marketing qualified and Digital Marketing certified, with over 35 years' experience in financial services. Joanna's passion is to help companies get closer to their customers, demonstrate their value and make it easier for them to do business. Previous industry roles include AXA Health, Fidelity and eValue (a fintech). 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). Having grown up in the North West, Joanna now lives in Kent with her husband and dog and has two grown up children.

Gail Teasdale ACA
Non-Executive Director, Chair of Board Audit Committee and Whistleblowing Champion

Gail was co-opted to the Board in October 2020, joining fully in May 2021. She is now Chair of the Board Audit Committee, a member of the Board Risk Committee and other Board committees 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 6,800 homes across North Yorkshire. Gail believes it is important that Members are at the core of decision making. She was born in Bradford and now lives near Harrogate with her husband and dogs. In her spare time, she loves walking and running.

Julia Cattanach LLB (Hons)
Non-Executive Director and Consumer Duty Champion

Julia was co-opted to the Board in February 2022. She is qualified as a solicitor in England & Wales. She has had a career in legal and compliance in financial services and has been the Chief Risk Officer for Experian in the UK since 2016. Experian is a global data and analytics firm, well known in the UK for its credit reference agency activities. Julia was born and grew up in New Zealand before coming to the UK in 1996. She lives in Nottingham with her husband and son.

Peter Brickley
Non-Executive Director

Peter was co-opted to the Board in October 2022. He is a member of Nominations & Remunerations Committee, as well as the Board Audit Committee. He has held several executive positions in a number of global businesses including BAT, Centrica, Heineken, SABMiller and latterly Coca Cola Europacific Partners where he leads Business Process reengineering through technology and innovation. Previously he has been a Non-Executive Director for 14 years at the Newbury Building Society, of which he served seven years as Chairman. Peter lives in the Cotswolds with his wife; and has 2 adult daughters. His hobbies are diverse – from classic cars, wine, brewing beer, music and walking with their dogs. Peter is also a Parish Councillor and a trustee of the Brain and Spine Foundation.

Steven Melbourne BA (Hons), MSc
Executive Director and Chief Risk Officer

Steven joined the Society in 2017 and was co-opted to the Board in October 2023. Steven was part of the first cohort to graduate from the Building Society Association's flagship MSc in Leadership & Management from Loughborough University in 2018. He has worked in financial services and the building society sector for almost 18 years and brings a wealth of experience in risk management, finance and treasury. Steven is Chair of the Conduct & Operational Risk Committee and lives in Bolton with his wife and two young children.

Lee Bambridge
Non-Executive Director

Lee was co-opted to the Board in November 2023 and is a member of the Board Audit and Risk Committees. He is a Chartered Accountant and Corporate Treasurer and spent over 15 years at Newbury Building Society, initially as their Finance Director, before moving onto the role of Chief Risk Officer until he retired in May 2023. He is a Trustee for Citizens Advice in Hampshire as well as a Non-Executive Director for the Society. Lee lives in Hampshire with his wife and daughter and his interests include music, clay pigeon shooting and more recently pickleball.

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 26, 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 Society's 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's 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's 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 ensure the preparation of the Annual Accounts 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
Chair of the Board

27 March 2024

Corporate Governance Report

The Directors are committed to adopting best practice in corporate governance. The Society's approach 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 pays due regard to its principles to the extent deemed reasonable and proportionate by the Board, when establishing and reviewing its 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. A new governance structure to future proof the Society was agreed and approved by the Board in 2023. This report outlines the approach adopted by the Society and how the Board considers it has demonstrated application of the principles of the Code and good practices across the sector.

The Role of the Board

The Society recognises that it must be governed effectively with the long-term success of the Society placed front and centre of all decision making. The Board considers that robust governance arrangements are essential for independent and effective decision making, ensuring the objective of safeguarding Members' interests.

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.

There are specific matters reserved for Board decision-making, complemented by specialist Board sub-committees with delegated powers. Board responsibilities are detailed in their Terms of Reference, which have been summarised below. Full details of the Terms of Reference can be found on the Society's website at chorleybs.co.uk.

These include the following sub-committees:

Board Audit Committee – More information can be found on page 18

Board Risk Committee – More information can be found on page 20

Nominations & Remunerations Committee – More information can be found on page 23

In September 2023, to improve the oversight and focus on Risk, the Board set up a separate Board Risk Committee and renamed the Audit, Risk & Compliance Committee the Board Audit Committee.

Board Sub-Committees

- **Board Audit Committee (previously the Audit, Risk and Compliance Committee)**

The Committee meets four times a year to consider all aspects related to audit and compliance for oversight of all of the Society's financial reporting, internal controls, internal audit, external audit arrangements, compliance, whistleblowing and fraud arrangements, and regulatory reporting procedures.

It reviews the fairness and accuracy 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, reappointment or removal of the internal and external Auditors.

At the year end, the following Non-Executive Directors were members of this Committee:

- Gail Teasdale – Committee Chair
- David Bagley
- Lee Bambridge
- Kevin Bernbaum
- Peter Brickley
- Julia Cattanach

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

The Head of Compliance has 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.

- **Board Risk Committee**

The newly comprised Committee provides focus on the Society's current and future risk exposures, future risk strategy including the determination of risk appetite and key risks identified within the Risk Management Framework, with a particular, but not exclusive, focus on prudential risks, and the risks posed by climate change, as well as promoting a strong risk culture that seeks good member outcomes. This Committee complements the Board Audit Committee and provides the Board with assurance on the effectiveness of the Society's controls for the assessment of risk, and ensures key risks have appropriate coverage in the Audit Plan on an ongoing basis.

It oversees the development, implementation and continual improvement of the Society's Risk Management Framework and its integration with the Strategy and the Corporate Planning process, making sure that the Society has an effective Risk Management Framework, including adequate and supporting resources. It will also challenge risk management practices, review the arrangements of the Executive and Senior Management teams and management committee structure, to ensure it promotes and maintains a supportive risk culture that puts Members and employees at the forefront of its work. The Chief Risk Officer is given direct access to the Board Chair and Committee Chair, without the presence of the other Executives to discuss any issues regarding risk management.

The Board Audit and Risk Committees work alongside each other, within specified roles and delegated authorities, to support the Board in its overall responsibilities.

At the year end, the following Non-Executive Directors were members of this Committee:

- Kevin Bernbaum – Committee Chair
- Lee Bambridge
- Julia Cattanach
- Joanna Hall
- Gail Teasdale

As with the Audit Committee, the Chief Executive, Customer Services Director, Finance Director and Chief Risk Officer attend representing the Executive, together with the Head of Compliance. At least once a year, the Committee will arrange for periodic reviews of its own performance.

The Chief Risk Officer has 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 at least twice annually but can meet 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.

At the year end, the following Non-Executive Directors were members of this Committee:

- Joanna Hall – Committee Chair
- David Bagley
- Peter Brickley

The Chair of the Board, Chief Executive, Customer Services Director and Head of HR, Training & Facilities and H&S attend each meeting of the Committee although none are involved in consideration of any matters relating to their own remuneration and are absented from any such discussion.

› Digital Advisory Panel

A new advisory panel was established in May 2023 by the Board to advise the Society on fulfilling its governance responsibilities and provide oversight on the role of technology in executing its business strategy. The Panel consists of up to three external independent industry subject matter experts and two Non-Executive Directors members. The Panel meets up to four times a year, as and when required; to put forward recommendations on technology and investment, the Society's digital strategy, and business operational transformation, with the aim of creating long term accessibility and usability value for the Society's members.

At the year end, the following Non-Executive Directors were members of this Committee:

- Peter Brickley
- Gail Teasdale

The Chief Executive, Customer Services Director, Chief Risk Officer and Head of IT attend each meeting.

Management Committees

The Board delegates authority in other matters to a number of Management Committees, as part of the Society's governance structure. These committees are Executive-led and report to the Board or one its sub-committees.

› Executive Committee

The Committee comprises of Executive Directors and meets every month to manage the day-to-day activities of the Society through the development and implementation of the Board strategy, operational plans, policies, processes and budgets. It steers and monitors the Society's operational and financial performance, effectively manages risks as per the Society's Risk Management Framework, allocates and prioritises appropriate resource and ensures compliance with all governing legislation and regulations.

› Assets & Liabilities Committee

This Committee is currently chaired by the Chief Executive, but this responsibility will be assigned to the Finance Director in 2024. It comprises four 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 is currently responsible for developing and recommending new products and changes to existing products and the Board is satisfied that the composition of the Committee provides recent and relevant financial experience.

› Mortgage Credit Risk Committee

This Committee meets at least three times a year, and more often as is required to fulfil its duties. It monitors and controls mortgage credit risk, and the risk of financial losses arising from a mortgage borrower failing to meet their financial obligations to the Society, within the parameters of the lending policy.

› Conduct and Operational Risk Committee

In November 2023, this new Committee replaced the Society's Risk and Compliance Committee. Its remit is to provide focus on conduct, operational and regulatory risks and issues.

Terms of References for all Management Committees are approved by the Board and are available upon request in writing to the Society's Head Office. Proceedings of all Committees are formally reported to and considered by the full Board.

Division of Responsibilities

The offices of Chair of the Board, Vice Chair, Senior Independent Director, and Chief Executive are held by different people and each role is clearly defined, documented and agreed by the Board.

The Society's Chair, John Sandford, is responsible for leading the Board, and to ensure that it acts effectively, by setting a culture and direction for the Society, and facilitating communication with the Society's members on behalf of the Board. The Chair ensures constructive relationships are maintained between the Non-Executive and Executive Directors.

The Society's Vice Chair, Kevin Bernbaum, is responsible for deputising for the Chair if they are unable to attend a meeting or perform their duties.

David Bagley, one of the Society's Non-Executive Directors, is appointed to the role of Senior Independent Director (SID) to support the Chair of the Board. His main role as SID is to:

- Act as the main point of contact for members if they have concerns which the normal channels of communication with the Chair, Chief Executive or other Executive Directors have failed to resolve, or for which such contact is inappropriate.
- Act as a sounding board for the Chair and Chief Executive on Board and Member matters.
- Be the focal point for Board members for any concerns regarding the Chair, or the relationship between the Chair and the Chief Executive.
- Conduct the Chair's annual performance appraisal, taking into account the views of the Non-Executive and Executive Directors.
- Act as a trusted intermediary for Non-Executive Directors where this is required to help them to challenge and contribute effectively to the success of the Society.
- Take the initiative in discussions with the Chair or other board members if it should seem that the Board is not functioning effectively.
- Take responsibility for an orderly succession process for the Chair by leading the Nominations & Remuneration Committee panel and relaying the recommendation back to the full Nominations & Remuneration Committee and Board.

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 Chief Executive has overall responsibility for managing the Society on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Society and for the formulation of a business plan to achieve the strategic objectives set by the Board.

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.
- Agree the Society's values and standards in meeting obligations to Members whilst complying with all statutory and regulatory requirements.

In addition to the roles of Vice Chair and SID, Gail Teasdale is the Society's Whistleblowing Champion and provides an independent point of contact for employees who may wish to raise issues.

Julia Cattanach is the Society's Consumer Duty Champion.

The Composition of the Board

At the end of the financial year, the Board comprised eight Non-Executive Directors and four Executive Directors, providing a balance of skills, diversity 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. Steven Melbourne, Chief Risk Officer – Executive Director, and Lee Bambridge, Non-Executive Director, were co-opted to the Board on 1 October 2023 and 1 November 2023 respectively and, being eligible, will seek election at the Society's Annual General Meeting on 21 May 2024.

The Chair, John Sandford, and Vice Chair, Kevin Bernbaum will both be retiring after nine years of service at the Society's Annual General Meeting on 21 May 2024.

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 and inclusion 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 33% (2023: 40%) 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 17 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 Chair of the Board 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.
All Directors are encouraged to attend industry events, seminars and training courses to maintain an up-to-date knowledge of the industry, regulatory framework and environmental issues.

Management Information and Support

The Chair of the Board ensures that members of the Board receive sufficient accurate, timely and clear information to enable it to discharge its responsibilities. The Society constantly reviews and improves management information to assist all Committees in discharging their duties. The Society's 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 Chair's performance is assessed by the SID. The Chair carries out an appraisal of each individual Non-Executive Director based on an assessment of their contribution to the Board's performance and the overall success of the Society, taking into account the views of the Executive Directors. The Chair also appraises the Chief Executive's performance based on a range of business and personal objectives.

The Chief Executive carries out an appraisal of the Finance Director, Customer Services Director, and Chief Risk Officer, 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.

A Board effectiveness review is carried out 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 exclusively, and regularly evaluates its own performance along with that of each Director. These are available to view on the Society's website (chorleybs.co.uk).

Re-Election

All new Directors are subject to election by Members of the Society 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. 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 12 and the business performance is reviewed in the Directors' Report on page 4.

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 Board Audit and Risk Committees review the adequacy of these processes and the internal Auditor 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 both the Board Audit and Risk Committees, that the Society's compliance with regulatory and legislative requirements throughout its systems are effective and appropriate to the scale and complexity of the Society's business. Further information is provided in the Board Audit Committee and Board Risk Committee reports on pages 18 and 20.

Remuneration

The Nominations & Remuneration Committee Report found on page 23 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 its Members in a variety of ways, including face-to-face contact, written correspondence, telephone, SMS messaging, 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. The AGM will take place on Tuesday 21 May 2024 at The Mill Café, St Catherine's Hospice, Lostock Lane, Preston PR5 5XU. Members are invited to join the AGM. However, they are encouraged to exercise their right to 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.

Governance Changes in 2024

From 2024, the Society's governance structure will see the Nominations & Remunerations split into two separate committees, along with a new management Product & Treasury Committee reporting directly to the Assets and Liabilities Committee.

The intention is that the Society will continue to be managed by the CEO on a day-to-day basis, and the Board will oversee and supervise the activities and key outputs of the Society's operations by strengthening its governance process even further through the delegation of prescribed responsibilities and authorities from the Board.

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 Committee[1]	Board Audit Committee[2]	Board Risk Committee[3]	Nominations & Remunerations Committee
Non-Executive Directors					
John Sandford (Chair of the Board)	10 (10)				
Kevin Bernbaum (Vice Chair)	10 (10)	2 (2)	2 (2)	1 (1)	2 (2)
David Bagley (Senior Independent Director)	10 (10)		1 (2)		
Julia Cattanach	10 (10)	2 (2)	2 (2)	1 (1)	
Joanna Hall	10 (10)			1 (1)	2 (2)
Gail Teasdale	10 (10)	2 (2)	2 (2)		1 (2)
Peter Brickley	10 (10)	2 (2)	2 (2)		1 (2)
Lee Bambridge[4]	2 (2)		1 (1)	0 (0)	
Executive Directors					
Stephen Penlington	9 (10)				
Kimberley Roby	10 (10)				
David Shelley[5]	4 (10)				
Steven Melbourne[6]	3 (3)				
Total number of meetings	**10**	**2**	**2**	**1**	**2**

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

[1] Until September 2023
[2] From September 2023
[3] From September 2023
[4] From 1st November 2023
[5] David Shelley took a leave of absence during the year for personal reasons
[6] From 1st October 2023

Outside of Board meetings, the Directors met for a day focused on strategy, the Non-Executive Directors met without the Executive Directors present and the independent Non-Executive Directors met without the Chair present to appraise the Chair's performance. Meetings include all those held by video conference.

On behalf of the Board

John Sandford
Chair of the Board

27 March 2024

Board Audit Committee Report

The Board Audit Committee, formerly the Audit, Risk and Compliance Committee, forms part of the Society's Corporate Governance Framework.

It comprises only of Non-Executive Director members and the main function of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the ongoing, monitoring and assessment of the following:

- The integrity of the financial statements and significant financial judgements contained within them.
- The effectiveness of internal controls and systems.
- The internal and external audit processes for the Society, including the performance and independence of both the internal and external Auditors and the engagement of the external Auditor in any non-audit work.

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 13. 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, 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.
- Review of the going concern assessment.

The following significant accounting estimates and judgements are regularly reviewed and challenged by the Committee, including the Society's policies for each estimate and judgement:

- Loan impairment provisions:
  The Committee reviews and challenges the criteria for recognition of mortgage impairment provisions and key assumptions applied when calculating provisions.
- Interest income recognition:
  The Committee reviews and challenges the key assumptions applied in the calculation of interest income as per the effective interest rate methodology, including the expected life of mortgage assets.
- Valuation of Derivative Financial Instruments:
  The Committee reviews the appropriateness of the valuation methodology of derivative financial instruments.

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

The Committee has identified no material uncertainties as to the Society's ability to continue to adopt the going concern basis of accounting over the period of twelve months from the date the financial statements are approved, which is 27 March 2024.

Furthermore, the Committee considers that it has properly discharged its duties in relation to the financial reporting of the Annual Report and Accounts and had recommended 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 Chief Risk Officer
- 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 Team 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 Auditors, approving the risk-based internal audit plan and monitoring relevant activity, including the progress made by management in addressing any audit findings.

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 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.

The Board Audit Committee approves the annual internal audit plan and receives regular updates on the progress made against the plan and the results of each audit visit.

The Society has outsourced its internal audit function to RSM Risk Assurance Services LLP.

External Audit

The Committee is responsible for providing oversight of the Society's relationship with the external Auditor, and specifically the:

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

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.

The Society has outsourced its external audit function to Mazars LLP.

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 Board Audit Committee

Gail Teasdale
Chair

27 March 2024

Board Risk Committee Report

The Society recognises that risk is inherent in the delivery of the Board's Member-led strategy. Whilst these risks can never be eliminated entirely, through effective risk management they can be mitigated to levels within the Board's risk appetite. The Board has agreed a risk appetite that establishes the amount of risk acceptable to the business in pursuit of its overall strategy, helping the Society achieve sustainable growth and serving the best interests of its Members and customers. The Board's risk appetite is reviewed at least annually to ensure it continues to align with the Society's operating environment, strategy and risk management framework.

Board Risk Committee membership is comprised only of independent Non-Executive Directors and therefore acts independently from the executive management team. The Committee's purpose is to ensure that the interest of Members is protected in relation to the management of risk. Its role is to consider all risk related matters, including forward looking risks, to ensure the Society has an effective risk management framework, has a defined risk culture, an effective control environment and that risk is being managed robustly.

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.
- An effective internal control framework

It is supported by regular reports from both the first line of defence (the operational areas) as well as the second line of defence (risk & compliance).

Risk strategy & risk appetite

The Board Risk Committee ensures that the Society has a clearly defined risk strategy and risk appetite framework that aligns to its purpose, values, and strategic objectives. It recommends to the Board the design, development, and implementation of a risk management framework consistent with the risk strategy.

The Committee assesses whether the risk strategy and broader risk management framework clearly defines the approach to managing risks, details aggregate types and the extent of risk the Society is willing to accept and translates this into a robust risk appetite framework which aids effective management decision making.

The Board Risk Committee and the Board have carried out a robust assessment of the Society's emerging and principal risks, and a summary of the outcome of that assessment is included in this report, along with further information on the Society's risk management framework and the mitigation strategies for the specific risks to which the Society is exposed.

Risk culture

The Society's risk culture guides decision making and underpins how colleagues approach their work. The risk culture is expressed through the attitudes and behaviours demonstrated by all colleagues regarding risk awareness, risk taking and risk management.

The Board has created an environment for colleagues where integrity, ownership, accountability, Member interests and respect are at the heart of the Society's objectives, values and business practices.

The Board Risk Committee assesses whether the Board's stated risk culture expectations have been appropriately translated into a framework of values and desired behaviours and monitors the degree to which the desired risk culture is embedded.

The Committee also assesses whether the executive management's attitude towards the internal control environment and identified remedial activities set the appropriate tone and is supportive of a healthy risk culture.

Risk information, reporting and stress testing

The Committee assesses the quality and appropriateness of Board-level risk information and reporting, ensuring any significant matters are escalated promptly.

The Committee ensures that a robust stress testing framework is in place, challenging the severity and reasonableness of scenarios and key assumptions. The Risk Management Framework makes use of stress and scenario testing to consider potential stressed outcomes for the Society. For example, the stresses caused by falling house prices, volatile interest rates, rising unemployment, and rising levels of inflation, impacting cost of living pressures. The results of the stress and scenario testing are then used to evaluate the adequacy of the Society's financial strength, its key controls in place, and to test the Society's management responses if such events did transpire. The results of the stress testing demonstrates the Society's robust financial strength, with the results showing that the Society has sufficient capital and liquidity resources to withstand a range of severe but plausible stress scenarios.

The Business Plan has also been reviewed and scenarios have been modelled which take into account potential adverse market conditions, which again reaffirm the Society's financial strength.

Risk management and internal control systems

The Committee ensures that the executive management have a sound understanding of the Society's current and emerging risks, how they may impact both positively and negatively and consider the effectiveness of proposed or actual risk mitigations.

The Committee assesses the effectiveness of the Society's emerging risk identification and horizon scanning processes, and challenges whether the executive management has effectively assessed the risks as well as the potential benefits associated with key strategic initiatives.

The Committee monitors and challenges the executive management on the adequacy of operational resilience and business continuity arrangements and assesses the design, implementation and operation of risk management arrangements.

The Committee ensures the internal control environment continues to operate effectively, assesses the independence and effectiveness of the risk function and determines whether the risk appetite framework is appropriately embedded within management decision-making processes.

Three Lines of Defence

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 Function, 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 and Compliance 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 from internal audit.

First Line of Defence - Front Line Management & Employees
- Takes ownership for risk
- Ensuring effective construction and implementation of internal systems and controls and MI reporting

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

Third Line of Defence - Internal Audit
- Independent assurance over the first two lines of defence provided by internal audit

Principal Risks and Uncertainties

The principal risks and uncertainties of the Society are outlined below:

› Credit Risk

This is the risk that mortgage borrowers or treasury counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due, resulting in financial loss. 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 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 the Board Risk Committee prior to being recommended to the Board for final approval. Furthermore, the Society maintains a Mortgage Impairment Policy. This clearly defines the criteria for making appropriate provisions for potential mortgage impairments.

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 the Board Risk Committee prior to being recommended to the Board for final approval.

› Financial Risk

Financial Risk is broken down into three sub-risk types as follows:

Liquidity and Funding 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), a Prudential Funding Plan and an Internal 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, Prudential Funding Plan and ILAAP are reviewed annually by the Assets & Liabilities Committee and the Board Risk Committee prior to being recommended to the Board for final approval.

Capital Risk

The risk that the Society has insufficient capital to cover regulatory requirements and/or to support its growth plans. The Society manages Capital Risk via the Board approved Capital Risk Appetite which is assessed via the Five-Year Business Plan and through capital stress testing.

Key assumptions, risks and controls around the management of capital risk is outlined within the Internal Capital Adequacy Assessment Process (ICAAP). Stress tests are carried out regularly to confirm that the Society can withstand severe but plausible capital stresses. The ICAAP is reviewed annually by the Assets & Liabilities Committee and the Board Risk Committee prior to being recommended to the Board for final approval.

Market Risk (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 including market 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 24 on pages 40 to 43. The FRMP is reviewed annually by the Assets & Liabilities Committee and the Board Risk Committee prior to being recommended to the Board for final 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:

- Financial Crime
- Cyber Security (including Cyber Incident Response Plan)
- Information Security
- Operational Resilience (including an Outsourcing & Third-Party Supplier Policy and Business Continuity Plan)

These policies are reviewed annually by the Conduct & Operational Risk Committee (COR) and recommended for approval by the Board Risk Committee.

In 2023/24, the Society also implemented a Change Management Framework.

Operational risk registers are maintained by Senior Management for each department and are subject to regular review and assessment by the COR. In addition, the mitigating controls are equally subject to regular review and assessment. Furthermore, operational risks are reported to the COR on a quarterly basis, or more often where required.

› **Strategic Risk**
This is the risk that the Society is not able to continue in business or that it may not be able to carry out its business plans and/or strategy, resulting in a risk to earnings, reputation and financial viability.

During 2023 the Bank of England Base Rate increased to 5.25%, putting further pressure on households after a prolonged period of inflation. Towards the end of the year, inflation has reduced to lower levels, albeit at a position that is still higher than the Monetary Policy Committee's 2% CPI target. Further downward inflationary pressure is anticipated, with the money markets currently predicting that the next rate change from the Bank of England will be to lower rates.

However, geo-political and political risks remain elevated, with the Society monitoring this area of Strategic Risk closely. This area of Strategic Risk has been considered within the Society's stress testing framework, with the results demonstrating that the Society has sufficient capital and liquidity resources to withstand a range of severe stress scenarios.

› **Legal and Regulatory Risk**
This is the risk of legal or regulatory sanctions/fines/censures, or material loss, as a result of a failure to comply with laws, regulations, codes of conduct and standards of good practice. Changing laws, the volume and complexity of regulatory requirements and the risk of non-compliance with increased regulatory requirements may also impact the Society's ability to compete and grow. The Society's internal Risk and Compliance function operates to identify and monitor regulatory changes to allow management to respond in an appropriate manner. This risk is regularly reviewed by the Board Risk Committee.

› **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 the way it conducts dealings with its Members is fair and delivers good outcomes, which are 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 and services, price and value, Member understanding and Member support. The Conduct Risk Framework is reviewed annually by the COR and recommended for approval to the Board via the Board Risk Committee.

In 2023/24 the Society successfully completed its Consumer Duty implementation plan prior to the first key deadline of 31 July 2023 for live products, with Consumer Duty considerations being fully incorporated into the Conduct Risk Framework.

Financial Risks from Climate Change

Due to the all-encompassing nature of this risk discipline, the Financial Risks from Climate Change has not been added as a new principal business risk, instead it has been incorporated into the considerations for each of the Society's existing principal business risks.

The Society recognises the risks and challenges posed by climate change, particularly in the form of physical risks and transition risks.

- 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 has successfully embedded both physical and transition climate change risks into its risk management, risk metrics, governance and scenario analysis practices.

› **Risk Management**
Financial risks of climate change has been fully incorporated into the Society's Risk Management Framework and incorporated into risk appetites, risk metrics, risk policies, risk registers and with forward looking horizon scanning practices.

Within the year the Society has continued to offer a green mortgage range specifically designed to assist borrowers with retrofitting their properties and making them more energy efficient.

› **Risk Metrics**
The Society has developed its climate change risk metrics, by incorporating both physical and transition risk metrics into the Society's management information, for the purpose of enhancing reports received by the Board Risk Committee, to discharge its responsibilities to oversee risk, to the Board. The Society has integrated climate change metrics into both its mortgage credit risk considerations, as well as into its treasury credit risk considerations. Where the Society has obtained an Energy Performance Certificate (EPC) for the underlying security in connection with its mortgage lending (81% of total mortgage balances), the following table shows the breakdown of mortgage balances by EPC rating as at 5 February 2024:

	A	B	C	D	E	F	G
2024	2%	21%	21%	36%	17%	3%	0%
2023	1%	19%	20%	37%	19%	3%	1%

› **Governance**
Under the Senior Management regime, responsibilities for financial risks from climate change have been allocated to the Chief Risk Officer who has been successful in embedding practices within the governance risk structure. In 2023/24, further work was undertaken to ensure that matters from this risk discipline are incorporated into the Society's terms of references, in addition to being incorporated into job descriptions of relevant first line staff.

› **Scenario Analysis**
Over the year, the Society has continued to develop its scenario analysis through a combination of internal and external quantitative analysis, and additional qualitative analysis. Internal long-term scenarios developed include a mixture of physical and transition risk, which take into account physical flooding risks, in addition to transition risks covering the energy efficiency ratings of properties. When assessing these specific long-term scenarios, the Society has allocated a small amount of capital within its Internal Capital Adequacy Assessment Process (ICAAP) to take into account these long-term risks.

In 2023, this internal scenario analysis has continued to be complemented with a long-term qualitative assessment, which takes into account the impact of both physical and transition risks using various climate pathways. The Society's internal analysis is then validated via the use of third-party loan portfolio screening, covering the physical risks of flooding, coastal erosion and subsidence. This also covers the cost of remediation to make lower energy efficient properties more efficient. This exercise was conducted in 2023, with the output continuing to show that the Society's exposure to climate risks remains low.

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 Board Risk Committee

Kevin Bernbaum
Chair

27 March 2024

Nominations & Remuneration Committee Report

The Nominations and Remunerations Committee assists the Board in discharging its oversight responsibilities in relation to the ongoing review, monitoring and assessment of:

- The skills, knowledge, experience and diversity of the Board and Board's structure, maintaining up to date succession plans, identifying potential internal/external candidates to be appointed as Non-Executive Directors/Executive Directors.
- Role and capability description for Board appointments, undertaking the recruitment and selection process and making suitable recommendations to the Board.
- The framework and broad policy for the remuneration of the Board's Chair, Chief Executive Officer, Executive Team and Remuneration Code Staff (Material Risk Takers).
- Committee Membership & Director Commitments.

The Committee acts within the principles of the UK Corporate Governance Code, FCA's Remuneration Code, and the requirement to disclosure under the EU Capital Requirements Directive V (CRD V) and operates within its Terms of Reference agreed by the Board which are reviewed annually. A full copy of the Terms of Reference can be found on the Society's website.

This report provides a summary of the Committee's work and how its responsibilities are discharged throughout the year. The composition of the Committee and meeting attendance is described in detail as part of the Corporate Governance Report on page 13. 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.

The Procedure for Nominations

The Committee leads the process for Director appointments which entails a formal, robust, and transparent process for new Directors appointed to the Board. It considers the balance of skills, knowledge and experience of the Board when dealing with Board appointments and pay particular attention to the Board succession plan and skills matrix for both Non Executive and Executive roles before it makes its recommendation to the full Board.

Each appointed Director must obtain the required regulatory approvals and meet the fitness and propriety standards required in order to fulfil their role. The Board will give due regard to the equality and diversity on the Board. Nevertheless, appointments are made on merit. Vacancies are advertised widely to ensure opportunities are accessible to underrepresented groups.

Within prudential constraints, the Board aims at diversity in its membership, particularly gender diversity and diversity of age. The Society is run by a Board of Directors which, as at 5 February 2024, comprised eight Non-Executive Directors and four Executive Directors. Of these, 33% identify as female. Across the wider Society, 63% of Senior Management identify as female with a further 73% of the Society's employees also identifying as female.

Election/Re-election

All Directors are subject to election by Members at the Annual General Meeting following their appointment to the Board – this is called 'co-option'. All new Directors (both Executive and Non-Executive) receive appropriate induction and training, including attendance at various industry courses, seminars and conferences organised by professional bodies.

Directors are required to seek re-election after three years and every three years thereafter and do not generally serve more than three full terms. Any Non-Executive Director serving for a period in excess of 9 years, is subject to annual re-election by the Members.

Commitment

When considering the effectiveness of the Directors, the Board takes into account other demands on Directors' time. Directors are required to declare any significant commitments with an indication of the time involved. This applies to existing and prospective Non Executive Directors.

Development

All Directors are encouraged to attend industry events, seminars and training courses to maintain an up-to-date knowledge of the industry, regulatory framework and environmental issues. Any development needs are identified as part of the annual appraisal of the Board and individual Directors' performance and effectiveness, and training provided as appropriate

Information and support

The Chair ensures that the Board and members of sub committees receive sufficient information to enable them to discharge their duties. The Senior Leadership Team ensures that information is delivered in accordance with Board requests.

Board members have access to the advice of the Society Secretary, who is responsible for advising the Board on all governance matters.

Evaluation

Each year, Directors are subject to a formal appraisal at which their contribution to the Board's performance is assessed. The assessment includes training, development and attendance.

The Chair carries out the Chief Executive's and Non-Executives' appraisals. The Chair is appraised by the Non-Executive Directors, with the Chair's appraisal undertaken by the Senior Independent Director.

The Procedure for Determining Remuneration

The Committee also reviews and approves the process for the remuneration of Non-Executive Directors, Executives, and other Material Risk Takers and explains the process for setting them. This is carried out on an annual basis.

When considering proposals for remuneration, the Committee will take into consideration data from comparable organisations and from the market within which the Society operates.

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 Society's Remuneration Policy does not include significant performance-related variable remuneration, nor does it 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 Committee will however consider the maximum pay awarded in terms of variable remuneration on an annual basis.

Non-Executive Directors' Remuneration

The Society's Remuneration Policy rewards Directors through fees according to their time committed, expertise and 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 comprise:

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 Chair, Vice-Chair and Sub-Committee Chair positions held.

* Non-Executive Directors fees include taxable travel expense paid

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

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

Executive Directors' and Material Risk Takers' Remuneration

The Society's Remuneration Policy sets remuneration levels which seek to 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 comprise:

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 (Audited)

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

	2024 £000	2023 £000
John Sandford (Chair of the Board)	40	33
Kevin Bernbaum (Vice Chair)	29	25
David Bagley	27	23
Julia Cattanach	26	22
Joanna Hall	27	24
Gail Teasdale	27	22
Peter Brickley	26	7
Lee Bambridge (from 1 November 2023)	7	-
Total	**209**	**156**

2024	Salary £000	Pension £000	Bonus £000	Benefits £000	Total £000
Stephen Penlington	175	25	12	1	213
Kimberley Roby	117	11	11	1	140
David Shelley	105	10	10	1	126
Steven Melbourne[1]	35	3	-	-	38
	432	**49**	**33**	**3**	**517**

2023	Salary £000	Pension £000	Bonus £000	Benefits £000	Total £000
Stephen Penlington	164	23	15	1	203
Angela Kos[2]	202	8	12	1	223
David Shelley[3]	18	1	-	-	19
Kimberley Roby	110	10	9	1	130
	494	**42**	**36**	**3**	**575**

[1] From 1 October 2023 [2] Until 31 October 2022 [3] From 22 November 2022

Summary of Material Risk Takers' Remuneration

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

2024	Number during the year	Fixed Remuneration £000	Variable Remuneration* £000	Total £000
Non-Executive Directors	8	209	-	209
Executive Directors	4	484	33	517
Material Risk Takers	8	499	29	528
	20	**1,192**	**62**	**1,254**

2023	Number during the year	Fixed Remuneration £000	Variable Remuneration* £000	Total £000
Non-Executive Directors	7	156	-	156
Executive Directors	4	539	36	575
Material Risk Takers	13	563	38	601
	24	**1,258**	**74**	**1,332**

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

On behalf of the Nominations & Remuneration Committee

Joanna Hall
Chair

27 March 2024

Independent Auditor's Report

to the Members of The Chorley and District Building Society

Opinion

We have audited the annual accounts of The Chorley and District Building Society (the 'Society') for the 52 week period ended 5 February 2024 which comprise the Statement of Income and Movements in Members' Interests, the Statement of Financial Position, the Cash Flow Statement, and notes to the annual accounts, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

› give a true and fair view of the state of the Society's affairs as at 5 February 2024 and of the Society's income and expenditure for the 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.

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 Financial Reporting Council's ("FRC") Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the annual accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

Our audit procedures to evaluate the directors' assessment of the 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;

› 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 forecasts, including the potential cost of an IT transformation, 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 5-year Business Plan, latest Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') and its reverse stress testing;

› Performing a sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Society;

› Testing the accuracy and functionality of the model used to prepare the directors' forecasts;

› Assessing the historical accuracy of forecasts prepared by the directors;

› Considering the consistency of the director's 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 matter

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

This matter, 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
Provision for impairment of loans and advances to customers (2024: £712k, 2023: £418k) Refer to note 1.3 for the associated accounting policy and management's critical judgements and estimates in applying the accounting policy, and note 11 of the annual accounts for disclosures. Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation in calculating the year-end provision. The total impairment provision of the Society consists of an individual provision on loans with default indicators and a collective provision on the performing portfolio, both of which are of loans secured against residential and commercial properties. The Society has limited history of actual loan loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being applied in deriving 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 of default ('PD') of the loans. The impairment assessment may be sensitive to other factors applied to take account of the impact of inflation on borrowers' financial resilience and the strength of the UK property market.	Our audit procedures included, but were not limited to: › Evaluating the design and implementation and testing the operating effectiveness of the key controls in relation to the credit process (loan origination and approval, loan redemptions and arrears monitoring); › Assessing the Society's impairment methodology for compliance with applicable standards; › Critically assessing how management has performed the accounting estimate, including reviewing the reasonableness and appropriateness of external and internal data used, and consider whether this is consistent with our understanding of the Society's portfolio; › Critically assessing the methodology for identifying individual impaired loans and whether they are then subject to individual impairment assessment; › Testing the completeness and accuracy of loans that are assessed by management for specific impairment provision; › Comparing the Society's key assumptions with similar lenders and loan portfolios with similar characteristics to assess whether these assumptions are consistent with other industry benchmarks; › Performing sensitivity analysis over the key assumptions of PD and FSD in order to assess the impact of adopting alternative assumptions which could be considered reasonable based on our industry knowledge; › Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Society's portfolio; › Performing a stand back assessment of the resulting individual and collective impairment estimates to assess their reasonableness; and › Assessing the adequacy of the related disclosures in relation to the degree of the estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers in the annual accounts. **Our observations** Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 5 February 2024 to be reasonable and in compliance with the requirements of FRS 102.

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	£235,000 (2023: £232,400)
How we determined it	1% of reserves (2023: 1% of reserves)
Rationale for benchmark applied	We consider that reserves are 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. Further, reserves as a benchmark are supported by the fact that regulatory capital is a key benchmark for management and regulators, where reserves are 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 £164,500 (2023: £162,600) was applied in the audit based on 70% (2023: 70%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount toward the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £7,000 (2023: £11,600) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 12, 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 or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the 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'), the Financial Conduct Authority ('FCA'), anti-money laundering regulations, and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the annual accounts.

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

- Gaining an understanding of the legal and regulatory framework applicable to the Society, the industry in which it operates and considering the risk of acts by the Society which were contrary to the applicable laws and regulations including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, primarily the PRA and FCA, during the period and up until the date of the approval of the financial statements;
- Attending a bilateral meeting with the PRA;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the Chief Risk Officer, from inspection of the Society's regulatory and legal correspondence and review of minutes of meetings of the Board of Directors and Board Audit Committee during the period and up to the date of approval of the financial statements.

We also considered those other laws and regulations that have a direct impact on the preparation of annual accounts, such as the Building Societies Act 1986 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

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

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

A further description of our responsibilities is available on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Other matters which we are required to address

Following the recommendation of the Board Audit Committee, we were appointed by the Directors on 12 October 2020 to audit the annual accounts for the period ended 11 February 2021 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the periods ended 11 February 2021 to 5 February 2024.

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 our additional report to the Board 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

30 Old Bailey
London
EC4M 7AU
United Kingdom

27 March 2024

Statement of Income and Movements in Members' Interests

For the 52-week period ended 5 February 2024 and for the 52-week prior period ended 6 February 2023.

	Note	2024 £000	2023 £000
Interest receivable and similar income	2	18,044	10,093
Interest payable and similar charges	3	(10,948)	(3,390)
Net interest income		7,096	6,703
Net gains/(losses) from derivative financial instruments	4	101	-
Fees and commissions receivable		47	61
Fees and commissions payable		(21)	(33)
Total income		7,223	6,731
Administrative expenses	5	(6,241)	(4,816)
Depreciation and amortisation	5	(323)	(266)
Operating profit before provisions and taxation		659	1,649
Provisions for impairment losses	11	(294)	(96)
Profit on ordinary activities before tax		365	1,553
Tax on profit on ordinary activities	8	(94)	(331)
Profit for the financial year		271	1,222
Members' interests at the beginning of the year		23,240	22,018
Members' interests at the end of the year		23,511	23,240

The Notes on pages 33 to 43 form part of these accounts.

The above results are all derived from continuing operations.

Statement of Financial Position

As at 5 February 2024 and as at 6 February 2023.

	Note	2024 £000	2023 £000
Assets			
Liquid Assets			
Cash in hand		216	261
Loans and advances to credit institutions	9	90,548	63,629
Loans and advances to customers			
Loans fully secured on residential property	10	311,884	266,686
Other loans – fully secured on land	10	536	542
Investments	12	154	154
Intangible fixed assets	13	554	398
Tangible fixed assets	14	1,598	1,545
Prepayments and accrued income	15	797	674
Derivative assets	16	40	-
Total Assets		**406,327**	**333,889**
Liabilities			
Shares	17	367,439	290,557
Amounts owed to credit institutions	18	6,156	5,799
Amounts owed to other customers	19	8,196	13,386
Other liabilities	20	163	384
Accruals and deferred income	21	600	446
Provision for liabilities	22	152	77
Derivative liabilities	16	110	-
Total Liabilities		382,816	310,649
General reserve		23,511	23,240
Total Liabilities and Reserves		**406,327**	**333,889**

The Notes on pages 33 to 43 form part of these accounts.

Approved by the Board of Directors on 27 March 2024.

John Sandford	**Kevin Bernbaum**	**Stephen Penlington**
Chair of the Board	Vice Chair	Chief Executive

Cash Flow Statement

For the 52-week period ended 5 February 2024 and for the 52-week prior period ended 6 February 2023.

Cash Flows from Operating Activities	Note	2024 £000	2023 £000
Profit before tax		365	1,553
Adjustments for:			
Depreciation and amortisation	5	323	266
Increase/(decrease) in impairment of loans and advances	11	294	96
Loss on disposal of intangible fixed assets	13	1	2
Loss on disposal of tangible fixed assets	14	1	-
Net (gains)/losses from derivative financial instruments	4	(101)	-
Changes in operating assets and liabilities			
(Increase)/decrease in prepayments and accrued income		(124)	(171)
(Decrease)/increase in accruals and deferred income		155	(124)
Increase/(decrease) in other creditors		36	39
Increase in loans and advances to customers (excluding provisions)		(45,306)	(8,293)
Increase in shares		76,882	21,936
(Decrease)/increase in amounts owed to credit institutions and other customers		(4,833)	(948)
(Increase)/decrease in loans and advances to credit institutions (not on demand)		(200)	(32)
(Increase)/decrease in derivative accrued interest		(9)	-
Taxation paid		(276)	(249)
Net cash increase/(decrease) from operating activities		27,208	14,075
Cash flow from investing activities			
Purchase of intangible fixed assets	13	(407)	(259)
Purchase of tangible fixed assets	14	(127)	(53)
Net cash used in investing activities		(534)	(312)
Net increase/(decrease) in cash and cash equivalents		26,674	13,763
Cash and cash equivalents at the beginning of the year		63,607	49,844
Cash and cash equivalents at the end of the year		90,281	63,607
Cash and cash equivalents consist of:			
Cash in hand		216	261
Loans and advances to credit institutions repayable on demand	9	90,065	63,346
Cash and cash equivalents		90,281	63,607

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

The Society has considered the financial impacts of the risks arising as a result of the current level of uncertainty 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 Directors are therefore satisfied that the Society has adequate resources to continue in business for the foreseeable future and at least twelve months from 27 March 2024. For this reason, the accounts are prepared on a going concern basis.

Total Income
Interest receivable/payable is credited/charged 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. 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.

Investments in equities over which the Society has no significant influence are measured at cost less impairment.

The Society uses interest rate swaps (pay fixed, receive SONIA) to hedge against the interest rate risk exposure on fixed rate mortgages that are funded by variable rate savings. Interest rate swaps are recognised at fair value in the Statement of Financial Position with the gain or loss on re-measurement recognised immediately in the Statement of Income and Movements in Members' Interests.

The Society applies "International Accounting Standard 39 Financial Instruments: Recognition and Measurement" ("IAS 39") as allowed by FRS 102 section 12 paragraph 15A in relation to fair value hedge accounting of interest rate exposure of a portfolio of financial instruments.

On initial designation of the hedge, the Society formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the hedged items during the period for which the hedge is designated, and assesses actual results to confirm that each hedge is highly effective.

Providing that the hedge is highly effective, the carrying value of the hedged item (fixed rate mortgages) is adjusted by the change in fair value and any gains or losses on re-measurement are recognised immediately in the Statement of Income and Movements in Members' Interests.

At the start of the hedge relationship, any opening fair value adjustment of the hedged item is amortised to the Statement of Income and Movements in Members' Interests using the effective interest method over the remaining re-pricing period of the hedged item.

Where cash collateral is received in respect of interest rate swaps, it is included as a liability within "Amounts owed to credit institutions". Where cash collateral is pledged, it is included as an asset in "Loans and advances to credit institutions".

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 pledges 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.

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 either the original valuation on advance, or a subsequent valuation 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 out 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.

Investments
Investment are 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 EIR, an assumption is made in respect of the expected life of mortgage assets based on the term of the product and historical repayment data. These estimates are reviewed on a regular basis to ensure they reflect the portfolio's actual performance. During 2023-24, the assumed expected life of mortgages was set the same as the contractual initial term of the product, resulting in a write-off of the EIR interest asset of £0.3m.

Sensitivity analysis has been carried out on the expected life of mortgages and shown that an increase in expected life of one month would increase the carrying value of the EIR asset by £347,644 (2023: £221,543) with a corresponding increase to income.

As at 5 February 2024, the value of the EIR asset is £353,750 (2023: £603,964), representing the prepayment of fees associated with mortgage assets, which are charged to the Statement of Income and Movements in Members' Interests over the contractual life of the mortgage products.

- 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 5 February 2024, provisions for impairment of loans and advances to customers totalled £711,846 (2023: £418,180) against £312,598,318 (2023: £267,042,290) of mortgage balances. The full economic impact of rising interest rates is still unknown and this results in a high level of uncertainty regarding the Society's exposure to potential impairment losses.

Management believe that the level of provisions reflects a high level of uncertainty and additional credit risk in both the current and previous year. 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 £101,429 (2023: £63,998) 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 £164,398 (2023: £158,010) increase in the provision and a corresponding charge to the Statement of Income and Movements in Members' Interests.

- Valuation of derivative financial instruments
The fair values of interest rate swaps are calculated on a discounted cash flow basis with the future cash flows determined using generally observable SONIA yield curves derived from quoted interest rates that match the timings of the cash flows and maturities of the instruments.

2. Interest Receivable and Similar Income

	2024 £000	2023 £000
On loans fully secured on residential property	14,705	9,054
On other loans	43	32
On liquid assets	3,267	1,007
Net interest income on derivatives	29	-
	18,044	10,093

During the year there were mortgage incentives that were charged against interest receivable of £102,251 (2023: £162,925). The movement in the effective interest rate adjustment during the year was included within interest receivable of £(250,214) (2023: £12,310).

3. Interest Payable and Similar Charges

	2024 £000	2023 £000
On shares held by individuals	10,026	3,077
On deposits and other borrowings	922	313
	10,948	3,390

4. Net Gains/(Losses) from Derivative Financial Instruments

	2024 £000	2023 £000
Derivatives in designated fair value hedge relationships	(84)	-
Adjustments to hedged items in fair value hedge accounting relationships	180	-
Derivatives not in designated fair value hedge accounting relationships	5	-
	101	-

5. Administrative Expenses

	2024 £000	2023 £000
Employee costs (including Executive Directors)		
Wages and salaries	3,167	2,785
Social security costs	320	289
Pension and other costs	323	179
	3,810	3,253
Other administrative expenses	2,431	1,563
	6,241	4,816

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

Depreciation and amortisation	323	266

Services provided by the Society's Auditor

	2024 £000	2023 £000
Fees payable for the audit	125	97
Non-audit assurance services	-	-

Remuneration of the Auditor disclosed above excludes VAT.

6. Employees

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

	Full Time		Part Time	
	2024	2023	2024	2023
Head Office	56	51	14	13
Branch Offices	4	4	2	2
	60	55	16	15

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

a) Directors' remuneration
Total Directors' remuneration amounted to £725,826 (2023: £730,324). Full details of the Directors' remuneration are set out in the audited tables on page 25.

b) Directors' loans and transactions
At 5 February 2024 there were 2 (2023: 2) outstanding mortgage loans to 2 (2023: 2) Directors and connected persons that had been granted in the ordinary course of business, amounting in aggregate to £586,447 (2023: £541,559). 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 5 February 2024, will be available for inspection at the Head Office for a period of 15 days up to and including the 165th Annual General Meeting being held on 21 May 2024.

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 5 February 2024 the aggregate balances were £103,293 (2023: £47,297).

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:

	2024 £000	2023 £000
Salaries and other short-term benefits	1,254	1,332

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, details of which are set out in the audited tables on page 25.

e) Related party transactions
The Society holds an investment in Mutual Vision Technologies Limited as detailed in note 12.

During the financial year a total of £577,492 (2023: £518,966) was paid to Mutual Vision Technologies Limited in respect of IT services.

As at 5 February 2024, an amount of £514,894 (2023: £470,102) was owed to the Society by Mutual Vision Technologies Limited in respect of prepaid software services.

8. Tax on Profit on Ordinary Activities

	2024 £000	2023 £000
a) The tax charge for the year comprised:		
Corporation tax at 24% [1] (2023: 19%)	19	278
Current tax charge for the year	19	278
Deferred taxation at 25% (2023: 25%) (note 22)	75	53
Tax on profit on ordinary activities	94	331
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 of 24% (2023: 19%) due to the following:		
Profit on ordinary activities before taxation	365	1,553
Taxation charge at 24% (2023: 19%)	88	295
Effects of:		
Capital allowance in excess of depreciation and other timing differences	(69)	(17)
Origination and reversal of deferred tax timing differences	75	53
Tax on profit on ordinary activities	94	331

[1]The corporation tax rate of 24% is a blended rate of 19% to 31 March 2023 and 25% thereafter.

9. Loans and Advances to Credit Institutions

	2024 £000	2023 £000
In the ordinary course of business loans and advances to credit institutions are repayable from the year end date as follows:		
Accrued interest	63	33
Repayable on demand	90,065	63,346
Other loans and advances by residual maturity repayable:		
In more than three months but not more than one year	250	250
In more than one year but not more than five years	170	-
	90,548	63,629

In more than one year but not more than five years is collateral pledged in relation to interest rate swaps of £170,000 based on the longest swap maturity date.

10. Loans and Advances to Customers

	2024 £000	2023 £000
Maturity Analysis: The remaining maturity of loans and advances to customers from the year end date is as follows:		
Repayable with remaining maturity:		
Properties in possession	231	-
In not more than three months	2,172	2,310
In more than three months but not more than one year	6,756	5,779
In more than one year but not more than five years	45,494	40,756
In more than five years	257,945	218,197
	312,598	267,042
Deduct: Provisions for impairment losses (note 11)	(712)	(418)
Add: Effective Interest Rate adjustment (note 1)	354	604
Add: Fair value adjustment	180	-
	312,420	267,228

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.

11. Provisions for Impairment Losses

	Loans Fully Secured on Residential Property		
	£000 Specific	£000 Collective	£000 Total
Brought forward 6 February 2023	162	256	418
Utilised during the year	-	-	-
Charged during the year	144	150	294
Carried forward 5 February 2024	306	406	712
Brought forward 7 February 2022	69	253	322
Utilised during the year	-	-	-
Charged during the year	93	3	96
Carried forward 6 February 2023	162	256	418

12. Investments

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

Investment in Mutual Vision Technologies Limited

	2024 £000	2023 £000
Brought forward	154	154
Carried forward	154	154

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 5 February 2024 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.

13. Intangible Fixed Assets

	Software £000
Cost at 6 February 2023	1,718
Additions	407
Disposals	(14)
At 5 February 2024	2,111
Accumulated amortisation at 6 February 2023	1,320
Charge in Year	250
Disposals	(13)
At 5 February 2024	1,557
Net Book Value at 5 February 2024	554
Net Book Value at 6 February 2023	398

During the year, the Society made a loss of £1,036 (2023: £1,881) on disposal of Software.

14. Tangible Fixed Assets

	Freehold Land & Buildings £000	Equipment, Fixtures & Fittings £000	Total £000
Cost at 6 February 2023	1,754	710	2,464
Additions	-	127	127
Disposals	-	(18)	(18)
At 5 February 2024	1,754	819	2,573
Accumulated depreciation at 6 February 2023	299	620	919
Charge in Year	13	60	73
Disposals	-	(17)	(17)
At 5 February 2024	312	663	975
Net Book Value at 5 February 2024	1,442	156	1,598
Net Book Value at 6 February 2023	1,455	90	1,545

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

During the year, the Society made a loss of £1,424 (2023: £332) on disposal of Equipment, Fixtures & Fittings.

15. Prepayments and Accrued Income

	2024 £000	2023 £000
Prepayments and accrued income	797	674

16. Derivative financial instruments

	Notional amount 2024 £000	Fair Value Assets 2024 £000	Fair Value Liabilities 2024 £000
Derivatives designated as fair value hedges - Interest rate swaps	16,450	24	107
Derivatives not in hedge relationship - Interest rate swaps	5,450	7	3
Accrued interest	-	9	-
	21,900	40	110

17. Shares

	2024 £000	2023 £000
Shares comprise:		
Held by individuals	367,439	290,557
Shares are repayable from the year end date in the ordinary course of business as follows:		
Accrued interest	4,461	1,747
Repayable on demand	256,141	202,759
In not more than three months	29,290	45,573
In more than three months but not more than one year	40,469	11,162
In more than one year but not more than five years	33,222	29,316
In more than five years	3,856	-
	367,439	290,557

18. Amounts owed to Credit Institutions

	2024 £000	2023 £000
Repayable from the year end date in the ordinary course of business as follows:		
Accrued interest	156	49
In not more than three months	1,000	250
In more than three months but not more than one year	5,000	5,500
	6,156	5,799

19. Amounts owed to Other Customers

	2024 £000	2023 £000
Repayable from the year end date in the ordinary course of business as follows:		
Accrued interest	39	44
Repayable on demand	257	442
In not more than 3 months	400	400
In more than one year but not more than five years	7,500	12,500
	8,196	13,386

Included in the amounts above for 5 February 2024 is £7,500,000 (2023: £12,500,000) borrowed from Bank of England under the Term Funding Scheme. As at 5 February 2024, mortgages with total redemption balances of £48,420,413 (2023: £35,021,482) were pledged as collateral in relation to the borrowed funds. £2,500,000 is due to be repaid on 30 June 2025, £2,500,000 is due to be repaid on 22 August 2025 and £2,500,000 is due to be repaid on 17 October 2025.

20. Other Liabilities

	2024 £000	2023 £000
Amounts falling due within one year:		
Corporation Tax	19	276
Other creditors	144	108
	163	384

21. Accrual and Deferred Income

	2024 £000	2023 £000
Accruals	600	446

22. Provision for liabilities

	2024 £000	2023 £000
Deferred taxation	152	77
Deferred Taxation		
Brought forward	77	24
Amount charged during the year	75	53
	152	77
The amounts recognised for Deferred Taxation are set out below:		
Excess of capital allowances over depreciation	170	114
Other timing differences	(18)	(37)
	152	77

The deferred tax liability as at 5 February 2024 has been calculated on the 25% UK corporation tax rate that has applied since 1 April 2023.

23. Pension Costs

The Society contributes to a defined contribution employee 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 £281,441 (2023: £143,905) were paid during the year.

24. 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 and are not used for trading or speculative purposes.

The Society uses interest rate swaps (pay fixed, receive SONIA) to hedge against the interest rate risk exposure on fixed rate mortgages that are funded by variable rate savings.

The Society uses standardised International Swaps and Derivatives Association ("ISDA") agreements with other financial institutions. The ISDA contracts grant legal rights of set off for derivative transactions with the same counterparty. This can reduce potential credit risk where the derivative contracts may be for offsetting values.

The fair values of interest rate swaps are calculated on a discounted cash flow basis with the future cash flows determined using generally observable SONIA yield curves derived from quoted interest rates that match the timings of the cash flows and maturities of the instruments. The valuations are classed as level 2.

Financial Instrument Classification

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

	Held at amortised cost		Held at fair value through profit or loss		Total	
	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000
Assets						
Cash on hand	216	261	-	-	216	261
Loans and advances to credit institutions (note 9)	90,548	63,629	-	-	90,548	63,629
Loans and advances to customers (note 10)	312,420	267,228	-	-	312,420	267,228
Derivative assets (note 16)	-	-	40	-	40	-
Total financial assets	403,184	331,118	40	-	403,224	331,118
Liabilities						
Shares (note 17)	367,439	290,557	-	-	367,439	290,557
Amounts owed to credit institutions (note 18)	6,156	5,799	-	-	6,156	5,799
Amounts owed to other customers (note 19)	8,196	13,386	-	-	8,196	13,386
Other creditors (note 20)	144	108	-	-	144	108
Accruals (note 21)	600	446	-	-	600	446
Derivative liabilities (note 16)	-	-	110	-	110	-
Total financial liabilities	382,535	310,296	110	-	382,645	310,296

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 and Funding 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's Financial Risk Management Policy (FRMP) clearly defines the parameters that must be met to ensure sufficient funds in liquid form are available at all times, including times of stress, 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 (ALCO), which meets on a monthly basis. The ALCO monitors the amount and composition of liquidity, the credit ratings of counterparties and ensures compliance with regulations. The FRMP is reviewed annually by the ALCO and approved by the Board.

The tables below set out maturity analysis for financial liabilities that show the remaining contractual maturities at undiscounted amounts. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest calculated at current rates, for the average period until maturity on the amounts outstanding at the statement of financial position date.

	On demand £000	≤ 3 Months £000	> 3 Months - ≤ 6 Months £000	> 6 Months - ≤ 1 Year £000	> 1 Year - ≤ 5 Years £000	> 5 Years £000	Total £000
The maturity analysis of the financial liabilities of the Society at 5 February 2024							
Amounts owed to credit institutions	-	1,046	2,356	2,912	-	-	6,314
Amounts owed to other customers	258	497	98	198	7,754	-	8,805
Shares	256,141	29,293	17,472	23,432	35,655	4,661	366,654
Derivative liabilities	-	(4)	(6)	21	107	-	118
Total on balance sheet items	256,399	30,832	19,920	26,563	43,516	4,661	381,891
Off balance sheet commitments	-	4,798	10,164	-	11,111	-	26,073
Total	256,399	35,630	30,084	26,563	54,627	4,661	407,964
The maturity analysis of the financial liabilities of the Society at 6 February 2023							
Amounts owed to credit institutions	-	254	2,551	3,120	-	-	5,925
Amounts owed to other customers	443	520	125	252	13,128	-	14,468
Shares	227,461	493	2,693	10,350	43,687	7,316	292,000
Total on balance sheet items	227,904	1,267	5,369	13,722	56,815	7,316	312,393
Off balance sheet commitments	-	11,125	5,189	-	12,759	-	29,073
Total	227,904	12,392	10,558	13,722	69,574	7,316	341,466

Off balance sheet commitments pertain to amounts payable on demand for undrawn mortgage commitments and have been included accordingly.

Credit Risk

This is the risk that mortgage borrowers or treasury counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due, resulting in financial loss.

Counterparty credit ratings are used to inform the Society's assessment of credit risk arising from deposits made with treasury counterparties. The table below provides ratings details for the Society's treasury investment portfolio as at 5 February 2024 using the equivalent Fitch long-term deposit rating assessment.

Credit Rating

	2024 %	2023 %
AAA to AA-	96.36	95.47
A+ to A-	3.64	4.53
	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 9.

Derivative assets of £40k are issued by a UK credit institution with an A+ credit rating.

The Society manages credit risk associated with mortgage borrowers by maintaining a Board approved Lending Policy, which includes a full credit history 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 (after applying credit conversion factors) as at 5 February 2024:

	2024 £000	2023 £000
Residential mortgages	317,856	273,397
Commercial lending	3,290	3,338
	321,146	276,735

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	2024	2023
North West	22.80%	26.02%
Outer South East	11.95%	10.40%
South West	9.83%	9.87%
Greater London	8.41%	7.46%
Outer Metropolitan Area	8.13%	7.42%
Yorkshire & Humberside	7.39%	7.31%
West Midlands	7.07%	7.28%
Scotland	6.57%	6.72%
East Midlands	5.81%	5.77%
Wales	4.49%	4.11%
East Anglia	3.93%	3.57%
North	3.62%	4.07%
	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:

	2024 %	2023 %
≤60% LTV	61.77	61.47
>60-70% LTV	14.65	16.18
>70-80% LTV	11.78	11.24
>80-85% LTV	3.43	4.84
>85-90% LTV	3.36	1.59
>90% LTV	5.01	4.68
	100.00	100.00

The Society's overall weighted average LTV ratio is 55% (2023: 54%).

The table below provides further information on the Society's loans and advances to customers excluding the impact of impairment provisions and EIR adjustments by payment due status as at 5 February 2024:

	2024 £000	2024 %	2023 £000	2023 %
Not Impaired				
Neither past due or impaired	306,750	98.13	264,210	98.94
Past due up to 2 months but not impaired	3,962	1.27	1,407	0.53
Impaired				
Past due 2 to 3 months	124	0.04	172	0.06
Past due 3 to 12 months	1,104	0.35	521	0.20
Past due over 12 months	427	0.14	732	0.27
Possessions	231	0.07	-	-
	312,598	100.00	267,042	100.00

Collateral Held

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

	2024 £000	2023 £000
Property against impaired loans and advances to customers	11,165	8,263
Property against non-impaired loans and advances to customers	805,675	730,510
	816,840	738,773

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 temporary interest-only concessions, reduced payment concessions, payment deferrals, an arrangement to clear outstanding arrears, capitalisation of arrears and/or extension of the mortgage term.

The following table analyses residential mortgage borrowers with renegotiated terms:

	2024 Number	2023 Number
Temporary interest-only	4	4
Reduced payments	4	3
Payment deferral	2	1
Arrangements to clear arrears	1	8
Capitalisation	-	-
Extension of term	-	-
Multiple arrangements	3	3
	14	19

Specific impairment provisions of £144,873 (2023: £37,812) are held in respect of these mortgages, see note 1.

Market Risk (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 including market 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 Financial Risk Management Policy (FRMP). This policy defines the Society's risk appetite for interest rate risk (including basis risk), includes clear limits and triggers for off-setting assets and liabilities and allows for the use of financial derivative instruments where appropriate. The FRMP is reviewed annually by the Assets & Liabilities Committee and is recommended to the Board for approval.

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 5 February 2024 was:

	2024 £000	2023 £000
Sensitivity to profit and reserves		
200bps parallel increase	240	145
200bps parallel decrease	(254)	(158)

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 164 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.

25. 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 £406million (2023: £333million).

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 5 February 2024:

- Net interest income was £7.1m (2023: £6.7m), profit before tax was £0.4m (2023: £1.6m) 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 69 (2023: 64) all of which were employed in the UK.
- The Society paid £0.3m of corporation tax in the year (2023: £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 5 February 2024

1. Statutory Percentages

	5 February 2024	Statutory Limit
Proportion of business assets not in the form of loans fully secured on residential property (the "lending limit")	0.66%	25%
Proportion of shares and borrowings not in the form of shares held by individuals (the "funding limit")	3.76%	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

	5 February 2024	6 February 2023
As a percentage of shares and borrowings:		
Gross Capital	6.16%	7.50%
Free Capital	5.70%	6.96%
Liquid Assets	23.82%	20.63%
As a percentage of mean total assets:		
Profit after Taxation	0.07%	0.38%
Management Expenses	1.77%	1.58%

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 5 February 2024

Name	Date of Birth	Date Appointed	Business Occupation	Other Directorships
David Bagley	02.56	23.05.17	Chartered Accountant	Gradcore Ltd GDBA (Pension Fund Trustee) Ltd University of Sheffield AMDG Holdings Ltd[1]
Kevin Bernbaum	12.62	19.05.15	Treasury & Risk Consultant & Company Director	Educo Ltd Roma Finance Ltd Peartree Advisors Ltd Rangemountain Ltd
Julia Cattanach	08.71	24.05.22	Chief Risk Officer	Experian Group Ltd Experian Ltd International Communication & Data Ltd Intozetta Holdings Limited Intozetta Limited
Joanna Hall	04.65	20.05.20	Marketing Director	Societe Generale Kleinwort Hambros
John Sandford	03.55	19.05.15	Chartered Accountant	Cheadle Golf Club (Trading) Ltd Cheadle Golf Club (Catering) Ltd Central Finance Board of the Methodist Church Edward Mayes Trust Mrs. Lum's Almshouses McKellens Outsourcing LLP Copper Pot Credit Union (advisor) Bramhall Methodist Church
Gail Teasdale	02.68	26.05.21	Chief Executive of Broadacres Housing Association	National Housing Federation The Housing Finance Corporation Limited and related subsidiary companies
Stephen Penlington	11.58	15.05.07	Chief Executive	None
David Shelley	09.81	24.05.23	Finance Director	None
Peter Brickley	08.60	01.10.22	Technology	Brain and Spine Foundation
Kimberley Roby	04.82	22.05.18	Customer Services Director	None
Steven Melbourne	10.85	22.05.24	Chief Risk Officer	None
Lee Bambridge	04.63	22.05.24	Chartered Accountant	Citizens Advice - Hart District Limited

[1]David Bagley is also a director of various subsidiary undertakings of AMDG Holdings Ltd.

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, Customer Services Director and Chief Risk Officer 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, 30 Old Bailey, London, EC4M 7AU.

Notes

Chorley Building Society
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