PENRITH BUILDING SOCIETY

Annual Report and Accounts

31 December 2024

Head Office and Branch
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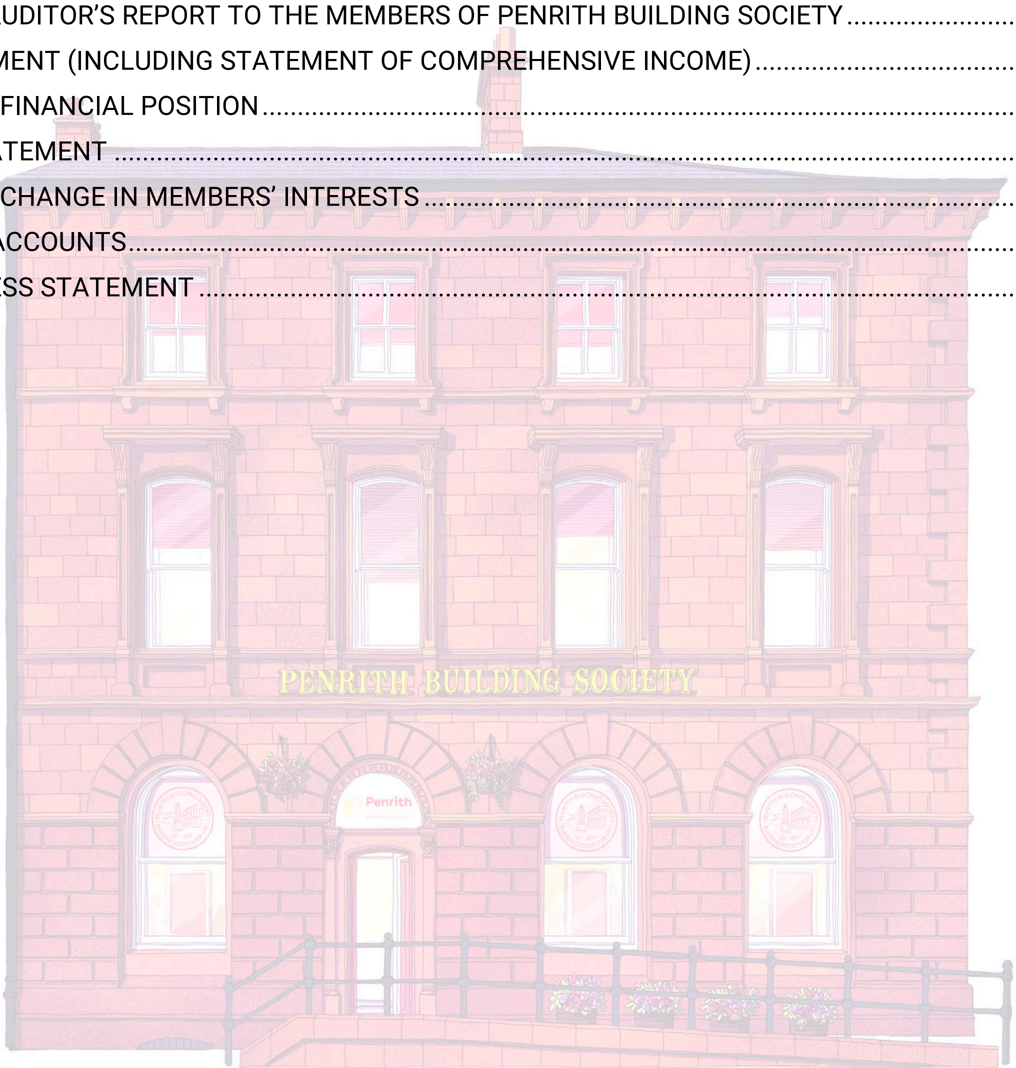


CHIEF EXECUTIVE'S BUSINESS REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2024

Following several years of high inflation and rising interest rates, in 2024 we finally saw inflation moving much closer to the target 2% level and the first reductions in interest rates in more than four years, which had a direct impact on our mortgage and savings product rates. We announced a reduction in our Standard Variable Rate for mortgages immediately after the first Bank of England Base Rate reduction, benefiting the vast majority of our mortgage customers. However, a change that benefits mortgage customers will inevitably mean changes that disadvantage savers, and we have also reduced interest rates on a number of our savings products. If interest rates continue to fall in 2025, it is likely that we will make further changes to both mortgage and savings rates, although at present savings rates continue to be greater than the rate of inflation, meaning that savers are receiving 'real' returns, despite the fall in the headline rate.

We benchmark the rates on our products to the wider market and where data is readily available, such as for access savings accounts, members can be assured that our rates are comfortably above the average rates paid in the UK savings market.

In a year when other providers in Penrith (Lloyds, Halifax and Barclays) chose to close their branches, we remained fully committed to our branch service and maintaining our opening hours. This commitment continues into 2025 and beyond. We understand the value our members place on being able to access face to face services and to be able to deposit and withdraw money safely and securely. We continue to offer mortgage advice on our range of mortgage products through our subsidiary, Cumbria Mortgage Centre Limited, in partnership with Mortgage Advice Bureau and we can do this in branch, by video call or by telephone.

In 2024 we launched our first digital savings products, allowing members the opportunity to open and manage savings accounts on-line, without needing to visit the branch. We know that many members have wanted to see this service offered for a long time and we are delighted to have opened nearly 500 on-line accounts in the first five months of providing this service.

As we increase the range of products and services it is essential that we continue to offer high levels of service and I am very pleased that our Feefo customer rating stands at an excellent 4.8 out of 5. However, we know that there is always room for improvement and we will be working hard to improve our service to members in 2025.

A financially strong and secure Society

Whilst we strive to give the best possible rates on our savings and mortgage products, it is important that the Society remains financially strong and secure. I am pleased to report that this continues to be the case with the Society recording a profit in 2024 and maintaining very strong capital reserves.

Our profit level was lower in 2024 than 2023, reflecting higher costs in a number of areas, particularly relating to technology costs, regulatory and compliance costs and the impact of inflation. Our net interest margin (the difference between what we pay on savings and what we receive on mortgages) narrowed slightly, which also brought some pressure to our net income.

Over the coming years it is important that we grow our business; increasing the mortgage and savings balances to help generate more income, which in turn will help us manage the ongoing cost and margin pressure. We began this journey in 2024, growing our mortgage balances by just over 10% and our savings balances by 15% and we are well positioned to increase these growth rates in 2025.

Our core banking platform – the technology system that we use to operate our business – is approaching the end of its useful life and over the next three years we will be upgrading our technology to ensure we have a robust and sustainable banking platform. This will represent the largest investment in the history of the Society and it is a course of action many other building societies are needing to undertake at the same time as ourselves, and so we will be working alongside other societies to help deliver this transformation programme.

As a result of this investment, we are forecasting our costs will exceed the income we generate for at least the next two years. It is thanks to the many years of profitability for the Society that we are in a position to be able to afford to do this, as we have very strong capital reserves and we can now use these reserves to help invest in the future strength and resilience of the business.

I would like to recognise the contribution of our outgoing Chair, Will Lindsay for his commitment and dedication to the Society over the last 9 years and I look forward to working with the new Chair, Rod Ashley.

Finally, I would like to thank everyone at the Society for their hard work and ongoing commitment to serving our members and I would like to thank all of our members for their continued support of the Society.

Zack Hocking (Chief Executive)

27 February 2025

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors have pleasure in presenting their Annual Report, together with the Group and Society Accounts (the Annual Accounts) and Annual Business Statement, for the year ended 31 December 2024.

Penrith Building Society and its 100% owned subsidiary, Cumbria Mortgage Centre Limited report consolidated Group results. The principal activity of the subsidiary is detailed in Note 17 on page 31 of the Annual Report and Accounts. As the activity of the subsidiary is aligned with that of the Society, references and results reported throughout the Annual Report and Accounts include the consolidated performance and position of the subsidiary, unless specifically noted otherwise.

Strategic Business Review 2024

We consider our reason for being as part of our strategy discussions each year, and refreshed our purpose and vision in 2024 as follows:

Our purpose - is to enable the home ownership aspirations and savings goals of our members.

Our vision - is to be a thriving, modern and sustainable Society. We want to be a great place for all of us to work, grow and develop; and we want to make an increasing contribution to the communities we operate in.

Our principal business objectives are the provision of mortgage finance for residential property, savings products for private individuals and local businesses and related services.

Our primary business objectives:

- To maintain robust operational systems and processes and ensure risk are managed within risk appetite.
- To achieve the Board agreed commercial and financial targets.
- To ensure we deliver year on year improvement in our service experience to members and brokers.
- To ensure the Society is a great place for colleagues to work, grow and develop.
- To maximise the positive contribution, we make to our local community and minimising our impact on the environment.

We recorded a profit in 2024, albeit at a lower level than we recorded in 2023 as a result of lower income and increased costs in a number of different areas including technology, staff, regulatory and compliance and as a result of general inflationary pressures. This cost pressure will continue and so it is essential that we grow our balance sheet to help increase the income generated by the Society. It is pleasing to report a good level of growth due to increased mortgage lending and strong savings inflows, particularly in the second half of the year following the successful launched our digital savings channel.

Although we did not see the benefit of this growth in our income in 2024, it provides us with a stronger position as we move into 2025 and beyond. Despite the lower profitability, our capital and liquidity positions continue to be very strong, providing a foundation for us to move into a period of increased investment and transformation of our core banking platform.

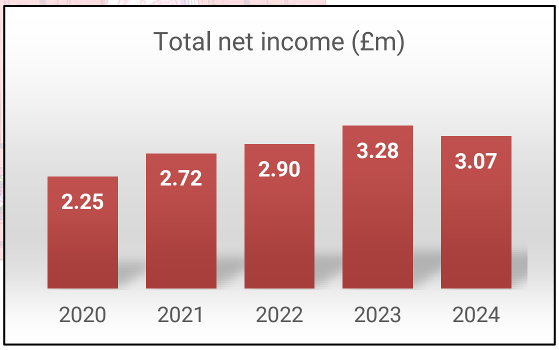
Key Performance Indicators

We use a number of key performance indicators to measure and monitor our progress on an ongoing basis. These are summarised and explained below, with the accompanying graphs showing the trend in these metrics over the past five years.

Income and Expenditure

We made a profit for the year after taxation of £0.09m (2023: £0.43m).

Total net income is £3.07m (2023: £3.28m). We increased interest received from both our mortgage and treasury assets, driven by growth in the mortgage book, although this was offset by the cost of interest paid on our savings balances, which reduced the total net income and our net interest margin, which fell to 2.22% (2023: 2.43%).



Margin management is a key area of focus to ensure we remain fair to both our savings and mortgage members in the rates we offer and continue to be competitive in the market.

Management expenses including depreciation are £3.04m (2023: £2.71m). Management expenses expressed as a ratio of mean total assets are 2.20% (2023: 2.03%). The rise in management expenses reflects the ongoing investment in our business to help support our growth ambitions and we expect to incur substantial technology costs in 2025 and 2026 as we renew our core banking platform. As a first step, we have disposed of our minority share holding in Mutual Vision Technologies Limited in October 2024, to enable that business to raise external funding to support the development of the new core banking platform, of which we will be a customer. The cost of regulatory and compliance activity is disproportionately high for a Society of our size and we are focused on improving the efficiency of this spend.

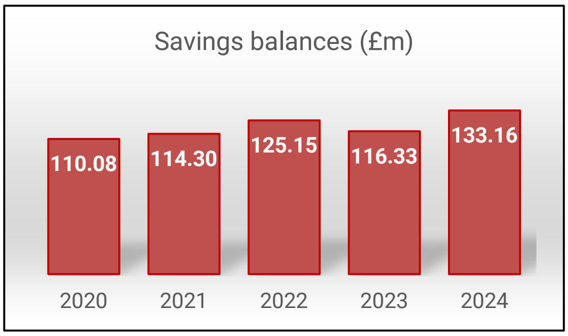
Investment in our colleagues is key to our future success, we are increasing our headcount in early 2025 to support our growth and transformation journey. We remain committed to developing our own talent and we had further success in 2024 in the academic and business qualifications achieved by our colleagues, particularly our apprentices.

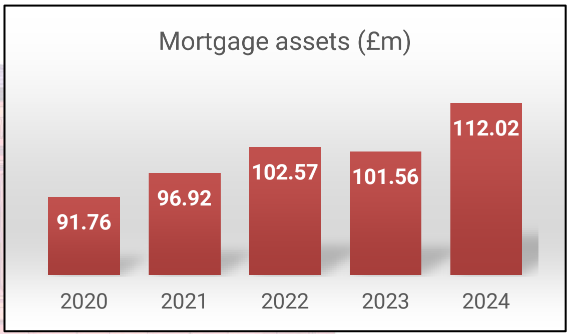
We also took positive steps to widen our focus in our local community with the formation of a Colleague Engagement Team and developed our partnership with a local charity whose vision of improving sustainability in our heartland mirrors our goal to support our communities and reduce our impact on the environment.

Key Performance Indicators, continued

Total assets

In 2024 we achieved an increase in total assets of 13.00% (2023: 6.02% reduction).





We have seen strong growth in our savings balances following the launch of our digital savings channel. We initially introduced limited access and notice accounts to this channel followed by a one-year fixed rate bond and a regular savings product in the autumn. We will continue to develop our range of digital products in 2025 and remain committed to offering a wide range of savings products within our branch. The successful launch of new limited access and notice ISA products in branch was particularly pleasing and evidences our ongoing commitment to this channel.

We are seeing strong appetite for fixed rate savings products, as members look to try and lock in higher rates in a falling bank base rate environment. ISA products, providing tax-free returns continue to be very popular. We actively monitor savings rates in the market and adjust our pricing and product options regularly to ensure we are offering good value and a range of attractive options in a very competitive market.

We acquired £8m of savings balances from the digital channel following our launch in August allowing us to finish the year with a strong liquidity ratio of 24.71% (2023: 22.84%) of total shares and borrowings.

Our mortgage activity increased in 2024 due to changes made to our product range, our success in specialist segments of the markets (for example expatriates) and by increasing our distribution network where we onboarded four new mortgage clubs and two networks in the year.

As a result of this work, the value of mortgage completions increased by 60% year on year, driving an increase in our total mortgage assets of 10.29% (2023: 0.98% decrease) and further growth is forecast in 2025 as we develop new strategic partnerships. We achieved a good level of retention of borrowers with product maturities in 2024, although we are seeing increased levels of redemptions from borrowers who are maturing from very low fixed rate products and who are actively shopping around to try and reduce the impact of the 'rate shock' they are facing.

We advanced 148 (2023: 127) new loans at a total value of £26.22m (2023: £15.98m), of which 10 were further advances (2023: 17).

During 2024 we took the decision to temporarily pause direct mortgage advice to borrowers through our subsidiary as we reviewed our strategic direction and improved our service offering. During this period we collaborated with local brokers to ensure our mortgage products remained available to borrowers. Direct business therefore only represented 7.00% (2023: 23.00%) of new mortgage business. We expect to see a greater level of direct business in 2025, although it is unlikely to return to the level seen in 2023.

The bank base rate decreased in 2024 and we reduced our Standard Variable Rate in October 2024 and have made selective reductions to the rates on savings accounts. We continue to monitor the market closely and anticipate making further changes to mortgage and savings rates in 2025.

The market outlook for 2025 is for modest growth in housing activity, supported by the expectation of further falls in interest rates. House prices continue to increase, although by relatively low levels as affordability challenges weigh heavily on the market. We will also see an increase in stamp duty in April, which may dampen the level of housing activity. Household budgets remain under pressure although there should be some benefit from continued growth in average earnings and lower levels of price volatility.

Within our mortgage business, a key focus for 2025 will be how we can support more first-time buyers achieve their goal of home ownership. In the savings business, we are keen to find ways to help the next generation of savers begin their savings journey, and our new digital savings channel can play an important role in doing this.

Arrears performance

At the end of 2024, the number of mortgages in arrears was just four cases (2023: four cases), of which one case was more than twelve months in arrears (2023: one case). This case has a total outstanding balance of £587,360 at 31 December 2024 and the outstanding arrears total £39,558. One case (2023: one case) had forbearance measures in place at the year end. One property was taken into possession in the year and was sold at no gain or loss to us, and we have no properties in possession at 31 December 2024 (2023: none).

We take all reasonable steps to minimise loss by ensuring that our Responsible Lending Policy and our detailed lending criteria are reflected in our underwriting decisions and our Policy and criteria are updated regularly to take account of changing economic conditions. We are vigilant to the financial stresses which may arise for borrowers and are aware that for some borrowers, particularly those with longer-term fixed rate mortgages, the full impact of higher interest rates has yet to materialise. We offer constructive assistance and forbearance to borrowers in financial difficulty and maintain a personal approach, allowing us to develop a better understanding of their needs and individual circumstances.

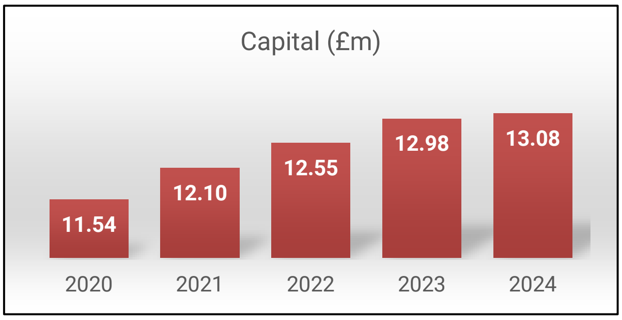
As a result of strong arrears management, an improving economic outlook and a stabilisation in forward looking house pricing, which removes the need for any discount to our future house price expectations, we have reduced our loan loss provisioning to £0.10m (2023: £0.19m).

Key Performance Indicators, continued

Capital

At 31 December 2024, our total capital is £13.08m (2023: £12.98m).

The free capital ratio (the aggregate of general reserve and collective impairment for losses on loans and advances less tangible and intangible assets) has decreased to 9.44% (2023: 10.76%) of total shares and borrowings. Additionally, the gross capital ratio (being general reserves) amounted to 9.82% (2023: 11.16%) of total shares and borrowings. Both of these ratios have fallen due to reduced profitability on an increased asset base.



The table summarises the Core Tier 1 Ratio, being Tier 1 Capital (reserves less a deduction for intangible assets) as a percentage of risk weighted assets and the Leverage Ratio, being Tier 1 Capital as a percentage of total assets plus mortgage impairments plus a proportion of mortgage pipeline commitments.

	2024 £m	2023 £m
Tier 1 capital (after regulatory deductions)	12.95	12.86
Tier 2 capital	0.09	0.17
Total capital	13.04	13.03
Risk weighted assets:		
Liquid assets	4.06	4.95
Loans and advances	41.30	36.90
Other assets	1.64	1.56
Operational risk	5.53	4.89
Total risk weighted assets	52.53	48.30
Capital ratios:		
Core tier 1	24.65%	26.62%
Leverage	8.69%	9.85%

Our capital ratios remain strong and provide us with a strong base to progress through our transformation journey, providing a buffer for any adverse changes in economic conditions or other future challenges we may encounter.

To meet regulatory requirements, a risk assessment of our capital policies and procedures (the Internal Capital Adequacy Assessment Process) is conducted and approved by the Board at least annually. This allows us to consider our future capital position and confirm that we hold sufficient capital to meet our strategic objectives as we move forward.

Country by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 place certain reporting obligations on financial institutions that are within the scope of the Capital Reporting Directive IV (CRD IV). The purpose of the regulations is to provide clarity on the source of our income and the location of our operations.

The annual reporting requirements as at 31 December 2024 are included in Note 3 on page 27.

Principal Risks and Uncertainties

We adopt the approach of a low exposure to risk so as to maintain member confidence and to allow the achievement of our business objectives. There is a formal structure for risk management which includes fully documented control procedures in addition to risk limits, mandates and reporting lines.

In 2024 we progressed our work to embed an operational resilience framework, being the ability to withstand stress across all areas of the business, along side other priority projects including our implementation of the Consumer Duty regulation, which has seen a focus on our Operational and Conduct risks and their impact on our products and services to members.

We monitor all our Core risk areas through the Board and sub-committee structure. Dashboards for all risk areas are presented at least quarterly to the relevant Risk committee, which include details on the sub-risks and controls for each risk area, and monitoring metrics where appropriate to ensure the risks are being managed within the risk appetites set by the Board.

Area of risk	Description
Conduct	The risk we are not being fair to members in all dealings with them. Our Consumer Duty focus is enhancing our controls in this area, which includes the monitoring of new and existing product development, fair value pricing, service standards, member feedback and complaints, and improvements to processes across our channels to support the delivery of good customer outcomes.
Credit	The risk a borrower or counterparty is not meeting obligations when they fall due. All applications for mortgages are assessed individually under the Board approved Responsible Lending Policy and existing mortgages are monitored regularly for potential default. Geographical and introducer concentration risks are also managed through policy and we have integrated our physical risks for climate change to the Responsible Lending Policy, including flood, coastal erosion and energy performance certificate expectations. With regard to counterparty investments, the Board has set appropriate credit limits covering exposure to individual counterparties, sectors and countries and processes are in place to ensure that such limits are not breached and are monitored on a regular basis. Exposures to this risk are set out in Note 29 on page 36.
Cyber	The risk of data or financial loss due to a cyber related event. We invest in our technology infrastructure and controls to limit the exposure to a potential loss due to a cyber-attack. Penetration tests are conducted periodically on our systems and access to the key areas is restricted by both physical and non-physical measures.
Data	The risk of data or financial loss due to a data breach event. We monitor how we control and process the data we hold on members, colleagues and other stakeholders, to ensure this remains relevant to the processing activity we undertake under the General Data Protection Regulations. We have a Data Protection Officer who provides oversight in this area.

Principal Risks and Uncertainties, continued

Area of risk	Description
Fraud and Financial Crime	The risk of financial loss due to a fraudulent transaction or money laundering related activities. Formal processes are in place to identify all members from their initial contact and at other points in their relationship cycle. Ongoing transactions are monitored for unusual activity based on our knowledge of our members and other third-party relationships. We have a Money Laundering Reporting Officer who provides oversight in this area.
Funding	The risk we are unable to fund our balance sheet. We are a retailer of financial instruments in the form of mortgage and savings products and also a user of wholesale financial instruments to invest in liquid assets. Managing how we fund both sides of the balance sheet as a result is a priority for us and we maintain a Board approved Funding Policy. This is further discussed in the Liquidity Risk section of Note 29 on page 37.
Interest Rate	The risk of loss arising from our exposure to movements in interest rates. We have a small tranche of fixed rate mortgage and savings products and fixed rate treasury investments over varying time buckets. This risk is monitored through weekly flows meetings for fixed rate matching and future product pricing discussions. Our interest rate sensitivity at 31 December 2024 is detailed in the Market Risk section of Note 29 on page 34.
Liquidity	The risk we are unable to meet our financial obligations as they fall due. The Board requires that sufficient liquid resources be held to ensure that all fluctuations in funding are covered, member confidence is maintained and we can meet calls on funds when they fall due, in line with the Individual Liquidity Adequacy Assessment Process undertaken annually and our Recovery Plan options.
Model	The risk that we make a financial loss due to decisions that could be principally based on the output of models, due to errors in the development, implementation, or use of such models. We have developed controls to effectively manage the models we have developed to support the delivery of our strategic objectives, both financially and non-financially.
Operational	The risk of financial or reputational loss through inadequate or failed systems, human error or other external factors. We have controls in place which are monitored by the Board with an aim to safeguard members' funds at all times and periodically reviews risks and contingency funding strategies through disaster recovery tests. All areas have appropriate Board approved systems of control and policies and adherence to these is monitored through risk management software, with formal attestation processes in place for each operational team. As a small business, we are reliant on key personnel to manage the business day to day. We maintain Blind Handover documents, in line with the Senior Managers and Certification Regime and have a formal succession plan in place for key roles, managed through the Nominations Committee.

Directors

The following persons were Directors during the year:

Non-Executive Directors

Will Lindsay	Board Chair
Rod Ashley	Senior Independent Director
David Billinge (appointed 1 February 2024)	
Richard Drinkwater	
Janice Lincoln (retired 30 June 2024)	
Nikki Marsh	
Fiona Smith	

Executive Directors

Zack Hocking	Chief Executive
Elspeth James	Chief Financial Officer

All Directors retire on an annual basis and offer themselves for re-election. Will Lindsay has served on the Board for a period in excess of nine years, however we have satisfied ourselves that he remains independent within his role at the Society and we can confirm he will retire from the Board after the AGM on 11 April 2025 and is therefore not offering himself for re-election.

None of the Directors had any beneficial interest in any connected undertaking at any time during the year.

We maintain liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.

DIRECTORS' REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2024

Colleagues

The Directors are pleased to record their appreciation to all colleagues for their hard work and loyal service during what has been a further challenging year.

The Board encourages the personal development and training of all colleagues to ensure that they have the opportunities to gain sufficient expertise, qualifications, and relevant skills to provide the standard of service required. Wherever appropriate our colleagues attend suitable training courses and seminars to support their personal development.

Land and Buildings

The Head Office premises were valued during 2023 following completion of the refurbishment works in the prior year and confirmed the Directors opinion that the overall market value is in excess of the book value.

Donations

During the year charitable donations totalling £15,459 (2023: £22,364) were made. No contributions were made for political purposes.

Creditor Payment Policy

Our policy is to agree the terms of payment at the commencement of trading with each supplier, to ensure that they are aware of those terms and to abide by them. Where terms of payment have not been agreed we settle the supplier's invoice on being satisfied that the supplier has fully conformed with the terms and conditions of purchase. Creditor days were 11 at 31 December 2024 (2023: 10 days).

Going Concern

Forecasts of the financial position for the period ending at least twelve months from the date of the signing of these accounts have been prepared. In making this assessment, the risks that could impact on our capital, financial and liquidity positions over that period have been considered and stressed as appropriate. Additionally, our operational resilience continues to be reviewed and tested, with the key requirement being to maintain an essential branch service for the local community, with other colleagues working at home and to ensure no loss of service to members as a result of the changes made.

These forecasts and other reviews have satisfied the Directors that we have adequate resources to continue in business for the foreseeable future. For this reason, it is appropriate for the accounts to continue to be prepared on the going concern basis.

Approved and signed on behalf of the Board on 27 February 2025

Zack Hocking	**Will Lindsay**
(Chief Executive)	**(Chair)**

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

The Board views good corporate governance as an essential part of its responsibility to our members. We have regard to the UK Corporate Governance Code (2018 version) issued by the Financial Reporting Council in developing our policies and procedures as set out below:

Leadership

The Board

The Board provides leadership and direction in achieving our strategic objectives and is responsible for our overall success. It sets the strategy, formulates policies and provides guidance on how we are managed. It regularly reviews financial performance and ensures that there are effective risk management controls and procedures in place. It reviews and updates the Corporate Plan on an annual basis ensuring the strategic objectives are fit for purpose and are aligned to our purpose and values.

Board Composition

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

The Chair, a Non-Executive Director, is elected annually by the Board. The main role of the Chair is to lead the Board and ensure its effective operation in all aspects of its role.

Effectiveness

Board Independence

The Board considers that all of its Non-Executive Directors are independent. Our Senior Independent Director is available to members having any concerns which they consider would be inappropriate to discuss with the Executive Directors or other management.

Our rules state that all Directors submit themselves for election by members within sixteen months of their appointment to the Board and the Board have agreed that all Directors stand for re-election annually thereafter. No Non-Executive Director should serve on the Board for a period of more than nine years and if this situation were to arise it would be disclosed in the Annual Report and Accounts.

Board Appointments

Where the need for a new Director is identified, for any reason, the CEO prepares a description of the person required based on the skills, qualifications and experience needed to ensure an adequate balance of skills at Board level. This is approved by the Nominations Committee.

The Board recognises the importance that diversity and inclusion has on enhancing culture which directly impacts on attracting and retaining Directors. We continue to be committed to attracting a broad set of qualities, education, skills and behaviours when recruiting Directors to the Board. In order to support the assessment of the skills and competencies of the Board and identify any gaps and development needs, all Board members contribute to a Board skills matrix. The skills matrix provides a holistic understanding of the Board's capabilities and experiences, strengthens succession planning and ensures that any Director recruitment improves the Board composition by facilitating a broader range of views, experience, background and values. All candidates, irrespective of gender or background, are always treated respectfully and inclusively.

The Nominations Committee, which includes the Chair, oversees the recruitment of all Directors.

A formal recruitment process will be employed and may include the advertising of the position in appropriate media, canvassing our membership or use of an external search agency.

The Chair, where possible, is appointed from among the existing Non-Executive Directors. Where there is no suitable candidate identified, an external search agency would be used. In accordance with this approach the Board were delighted to agree the appointment of Rod Ashley who has been a Non Executive director since 23 April 2020 to succeed Will Lindsay as Chair following the Annual General Meeting in April 2025.

It is necessary for Board appointments to be notified to our Regulators. Where an Executive Director or an Approved Non-Executive Director is to be appointed this must be formally approved by the Regulator under the Senior Managers and Certification Regime and this may include a personal interview with the Prudential Regulation Authority, or Financial Conduct Authority or both.

Performance Evaluation

A formal process exists to evaluate, on an annual basis, the performance and effectiveness of individual Directors and of the Board as a whole. In 2024, the appraisal of the Chair was conducted by the CEO and Senior Independent Director. The other Non-Executive Directors' appraisals were conducted by the CEO and Chair, except for that of the Senior Independent Director, which was completed by the Chair and Chair of the Audit, Risk and Compliance Committee (ARCC). These appraisals are based on several factors including attendance at meetings and external events, contribution and performance at meetings and challenge to the Executive.

Appraisal of the CEO was conducted by the Chair and Chair of the ARCC and the appraisal of the CFO was conducted by the Chair and CEO. Both these individuals are appraised on an annual basis.

The appraisal of the Chair includes specific requirements to review how they lead the Board, promoting a culture of openness and debate, ensuring all Directors contribute to discussions and that they receive accurate, timely and clear information to allow them to discharge their Board responsibilities.

The effectiveness of the Board as a whole and its committees is reviewed annually by the Board. This includes a review of terms of reference for the Board and committees and confirmation that information, training, time and resources have been made available to all members of the Board or committees to allow them to participate in the relevant meetings.

Accountability

We have created a Risk Management Framework to identify, quantify (if possible) and manage risks. The sub-risks within this framework are linked to underlying day to day controls, to ensure risk is being appropriately managed. The Board is responsible for the oversight and challenge of this process and reviews the risk strategy and policies on a continual basis as both internal and external factors impact on our day-to-day activities. The Board has delegated the responsibility for managing internal control to the Executive Directors and senior management. The Internal Audit function has been outsourced and provides independent assurance to the Board through the ARCC that these controls are adequate and effective.

Fitness and Propriety

All Directors must meet the fitness and propriety requirements under the Senior Managers and Certification Regime and must complete a questionnaire annually confirming their continued compliance with this requirement. All Directors are provided with clear, timely and accurate information to enable them to fulfil their duties and responsibilities and have access to the advice of the Secretary. In addition, Directors may take independent professional advice at our expense should this be necessary.

There are ever increasing burdens on Non-Executive Directors. They must devote considerable time to the business. As well as attendance at Board Meetings, there must be a commitment to develop skills and knowledge from both internal and external sources to enable them to fulfil their duties and responsibilities. All new Directors are provided with induction training and all Directors are encouraged to attend training courses, seminars and other events to maintain up to date knowledge of the matters affecting us and the building society sector as a whole.

Strategic Direction

The Board holds an annual Strategy Event to review current and future strategic plans. From this the Executive Directors and senior management create the Corporate Plan on an annual basis, which is agreed and approved by the Board. The Corporate Plan sets out our strategic objectives for the plan period, and these are monitored and managed by the Executive Directors and senior management day to day, with reporting taken to ARCC and Board as delivery of the strategy progresses.

Culture

We recognise the importance of colleagues and other critical third-party relationship input into our strategic direction and ensure that their views are obtained at appropriate points in any decisions taken.

To facilitate this, we review the cultural behaviour of the Board and colleagues at least annually, considering the alignment of business performance and behaviours. This normally takes the form of a survey, with the results being used to develop future strategy in this area as part of our people objective in the Corporate Plan.

The Executive Directors hold a Business Briefing for all colleagues after each Board meeting to update on strategic delivery, financials and key areas covered in the meeting. This keeps colleagues informed of what is being discussed at a senior level. Non-Executive Directors join these sessions periodically to allow additional colleague engagement.

Board meetings are held as face-to-face sessions in the office at least quarterly and the Non-Executive Directors are encouraged to speak to staff when in Head Office and branch for these meetings to encourage additional colleague engagement.

Separately, we have a Whistleblowing champion within the Non-Executive Directors. This allows our colleagues to raise concerns in confidence and anonymously if they wish. There is a formal agenda item each Board meeting to review any whistleblowing reports arising and to ensure arrangements are in place to undertake an independent investigation and follow up on matters that are raised.

Relationship with Members

Our on-going relationship with our members is an important area of focus and we strived to engage with members face to face, the main forum for that has been the Annual General Meeting each year. We recognise that many of our members are now outside of our local area and therefore we are focusing on our engagement through the website and social media channels more actively. All voting members continue to receive a copy of our Annual Review which provides insights on community engagement and other activity we have undertaken during the year, in addition to our financial information. Feedback via questionnaires remains our main source of insights to member views and we have set service level standards for responding to any member queries at a 24-hour window, which we monitor and report on internally. We encourage all members to contact us if they have any concerns or views, positive or negative, at any time to allow us to support our members where we can.

Board and Committee Meetings

Main Board Meetings are held at least twice in every quarter. Additional meetings may be called as required.

Following the principles of good corporate governance, the Board has established certain committees to advise on various areas.

The composition and purpose of each of these committees is summarised as follows. Full terms of reference for each committee can be obtained from our Secretary:

Committee	Members	Purpose
Nominations (NomCo)	Richard Drinkwater (Chair) Rod Ashley Will Lindsay Zack Hocking	• To make recommendations on appointments to Board, including the annual review of the Succession Plan, ensuring that the Board has sufficient Directors with appropriate skill sets, who are fit and proper and independent. • To consider diversity and inclusivity, and how this relates to our strategy, Board and colleagues. The matters under the heading of Board Appointments and Performance Evaluation, on page 8, are also overseen by the Nominations Committee.

Committee	Members	Purpose
Remuneration (RemCo)	Richard Drinkwater (Chair) All other Non-Executive Directors By invitation: Executive Directors	• To set the Remuneration Policy for Executive Directors and to agree annual pay increase percentages and bonus provisions for the wider colleague base. • To confirm Non-Executive Directors' Fees based on recommendations from the Executive Directors. • To set all other benefits and matters relevant to the Executive Directors including contracts of employment. The Directors' Remuneration Report for 2024 is on page 13.
Audit, Risk and Compliance (ARCC)	David Billinge (Chair) Rod Ashley Richard Drinkwater By invitation: Executive Team External Audit Internal Audit Internal Compliance	• To ensure we comply with all regulatory and prudential requirements. • To review our internal controls and management systems against the risk management environment. • To take responsibility for the review of the effectiveness of the internal compliance and audit functions and approval of their annual review plans. • To monitor the External Auditor's independence, objectivity and effectiveness. Members of ARCC should have accountancy and audit experience, through the sector or other roles and bring recent relevant financial experience. The ARCC Report for 2024 is on pages 11 and 12.
Executive Risk (ERC)	Elspeth James (Chair) Zack Hocking Other Executive Team members By invitation: David Billinge (Risk Champion)	• To provide oversight of the key risks (as set out on page 5), and to ensure that these are being managed effectively. • To monitor the activities of the sub-risk committees, which consider these key risks and their associated monitoring metrics in more detail. • To provide assurance to ARCC that all risks are being appropriately controlled and actioned and to report on any risk areas where additional focus and reviews may be required. The Risk Champion is encouraged to attend these meetings at least quarterly.
Assets & Liabilities (ALCO)	Zack Hocking (Chair) Elspeth James Other Executive Team members Financial & Treasury Team Product & Proposition Manager By invitation: Non-Executive Directors	• To monitor liquidity, funding, interest rate and counterparty treasury risks. • To undertake balance sheet management activities. • To agree product pricing for savings and mortgages against the market and to propose these to Board when outside of strategic limits set. • To consider forward looking economic data and how our cash flow forecasts and budget projections respond and adapt to market conditions. Non-Executive Directors are individually encouraged to attend at least one ALCO per year.

Attendance at these committees is summarised as follows for 2024:

	Board	NomCo	RemCo	ARCC	ERC	ALCO
Number of meetings	**12**	**7**	**2**	**4**	**10**	**10**
Rod Ashley	10 (12)	1(1)	2 (2)	4 (4)	-	-
David Billinge	11(12)	-	2 (2)	3/1* (3/1*)	3* (3*)	2* (2*)
Richard Drinkwater	12 (12)	7 (7)	2 (2)	4 (4)	-	-
Janice Lincoln	4 (4)	3 (3)	- (-)	2 (2)	- (1*)	2* (2*)
Will Lindsay	12 (12)	7 (7)	2 (2)	2* (2*)	-	1* (1*)
Nikki Marsh	12 (12)	-	2 (2)	1* (1*)	-	1* (1*)
Fiona Smith	12 (12)	-	2 (2)	2* (2*)	-	2* (2*)
Zack Hocking	12 (12)	7 (7)	2* (2*)	4* (4*)	10 (10)	10 (10)
Elspeth James	12 (12)	-	2* (2*)	4* (4*)	10 (10)	10 (10)

( ) denote number of meetings an individual was eligible to attend and * denotes the individual attended a meeting by invitation only.

Approved and signed on behalf of the Board

Will Lindsay (Chair)
27 February 2025

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

The Audit, Risk and Compliance Committee (ARCC) is an essential part of our governance framework, to which the Board has delegated oversight of financial reporting, internal controls, risk management, internal audit and external audit. This report provides an overview of the ARCC's work and details how it has discharged its responsibilities during the year.

The responsibilities of the ARCC are in line with the provisions of the Financial Reporting Council (FRC) Guidance on Audit Committees. The main function of the ARCC is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of:

- The integrity of the Annual Report and Accounts, any formal announcements relating to financial performance and significant financial reporting judgements contained therein;
- The effectiveness of the system of internal control processes;
- The internal and external audit processes;
- The appointment, re-appointment and removal of the external auditors and the periodic review of their performance and independence; and
- The policy on the use of external auditors for non-audit work.

Following each ARCC meeting, the minutes of the meeting are distributed to the Board, and the ARCC Chair provides an update to the Board on key matters discussed.

The composition of the ARCC is detailed on page 10. The CEO, CFO and senior management attend the meeting by invitation. Representatives of PwC (internal auditor), and Forvis Mazars (external auditor), are also invited to each meeting. At least twice a year, the ARCC has a discussion with the external and internal auditor and internal compliance without management being present.

Key areas reviewed

The ARCC meets at least four times a year and focuses on the following matters:

Financial Reporting

The primary role in relation to financial reporting is to review and assess with management and the external auditor the integrity and appropriateness of the Annual Report and Accounts concentrating on amongst other matters:

- The quality and acceptability of accounting policies and practices;
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements including advising the Board on whether the Annual Report and Accounts, when taken as a whole are fair, balanced and understandable and provide information sufficient for members to assess our performance, business model and strategy; and
- The material areas in which significant judgements have been applied.

The primary areas of judgement considered by the Committee in relation to the 2024 Annual Report and Accounts were:

- Loan loss provisions: Review of judgements used to determine timing of recognition and valuation of loan loss provisions in line with Financial Reporting Standard 102, specifically House Price Index application, forced sale discounts and selling costs and the current and potential impact of the UK economic position on the provisioning requirements;
- Interest income recognition: Review of the design, implementation and effectiveness of controls around the calculation of interest income and charges, including the timing of applicable fees and commission recognition, and behavioural life under effective interest rate methodologies; and
- Going concern: Review our response to risk assessments completed to address the key operational and strategic risks we face, and second and third line reviews of key risk areas during 2024, as agreed by the ARCC. From a financial perspective, assessments were made as to the appropriateness of financial forecasts and capital adequacy, with reference to the Corporate Plan and stress testing undertaken within this, considering potential sensitivities to market conditions.

The ARCC considered whether the 2024 Annual Report and Accounts were fair, balanced and understandable by satisfying itself that there was a robust process of review and challenge to ensure balance and consistency.

The ARCC fully discharged its responsibilities in relation to financial reporting of the Annual Report and Accounts for 2024.

Internal Audit

The ARCC is responsible for monitoring internal audit activities and effectiveness and ensuring that sufficient resources are in place. In order to provide the scalability and flexibility of specialist resources required within internal audit, we outsource this role to PwC.

Key reviews were completed through their agreed work programme during the year including areas of internal control significance (being reviews of: Risk Management and Compliance, Consumer Duty, the Internal Capital Adequacy Assessment Process, End User Computing Analytics Spreadsheet Integrity and Matched Approach Progress). Internal audit findings and thematic issues identified were considered by the ARCC, as well as management's response and the tracking and completion of resultant actions.

The ARCC considers the guidance from the Chartered Institute of Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector' when ensuring that the internal auditors and the ARCC were fulfilling their obligations in a robust manner.

The ARCC also approved the fee for the internal audit work for the year having reviewed the scope of the work programme in detail.

PwC operate in accordance with an Internal Audit Charter. The ARCC is satisfied PwC satisfies the required skills and resource requirements to fulfil the role.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2024

Systems of Internal Controls

The Board recognises the importance of sound systems of internal control in the achievement of its objectives and the safeguarding of members' and our assets. Internal control also facilitates the effectiveness and efficiency of operations, helps to ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations.

We operate in an evolving business environment and, as a result, the risks we face are continually changing. The internal control framework has been designed to ensure thorough and regular evaluation of the nature and extent of risk and our ability to react accordingly. It is the role of management to implement the Board's policies on risk and control. It is also recognised that all colleagues have responsibility for internal control as part of their accountability for achieving objectives. Training and induction is designed to ensure that they are clear on their accountabilities in this area and are competent to operate and monitor the internal control framework.

The internal audit function provided independent assurance to the Board on the effectiveness of the internal control framework through the ARCC. The ARCC reviewed this aspect through regular reporting from management, internal audit and external audit. The main internal control matters which were reviewed by the ARCC in 2024 were:

- Conduct related issues;
- Prudential related issues;
- Internal audit plans;
- Control reports from the external auditor in relation to the financial reporting process arising from the external audit. During the year Forvis Mazars did not highlight any material control weaknesses; and
- The status of issues raised in control reports which were tracked closely. During the year, the volume and age profile of issues raised remained within appropriate parameters.

The information received and considered by the ARCC provided reasonable assurance that during 2024 there were no material breaches of control or regulatory standards and that, overall, we maintained an adequate internal control framework that met the principles of the Code.

External Audit

Forvis Mazars LLP are appointed as external auditor.

The effectiveness of the external audit process is dependent on appropriate audit risk identification and at the start of the audit cycle the ARCC receives from Forvis Mazars a detailed audit plan, identifying its assessment of the key risks.

The ARCC or the ARCC Chair, on behalf of the ARCC holds regular private meetings with the external auditor. This provides the opportunity for open dialogue and feedback from the ARCC and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management's activity in relation to these risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and the independence of their audit.

The ARCC considers the reappointment of the external auditor, including rotation of the audit partner, each year and also assesses its independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the audit at least every five years. As this is their sixth year since appointment in 2019, Forvis Mazars have confirmed the appointment of a new audit partner for the 2024-year end.

The ARCC approved the fees for audit and non-audit services for 2024 after a review of the level and nature of the work to be performed and being satisfied that the fees were appropriate for the scope of the work required.

ARCC Effectiveness

The ARCC conducted a self-assessment review to monitor its effectiveness on a regular basis. The Terms of Reference were reviewed during the year and found to be fit for purpose.

Approved and signed on behalf of the ARCC

David Billinge (Director)
27 February 2025

DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

The Remuneration Policy is to reward Directors through salary and fees according to their skills, expertise, experience and overall contribution, taking into account salary and fee levels in comparable organisations. The Remuneration Policy follows the 'Remuneration Code' guidelines put in place by the Financial Conduct Authority (FCA), which sets out the standards and policies that we are required to meet when setting pay for Directors. We do not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to our size, we do not have any material risk takers who meet the proportionality thresholds set by the FCA on the implementation of the Remuneration Code and therefore no separate additional disclosures are required.

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

Non-Executive Directors

The remuneration of all Non-Executive Directors is fee based and is reviewed annually by the Board. They do not participate in any performance pay scheme, pension arrangements or other benefits and do not have service contracts.

The Chair and Chair of the ARCC receives higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

Executive Directors

Our policy is to set remuneration at levels sufficient to attract and retain Executive Directors of sufficient calibre and expertise.

Executive Directors' remuneration comprises basic salary, discretionary bonus and pension benefits, the latter is based on a fixed percentage of salary. Their remuneration level and structure are considered by the Remuneration Committee which meets at least twice a year, with reference to job content and responsibilities, the performance of the individual and salaries in similar organisations.

Additionally, the Remuneration Committee considers the achievement of the strategic objectives within the Corporate Plan and the ongoing delivery of the longer-term strategy when considering any inflationary increases to Executive Directors' salaries.

There are no incentive schemes in place for the Executive Directors. The Remuneration Committee has the discretion to add a bonus payment to the remuneration of the Executive Directors annually if they feel there are aspects of their performance that would support an additional reward. This is aligned with the approach taken for all colleagues and is as a result of the appraisal process completed each year when achievement of objectives, aligned to the strategic goals, are reviewed.

We do not have a defined benefit final salary pension scheme. We make contributions to the private pension arrangements of the Executive Directors, the contributions being at the same level in line with that available to all colleagues.

The CEO's and CFO's contracts of employment require a 6 month notice period.

Remuneration detail is set out in Note 9 on page 28.

Approved and signed on behalf of the Remuneration Committee

Richard Drinkwater (Director)
27 February 2025

DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT,
THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Annual Accounts for each financial year. Under that law they have elected to prepare the Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The Annual Accounts are required by law to give a true and fair view of the state of affairs of the Group and Society as at the end of the financial year and of the income and expenditure of the Group and Society for the financial year.

In preparing these Annual Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts;
- assess the ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate 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, each containing prescribed information relating to the business of the Group and Society.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Group and Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and the Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal controls as they determine are necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets 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 website. Legislation in the UK governing the preparation and dissemination of Annual Accounts may differ from legislation in other jurisdictions.

The Directors who held office at the date of approval of this Directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the external auditor is unaware; and
- each Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Board is recommending that Forvis Mazars LLP is re-appointed as external auditor for the financial year ending 31 December 2025. A resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Board

Will Lindsay (Chair)
27 February 2025

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

Opinion

We have audited the Annual Accounts of Penrith Building Society (the 'Society') and its subsidiary (the 'Group') for the year ended 31 December 2024 which comprise the Group and Society Income Statement (including Other Comprehensive Income), Group and Society Statement of Financial Position, Group and Society Cash Flow Statement, Group and Society Statement of Change in Members' Interest, 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 Group's and Society's affairs as at 31 December 2024 and of the Group's and of the Society's income and expenditure for the year 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 Group and 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 Group's and 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 Group's and Society's ability to continue as a going concern;
- Assessment of Group's and Society's capital adequacy and leverage ratios, liquidity indicators, liquid asset buffer, Society's funding structure and funding plan and customer behaviour;
- 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 Group's and Society's future financial performance;

Challenging the appropriateness of the Directors' key assumptions used in the forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the Directors' consideration of severe but plausible scenarios. This included assessing the Group's and Society's 12 month forecast from the signing date, Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and its reverse stress testing;

- Assessing the historical accuracy and the arithmetic accuracy of the forecasts prepared by the Directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation, levels and interest rates;
- Performing sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Group and Society;
- Considering the consistency of the Directors' forecasts with other areas of the Annual Accounts and our audit; and
- Evaluating the appropriateness of the Directors' disclosures in the Annual Accounts on going concern.

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

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

Key audit matters

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

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

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key audit matters, continued

Key audit matter	How our scope addressed this matter
Credit Risk – Impairment of Loans and Advances to Customers **Group and Society: £100,000 (2023: £194,000)** *Refer to note 1.8(a), for the associated accounting policy, note 2.1 for management's accounting estimates and judgements in applying the accounting policy, and note 16 of the Annual Accounts.* The Group and Society holds £112m (2023; £102m) of loans and advances to customers against which an impairment provision of £0.1m (2023: £0.2m) is held at the year end. Credit risk is an inherently judgemental area due to the use of subjective assumptions and high degree of estimation in arriving at the year end provisions. The total impairment provision of the Group and Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio. **Collective Impairment** The Group and Society has very limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment. The collective impairment is derived from a model that uses the data from an external credit rating agency, applying judgement where data is not available. The collective impairment assessment is most sensitive to movements in the forced sales discounts ('FSD'). **Specific Impairment** In calculating the individual provision, management applies judgement in identifying loans that require individual impairment assessments and in estimating the recoverable amount from underlying collateral. Loans are assessed for individual impairment by the Directors where the loans is in arrears by at least three months, or collateral has been repossessed by the Group and Society.	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 (loans origination and approval, loan redemptions, arrears monitoring). We also sought to identify the related fraud detection controls and assessed the design and implementation of those controls; • Assessing the relevance of external data used in the provisioning model based on our understanding of the Group and Society's portfolio; • Testing the completeness and accuracy of loans that are subject to specific provision including recalculating the provision charge; • Comparing the Group's and Society's key assumptions (FSD) with similar lenders or other market players and loan portfolios with similar characteristics and considered whether these assumptions are consistent with industry benchmarks. • Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Group's and Society's portfolio; • Engaging our internal property valuation experts to challenge the reasonableness of valuations for a selection of properties held as collateral against loans: and • Assessing the adequacy of the Group and Society's disclosures in relation to the degree of 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 31 December 2024 to be reasonable and in compliance with the requirements of FRS 102.

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

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	Group: £131k (2023: £129k) Society: £131k (2023: £129k)
How we determined it	1% of reserves (2023: 1% of reserves)
Rationale for benchmark applied	We consider that reserves is the most appropriate benchmark to use for the Group and 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 as its primary objective. Further, reserves as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where reserves is an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the Annual Accounts exceeds materiality for the Annual Accounts as a whole. Performance materiality of £91k (2023: £91k) which was applied in the audit based on 70% (2023: 70%) of overall materiality. In determining performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount towards 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 £4k (2023: £6k) 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 Group and Society, their 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.

Our Group audit scope included an audit of the Group's and the Society's Annual Accounts. Based on our risk assessment, the group audit team undertook a full scope audit of the Group, the Society and its subsidiary.

	2024	2023
Number of reporting entities subject to full audit scope	2	2
% of Group net interest income	100%	100%
% of Group profit before tax	100%	100%
% of Group total assets	100%	100%

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

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.

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

Other information, continued

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 Group and Society and their 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 Group and Society; or
- the Group and Society's individual 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 15, 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 Group's and 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 Group or 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 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 Group and Society and their industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA') and 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 Group and Society, the industry in which they operate and the structure of the Group, and considering the risk of acts by the Group and 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 Group and Society are 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, including the PRA and FCA;
- Attending bilateral meetings with the PRA;
- Reviewing minutes of Directors' meetings in the year and up until the authorisation of the annual accounts;
- 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 Risk Director, from inspection of the Group's and Society's regulatory and legal correspondence and review of minutes of the Board of Directors and ARCC during the period.

Auditor's responsibilities for the audit of the Annual Accounts, continued

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, and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions and revenue recognition (Which we pinpointed to the completion and accuracy assertions).

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, in particular in relation to loan loss provisions, and performing the procedures described in the "Key audit matters" section of our report.

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

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

Other matters which we are required to address

Following the recommendation of the ARCC, we were appointed by the Directors on 19 November 2019 to audit the Annual Accounts for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2019 to 31 December 2024.

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

Our audit opinion is consistent with our additional report to the ARCC

Use of the audit report

This report is made solely to the Group's and 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 Group's and Society's members and depositors 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 Group's and Society's members as a body for our audit work, for this report, or for the opinions we have formed.

Michael Davidson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor

5th Floor, 3 Wellington Place
Leeds
LS1 4AP

27 February 2025

INCOME STATEMENT (INCLUDING STATEMENT OF COMPREHENSIVE INCOME)
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Interest receivable and similar income	4	7,793,034	6,905,676	7,793,034	6,905,676
Interest payable and similar charges	5	(4,762,146)	(3,703,244)	(4,762,146)	(3,703,244)
Net interest receivable		**3,030,888**	**3,202,432**	**3,030,888**	**3,202,432**
Fees and commissions receivable		38,203	47,107	32,917	36,675
Fees and commissions payable		(17,015)	(9,882)	(17,015)	(9,882)
Fair value adjustment on investment properties	21	-	31,348	-	31,348
Gain on sale of investment	18	10,432	-	10,432	-
Other operating income	6	6,787	6,760	6,787	6,760
Total net income		**3,069,295**	**3,277,765**	**3,064,009**	**3,267,333**
Administrative expenses	8	(2,910,592)	(2,568,390)	(2,905,006)	(2,571,521)
Depreciation and amortisation	19/20	(129,450)	(134,912)	(129,450)	(134,912)
Disposal of fixed assets	19/20	(213)	(1,566)	(213)	(1,566)
Operating profit before impairment losses and provisions		**29,040**	**572,897**	**29,340**	**559,334**
Impairment losses on loans and advances	16	94,000	-	94,000	-
Profit on ordinary activities before tax		**123,040**	**572,897**	**123,340**	**559,334**
Tax on profit on ordinary activities	11	(28,810)	(140,096)	(28,810)	(137,519)
Profit for the financial year		**94,230**	**432,801**	**94,530**	**421,815**

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

The notes on pages 23 to 37 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	Notes	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Assets					
Liquid assets:					
Cash in hand	12	34,624	56,553	34,624	56,553
Treasury bills	13	17,808,764	10,847,374	17,808,764	10,847,374
Loans and advances to credit institutions	14	11,998,266	11,617,844	11,942,858	11,560,246
Debt securities	13	3,064,752	4,054,834	3,064,752	4,054,834
		32,906,406	26,576,605	32,850,998	26,519,007
Loans and advances to customers					
Loans fully secured on residential properties		111,816,361	101,337,586	111,816,361	101,337,586
Loans fully secured on land		201,496	226,621	201,496	226,621
	15	112,017,857	101,564,207	112,017,857	101,564,207
Investment in subsidiary	17	-	-	102	102
Other investments	18	-	144,933	-	144,933
Tangible fixed assets	19	528,390	565,027	528,390	565,027
Intangible fixed assets	20	78,109	78,785	78,109	78,785
Investment properties	21	229,600	229,600	229,600	229,600
Prepayments and accrued income	22	801,396	543,436	801,246	542,545
Total assets		**146,561,758**	**129,702,593**	**146,506,302**	**129,644,206**
Liabilities					
Shares	23	130,401,100	112,788,736	130,401,100	112,788,736
Amounts owed to credit institutions	24	-	507,018	-	507,018
Amounts owed to other customers	25	2,759,806	3,039,159	2,759,806	3,039,159
		133,160,906	116,334,913	133,160,906	116,334,913
Other liabilities	26	16,500	143,141	16,500	140,564
Accruals and deferred income		246,854	194,843	241,017	188,952
Deferred tax liability	27	59,208	45,636	59,208	45,636
Total liabilities		**133,483,468**	**116,718,533**	**133,477,631**	**116,710,065**
Reserves					
Total reserves attributed to our members		13,078,290	12,984,060	13,028,671	12,934,141
Total reserves and liabilities		**146,561,758**	**129,702,593**	**146,506,302**	**129,644,206**

Approved by the Board of Directors on 27 February 2025 and signed on its behalf by:

Will Lindsay (Chair) **David Billinge (Director)** **Zack Hocking (Chief Executive)**

The notes on page 23 to 37 form part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Cash flows from operating activities					
Profit on ordinary activities before tax		123,040	572,897	123,340	559,334
Adjustment to fair value of investment properties	21	-	(31,348)	-	(31,348)
Depreciation and amortisation	19/20	129,450	134,912	129,450	134,912
Disposal of tangible and intangible fixed assets	19	213	1,566	213	1,566
Gain on disposal of investment	18	(10,432)	-	(10,432)	-
Decrease in impairment of loans and advances	16	(94,000)	-	(94,000)	-
Movement in accrued interest on debt securities	13	(32,315)	(75,784)	(32,315)	(75,784)
		115,956	**602,243**	**116,256**	**588,680**
Changes in operating assets and liabilities					
Increase in prepayments, accrued income and other assets	22	(257,960)	(15,618)	(258,701)	(15,062)
Increase/ (decrease) in accruals, deferred income and other liabilities		51,446	(1,954)	52,412	3,368
(Increase)/ decrease in loans and advances to customers	15	(10,359,650)	1,010,316	(10,359,650)	1,010,316
Increase/ (decrease) in shares	23	17,612,364	(8,972,616)	17,612,364	(8,972,616)
(Decrease)/ increase in amounts owed to credit institutions and other customers	24/25	(786,371)	159,700	(786,371)	159,700
Decrease in loans and advances to credit institutions		578,688	4,934,893	578,688	4,934,893
Taxation paid	11	(141,315)	(62,116)	(139,650)	(60,450)
Net cash inflow/ (outflow) from operating activities		**6,697,202**	**(2,947,395)**	**6,699,092**	**(2,939,851)**
Cash flows from investing activities					
Purchase of debt securities	13	(33,324,213)	(25,470,315)	(33,324,213)	(25,470,315)
Disposal of debt securities	13	27,385,221	28,065,306	27,385,221	28,065,306
Purchase of tangible and intangible fixed assets	19/20	(92,350)	(117,697)	(92,350)	(117,697)
Disposal of investment property	21	-	83,348	-	83,348
Disposal of investment	18	155,365	-	155,365	-
Net cash used in investing activities		**(5,875,977)**	**2,560,642**	**(5,875,977)**	**2,560,642**
Net increase in cash and cash equivalents		**937,181**	**215,490**	**939,371**	**209,471**
Cash and cash equivalents at the start of the year	12	**7,067,203**	**6,851,713**	**7,009,605**	**6,800,134**
Cash and cash equivalents at the end of the year	12	**8,004,384**	**7,067,203**	**7,948,976**	**7,009,605**

STATEMENT OF CHANGE IN MEMBERS' INTERESTS
FOR THE YEAR ENDED 31 DECEMBER 2024

General reserves	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Balance as at 1 January	12,984,060	12,551,259	12,934,141	12,512,326
Total comprehensive income for the year	94,230	432,801	94,530	421,815
Balance as at 31 December	13,078,290	12,984,060	13,028,671	12,934,141

The notes on page 23 to 37 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Principal accounting policies

1.1. Basis of preparation

We have prepared the Annual Accounts, comprising the individual accounts of the Society and consolidated accounts for the Group, in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 ('the accounts regulations') and Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in January 2022.

In preparing the Annual Accounts under FRS 102, the use of certain critical account estimates and judgments has been required. The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the Annual Accounts are set out in Note 2, on page 26.

1.2. Basis of accounting

The Annual Accounts have been prepared under the historical cost convention. This is except for Investment Properties, which are measured at fair value.

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

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

1.3. Basis of consolidation

The Group accounts consolidate the accounts of the Society and its subsidiary undertaking, and exclude any profits or losses on intra group transactions. These accounts are made up to 31 December 2024. Unless otherwise stated, the acquisition method of accounting has been adopted. In the Society's accounts, investments in subsidiary undertakings are stated at the lower of cost and recoverable amount. Uniform accounting policies are applied throughout the Group.

1.4. Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments are recognised in 'interest receivable and similar income' or 'interest payable and similar charges' using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying amount of the financial asset or liability.

Fees receivable and payable on mortgage assets are generally recognised when all contractual obligations have been fulfilled and are spread over the expected life of the mortgage, as part of the effective interest rate model outlined in 1.6 below.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by an allowance for impairment.

1.5. Fees and commissions

Fees and commissions receivable and payable that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.6). Other fees and commission, including account servicing fees, sales commission and other fees are recognised as the related services are performed.

1.6. Financial assets

In accordance with FRS 102 (sections 11 and 12), we initially recognise loans and advances, deposits and debt securities on the date on which they originated. All other financial instruments are recognised on the trade date, being the date on which we became a party to the contractual provision of the instrument.

a) Loans and Advances

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

We measure our loans and advances at amortised cost less impairment provisions. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The initial value may, if applicable, include certain fees such as application, product, legal, valuation or higher lending charges, which are recognised over the expected scheme life of mortgage assets, as noted in 1.4 above.

Discounted rates on mortgages are recognised over the expected scheme life of mortgage assets and for certain schemes, will form part of the effective interest rate model.

Throughout the year and at each year end, the mortgage life assumptions for each scheme are reviewed for appropriateness.

Any changes to the expected life assumptions of the mortgage assets are recognised through interest receivable and similar income and reflected in the carrying value of the mortgage assets in loans and advances to customers.

b) Debt instruments

Debt instruments, being debt securities (certificates of deposits, treasury bills and gilts), are non-derivative assets with fixed or determinable payments and fixed maturity that we have the positive intent and ability to hold to maturity, and which are not designated as at fair value through the income statement.

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

We derecognise a financial asset when its contractual rights to a cash flow are discharged or cancelled, or expire or substantially all the risk and rewards of ownership have been transferred.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.7 Financial liabilities measured at amortised costs

In accordance with FRS 102 (sections 11 and 12), we classify financial liabilities as measured at amortised cost.

We derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

1.8. Impairment of financial assets

a) Assets carried at amortised cost

A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Throughout the year and at each year end individual assessments are made of all loans and advances against land and properties which are in possession or in arrears by three months or more and/or are subject to forbearance activities. Individual impairment provisions are made against those loans and advances where there is objective evidence of impairment.

Objective evidence of impairment may include:

- Significant financial difficulty of the borrower/issuer;
- Deterioration in payment status;
- Renegotiation of the terms of an asset due to financial difficulty of the borrower or issuer, including granting a concession/forbearance to the borrower or issuer;
- Becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganisation; and
- Any other information discovered during regular review suggesting that a loss is likely in the short to medium term.

We consider evidence of impairment for assets carried at amortised cost at both an individual asset and a collective level. Those found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together loans and advances and held to maturity investments with similar risk characteristics.

In assessing collective impairment, we use external market data to build a risk weighted model of historical trends of the probability of default, the timing of recoveries and the amount of loss that may be incurred. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

In considering expected future cash flows, account is taken of any discount which may be needed against the value of the property at the statement of financial position date thought necessary to achieve a sale and anticipated realisation costs.

Where certain emerging impairment characteristics are considered significant but not assessed as part of the impairment calculation, the Board may elect to apply an overlay to the impairment provision.

The amount of impairment loss is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of provisions.

b) Forbearance strategies and renegotiated loans

A range of forbearance options are available to support mortgage members who are experiencing financial difficulty. The purpose of forbearance is to support mortgage members who have temporary financial difficulties and help them get back to normal payments.

The main options offered include:

- Reduced or suspended monthly payments (concessions);
- An arrangement to clear outstanding arrears; and
- Extension of mortgage term.

Mortgage members requesting a forbearance option will need to provide information to support the request which is likely to include an income and expenditure form, statement of assets and liabilities, bank/credit card statements, payslips and similar, in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our Dealing Fairly with Borrowers at Risk or In Financial Difficulty Policy and associated procedures. At the appropriate time, the forbearance option that has been implemented is cancelled and the borrower's normal contractual payment is restored.

1.9. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity at the date of the statement of financial position, including cash and loans and advances to credit institutions.

1.10. Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are recognised initially at cost.

Subsequent to initial recognition, investment properties are held at fair value. An annual independent desktop valuation is completed by a RICS qualified surveyor to obtain a current market (fair) value of the investment properties, which considers their rental yield and ownership structure. Any gains or losses arising from changes in the fair value are recognised in the income statement in the period that they arise and no depreciation is provided in respect of investment properties applying the fair value model.

Rental income from investment properties is accounted for on an accruals basis.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.11. Tangible assets – property, plant and equipment

Additions and improvements to office premises and equipment, including costs directly attributable to the acquisition of the asset, are capitalised at cost. In the statement of financial position, the value of property, plant and equipment represents the original cost, less cumulative depreciation.

The costs, less estimated residual values of assets, are depreciated on a straight-line basis over their estimated useful economic lives as follows:

- Freehold buildings - over 100 years
- Refurbishment costs -over 20 years
- Office and IT, fixtures and fittings - over 5-10 years
- No depreciation is provided on freehold land.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

1.12. Intangible assets – computer software

Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by us which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Intangible assets are stated at cost less cumulative amortisation and impairment losses.

Amortisation begins when the asset becomes available for operational use and is charged to the income statement on a straight-line basis over the estimated useful life of the software, which is 3-5 years. The amortisation period used is reviewed annually.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

1.13. Investments in non-financial assets

Investments in non-financial assets are recognised initially at cost. The carrying value of investments in non-financial assets other than investment properties are reviewed each year end to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the income statement, if the carrying amount of an asset exceeds its estimated recoverable amount. An impairment loss is reversed if, and only if, the reasons for the impairment have ceased to apply. Impairment losses recognised in prior years are assessed at each year end for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

1.14. Employee benefits

We operate a defined contribution pension scheme, the assets of which are held separately. For this scheme, the cost is charged to the income statement as contributions become due.

1.15. Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the date of the statement of financial position, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Annual Accounts. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax balances are not discounted.

Both current and deferred taxes are determined using the rates enacted or substantively enacted at the statement of financial position date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities and other future taxable profits.

1.16. Contingent liabilities

Contingent liabilities are potential obligations from past events which shall be confirmed by future events. Contingent liabilities are not recognised in the statement of financial position.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.17. Leases

Leases in which we assume substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Rental payments (including costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

2. Accounting estimates and judgements

We make estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are described below:

2.1. Impairment losses on loans and advances to customers

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

In determining impairment losses at 31 December 2024, we consider the possibility of inflated house prices and increased propensity to default. We have concluded that house prices are in a stable position and we therefore have removed the discount to HPI of 10% made to the impairment provisioning model at the end of 2023 as a result of concerns of an inflated housing market.

Estimates are applied in the impairment provisioning model to determine prevailing market conditions (e.g. interest rates and house prices), mortgage member's behaviour (e.g. default rates) and forced sales discounts, reflecting the reduction in market value and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions. The impairment provisions are sensitive to changes in the underlying assumptions, with the HPI being the most critical. If we were to reduce the HPI by 10%, as we have done in previous years, then the closing impairment provisions would increase by £69,685 (2023: £66,532). Propensity for default rates have an immaterial impact on the impairment provisions. A 0.10% increase to the default rates would increase the closing impairment provisions by £3,989.

2.2. Effective interest rate (EIR)

We recognise interest on loans and advances to customers on the basis of their Effective Interest Rate. This is a constant rate that averages out the effect of interest, fees and incentives across the expected behavioural life of mortgage assets. The behavioural life is a critical assumption based on historic and forecast redemption data as well as management judgement.

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

Sensitivity analysis has been conducted on the behavioural life of mortgages shows that a +/- one month shift in the behavioural life would increase/decrease interest income by £16,817/£66,764.

The EIR asset increases and decreases accordingly.

2.3. Fair value of investment properties

We review the fair value of our investment properties on an annual basis, via either a desktop or physical valuation. The fair value is then adjusted to reflect any uplift or impairment in the market value arising from the valuation.

These properties are residential shared ownership properties where we own 50% of the property and the underlying freehold. Our intention is to sell our share in the investment properties collectively when an appropriate buyer can be found. However, we are open to selling the individual properties rather than collectively if an opportunity presents.

In reviewing the valuation at 31 December 2024, we believe that the current market (fair) value of the properties, which is based on the market value of individual sales for each property, reflects the remaining tenure of the freehold leases underlying these properties.

The impact on the fair value at 31 December 2024 is disclosed in more detail in Note 21 on page 31.

NOTES TO THE ACCOUNTS, continued

3. Country by country reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulation 2013. The purpose of these regulations is to provide clarity on our income and the location of our operations.

The Society's principal activities are mortgage lender and provider of savings accounts. The subsidiary's principal activity, as detailed in Note 17 on page 31, is that of a tied mortgage broker. All of the consolidated entities were incorporated in the UK.

The consolidated Annual Accounts of the Group include the audited results of the Society and its subsidiary company.

For the year ended 31 December 2024:

- The Group's turnover (being net interest receivable) was £3.03m (2023: £3.20m). Profit before tax £0.12m (2023: £0.57m) all of which arose from UK based activity.
- The average number of full-time equivalent employees for the Group and Society was 25 (2023: 25).
- Group corporation tax of £141,315 (2023: £62,116) was paid in the year and is within the UK tax jurisdiction.
- There were no public subsidies received in the year.

4. Interest receivable and similar income

	Group and Society	
	2024	**2023**
	£	**£**
On loans fully secured on residential property	6,514,545	5,907,671
On other loans	14,074	29,191
On debt securities	226,595	191,228
On treasury bills	637,051	493,041
On liquid assets	400,769	284,545
	7,793,034	6,905,676

Interest on debt securities includes £226,595 (2023: £191,228) arising from fixed income investment securities.

5. Interest payable and similar charges

	Group and Society	
	2024	**2023**
	£	**£**
On shares held by individuals	4,696,557	3,638,062
On other shares	-	330
On deposits and other borrowings	65,589	64,852
	4,762,146	3,703,244

6. Other operating income

	Group and Society	
	2024	**2023**
	£	**£**
Rental income	6,787	6,760

7. Employees

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

	Full time 2024 No.	**Part time 2024 No.**	**Full time 2023 No.**	**Part time 2023 No.**
Head Office	17	6	19	4
Branch	3	1	4	1
Total	20	7	23	5

8. Administrative expenses

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Staff costs				
Wages and salaries	1,253,836	1,137,922	1,253,836	1,137,922
Social security costs	119,051	116,570	119,051	116,570
Other pension costs	52,549	48,777	52,549	48,777
	1,425,436	1,303,269	1,425,436	1,303,269
Other admin expenses	881,944	764,312	876,358	767,443
Other admin expenses - technology	603,212	500,809	603,212	500,809
	2,910,592	2,568,390	2,905,006	2,571,521

	Group 2024 £	Group 2023 £
Other admin expenses include:		
Audit of these Annual Accounts* (excluding VAT)	100,000	92,000
Operating lease costs	29,215	35,443

*The audit fee for the subsidiary company of £3,969 (2023: £3,780) is included above.

Non-audit services were provided totalling £2,000 (2024: £Nil).

9. Directors' emoluments

Key management personnel comprise solely the Non-Executive and Executive Directors

	Group and Society 2024 £	Group and Society 2023 £
Fees for services as Non-Executive Directors:		
Rod Ashley	18,824	18,058
David Billinge (appointed 1 February 2024)	17,301	-
Richard Drinkwater	18,824	18,058
Janice Lincoln (retired 30 June 2024)	9,632	18,661
Will Lindsay	23,367	22,416
Nikki Marsh (appointed 1 March 2023)	18,824	15,157
Fiona Smith (appointed 1 September 2023)	18,824	6,092
Total for Non-Executive Directors	125,596	98,442
For services as Executive Directors:		
Zack Hocking (appointed 4 December 2023)		
Salary	128,750	9,615
Bonus	2,600	-
Benefits and allowances	6,468	500
Pension contributions	6,438	481
	144,256	10,596
Tim Bowen (resigned 22 November 2023)		
Salary	-	110,865
Bonus	-	-
Benefits and allowances	-	7,388
Pension contributions	-	5,529
	-	123,782
Elspeth James**		
Salary	83,345	80,977
Bonus	1,677	4,918
Benefits and allowances	804	858
Pension contributions	4,152	3,983
	89,978	90,736
Total for Executive Directors	234,234	225,114
Total for Directors' emoluments	359,830	323,556

**Elspeth James works on a four-day contract.

NOTES TO THE ACCOUNTS, continued

10. Directors' loans and related party transactions

The aggregate amount of loans outstanding at 31 December 2024 to one (2023: one) Director and connected persons was £100,678 (2023: £106,980). This loan was made on normal commercial terms. A register of loans to Directors and connected persons is maintained under Section 68 of the Building Societies Act 1986 at our Head Office. This is available for inspection during normal office hours over the period of 15 days prior to the Annual General Meeting and at the Annual General Meeting itself.

Directors' and connected parties hold savings balances with the Group, all accounts have the same terms and conditions as available to members of the Society. The savings balances are not detailed in the register unlike loans, due to their sensitive nature. The aggregate amount of all savings balances at 31 December 2024 was £149,259 (2023: £148,663).

We held unlisted shares in Mutual Vision Technologies Limited up to the date of their disposal on 1 November 2024. The company provides IT services to the business, as detailed in Note 18 on page 31. Amounts paid to Mutual Vision Technologies Limited for IT services were £496,323 (2023: £405,929) of which £81,408 (2023: £71,474) was capitalised, see Note 20 on page 32.

11. Taxation

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Current tax				
Current tax on income for the period	16,500	142,577	16,500	140,000
Adjustment in respect of previous periods	(1,262)	(1,209)	(1,262)	(1,209)
Total current tax	15,238	141,368	15,238	138,791
Deferred tax (see Note 27)				
Origination and reversal of timing differences	13,572	(8,304)	13,572	(8,304)
Effect of changes in tax rates	-	7,553	-	7,553
Impact of change of rate on deferred tax balances	-	(521)	-	(521)
Total deferred tax	13,572	(1,272)	13,572	(1,272)
Total tax expense	28,810	140,096	28,810	137,519

Current tax has been provided at 25% (1 January 2023 to 31 March 2023: 19% and 1 April 2023 to 31 December 2024: 25%)

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Reconciliation of effective tax rate:				
Profit for the year	123,040	572,897	123,340	559,334
Total effective tax at 25% (2023: Group 23.41%, Society 23.52%)	30,760	134,132	30,835	131,555
Effects of:				
Non-deductible expenses	835	1,704	835	1,704
Adjustments from previous periods	(1,262)	6,344	(1,262)	6,344
Income not taxable	(690)	(1,467)	(690)	(1,467)
Gains/rollover/ other reliefs	(833)	(96)	(908)	(96)
Change of rate on deferred tax balances	-	(521)	-	(521)
Total tax expense included in income statement	28,810	140,096	28,810	137,519

The deferred tax liability is calculated using the tax rate enacted from 1 April 2023 at 25%.

12. Cash and cash equivalents

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Cash in hand	34,624	56,553	34,624	56,553
Loans and advances to credit institutions (Note 14)	7,969,760	7,010,650	7,914,352	6,953,052
	8,004,384	7,067,203	7,948,976	7,009,605

NOTES TO THE ACCOUNTS, continued

13. Debt securities

	Group and Society	
	2024	2023
	£	£
Treasury bills and gilts	17,808,764	10,847,374
Certificates of deposit	3,064,752	4,054,834
	20,873,516	14,902,208
Debt securities have remaining maturities as follows:		
In not more than one year	20,873,516	14,902,208
In more than one year	-	-
	20,873,516	14,902,208
Transferrable debt securities (excluding accrued interest) comprise:		
Unlisted	3,000,788	4,001,135

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

	Group and Society	
	2024	2023
At 1 January	14,902,208	17,421,415
Premium amortisation	1,299	-
Disposals and maturities	(27,385,221)	(28,065,306)
Acquisitions	33,322,914	25,470,315
Movement in accrued interest	32,315	75,784
At 31 December	20,873,515	14,902,208

14. Loans and advances to credit institutions

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Accrued interest	28,506	45,332	28,506	45,332
Repayable on demand	7,969,760	7,010,650	7,914,352	6,953,052
Other loans and advances by residual maturity payable:				
In not more than 3 months	2,500,000	2,561,862	2,500,000	2,561,862
In not more than 1 year	1,500,000	2,000,000	1,500,000	2,000,000
	11,998,266	11,617,844	11,942,858	11,560,246

15. Loans and advances to customers

	Group and Society	
	2024	2023
	£	£
Loans fully secured on residential property	111,816,361	101,337,586
Loans fully secured on land	201,496	226,621
	112,017,857	101,564,207

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

	Group and Society	
	2024	2023
	£	£
In not more than three months	846,217	789,742
In more than three months but not more than one year	2,676,132	2,477,826
In more than one year but not more than five years	17,072,957	15,949,385
In more than five years	91,522,551	82,541,254
	112,117,857	101,758,207
Impairment (see Note 16)	(100,000)	(194,000)
	112,017,857	101,564,207

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

NOTES TO THE ACCOUNTS, continued

16. Allowance for impairment

	Group and Society		
	Loans fully secured on land	Loans fully secured on residential property	Total
At 1 January	£	£	£
Individual provision	-	20,000	20,000
Collective provision	-	174,000	174,000
	-	194,000	194,000
Income statement			
Individual provision	-	(13,000)	(13,000)
Collective provision	-	(81,000)	(81,000)
		(94,000)	(94,000)
At 31 December			
Individual provision		7,000	7,000
Collective provision		93,000	93,000
		100,000	100,000

We have one mortgage case where forbearance has been exercised (2023: one).

17. Investment in subsidiary

	Shares	Loans	Total
Cost	**£**	**£**	**£**
At 1 January 2024 and 31 December 2024	2	100	102

The Society directly holds 100% of the issued ordinary share capital of the following company which is registered in England and Wales:

	Principal Activity
Cumbria Mortgage Centre Limited	Tied Mortgage Broker

The subsidiary operates within the United Kingdom and is included in the Group's accounts. No Director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

18. Other investments

The Society held unlisted shares at cost in Mutual Vision Technologies Limited which provides IT services to the Society. On 1 November 2024, the Society sold its interest in the ordinary share capital of Mutual Vision Technologies Limited. A gain of £10,432 was recognised on the disposal of the investment.

Unlisted investments	**Total**
Cost	**£**
At 1 January 2023	144,933
Disposals	(144,933)
At 31 December 2024	-

NOTES TO THE ACCOUNTS, continued

19. Tangible fixed assets

	Group and Society			
	Freehold land and buildings	Office and IT, fixtures and fittings	Refurbishment costs	Total
Cost	£	£	£	£
At beginning of year	40,000	335,052	417,000	792,052
Additions	-	10,942	-	10,942
Disposals	-	(9,676)	-	(9,676)
At end of year	40,000	336,318	417,000	793,318
Depreciation				
At beginning of year	18,400	181,258	27,367	227,025
Charge for the year	400	26,116	20,850	47,366
Elimination in respect of disposals	-	(9,463)	-	(9,463)
At end of year	18,800	197,911	48,217	264,928
Net book value				
31 December 2024	21,200	138,407	368,783	528,390
31 December 2023	21,600	153,794	389,633	565,027

The net book value of the freehold premises occupied by the Group for its own activities is £21,200 (2023: £21,600).

20. Intangible fixed assets

	Group and Society IT software and development costs
Cost	£
At beginning of year	457,843
Additions	81,408
At end of year	539,251
Depreciation	
At beginning of year	379,058
Charge for the year	82,084
At end of year	461,142
Net book value	
31 December 2024	78,109
31 December 2023	78,785

21. Investment properties

	Group and Society	
	2024	2023
Fair value	£	£
At 1 January	229,600	281,600
Gain from fair value adjustment	-	31,348
Disposal of property	-	(83,348)
At 31 December 2024	229,600	229,600

We own residential investment properties at Mardale Close and Greystoke Park, Penrith, which are freehold, under a shared ownership arrangement. Our share being 50% of the property value. During the year, no properties were sold in the open market (2023: one).

A desktop valuation was completed at 31 December 2024 to support management's estimate of a current market (fair) value of £229,600. The valuation was completed by an external, independent valuer from SWH Surveys Limited, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The fair value is estimated using the market valuation approach which uses prices and other relevant information generated by market transactions involving comparable properties. The basis of the fair value of these investment properties also reflects the remaining tenure of the freehold leases underlying the properties. Any gains or losses arising from a change in fair value are recognised in the income statement. Rental income from investment property is accounted for on an accruals basis, as set out in Note 1.10 on page 24 and disclosed in Note 6 on page 27.

NOTES TO THE ACCOUNTS, continued

22. Prepayments and accrued income

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Prepayments	801,396	543,436	801,246	542,545

23. Shares

	Group and Society 2024 £	Group and Society 2023 £
Held by individuals	130,401,100	112,788,736
	130,401,100	112,788,736

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

	Group and Society 2024 £	Group and Society 2023 £
Accrued interest	1,457,680	1,176,624
Repayable on demand	83,545,479	74,448,761
In not more than 3 months	45,397,941	37,163,351
	130,401,100	112,788,736

24. Amounts owed to credit institutions

	Group and Society 2024 £	Group and Society 2023 £
Accrued interest	-	7,018
Repayable with agreed maturity dates of periods of notice:	-	-
In not more than 3 months	-	500,000
	-	507,018

25. Amounts owed to other customers

Amounts owed to other customers are repayable with the remaining maturity from the date of the statement of financial position as follows:

	Group and Society 2024 £	Group and Society 2023 £
Repayable on demand	2,759,806	3,039,159

26. Other liabilities

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Other liabilities due within one year comprise:				
Corporation tax	16,500	142,577	16,500	140,000
Other creditors	-	564	-	564
	16,500	143,141	16,500	140,564

27. Deferred tax liability

	Group and Society	
	2024	**2023**
	£	**£**
At beginning of year	45,636	46,908
Charge/ (credit) to statement of income for year	13,572	(1,272)
At end of year	59,208	45,636
The elements of deferred taxation are as follows:		
Differences between accumulated depreciation and amortisation and capital allowances	72,932	79,684
Revaluation of investment properties	9,593	9,593
Timing differences	(23,317)	(43,641)
	59,208	45,636

The net reversal of deferred tax assets and liabilities expected to occur in the next reporting period is a credit of £5,000 (2023: credit of £12,300), being the impact of the revaluation of the investment properties.

28. Commitments

There were no contracted capital commitments at the financial year end.

Detail on future mortgage commitments is in Note 29 on page 35.

At 31 December 2024 we had future minimum lease payments under non-cancellable operating leases as follows:

	Group and Society	
	2024	**2023**
Office equipment leases which expire:	**£**	**£**
Within 1 year	27,185	31,615
Within 2-5 years inclusive	73,277	93,953
Over 5 years	1,540	-

29. Financial instruments

We are a retailer of financial instruments in the form of mortgage and savings products, we also use wholesale financial instruments to invest in liquid assets and may raise funds from wholesale money markets to support our retail savings operations.

These instruments also allow us to manage risks arising from these business markets. We have a formal structure for managing risk, which is reviewed by Board, including formal risk policies, risk limits, reporting structures, mandates and other control procedures.

Instruments commonly used for risk management purposes include derivative financial instruments, which are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates.

We do not use any derivative financial instruments, as we do not currently offer any capped rate mortgage or savings products that would give rise to a balance sheet exposure and all fixed rate mortgage products are internally matched by fixed rate deposits.

We do not enter into any financial instruments for trading or speculative purposes.

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an on-going basis at amortised cost. Notes 1.6 and 1.7, on page 23 and 24, describe how classes of financial instrument are measured and how income and expenses are recognised.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes (or potential changes) in market interest rates and divergence of interest rates for different Statement of Financial Position elements (basis risk).

We have adopted the 'administered' approach to interest rates as defined by the Prudential Regulation Authority (PRA), whereby over 90% of rates on assets and liabilities are administered and can be adjusted at any point in time. We have an extension to this limit, as agreed with the PRA, to allow up to 30% of rates on assets and liabilities to be on non-administered rates. As a result, the exposure to movements in interest rates, reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature, is minimal. We manage this exposure by matching the maturity dates of assets and liabilities through natural hedges, allowing this risk to be minimised.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivities of financial assets and financial liabilities to various standard and non-standard interest rate scenarios.

Standard scenarios that are considered on a quarterly basis include a 2% parallel fall or rise in the bank base rate. If there was a 2% parallel upwards shift in interest rates the favourable impact on reserves would be £43,000 (2023: £114,000) and if this were a 2% parallel downward shift in interest rates, the negative impact on reserves would be £43,000 (2023: £111,000).

NOTES TO THE ACCOUNTS, continued

29. Financial instruments, continued

Credit risk

Credit risk, as noted in the Directors' Report on page 5, is the risk that a mortgage member or counterparty will cause a financial loss to us by failing to discharge an obligation. We have policies in place to manage credit risk arising from a mortgage member or counterparty, with clearly defined risk appetite statements and appropriate credit limits. The risk appetite statements are supported by a number of qualitative and quantitative measures that are monitored by the Board on a monthly basis. Further challenge and oversight are provided by the ARCC as part of its quarterly meetings.

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

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
Cash in hand	34,624	56,553	34,624	56,553
Loans and advances to credit institutions	11,998,266	11,617,844	11,942,858	11,560,246
Debt securities	20,873,516	14,902,208	20,873,516	14,902,208
Loans and advances to customers	112,017,857	101,564,207	112,017,857	101,564,207
Total statement of financial position exposure	144,924,263	128,140,812	144,868,855	128,083,214
Off balance sheet exposure – mortgage commitments	6,831,353	2,479,437	6,831,353	2,479,437
	151,755,616	130,620,249	151,700,208	130,562,651

Credit quality analysis of counterparties

The Board is responsible for approving treasury counterparties for investment purposes. Limits are placed on the amount of risk accepted in relation to a single counterparty or group of counterparties, and to industry sectors. This is monitored daily by the Finance Team and reviewed monthly by ALCO.

The following table provides details on the exposure to counterparties, being all liquid assets with financial institutions, excluding cash in hand, by their Fitch rating, where appropriate:

	Group 2024 £	Group 2023 £	Society 2024 £	Society 2023 £
UK Government securities	17,808,764	10,847,374	17,808,764	10,847,374
Financial institutions				
A+ to A-	11,034,512	12,132,080	10,979,104	12,074,482
Unrated	4,028,506	3,540,598	4,028,506	3,540,598
Total exposure to counterparties	32,871,782	26,520,052	32,816,374	26,462,454

At 31 December 2024, all exposures to financial institutions were within the UK (2023: all exposures were within the UK).

Credit quality analysis of loans and advances to customers

The Board is responsible for approving the Responsible Lending Policy which includes our credit risk appetite. The lending portfolio is monitored daily by the Mortgage Team and reviewed monthly by the Retail Credit Risk Committee (RCRC) to ensure it remains in line with the stated risk appetite, including adherence to lending principles, policies and limits.

To manage good customer outcomes and responsible lending, we ensure at the outset that mortgage members can meet their repayments. This is achieved by obtaining specific information from the mortgage member concerning income and expenditure, but also with reference to external credit reference agency data. The maximum credit risk exposure is disclosed in the tables above.

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property, as set out in the table below. These are residential or buy to let loans, with only 0.2% (2023: 0.2%) of the mortgage book secured on land.

A large proportion of our mortgage members are based in Cumbria, being 38.48% (2023: 45.33%) of the mortgage book. Mortgage members in Scotland represent 15.70% (2023: 10.34%) and the remaining 45.82% (2023: 44.33%) is spread across the rest of England and Wales.

NOTES TO THE ACCOUNTS, continued

29. Financial instruments, continued

Credit risk, continued

Credit quality analysis of loans and advances to customers, continued

The table below sets out information about the credit quality of loans and advances to customers by payment due status net of provisions:

	Group and Society			
	2024		2023	
Arrears analysis	£	%	£	%
Neither past due or impaired	108,462,211	96.83	98,649,781	97.13
Past due but not impaired:				
Past due up to 3 months	2,263,279	2.02	1,878,114	1.85
Past due over 3 months	935,118	0.83	702,365	0.69
Impaired:				
Not past due	-	-	-	-
Past due up to 3 months	357,249	0.32	253,464	0.25
Past due over 3 months	-	-	80,483	0.08
	112,017,857	100.00	101,564,207	100.00

	Indexed £	**Unindexed** £	**Indexed** £	**Unindexed** £
Value of collateral held:				
Neither past due or impaired	303,244,181	258,101,281	277,982,407	239,626,216
Past due but not impaired	8,577,822	7,167,000	6,817,104	5,663,000
Impaired	549,615	540,000	576,849	506,000
	312,371,618	265,808,281	285,376,360	245,795,216

With collateral capped to the amount of outstanding debt, the value of collateral held against 'Not impaired' loans at 31 December 2024 was £265,268,281 (2023: £245,289,216) against outstanding debt of £111,658,754 (2023: £101,476,829). In addition, the value of collateral held against 'Impaired' loans at 31 December 2024 was £540,000 (2023: £506,000) against outstanding debt of £405,914 (2023: £268,631).

Note 1.8(a), on page 24, sets out our approach to the impairment of financial assets. We use HPI indexing to update the property values of its residential and buy to let portfolios on a quarterly basis. Collateral values are adjusted by HPI to derive the indexed valuation at 31 December 2024. This is a UK HPI and takes into account regional data from the 12 standard planning regions of the UK. The collateral consists of UK property and land. Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 80% of the value of the total security at the point of origination.

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount. Possession balances represent the loans where we have taken action to realise the underlying security. Various forbearance options are available to support mortgage members who may find themselves in financial difficulty.

Note 1.8(b), on page 24, sets out our approach to forbearance strategies. Scheme reviews for mortgages are undertaken if a change of scheme is appropriate, this could be due to a mortgage member not switching schemes on the maturity of their fixed or discounted term. All mortgage members are contacted on maturity of their discount or fixed rate scheme. Capitalisation occurs when arrears are incorporated into the capital balance outstanding for the purpose of restructuring the loan.

All forbearance arrangements are formally discussed with the mortgage member and reviewed by the Executive, prior to acceptance of the forbearance arrangement. By offering mortgage members in financial difficulty the option of forbearance we potentially expose ourselves to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the mortgage member into a detrimental position at the end of the forbearance period.

The level and different types of forbearance activity is reported to the RCRC on a monthly basis. In addition, all forbearance arrangements are reviewed and discussed with the mortgage member on a regular basis to assess the ongoing potential risk and ongoing suitability of the arrangement for them.

The table below details the number of forbearance cases within the 'not impaired' category:

	2024	**2023**
Type of Forbearance:	No.	No.
Increased payment arrangement at year end	1	-
Reduced payment concessions at year end	-	1
Total	1	1

Total loans in forbearance represent £10,249 (2023: £556,935).

NOTES TO THE ACCOUNTS, continued

29. Financial instruments, continued

Liquidity risk

Liquidity risk, as noted in the Directors' Report on page 6, is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset.

We monitor liquidity requirements on a daily basis in line with specific policies in this area, approved by the Board.

The liquidity risk appetite is supported by qualitative and quantitative measures that are monitored by the Board on a monthly basis.

Our policy is to maintain sufficient funds in a liquid form at all times to ensure that we can cover all fluctuations in funding, retain member and public confidence in our solvency and to enable us to meet our financial obligations

The tables below analyse the remaining contractual maturity of our financial liabilities, at undiscounted amounts.

The analysis of the contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued, for the average period until maturity on the amounts outstanding at the statement of financial position date.

31 December 2024	On demand	Not more than 3 months	More than 3 months, but no more than 1 year	More than 1 year but not more than 5 years	More than five years	Total
Financial liabilities	**£**	**£**	**£**	**£**	**£**	**£**
Shares	78,217,924	40,460,766	8,403,419	3,318,991	-	130,401,100
Amounts owed to other customers	2,234,921	524,885	-	-	-	2,759,806
Amounts owed to credit institutions	-	-	-	-	-	-
Total financial liabilities	80,452,845	40,985,651	8,403,419	3,318,991	-	133,160,906

31 December 2023	On demand	Not more than 3 months	More than 3 months, but no more than 1 year	More than 1 year but not more than 5 years	More than five years	Total
Financial liabilities	**£**	**£**	**£**	**£**	**£**	**£**
Shares	67,975,226	37,163,351	4,591,291	3,058,868	-	112,788,736
Amounts owed to other customers	2,875,973	163,186	-	-	-	3,039,159
Amounts owed to credit institutions	-	507,018	-	-	-	507,018
Total financial liabilities	70,851,199	37,833,555	4,591,291	3,058,868	-	116,334,913

30. Capital

Our policy is to maintain a strong capital base to allow our members, creditors and the wider market to be confident that we can sustain current and future development. The Individual Capital Adequacy Assessment Process (ICAAP) is used to support our management of capital and is formally completed at least annually. Monthly reporting of key capital ratios is given to the Board to demonstrate that we have sufficient capital to withstand risks arising and to meet our Total Capital Requirements (as set by the PRA). We also have a standing Board agenda item to consider whether any decisions we have taken could impact our future capital position.

There were no reported breaches of capital requirements during the year and there have been no material changes to our management of capital during the year.

31. Contingent liabilities

We have reviewed our mortgage back book to identify all properties with external cladding which may require remediation activity moving forward. There are three (2023: three) properties in mortgage where cladding has been identified. The total outstanding loan balance on these properties is £222,406 at 31 December 2024 (2023: £238,639).

We have been provided with evidence that work is ongoing at one of the three properties currently to remove the cladding. The borrowers of the remaining two properties are awaiting a final position from the Government or house builder to understand where the remediation costs on these properties would lie, as neither the Government nor the house builders have announced their final position. We remain satisfied that we can see no probable loss from these properties, and therefore have therefore not specifically provided for these loans at 31 December 2024, but will continue to monitor the situation closely.

ANNUAL BUSINESS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

1. Statutory percentages

	2024	Statutory Limit
Lending Limit	1.09%	25.00%
Funding Limit	2.07%	50.00%

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986 as amended by the Building Societies Act 1997.

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property and is calculated as (X-Y)/X where:

X = business assets, being the difference between the total assets plus provisions for bad and doubtful debts and the aggregate of liquid assets and tangible and intangible fixed assets as shown in the accounts.

Y = the principal of, and interest accrued on, loans owed which are fully secured on residential property, plus provisions for bad and doubtful debts and interest in suspense.

The Funding Limit measures the proportion of shares and amounts owed to other customers not in the form of shares held by individuals and is calculated as (X-Y)/X where:

X = shares and amounts owed to other customers, being the aggregate of: the principal value of, and interest accrued on, shares; and the principal of, and interest accrued on, sums deposited.

Y = the principal value of, and interest accrued on, shares held by individuals otherwise than as bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate.

The statutory limits are as laid down under the Building Societies Act 1986 as amended by the Building Societies Act 1997 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

Other percentages

	2024 %	2023 %
As percentage of shares and borrowings:		
Gross capital	9.82	11.16
Free capital*	9.44	10.76
Liquid assets	24.71	22.84
As a percentage of mean total assets:		
Profit after tax	0.07	0.32
Management expenses	2.20	2.02

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

“Shares and borrowings” represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

“Gross capital” represents the general reserves.

“Free capital” represents the aggregate of gross capital and collective impairment for losses on loans and advances less tangible and intangible fixed assets.

“Liquid assets” represent the total cash in hand, treasury bills, loans and advances to credit institutions and debt securities.

“Management expenses” represent the aggregate of administrative expenses and depreciation.

“Mean total assets” is the average of the total assets at 31 December 2023 and 31 December 2024.

ANNUAL BUSINESS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024, continued

2. Information relating to the Directors

Name	Date of Appointment	Business Occupation	Other Directorships
Rod Ashley	23/04/2020	Non-Executive Director	
David Billinge	01/02/2024	Non-Executive Director	
Richard Drinkwater	01/07/2017	Non-Executive Director	Amber Securities Ltd Stamford Lodge Ltd
Will Lindsay, Chair	01/06/2015	Non-Executive Director	
Nikki Marsh	01/03/2023	Non-Executive Director	NEST Corporation Marsh & Vickers Coaching Limited
Fiona Smith	01/09/2023	Non-Executive Director	Trustee of Glenkens & District Trust
Zack Hocking	04/12/2023	CEO	
Elspeth James	01/01/2013	CFO	Cumbria Mortgage Centre Ltd Eden Housing Association

Documents may be served on the above named Directors c/o Forvis Mazars LLP at the following address:
5th Floor, 3 Wellington Place, Leeds, LS1 4AP

Service Contracts

None of the Non-Executive Directors has a service contract.

The CEO and CFO have contracts which can be terminated by either party giving not less than 6 months prior written notice, respectively. These specific contracts were entered into on 4 December 2023 and 1 September 2012, respectively.