Hinckley & Rugby
Building Society

Annual Reports & Accounts **2024**

About us

Hinckley and Rugby Building Society has been serving its members for 160 years. The Society has an extensive range of competitive mortgage and savings products, and remains committed to providing the highest standards of customer service.

Contents

Established 1865

Member of the Building Societies Association

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The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The Society's registration number is 206043.

Chair's statement

"It is at times of great uncertainty that the stability and continuity of your building society never wavers, remaining true to its founding principles. "

Nemone Wynn-Evans
Chair

It is with great pleasure that we present to our members the Annual Report and Accounts for 2024, and my first as your Board Chair. This really has been quite a year for your Society, as well as for the business backdrop in which we have been operating. At the start of the year, the Bank of England base rate was the highest it had been for over 15 years, at 5.25%, and soon the UK General Election and the Autumn Budget Statement loomed ahead of us. By the end of the year, interest rates had come down a little to 4.75%, but had not fallen by as much as had been widely anticipated.

As a result, this was a year which at times brought periods of great uncertainty, and no more so than in the households of our members, as you all took decisions on how best to manage your day-to-day finances. It is at times like these that the stability and continuity of your building society never wavers, remaining true to its founding principles. We have continued to support both our borrowers, still bearing higher repayments than they have previously been used to, and our savers, who are seeking strong returns on their money at a time when the impact of recent high inflation is still being felt.

We expect the uncertainty to continue during 2025 as the new Labour government implements changes to policy. The government announced one such change in its Autumn Budget Statement relating to stamp duty on house purchases that will impact first time buyers and those purchasing a second property from April 2025. This will impact lending volumes in these sectors during the next financial year.

Our support for our local communities in Leicestershire and Warwickshire has continued unabated this year, as has our support for colleagues, whether they be based in our home counties or further afield, on whom the delivery of our service to our members depends. They continue to put you at the heart of everything they do and strive every day to deliver to you the best service they can, whether through our branches or other service channels.

You may have noticed that we took on a different look and feel this year, as you can also see in this Annual Report, with our fresh new branding keeping us fit for the future and beyond. You may also have started to interact with us through new digital channels, and while our commitment to our branches remains unwavering, we need to ensure we stay relevant and available to all our members and potential members by developing our service offering.

I was hugely impressed by how our team delivered the final stages of our digitisation project this year, on time and on budget, enabling further mortgage and savings enhancements and the introduction of a mobile app. They have shown a level of professionalism and a commitment to avoiding disruption to your service of which I believe you can be proud.

This has also been a year in which new financial services regulations, from the Prudential Regulation Authority and the Financial Conduct Authority, have continued to keep us busy. You will read more in this report about how we have continued to rise to the challenge of the Consumer Duty, which has been introduced to effect a fundamental shift across the whole of our industry towards achieving good customer outcomes. Our team have continued to work incredibly hard to improve your member experience when you interact with us.

The Board of your Society settled into a new composition this year, as I stepped up to the Board Chair position following the AGM in March 2024, following our new Chief Executive Officer Barry Carter who took up his role at the start of January 2024. We said our final goodbyes to those non-executive directors who were leaving us at the end of their term, and I am delighted with the experts we now have round our Board table, supporting your Society with their deep knowledge across a wide range of business fields.

The year ahead for us will be all about building on the foundations Barry has laid, continuing to focus our range of mortgage and savings products to appeal to current and potential members, while serving all our members to the best of our ability.

Thank you for your interest in our Society and your continuing support. I would also like to thank all staff and my fellow directors for their hard work and commitment to progressing the Society's strategy during the year.

Nemone Wynn-Evans
Chair
7 February 2025

Chief Executive's report

"We are here to support our members create a better financial future for themselves. This renewed focus on our purpose has been key in helping to execute against our strategic priorities and is woven into everything we do."

Barry Carter
Chief Executive

The Year in Review

As I look back on 2024, the first year in which I led the Society as Chief Executive Officer, I am both pleased with our achievements and encouraged by our future trajectory. It has been a transformational year for the Society and one in which we have started to execute on our five-year strategic plan, which focuses on the following priorities:

- Mortgage and savings balance growth,
- Member centricity,
- People development, learning and community contribution, and
- Efficient and effective business.

My reflections on 2024 are centred on these strategic initiatives, both in areas where we have delivered and those where we still have more work to do.

In 2023's Annual Report, I mentioned that the Society revisited its purpose, to ensure there was clarity and alignment between members and colleagues.

Put simply, our purpose is that "**We are here** to support our members and communities create a better financial future for themselves".

The emphasis is placed upon "We are here" because we are not only physically here, in the towns and communities we serve, but we are here for you when you need help to achieve your savings and home ownership goals. This renewed focus on our purpose has been key in helping to execute against our strategic priorities and is woven into everything we do.

Growth

As a mutually owned Building Society, without the influence of shareholders, our focus is profit optimisation and not maximisation, therefore we are able to reward the trust that members place in us by providing competitive mortgage and savings solutions. Despite the economic challenges of 2024, the Society has been able to generate a profit before tax of £1.52m, which although is lower than the result achieved in 2023, does reflect the economic conditions, market competition and increased costs relating to our digital expenditure. Despite the reduced profit, I am pleased to report that the Society grew both loans and advances to customers (mortgage balances) by 3.0% and retail savings balances by 6.5% during this period. This growth has resulted in both mortgage and savings balances being at their highest levels in the Society's 160-year history, aligning with our five-year strategy.

Savings

The savings market has been extremely competitive over the past year due to movements and expectations relating to inflation and the cost of living, and the Bank of England's base rate. Our member forums informed us that savers were looking to lock in rates at their peak and desired a variety of savings solutions that would meet their needs over the medium and longer terms.

This feedback resulted in the Society expanding its savings range, with updates to our regular, notice and fixed term products. This included a focus on tax efficient savings via ISA products, with the Society now able to offer savers the opportunity to consolidate balances held elsewhere. As a result, the Society has developed savings solutions to meet these needs with many products in best buy comparison tables.

Mortgages

The UK mortgage market was a challenge in 2024, with borrowers concerned over the Bank of England's base rate, house prices and changes arising from a potential new government. With a predominant focus on owner occupied, self-build and buy-to-let mortgages, the Society's growth plans were impacted by these headwinds, requiring a refocus and replan of efforts to positively respond to these market conditions.

Having been awarded self-build "Lender of the Year 2023", the Society remained focused and committed to this important sector of the housing market, exceeding our growth expectations in 2024.

The buy-to-let market has perhaps felt the most pronounced impact of the difficult external market conditions, with increased lending costs and changes to landlord regulation and tax treatments all raising fears and worries across this market. The Society continues to be active in this sector, offering solutions to landlords, including green retrofit mortgages, which are designed to assist with improving property EPC ratings.

Owner occupied lending proved to be more challenging, with homeowners impacted by high interest rates and the cost-of-living crisis. Following feedback from our member and broker communities, we made changes across our product range, further supporting our borrowers. This included the introduction of a mortgage for skilled foreign national professionals, which provided solutions for borrowers frozen out of the UK mortgage market. These changes to our product and criteria set have enabled the Society to achieve growth in gross mortgage assets of 3.0% in 2024. Whilst this is below the planned growth for 2024, the Society finished the year on a positive trajectory which will continue into 2025.

Our focus on existing borrowers has included continuation of support of the UK government's Mortgage Charter, which was introduced in 2023 and saw Hinckley & Rugby as an early adopter of this initiative. As noted in the next section of this report, we have also sought to discuss options with mortgage borrowers who are coming towards the end of their current deals and would experience large increases in interest costs.

Despite these challenges, due to the Society's prudent approach to lending, I am pleased to say that our mortgage arrears have been consistently low throughout 2024, with just 1.15% of the book one month or more in arrears at 30 November 2024.

Member Centricity

As incoming CEO, I have been very clear that our members remain our top priority - in fact we made this one of our four strategic priorities. It is for this reason that we made changes to our organisational design in 2024, merging our savings and mortgage operations teams, and also creating a Chief Customer Officer role that would assume responsibility for mortgages, savings and branch distribution teams.

Alongside these changes, we have introduced a series of forums where colleagues from our customer teams meet regularly with members, brokers and trusted partners to hear their feedback. These have proved both enjoyable and invaluable sessions to engage and understand issues and gather feedback on a first-hand basis. We are excited about how these sessions will develop over the coming months and how we can continue to improve our service and offerings.

Perhaps most obviously visible, the Society updated our branding in 2024. Over our 160-year history the Society has updated its branding seven times, with the most recent being in the 2012. We elected to update our colour palette, moving to more contemporary colours and placing emphasis upon the "&". We are proud to represent Leicestershire & Warwickshire and to offer savings & mortgages. The "&" is what binds us together and it seemed fitting to emphasise this with our new branding. Thank you to all our members who contacted me directly to congratulate the Society on modernising its look and feel. It is always lovely to hear from you and I greatly welcome the feedback and the opportunity to speak with you directly.

These changes not only allow the Society to scale in a cost-efficient manner, but it ensures members have consistent experiences. We are seeing the benefits of these changes already and we expect this to continue further into 2025. We look forward to hearing back from you to tell us your experiences.

Consumer Duty

The FCA published guidelines for Consumer Duty in July 2021, with the rules coming into force in July 2023. The Society focused on ensuring the business was correctly organised and structured to ensure good customer outcomes were achieved in all that we do. I am delighted to say that the Society met the regulatory deadlines and requirements in July of 2024. Perhaps most importantly, the Society has embraced the guidance and has used this as an opportunity to continually improve its processes and procedures. This was best exhibited when Cheryl Pidler (Director of Operations) received recognition by winning "Consumer Duty Champion of the Year" from the Consumer Duty Leadership Awards.

People, Learning and Community

Hinckley & Rugby has a strong internal culture which reflects our purpose, our values and our strategic priorities of being a people and member centric organisation. In 2024 our colleagues played a pivotal role in delivering success across a variety of projects and initiatives. I would like to say a huge thank you to all colleagues at the Society, without whom this year would not have been possible. We know there is still work to do and I know you are all focused and motivated in delivering on our aspirations over the next five years.

We place great importance on providing a workplace which allows colleagues to learn, develop and thrive, and it is for this reason that we continue to invest in training and development. It was therefore very pleasing to see a number of colleagues achieving professional qualifications in 2024. Not only do these achievements benefit the Society through their enhanced knowledge and capability, it also personally benefits their longer term career goals. We are proud to be an organisation that invests in our people.

The Society continues to support our local communities through our Community Foundation and through our hospices savings account. Our Community Foundation concentrated on supporting local causes which are focused on mental health and wellbeing, poverty and disadvantage, and the environment. We were fortunate to assist thirteen worthy causes based in and around our local communities. In line with our environmental responsibilities, we once again sponsored the planting of almost 27,000 tree saplings with Hinckley and Bosworth Borough Council.

Efficient and Effective

As mentioned earlier, 2024 has been a year in which we completed large scale and complex projects which will immediately benefit our members and are also important investments in our future.

In particular, the Society completed the delivery of its digitisation programme, which commenced in 2022. This was an ambitious delivery that was completed on time and on budget, which is testament to the skills, capability and working relations that Hinckley & Rugby created with our technology partners.

These new digital capabilities not only increase our technological resilience, but they also enable members to interact and transact with us in new ways. Savers and borrowers can now review their accounts online and at a time and location that suits their needs. Members can move monies between accounts online or send to their external bank account via faster payments without having to physically visit a branch. They can now even send messages to our customer teams who will personally respond and address their queries. These are exciting times for Hinckley & Rugby, but the emphasis is upon complementing existing services rather than replacing them. We remain committed to our branch network but recognise the changing needs of our members. We therefore hope you are as delighted by our new digital capabilities as we are.

Executive Team

As mentioned, the merging of the savings and mortgage teams in 2024 resulted in a business restructure, with two executives, Andrea Belle and Carolyn Thornley-Yates, deciding to step down. As a result, we established a Chief Customer Officer role and welcomed Danny Cranie into this position and to the wider Hinckley & Rugby team.

Following the departure of Niki Barker, we welcomed our new Chief People Officer, Nadia Baker, to the Society. Both Danny and Nadia are fantastic additions to the executive team and I look forward to working with them both in the coming years.

Following the departure of Rebecca Griffin as our Chief Risk Officer, the Society is looking to refocus capabilities and competencies in our Risk and Compliance department. Simon Goodman, a seasoned risk veteran, joined the Society in 2025 to assume the role of Chief Risk Officer, subject to regulatory approval.

My thanks to Andrea, Carolyn, Niki and Rebecca for their support and contributions to the Society and my best wishes for the next steps in their careers.

A look into 2025

We are excited to be celebrating 160 years of Hinckley & Rugby Building Society during 2025, a milestone which coincides with 250 years of the mutual sector. This is especially timely given the Labour government's focus on doubling the size of the mutual sector. Hinckley & Rugby Building Society intends to be at the centre of this and will be organising a series of events with our members across our locations to celebrate our history. Please look out for more information on these and help us by joining in the celebrations.

We continue to execute further on our five-year plan focusing on the strategic priorities discussed above. We are clear that we wish to continue to increase our growth in profits in 2025, which will be achieved by increasing our mortgage balances further, funded from our members savings deposits. We will do this by being an efficient and effective business that puts the member at the centre of everything we do.

We are here to support our members create a better financial future for themselves.

I'd like to thank everyone for their support this year, and I hope to see you all again at our AGM in March 2025 at our Head Office in Hinckley.

Barry Carter
Chief Executive
7 February 2025

We are here to support our members & communities create a better financial future for themselves

Chief Financial Officer's report

"The low level of mortgage arrears cases demonstrates the high quality nature of the Society's mortgage book, particularly given the pressures placed on borrowers during the past 3 years, with increased costs of living and higher mortgage payments caused by increased interest rates."

John Mulvey
Chief Financial Officer

This section of the annual report reviews the current financial position and performance of the Society, and details the key financial indicators monitored by the Board.

Details of the progress made by the Society in the implementation of the Board's strategy are set out in the Chief Executive's report on pages 5 to 7.

Summary financial position

The Society's financial performance during 2024 was below the Board's plan set at the beginning of the financial year, with economic conditions and intense competition in the mortgage market impacting mortgage growth and net interest margin. These factors, partially offset by lower than planned administrative expenses as a result of careful cost control, led to a profit before tax of £1.52m (2023: £1.62m). Prudent levels of liquidity and capital were maintained throughout the year.

A reduced level of mortgage growth was achieved during the year, compared to both the Board's plan and the prior year. The Board continued its niche lending strategy, with increased sales of new self-build lending products, largely offset by a reduction in new buy to let lending. Loans and advances to customers, including the impact of impairment provisions and other accounting adjustments, increased to £700m (2023: £679m), representing growth of 3.0% (2023: 4.8%). The Society's flexible approach to lending has seen strong demand during the year, with the mortgage pipeline for new mortgage applications significantly higher at the end of the financial year than at the beginning. Management's focus is on maintaining this increased mortgage pipeline and retaining existing borrowers where the Society can achieve its target margin.

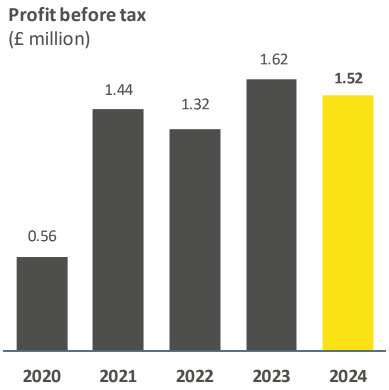
Savings balances grew during the year to £764m (2023: £718m), an increase of 6.5% (2023: 6.5%), and was achieved through a focus on longer-term notice and fixed rate savings products. The savings growth was used to fund the mortgage growth and repay funding obtained from the Bank of England.

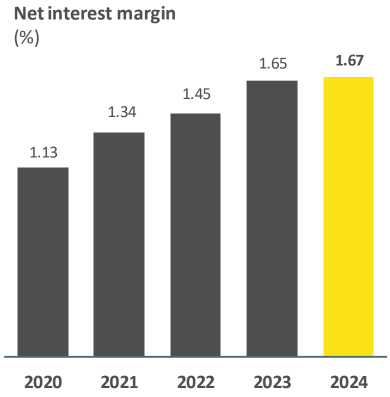
The Bank of England kept interest rates high during the year to control inflation, with bank base rate beginning the year at 5.25% and reducing by 0.25% in each of August and November, to end the financial year at 4.75%. Variable mortgage and savings rates were reduced in response to both rate reductions.

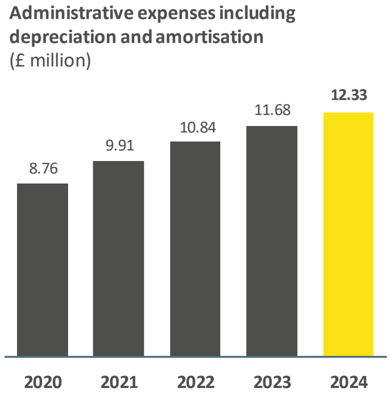
Impairment provisions held against loans and advances to customers increased marginally during the year. The number of individual mortgage cases in arrears by one month or more marginally reduced, and both arrears and forbearance cases remain at relatively low levels at the year-end.

Key financial measures for the year are shown below.

	2024	2023	2022	2021	2020
Profit before tax (£m)	**1.52**	1.62	1.32	1.44	0.56
Loans and advances to customers (£m)	**700.0**	679.4	648.2	619.0	657.9
Retail savings (£m)	**764.3**	717.8	674.2	693.0	690.2
Liquid assets (£m)	**119.3**	126.1	143.3	172.3	145.2
Wholesale funding (£m)	**12.4**	46.7	78.6	60.0	74.0
Gross capital (£m)	**47.2**	46.5	46.2	47.3	45.4
Total assets (£m)	**832.0**	823.4	812.4	803.6	814.0
Net interest margin as a percentage of mean total assets	**1.67%**	1.65%	1.45%	1.34%	1.13%
Management expenses as a percentage of mean total assets	**1.49%**	1.43%	1.34%	1.22%	1.06%
Cost / income ratio	**88.9%**	86.3%	90.3%	88.4%	93.3%
Liquid assets as a percentage of shares and borrowings	**15.4%**	16.5%	19.0%	22.9%	19.0%
Gross capital as a percentage of shares and borrowings	**6.1%**	6.1%	6.1%	6.3%	5.9%
Total capital ratio	**15.7%**	16.0%	16.3%	17.3%	15.9%
Balances in arrears as a percentage of gross loans and advances	**1.15%**	1.12%	0.55%	0.71%	0.88%







Profit before tax

As a mutually owned business, the Society is not aiming to maximise profit for shareholder gain, but it does need to make sufficient profit to support the capital it maintains for the protection of shareholding members and other depositors, to support asset growth and invest for the future. Profit before tax in 2024 decreased by £0.10m to £1.52m (2023: £1.62m). The key components in the profit performance were:

- Net interest receivable increasing by £0.32m to £13.81m (2023: £13.49m), with the net interest margin earned reaching 1.67% (2023: 1.65%) and growth in loans and advances to customers of 3.0%.
- Net loss on derivative financial instruments held for hedging purposes of £0.01m recognised in the year (2023: £0.14m loss). In common with many financial institutions, the Society uses derivatives (in the form of interest rate swaps) to hedge the risk of interest rate movements impacting adversely the net interest receivable earned on its portfolios of fixed rate mortgage and savings products. Movements in the fair value of these derivatives result in a credit or charge to income and largely represent timing differences recognised over the duration of each derivative contract.
- An impairment charge recognised on loans and advances to customers of £0.01m during the year (2023: £0.22m charge). This impairment charge reflects the impacts of growth in mortgage balances and an increase in the proportion of higher loan-to-value mortgages. These were partially offset by an improvement in the outlook for house prices at the year-end, which increases the estimated proceeds received from the sale of security properties for cases reaching possession.

The above improvements were offset by:

- Administrative expenses, including depreciation and amortisation, increasing by £0.65m to £12.33m (2023: £11.68m) as a result of rising staff costs and IT expenditure, reflecting the costs of improving customer services through investments in new technology, and embedding new regulations, including operational resilience and Consumer Duty requirements.
- Other income reducing by £0.10m to £0.08m (2023: £0.18m) due to a reduction in the net expected return on the pension scheme surplus, following a reduction in the scheme surplus at the end of the last financial year.

Net interest margin

The difference between interest rates earned from mortgages and liquid assets, compared with those paid on savings and wholesale funding, is referred to as the net interest margin (NIM) and is a key measure of the underlying performance of the Society. It is expressed as a percentage of the Society's average total assets.

Factors affecting the Society's NIM include the level of competition within the mortgage and savings markets, the returns achievable on liquid assets, the costs of wholesale funding, and the level of SONIA, a variable rate that governs the interest received and paid on the Society's interest rate swaps that are used to hedge fixed rate mortgages and savings. A higher level of SONIA increases the overall level of interest earned since the Society has a higher notional value of interest rate swaps hedging fixed rate mortgages than those hedging fixed rate savings.

Overall, the Society's net interest margin increased to 1.67% (2023: 1.65%) and this was used to partially fund increased operational costs. The growth in margin was largely due to the repayment of higher cost funding from the Bank of England, higher average returns earned on liquid assets, and growth in higher margin mortgage products. These factors, which led to higher interest receivable, were partly offset by the growth in higher paying savings products, increasing interest paid to savers and demonstrating the balance achieved between profitability and value given to members. The Board plans to continue the margin improvement through growth in higher margin mortgage products.

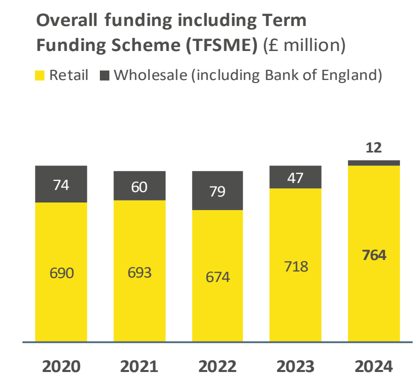
The Bank of England reduced its bank base rate from 5.25% at the beginning of the year by 0.25% in each of August and November 2024. In response to these base rate reductions, the Society's management reduced variable mortgage and savings rates. While the rate reductions are good news for borrower members, saver members will earn less interest on their savings, and the Society will earn a lower rate of return on its own funds, reducing profitability.

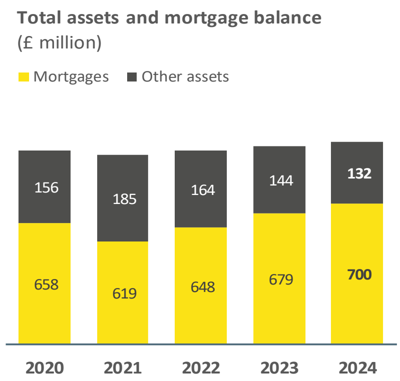
Administrative expenses including depreciation and amortisation

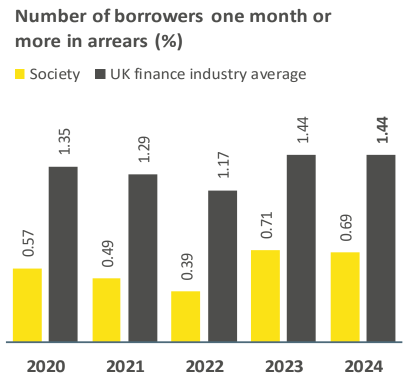
The Board is always conscious that higher costs of running the Society restrict the benefits it is able to pass on to its members in the form of better savings and mortgage rates. The Society's level of management expenses expressed as a percentage of average total assets of 1.49% (2023: 1.43%) was, despite increasing, below the average in 2023 for a building society with total assets less than £1 billion.

Overall administrative expenses, including depreciation and amortisation, increased by £0.65m to £12.33m (2023: £11.68m).

Chief Financial Officer's report continued



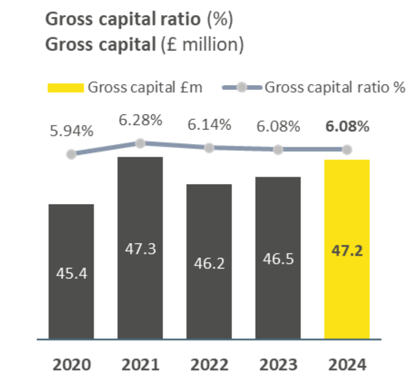




Costs throughout the building society sector have increased significantly in recent years as firms have invested in people and systems to deliver improved customer service commensurate with member expectations, to respond to increasing regulatory requirements, and to improve data management and reporting. During the year, the Society incurred increased staff costs and IT expenditure on such projects, including significant investments in the core banking system to implement a new online savings portal and mobile app for members, and a new online mortgage application portal for brokers. These investment projects are expected to deliver efficiencies as the Society grows. Further investments are planned in the next financial year to improve customer communications and reduce mortgage application processing times.

Capital

Capital is held to provide protection for members' deposits against credit losses arising from lending and other risks to which the Society is exposed. A feature of the Society's risk management framework is the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP assesses the level of capital that the Board considers adequate to mitigate the principal risks and uncertainties to which the Society is exposed, as set out in the Directors' report on 28. The Society runs regular stress tests to ensure it is adequately capitalised, including a severe economic downturn based on that used by the Bank of England to test the capital adequacy of systemic firms within the UK banking system.



The Society generates capital from profit made by normal business activities. The Society's profit after tax for the financial year of £1.14m (2023: £1.24m) was transferred to general reserves. In addition to the increase due to retained profits, the Society's reserves reduced by £0.41m (2023: £0.98m decrease) due to actuarial losses recognised in the pension scheme. As a result of this, gross capital at the year-end increased to £47.23m (2023: £46.50m). The Society's gross capital ratio (gross capital expressed as a percentage of total shares and deposits) was 6.08% (2023: 6.08%). The Society's free capital ratio (gross capital and collective provision less tangible fixed assets, intangible fixed assets and investment properties, expressed as a percentage of total shares and deposits) was 5.34% (2023: 5.32%).

At 30 November 2024, the Society's Total Capital Requirement set by the Prudential Regulation Authority was £23.6m (2023: £26.8m), with this all (2023: £22.7m) relating to the Pillar 1 capital requirement and none (2023: £4.1m) relating to the Pillar 2A capital requirement. Regulatory capital held by the Society at 30 November 2024 was £46.3m (2023: £45.3m), representing 15.7% (2023: 16.0%) of total risk weighted exposures and well in excess of the minimum Total Capital Requirement and capital buffer requirements.

The audited disclosures required by Article 89 of the Capital Requirements Directive (Country-by-Country Reporting) are shown in note 31 of the accounts.

Funding

In accordance with its role as a mutual building society, the Society draws the majority of its funding from its members in the form of retail savings. Total retail savings balances (which include member share balances, as well as other retail accounts such as those for business, charities and associations) increased by £46m during 2024 and represented 98% (2023: 94%) of the Society's total funding.

The Society also obtains some funding from the wholesale money markets, and for several years has participated in the Bank of England funding schemes, including the Bank's Term Funding Scheme with special incentives for SMEs (TFSME), that provide medium to long-term funds secured against mortgages and other assets. During the year, the Society repaid £34m of TFSME funding using retail savings, leaving £12.1m (2023: £46.4m) outstanding at the year-end.

The Society had unsecured wholesale funding of £0.3m (2023: £0.3m) outstanding at the year-end.

Liquidity management

The Society undertakes a full review of liquidity adequacy each year, referred to as the Internal Liquidity Adequacy Assessment Process (ILAAP), including an assessment as to the quantity and quality of liquid assets that the Society should hold to mitigate the liquidity risks to which it is exposed under both normal and stressed conditions. The Board approves the ILAAP on an annual basis and this forms a further component of the Society's risk management framework.

The Society's liquid assets of £119.3m (2023: £126.1m) at the year-end represented 15.4% (2023: 16.5%) of shares and borrowings. While the level of liquid assets held has reduced during the year, it remains significantly above the Board's internal assessment of its minimum requirement and its regulatory minimum requirement. Of the liquid assets held, £117.2m (2023: £119.6m) was on overnight deposit at the Bank of England.

The Society, in common with its peers, has access to various Bank of England liquidity facilities. These range from the provision of funding to assist with the management of short-term cashflow imbalances that may arise through day-to-day operations, to rapid access to liquidity in the event of a severe and unexpected cash flow stress.

Loans and advances to customers

Loans and advances to customers at 30 November 2024 were £700m (2023: £679m), representing growth of 3.0% (2023: 4.8%). Gross mortgage assets (before the deduction of impairment provisions and other accounting adjustments) grew by 2.3%.

New mortgages advanced during 2024 amounted to £146m (2023: £144m) and were spread across a range of lending categories, including standard owner occupied, self-build and buy to let lending. Buy to let lending reduced during the year, with new advances of £8m (2023: £22m), due to a general reduction in the market activity for this borrower type.

The Board's objective is to achieve a balanced portfolio of mortgage products across a range of borrower segments that generate an interest margin commensurate with the credit risk involved, while maintaining exposures within agreed limits. After standard owner occupied mortgages, which represented 68% (2023: 69%) of the Society's total mortgage book at the year-end, buy to let mortgages were the next largest segment within the Society's portfolio, representing 23% (2023: 26%).

Credit risk performance

The safety and security of our members' savings has always been of paramount importance. This is embodied in the Society's prudent approach to mortgage lending, resulting in a high-quality mortgage book.

At 30 November 2024, 26 (2023: 28) borrowers were in arrears with their monthly mortgage payments by one month or more, with balances outstanding representing 1.15% (2023: 1.12%) of total gross mortgage balances. The low level of mortgage arrears cases demonstrates the high quality nature of the Society's mortgage book, particularly given the pressures placed on borrowers during the past 3 years, with increased costs of living and higher mortgage payments caused by increased interest rates.

Of the borrowers in arrears, one borrower was in arrears by 12 months or more (2023: one), with a balance outstanding of £0.29m (2023: £0.27m), arrears of £0.07m (2023: £0.05m) and an individual impairment provision held of £0.07m (2023: £0.07m). There were no properties in possession at 30 November 2024 (2023: none).

The Society is a signatory to the Mortgage Charter, an agreement to provide support to owner occupied borrowers during the higher interest rate environment, including a temporary switch to interest-only payments and a term extension to reduce monthly payments. As a result of these measures, the Society has seen a minor increase in the number of customers receiving forbearance, and details of these are set out in note 27(c)(ii) of the accounts.

Details of the judgements and estimations used in the impairment provision calculation are set out in note 2(b) of the accounts. In arriving at the year-end impairment provision, the Board has considered the impact of the economic environment on cases where an impairment event has occurred at the year-end date, whether or not observable within arrears and other data. This includes the impact of continuing higher interest rates on the ability of borrowers to pay their mortgage, and the impact of the housing market on the value of proceeds received and the time taken to sell security properties for cases that are taken into possession. The Board will continue to monitor this situation closely and will adjust the impairment provision as necessary.

John Mulvey
Chief Financial Officer
7 February 2025

As a responsible mutual organisation, Environmental, Social and Governance ('ESG') is a key part of the Society's business plan. The ESG strategy has continued to develop over the last 12 months and this ensures that all practices leading to the success of the Society consider a broad and rounded contribution to the local and wider environment within which the Society operates.

Environmental

The Board recognises the importance of minimising the Society's environmental footprint and is dedicated to reducing the impact of its operations, from resource consumption to emissions. The Society's efforts extend beyond its own activities, with stakeholders actively engaged across the value chain to promote sustainable practices. This year's report outlines the key initiatives, progress on environmental goals, and how the Society is contributing to a more sustainable future for its members, communities, and the planet. As part of our commitment to environmental responsibility, the Society continues to strengthen its foundations to ensure a robust and impactful approach to long-term sustainability. As part of this, colleague engagement remains a paramount focus with the introduction of the Sustainable Development Goals (SDGs), with the environmental commitment to make cities and human settlements inclusive, safe, resilient and sustainable (SDG 11), and to take urgent action to combat climate change and its impacts (SDG 13).

Green Finance

Following the successful launch of our retrofit mortgage product in 2023, the Society received the award for Best Green Lender at the Financial Reporter Broker's Choice Awards in June 2024. This recognition was based on the Society's innovations in the green lending sector and its commitment to environmentally sustainable practices and initiatives. The green finance product is designed to assist homeowners throughout their journey, from the initial stages to the installation of retrofitting measures. Through the "With You All the Way" approach, the Society address affordability challenges and works with a partner to provide expert guidance, ensuring that customers are fully supported in achieving their home energy efficiency goals. In addition, the Society was named a finalist in the Unlock Net Zero Awards for 'Collaboration of the Year – Innovation and Research' through this initiative and our work within the sector.

Society Carbon Footprint

The Society continues to closely manage its own environmental impact and 2024 marked the first year that the Society was able to monitor its own scope 1 and 2 emissions through a self-built framework. The Society also continued with its commitment to 100% green utility tariffs from its energy provider. 2024 also marks the third year in a row that the Society partnered with Hinckley and Bosworth Borough Council as the proud primary sponsor of the Free Tree Scheme, an initiative geared towards nurturing a greener and more sustainable local environment. By the end of this year, we expect to have helped plant over 150,000 trees in the local communities.

Existing Mortgage Portfolio

Alongside offering Green Finance products and services, the Society aims to inspire customers to take the first steps toward creating more energy-efficient homes. The mortgage portfolio is regularly reviewed to identify both physical and transitional opportunities. The Society acknowledges the importance of understanding climate-related risks impacting our members, including flooding, subsidence, and energy efficiency. This understanding enables us to address these issues and partner with members to enhance the environmental aspects of the mortgage portfolio.

Reporting

The Society has measured its Scope 1 and 2 emissions, relating to those arising from owned vehicles and electricity and gas usage, for our head office and branch network. For 2024 these emissions totalled 87 carbon dioxide equivalent (CO_2e) tonnes (2023: 97 CO_2e tonnes). The carbon footprint measurements have been calculated in accordance with best practice guidance issued by the Greenhouse Gas Protocol using conversion factors for CO2e published by the Department for Business, Energy & Industrial Strategy (BEIS).

Environmental	Social	Governance
Green Finance	Community Engagement	Corporate Governance
Society Carbon Footprint	Charitable Activities	Board Diversity
Existing Mortgage Book	Equality, Diversity & Inclusion	Member Engagement
Reporting	Colleague Engagement	Executive Remuneration
	Health, Wellbeing & Welfare	Corporate Behaviours & Business Ethics
		Conduct Policies & Practices

Social

Under the ESG framework, the Society focuses on the key areas of Community Engagement, Colleague Engagement, Health, Wellbeing & Welfare, and Equality, Diversity & Inclusion to support a strong social impact.

Community Engagement and Charitable Activities

The Society has a long history of supporting its local communities and is something its employees take immense pride in. Staff are encouraged to volunteer up to three paid days per year, and the Society has continued its partnership with Leicestershire Cares supporting on education projects and community work. The Board believes in providing valuable financial education in schools to support children and young adults to better understand financial best practices and to develop skills that will help them achieve a sustainable financial future. Support was also provided this year to smaller local charities through our community sponsorship scheme and a further six charities through our Community Foundation scheme. The Board recognises the importance of ensuring that branches remain available and accessible to members, and that advice and support is readily available on the high street.

Colleague Engagement

The Board believes that the first step in hiring and retaining the best talent is to create a culture of openness and honesty. We are proud that we can give our employees an important voice to shape the organisation. This was achieved through regular employee engagement surveys, workshops and all staff communications. All employees are offered an attractive remuneration package, including benchmarked salary, a Society pension scheme, private health cash plans, a holiday purchase scheme and a day off on their birthday, and benefit from the Society's commitment to be an above living wage employer. The Society has supported colleagues in dedicating over 700 days to their learning and development this year.

The Society has continued its partnership with Best Companies to capture its employees' views and opinions. We take our employee feedback seriously, using this to shape our people strategy and ensure consistent two-way communication with our employees about their feedback.

Health, Wellbeing & Welfare

The Board prides itself on maintaining a safe and supportive environment for all. For our employees, we have focused on mental health and wellbeing support, improving access to wellbeing resources as part of our overall benefits scheme. Beyond the benefits scheme, additional resources include a wellbeing portal relating to physical and mental health.

The Society was very proud to have one of its Mental Health Champions shortlisted for the Equity, Diversity, and Inclusion category at the Women's Recognition Awards for their role in championing mental health and well-being in their workplace.

Equality, Diversity and Inclusion (ED&I)

The Board believes that the workplace should be a great place to work for everyone and as such values diversity in all its forms, irrespective of gender, age, ethnicity and cultural background. We recognise that Equality, Diversity and Inclusion practices are essential to its success. This is reflected in our approach to developing our people and in our recruitment policies. All workplace practices protect and maintain a culture of equality and fairness, ensuring the workplace is free from discrimination and harassment.

The Society has responded proactively to the FCA's ongoing focus on non-financial misconduct and is committed to providing an inclusive and safe workplace for its people.

Governance

The Board's Corporate Governance report is set out on page 15.

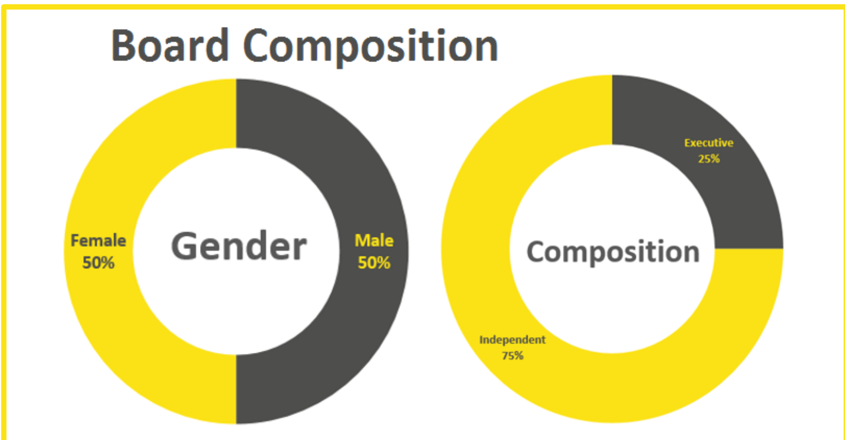
The Board recognises that good governance is essential to delivering long-term sustainable success for all stakeholders. This includes a sound approach to corporate governance that adheres to all applicable laws, rules and regulations, as well as upholding the Society's values. The Society's practices aim to deliver the strategy in a risk-aware and well-governed manner, providing assurance and confidence to its stakeholders and regulators.

The Society operates a tiered governance structure ensuring strategic oversight and monitoring throughout all areas. Each committee has established and agreed terms of reference detailing its duties and responsibilities. To ensure continued improvement, each committee undertakes a self-assessed effectiveness review against its terms of reference and evaluates how the committee operated. In line with the UK Corporate Governance Code recommendations, the Board considers an external evaluation every three years. The Society recognises the importance of sound corporate governance practices to ensure its success, and as such aligns its policies with recognised standards and codes, including the UK Corporate Governance Code and the FRC Guidance on Board Effectiveness.

Board Diversity

The Society seeks to ensure that a diverse Board leads and directs the delivery of the strategy. Board diversity is assessed and sought out through the analysis of the Board skills matrix and by evaluating strategic requirements. Examples of Board diversity considerations are skills, experience, behaviours, gender, ethnicity, age and sector knowledge. Recruitment practices for new Board members consider a wide pool of talent to ensure the Board remains diverse and independent. The chair, appointed in March 2024, was elected from the existing Board members. Additionally, the recent appointment of Barry Carter as CEO was also made from within the existing Board.

Two non-executive directors retired in 2024 in addition to the departure of two executive directors. The Nominations and Governance Committee effectively oversaw the succession planning process throughout 2024, supported by Miles Advisory in the non-executive recruitment and Warren & Partners in the Chief Executive recruitment. In both searches a diverse group of candidates was received, and we look forward to integrating the skills and experience of our new directors into the Society.



Following the Board changes, the gender composition of the Board has achieved equal male and female representation and has been led since April 2024 by the Society's first female Chair.

Member Engagement

The Board actively seeks member feedback and opinion to ensure the successful delivery of member needs and requirements. A member panel has been established to meet with our members and discuss key challenges and opportunities for the future. The Board of directors attend the Annual General Meeting and are on hand to answer questions and to outline how the Society has delivered the best possible service for its members.

Executive Remuneration

The Remuneration Committee provides oversight and challenge for all Society remuneration practices. The Society endeavours to ensure that a fair and transparent framework is in place for all remuneration decisions. The Society's Remuneration Policy clearly outlines Society practices, thresholds and controls.

Corporate Behaviours and Business Ethics

All directors and employees uphold the Society values and conduct themselves with integrity and honesty. The Board operates under its Code of Conduct and ensures that all working practices are fair and transparent. The Board provides oversight and approval of key strategic policies and documentation and ensures that all working practices protect against discrimination and harassment.

Conduct Policies and Practices

All Society conduct policies and practices aim to ensure that all our employees uphold the highest moral standards and conduct principles, and demonstrate our values in everything that we do. The Board provides oversight and approval for key strategic policies, including the Conduct Risk, Conflicts of Interest, Remuneration and People policies. The Board Chair is the Whistleblowing Champion and ensures that there is always a confidential, trusted channel for whistleblowing communications. The Board receives an annual report from the Company Secretary on all whistleblowing, conflicts of interest and health and safety matters.

The Financial Conduct Authority's regulation on Consumer Duty was introduced in 2023, and one of our independent non-executive directors, Lynda Blackwell, has been the Board Consumer Duty champion, providing challenges to how the Society has adopted the Consumer Duty principles.

The Society is committed to effective corporate governance. This Corporate Governance report sets out the Society's approach to governance in practice and how decisions are made to promote the long-term sustainable success of the Society for the benefit of its members and other stakeholders. The Society is not required to comply with the UK Corporate Governance Code ("the Code"), but the Board pays due regard to it when establishing and reviewing the Society's own corporate governance arrangements. This report sets out how the Society applies the principles and provisions in the Code so far as they are relevant to building societies.

Report

The Chief Executive's report and Chief Financial Officer's report on pages 5 to 11 provide a detailed review of the Society's business activities and prospects. The Directors' report on page 28 includes a statement that the directors consider that the business is a going concern. The Audit and Compliance Committee's report on page 23 sets out the main areas of accounting judgement considered by the committee.

The responsibilities of the directors in relation to the preparation of the Society's Annual Report and Accounts are set out in the Responsibilities of the Directors report on page 32. The Board confirms that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Society's performance, business model and strategy.

Corporate Governance

The Society is committed to effective corporate governance and this Corporate Governance report sets out the Society's governance framework and how decisions are made to promote the long-term sustainable success of the Society for the benefit of its members and other stakeholders.

Effective governance is pivotal to the achievement of the Society's goals and objectives, and during 2022 and 2023 the Society enhanced and developed those governance structures and systems. The Board underwent an external evaluation at the end of 2021, and commenced a new external evaluation in December 2024, in line with the Code, which will provide valuable insight into possible areas of improvement within governance processes and procedures.

The Board operates on an annual cycle and ensures that all matters reserved for the Board are considered, and oversees the responsibilities delegated to its committees. This cycle ensures a comprehensive approach to monitoring the delivery of the Society strategy, careful oversight of the Society operations, alignment to Society values and culture, care and consideration to all stakeholder needs, and maintaining adequate capital and liquidity.

This Corporate Governance report and other committee reports explain how the Society upholds the principles within the Code and endeavours to continually improve and adopt best practice.

The Governance Framework

The Board of directors is responsible for setting strategic direction and providing oversight and control of the business.

The Board delegates certain matters to committees for monitoring and oversight and these are formally documented. A full report on how these committees have discharged their duties is on pages 18 to 22.

Board Leadership and Company Purpose

Code Principles

A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

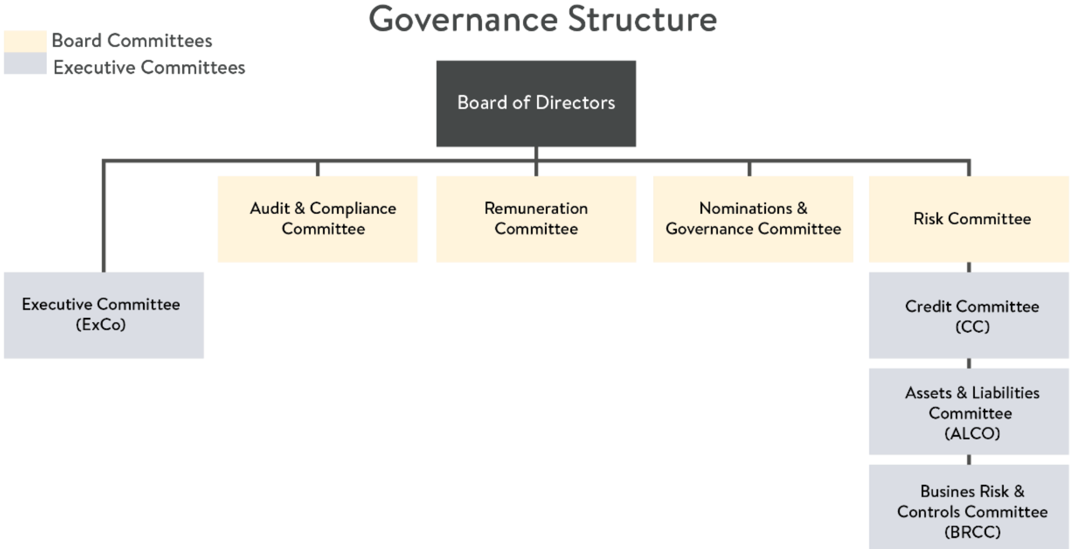
B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

C. The board should ensure that necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective management with, and encourage participation from, these parties.

E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Governance Structure



Strategic report | Governance | Financial statement | Other information

The Society's Board is collectively responsible for the long-term success of the organisation and ensures that the approved strategy aligns with the Society's purpose, ambition and values, as well as its culture. The Board, executives and senior leaders develop a strategy that incorporates knowledge from all areas of the Society, recognising that an aligned corporate governance structure, utilising all Society resources, increases the chances of success.

To do this, before the financial year begins the Board and executives participate in strategy setting sessions. These sessions explore the risks faced by the Society, the external environment, member and key stakeholder requirements, staff engagement, products and customer services, operational plans and financial forecasts. The resulting strategy is then detailed within a business plan, which is reviewed by the Board to ensure that the financial and operational plans align with the Society's purpose and values.

The key to achieving the strategy is the successful delivery of the operational objectives. During the year, the Board and management worked towards achieving the Society's goals, ensuring risks were identified and challenged, and key controls remained in place to protect the core business model. The Board provided oversight on several important projects covering Consumer Duty requirements and associated enhancements to the member experience, the launch of online services and the rebrand project.

The Board promotes a culture of placing the member at the heart of the Society and ensures delivery of strategic objectives to drive member value. The Board seeks and encourages member feedback and opinion through engagement at the Annual General Meeting (AGM), informal engagements and member panel. To enhance member engagement in the AGM, the Board offers multiple channels for voting, including online, postal and in-branch voting.

The Board values member feedback through customer outcomes monitoring, post-sale surveys, social media, the Society's website and the reviews completed through Smart Money People, which undertakes consumer reviews on behalf of the Society and other financial services providers. The Board monitors and oversees management information on customer experience and outcomes as a standing item at each of its meetings.

The Board monitors and oversees workplace policy and practices and reviews staff engagement metrics at every Board meeting. In addition to this, the Board actively engages with staff members through face-to-face meetings, branch visits, online forums, staff mentoring programmes and departmental sessions. Town Hall meetings are held face to face and virtually throughout the year, led by the Chief Executive, to ensure key messages are communicated and all staff members are kept informed and up to date on progress against the Society's business plan. These sessions are informal, and staff are encouraged to speak up and ask questions on key strategic matters and areas of focus for the Board. Attendance and engagement at these sessions are consistently good.

The introduction of Best Companies employee engagement surveys has improved the Society's monitoring of employee culture and helps the Society work towards creating an outstanding and thriving workplace. The surveys assist by gathering detailed feedback from employees, including both strengths and areas for improvement, on aspects such as work environment, leadership, communication, and development opportunities. Participating in the surveys intends to improve employee morale, increased productivity, and better retention rates. Benefits to the workforce include ensuring employee voices are heard and their needs are addressed, as well as fostering a more fulfilling and supportive work environment.

Within the year, the Society launched the Improve, Develop, Enhance and Share (IDEAS) initiative, which was implemented to gather employee views to help continuously improve the business. The initiative encourages members of staff to share their thoughts and contribute to identifying potential solutions.

The Society held its annual 'Speak Up' month for the second year running in 2024, which focuses on strengthening voices and opinions across the Society. Included in this framework is the Society's Whistleblowing Policy and process. The policy provides a means for staff to raise concerns in confidence. The Society's Chair of the Board is the whistleblowing champion. The Board reviews these arrangements annually, to ensure they are proportionate, that any reports arising from its operation are independently investigated, and that any required actions are taken whilst maintaining confidentiality. The Society outlines the mechanisms available for members of the public to whistleblow on the Society website and in each branch.

Division of Responsibilities

Code Principles

F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

G. The board should include an appropriate combination of executive and non-executive (and, in particular independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Colin Franklin stepped down as Chair of the Board in March 2024, having served as an independent non-executive director and Chair of the board since 2015. Nemone Wynn-Evans was elected by the other members of the Board to become the Society's Chair following the 2024 AGM.

As at 30 November 2024, the Board comprised of an independent non-executive chair, five other independent non-executive directors and two executive directors. The Board lays out its overall approach to governance, including the division of responsibilities, in its governance manual. This provides clarity around the role of both non-executive and executive directors. All directors constructively challenge and develop the Society's strategy and purpose. All non-executive directors are considered by the Board to be independent in character and judgement and free of any relationship or circumstance that could interfere with the exercise of their judgement or impede the provision of constructive challenge to management.

Prior to appointment, an assessment is made of a non-executive director's time commitments, other than those to the Society, to ensure that they can devote sufficient time to Society business. The Chair annually evaluates the ability of directors to commit the time required to fulfil their role, and that their performance continues to be effective. The Senior Independent Director assesses the Chair's ability in this regard as part of the annual appraisal of the Chair. The attendance record during the year of directors at Board and committee meetings is set out on page 22. The commitments of the directors are set out in the Annual Business Statement on page 73.

The Board has appointed a Senior Independent Director, Barbara Taeed, to provide a sounding board for the Society Chair and to serve as an intermediary for the other directors when necessary. The Senior Independent Director is also available to members if they have any concerns, which contact through the normal channels of Society Chair, Chief Executive or other executive director, has failed to resolve, or for which such contact is inappropriate.

The offices of the Society Chair and Chief Executive are held by different individuals with their roles set out in their terms of appointment or contract respectively, and reflected in job descriptions. The Society Chair is responsible for leading the Board, ensuring its effectiveness on all aspects of its role. This includes setting the direction and culture of the Board, facilitating effective contribution from directors, maintaining constructive relations between executive and non-executive directors, and ensuring that directors receive accurate, timely and clear advice and information.

The Chief Executive is responsible for managing the Society's business within the parameters set by the Board.

The Board Code of Conduct details Board practices and procedures that are conducive to ensuring effective and efficient processes and behaviours. This document is reviewed, approved and adopted by the Board on an annual basis. All directors have access to the advice and services of the Society's Company Secretary, who is responsible for ensuring compliance with all Board procedures.

To ensure policy best practice, the Society has a policy framework that lays out the Society's classification of policies and the delegated bodies that provide oversight and monitor implementation.

The Board ensures that all policies reflect the values, standards and expected behaviours of the Society to drive best practice in a well governed environment.

The Board met twelve times in the year, including three strategy sessions to focus on the Society's strategic direction and business model.

Composition, Succession and Evaluation

Code Principles

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

K. The board and its committees should have a combination of skills, experience, and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

During 2021, an externally facilitated Board effectiveness evaluation was conducted. The members of the Board were interviewed and assessed to review how they work together to achieve the Board's objectives. The report concluded that the Board was a strong, professional and experienced board that provides sound strategic guidance and oversight for the Society.

Following the 2021 report, the Board worked to develop its governance structures and strengthen underlying processes to improve efficiencies. During 2023, The Board agreed that all 2021 effectiveness actions had been implemented to a satisfactory level.

The Board commenced a new externally facilitated evaluation in December 2024, emphasising its commitment to regular, structured evaluations. This initiative aims to improve boardroom practices, ensure accountability, and demonstrate adherence to the principles outlined in the Code.

The Nominations and Governance Committee has developed a formalised evaluation process for each of the Board committees. The assessment is achieved via a self-assessment process, whereby each committee evaluates their own overall performance annually, as well as evaluating the performance of the committee Chair. The Board reviews and acts on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of its committees. The Nominations and Governance Committee reviews and assesses committee membership on an annual basis, reflecting upon the performance evaluation of each body, as well as relevant skills and competences required to effectively discharge the committees' Terms of Reference.

The performance and effectiveness of each non-executive director and the Chief Executive is evaluated by the Society's Chair, while the Senior Independent Director evaluates the performance of the Society Chair, taking into account the views of other directors. The Chief Executive evaluates the performance of the other executive directors, taking into account the performance objectives set at the beginning of the year or on appointment. The evaluations include consideration of training and development requirements to ensure directors continually update their skills, knowledge and understanding of the Society's business. Annual evaluations for 2024 took place on this basis and it was concluded that each director continues to make an effective and valuable contribution to the Board, and continues to demonstrate commitment to the role.

The Nominations and Governance Committee is responsible for Board appointments and succession planning, ensuring that the Board comprises sufficient directors who are independent, fit and proper, and who can meet their collective and individual responsibilities effectively.

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. As with all recruitment, all candidates, irrespective of background, are treated respectfully and inclusively. The Nominations and Governance Committee considers the balance of skills and experience on the Board, as required by the Society's business strategy, using a skills matrix and having regard to the Board's succession plans. A description of the role and capabilities required for a particular appointment is prepared in the light of that evaluation. All appointments are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

The committee considered succession plans for the Board and senior management during the year. As with appointments, succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths.

All directors take part in an ongoing programme of training and professional development designed to keep their knowledge and skills up to date and ensure they have appropriate knowledge of the Society and access to its operations and colleagues.

This is achieved primarily through internal and external presentations and e-learning training modules. During the year, training included Consumer Duty and the Senior Managers and Certification regime, the Basel 3 capital framework and the Small Domestic Deposit Takers regime, as well as participation in external courses and conferences where relevant, organised by external agencies. All directors are required to maintain continual professional development logs, which are considered as part of the annual appraisal process.

In 2024, two non-executive directors, Colin Frankin and Gary Wilkinson, stepped down after nine years of service, following the AGM. The Society welcomed Tony Alexander, who joined the Board on 1 December 2023, and Manuela Pifani, who joined on 27 March 2024 after being elected at the AGM.

In March 2024, Nemone Wynn-Evans, previously Vice Chair, was appointed as the Society's first female Chair. Colin Fyfe departed the Society in January 2024 and Rebecca Griffin left the Society in October 2024. The Society engaged an independent specialist firm to assist in identifying and recruiting a new Chief Executive (CEO). Following a thorough recruitment and interview process, the Society was pleased to appoint Barry Carter, the former Chief Operating Officer, as CEO. The Society remains committed to attracting and retaining talent with the skills necessary to lead the organisation and execute its corporate strategy.

The biographies of the directors are shown on page 26, demonstrating that the Board has a strong mix of skills and experience relevant to the Society and its strategy.

All new Board members receive a formal and tailored induction when they join the Board. This includes directors' responsibilities and duties, the management information they will be provided with and how to interpret this, information on the Society and the local market, an overview of the regulatory requirements and details of significant current issues for the industry, the senior managers and certification regime, meetings with members of the Executive Committee, and details of key financial, operational, people and risk related matters specific to the Society. During the year, Board members have continued to meet with head office departments and work to develop proactive engagement strategies across the Society. Furthermore, all new senior managers go through a comprehensive handover process to ensure they are fully aware of the specific responsibilities relating to their individual role.

Diversity and inclusion matter at the Society and we are proud to be a signatory of the Women in Finance Charter, a government initiative designed to improve gender diversity in senior positions within the financial services sector. The Society has, for several years, maintained an appropriate gender balance across all levels of leadership within the organisation, including at Board and Executive Committee level. This has been achieved whilst pursuing a strategy of appointing the right individuals for roles, regardless of gender. As part of our commitment to the Women in Finance Charter, and, in the context of our strong position in terms of gender balance, we have set a floor for gender diversity at 40% of female or male representation at Board and Executive Committee level. At 30 November 2024, seven women held positions at Board and Executive Committee level out of a total of 13 (54%).

The Society is also proud to have signed up to the Disability Confident scheme, which supports employers to challenge thinking and the attitudes toward disability and improve the recruitment and retention of disabled workers. The Society has pledged to remove barriers to employment for disabled people, as well as those with long-term health conditions, and to ensure they are offered the chance to fulfil their potential. The Society's commitment to positively change attitudes, behaviours and cultures under the scheme is the same, whether we are looking to recruit new staff or to make adjustments for an employee who has become disabled during their career.

Audit, Risk and Internal Control
Code Principles

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.

O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

The Society operates a three lines of defence model for internal control as follows:

- The first line of defence is management within each business area, who are responsible for the identification, measurement and management of the risks within the Society's risk appetite, and ensuring appropriate controls are in place and operating effectively. Management information relating to each risk category is monitored by the Executive Committee, ALCO, BRCC or Credit Committee.

- The second line of defence is the Society's Risk and Compliance function, which provides risk management expertise, challenge and support to the Board, management and staff. Independent views are reported to the Board, Audit and Compliance Committee and Risk Committee, based on management information from across the business, external intelligence and bespoke assurance activity, in accordance with a risk-based plan approved by the Audit and Compliance Committee.

- The third line of defence is the internal audit function, which independently reviews the effectiveness of the internal control environment. The Audit and Compliance Committee approves a risk-based internal audit plan for Internal Audit and receives reports of the results of the work performed.

In addition to the three lines of defence model, the Audit and Compliance Committee receives reports from the external auditor detailing their observations on the effectiveness of internal controls, particularly those relating to the preparation of the accounts, during the external audit process.
The Board's principal functions include determining the risk appetite, strategy and policies of the Society, establishing an effective risk management and internal control framework that enables risk to be assessed and managed, and reviewing business and management performance. In addition, the Board has a duty to ensure that the Society operates within its rules and relevant legislation and regulation. This includes considering the financial and human resources required, and details of development projects and expenditure to enhance the Society's operations and services to its members, both in the short and longer term.

The Board has approved and monitored the implementation of an enhanced risk management framework to mitigate the significant risks to which it is exposed. The framework comprises a risk focused governance structure, risk appetite statements, risk management policies, and procedures for the identification, measurement and reporting of risks within defined risk limits.

In addition to the reports received throughout the year from internal audit, external audit and the Risk and Compliance function, the Audit and Compliance Committee receives an annual conclusion on the Society's control environment from internal audit. Based on the reports received during the year, the committee concluded that the Society operates an effective system of control. As a result, the Board is satisfied that the Society has sound risk management and internal control systems and that these systems have been in place during the year.

The key Board and committee responsibilities in respect of risk management and the internal control framework are:

- The Board approves the overall risk management framework and determines the Society's risk appetite.

- The Risk Committee oversees the risk management framework, including the identification of risk positions against appetite. The committee receives an independent view of each risk category from the Chief Risk Officer at each meeting.

- The Audit and Compliance Committee monitors the effectiveness of systems and controls for all risk categories through independent reports from the Society's Internal Audit and Compliance functions, in accordance with agreed risk-based assurance plans.

- The Executive Committee is responsible for the management of strategic and conduct risks to the Society.

- ALCO is responsible for the management of financial risks, including liquidity risk, funding risk, treasury counterparty credit risk and interest rate risk.

- BRCC is responsible for the management of operational risk.

- The Credit Committee is responsible for management of mortgage credit risk.

As described in the Audit and Compliance Committee's report on page 23, the committee's review of the accounts includes consideration that financial and narrative disclosures are fair, balanced and understandable. As a result of this review, the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and contains the information necessary for members to assess the Society's performance, business model and strategy.

Remuneration
Code Principles

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The Society has regard to the principles and provisions relating to remuneration in the Code and ensures that the Society's Remuneration Policy is compliant with the Financial Conduct Authority's Remuneration Code and the Remuneration Part of the Prudential Regulation Authority's Rulebook.

During 2024, the Society's Remuneration Policy and related practices set out within a Remuneration Policy Statement were reviewed by the Remuneration Committee. In setting remuneration, the committee takes into consideration salaries payable and other benefits provided to executive directors and other senior management of building societies that are similar in size and complexity, and other relevant organisations. The committee benchmarked pay and benefits packages against other organisations, as well as consulted with external consultants.

The committee exercises independent judgement and discretion when authorising remuneration outcomes, taking account of Society and individual performance and wider circumstances, and underpinned by the objective to promote the Society's long-term sustainable success. All remuneration schemes and policies are flexible enough to enable the committee to use discretion to override formulaic outcomes.

The Society continues to integrate its performance management framework and evaluate performance against its business objectives. The business objectives are used to assess the performance of the Society, in the areas of financial growth, member centricity, people and efficiency. Performance measures for these areas are set each year for the Society, its departments, and individual employees. This process is supported by the Society's risk management, culture, and values. The Remuneration Committee has absolute discretion to reduce any bonus allocation available if it decides that acceptable standards or performance levels have not been met. This is consistent with the Society's risk appetite and is designed to support the overall financial stability of the Society and its strategic priorities.

The Chief Executive attends the Remuneration Committee by invitation but takes no part in the discussion of his own remuneration. The committee reviews remuneration for the Chair of the Board, executive directors and senior managers annually, using data from comparable organisations, and takes advice from external consultants when appropriate.

The remuneration of the non-executive directors, other than the Chair of the Board, is determined annually by the Chair of the Board and Chief Executive. No director or individual is involved in setting their own remuneration. It is the responsibility of the Nominations and Governance Committee to identify Remuneration Code staff and Material Risk Takers (MRTs). The Remuneration Committee is responsible for setting the remuneration of the Remuneration Code staff and MRTs to ensure that their remuneration does not encourage inappropriate risk taking, and also to ensure they are rewarded appropriately and fairly to encourage enhanced performance and promote the long-term success of the Society.

The terms of reference for the committee are available on the Society's website, and each committee meeting is formally minuted, and the minutes are distributed to all committee members. The Chair of the committee reports on the key matters covered at the following Board meeting.

Committees

As noted above, the Board has established committees to oversee the implementation and monitoring of key business areas, including the Audit and Compliance Committee, Risk Committee, Nominations and Governance Committee and Remuneration Committee. In addition, the Society operates executive and management committees, including the Executive Committee, the Assets and Liabilities Committee, the Business Risk and Controls Committee and the Credit Committee.

The Board approves the terms of reference of each Board committee and the Executive Committee, whilst the Risk Committee reviews and approves the terms of reference for its reporting committees. Through effectiveness reviews and succession planning, the Board ensures its committees have the appropriate balance of skills, experience and knowledge to discharge their respective duties effectively. All Board members have the benefit of appropriate liability insurance at the Society's expense and all have access to independent professional advice if required.

Audit and Compliance Committee

The Audit and Compliance Committee comprised three non-executive directors (excluding the Chair of the Board) and, has been chaired by John Lowe since April 2023. The biographies shown on page 26 set out the committee members' skills and experience. All members have recent and relevant financial experience, and competence relevant to the sector in which the Society operates. The committee met five times during the year. For attendance details see the table on page 22.

The committee is responsible for oversight on behalf of the Board of the Society's internal financial controls and internal control systems, including those that ensure compliance with applicable laws and regulations. The committee fulfils its responsibilities by approving risk-based work programmes for the Society's Risk and Compliance function and internal audit function, and approving the audit strategy of the external auditor. At each meeting, the committee reviews and challenges reports received from these functions and management, relating to the effectiveness of internal controls and control systems.

The committee considerations include the following policies and documentation:

- Integrated Assurance Plan
- Internal Audit Plan
- External Audit Strategy
- Pillar 3 Disclosure and Policy
- Fire, Health and Safety Policy
- Non-Audit Services Policy
- Key accounting policies and assumptions
- Annual Report and Accounts
- Summary Financial Statements

The committee's terms of reference and its work during the year can be found in the separate Audit and Compliance Committee's report on page 23.

To ensure best practice, the committee meets with representatives of external audit and internal audit without management at least once per year. The committee undertakes an annual self-assessment for effectiveness and reports the results to the Board. For 2024 the committee reported that it had operated effectively.

Risk Committee

The Risk Committee comprises three non-executive directors. During the year the Committee was chaired by Gary Wilkinson until 26 March 2024, after which Tony Alexander assumed the role of the Chair. The committee met six times during the year. For attendance details see the table on page 22. The committee is responsible for oversight on behalf of the Board of the Society's risk management framework, including the identification of risks, and the monitoring of risk positions against appetite. The committee ensured that adequate management resources were in place to assess, evaluate and control the key risks faced by the Society. A strong risk culture continues to develop and the committee provided challenge, guidance and support to management.

To ensure sound credit risk management practices, the committee reviewed during 2024 the Society's mortgage credit risk framework and challenged lending policy, limits and tolerances. The committee also focused on developing the Society's credit risk management information to ensure the best outcomes for the Society and its members.

The committee continued to review the Society's capital and liquidity positions to ensure a sustainable future and the delivery of the Society's strategy. The committee conducted this review through the assessment of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), and related stress scenarios.

The committee recommended these assessments to the Board and was satisfied that sufficient levels of capital and liquidity remained in place to support the Society and its future development goals.

To provide oversight and monitoring of the risk culture and implementation of risk management, the Risk Committee and the Remuneration Committee review risk culture oversight papers that are prepared annually by the Risk and Compliance function. The committee receives a report from the Chief Risk Officer at each meeting outlining the key risks and considerations for the committee, including horizon scanning and emerging risks that the Society may be exposed to. Also, the committee oversees operations and monitors how the Society operates within risk limits and is alerted to any key risk indicators for awareness.

The committee's considerations include the following risk management policies and documentation:

- Risk Management Framework and Risk Appetite Statements
- Risks identified in the Integrated Assurance Plan
- Lending Policy
- Conduct Risk Policy
- Competition Policy
- Financial Risk Management Policy
- ILAAP
- ICAAP
- Reverse Stress Test Framework
- Recovery Plan
- Resolution Pack
- Operational Risk Policy
- Third Party and Outsourcing Policy
- Model Risk Management Policy
- Regulatory Reporting Policy
- Financial Crime Policy
- Information Security Policy
- Operational Resilience Policy
- Mortgage Support Policy
- Data Protection Policy
- Change Management Policy

With regards to the Code, the committee undertakes an annual self-assessment for effectiveness and reports to the Board.

Nominations and Governance Committee

The Nominations and Governance Committee comprised two non-executive directors and during the year was chaired by Nemone Wynn-Evans. For attendance details, see the table on page 22. The committee is responsible for leading the process for senior appointments, ensuring plans are in place for orderly succession to both the Board and senior management positions, and ensuring that the Board and senior management have the appropriate skills and experience to effectively manage the business and deliver the Society's strategy. The committee meets at least four times a year.

In 2024, the committee oversaw the succession of departing Board members and ensured that the Society attracted and retained individuals with the necessary calibre to continue delivering the business plan and leading the organisation. The committee continues to provide oversight, influence and guidance as the Board strengthens key policies and practices. Considerations included the governance manual, committee self-assessment effectiveness reviews and the succession plan. The committee ensures adherence with the Code, and that the values and culture of the Society are reflected in its governance practices and policies.

During 2024, the committee led the Society's succession planning, involving the recruitment and appointment of a new Chief Executive, as described above. The committee assessed the required skills, knowledge, experience and diversity for the Board against the future direction and objectives of the Society, including the planned significant change projects.

The Society used the services of an independent specialist firm to conduct the search for potential candidates, ensuring that the committee considered candidates from a diverse pool, possessing the necessary diversity of skills, knowledge, and experiences. Following a thorough assessment process, including candidate references and a staged interview process, the committee made its final recommendations to the Board.

The committee oversees the equality, diversity and inclusion strategy and targets. The committee Chair has championed the development of a newly created Environmental, Social and Governance working group, which will continue to be overseen by the committee. The committee will monitor the implementation of inclusion practices across the Society, and is committed to influencing and supporting further areas of diversity to ensure a Society that is inclusive to all.

The committee's considerations include the following Board governance documentation and matters:

- The Board Code of Conduct
- Matters Reserved for the Board
- Governance Manual
- Governing practices for the Senior Managers and Certification Regime
- Diversity and Inclusion Strategy and targets
- ESG Policy and practices
- Conflicts of Interest Policy and effectiveness of implementation of controls
- Ensuring appropriate availability and commitment of time for directors
- Assessing appropriateness of external appointments for directors
- Whistleblowing Policy

Remuneration Committee

The Remuneration Committee comprised three non-executive directors and was chaired by Barbara Taeed. For attendance details, see the table on page 22. The committee is responsible for determining, on behalf of the Board, the policy and the level of remuneration of the executive directors, senior management and the wider staff, and for ensuring that remuneration aligns with the long-term interests of the business and incentives towards excessive risk taking are eliminated. The committee meets at least three times a year.

During the year the committee reviewed a revised Remuneration Policy and Remuneration Policy Statement. This revised policy improves clarity and transparency of all Society remuneration practices. The policy aims to align executive remuneration with the Society's strategy and promote long-term sustainable success. The committee considers the policy, remuneration practices and benefits package as a whole, and challenges the Society's position given the difficult economic climate.

The committee reviewed the positioning of salaries across specific departments within the Society and increased the salaries for particular job roles during the year. The committee expects to continue this work over the coming years. This will ensure that the Society is able to reward valued employees and attract and retain high calibre individuals.

As part of the annual performance review, the committee agreed a bonus pool for all staff, including the executive directors, based on the performance of the Society against the achievement of both Society and individual objectives during the year. Bonuses will be distributed in March 2025 and allocated to staff according to each individual's performance against agreed business objectives and behaviours. The amount of the bonus to be distributed is solely at the discretion of the Remuneration Committee. The committee's view is that the scale of the bonus payment is unlikely to lead to any behavioural risks that can arise from target-based incentive plans.

The Society's remuneration processes are aligned to the Society's long-term business strategy, objectives, and risk appetite, and are consistent with the interests of the Society's members, encouraging a good culture and appropriate behaviours, and contributing to the long-term success of the Society. The Society must attract and retain high calibre individuals to fulfil member requirements, who must be fairly rewarded for directing, managing, and working within its branches and departments.

An internal effectiveness review, conducted in December 2024, concluded that the Remuneration Committee operated effectively and that committee members had a sufficient balance of skills and experience.

The committee's considerations include the following remuneration documentation and matters:

- Review the Society Remuneration Policy
- Ensure remuneration practices align with the Society strategy, purpose and values
- Receive updates on the Society people strategy
- Receive and review Society benchmarking and pay gap analysis
- Review annual pay rewards
- Review variable rewards and distributions of the Society bonus scheme
- Receive and review the Remuneration Code staff and Material Risk Takers report prepared by the Governance, Risk and Compliance function.

Further details of the Society's remuneration practices can be found in the separate Remuneration Committee's report on page 25.

Board and committee membership attendance record

The number of scheduled Board and committee meetings attended by each director, as a member, during the year is shown below.
The figures in brackets represent the number of meetings each director was eligible to attend.

	Board	Nominations and Governance	Remuneration	Audit and Compliance	Risk
Nemone Wynn-Evans (Chair)	13(13)	4(4)	1(1)	2(2)	*
Colin Franklin (Chair) (retired 26 March 2024)	4(5)	1(1)	3(3)	*	*
Barry Carter (Chief Executive)	13(13)	*	*	*	*
Colin Fyfe (Chief Executive) (resigned 26 January 2024)	1(2)	*	*	*	*
Tony Alexander (appointed 1 December 2023)	13(13)	*	*	5(5)	6(6)
Lynda Blackwell	13(13)	4(4)	3(3)	*	2(4)
Rebecca Griffin (Chief Risk Officer) (resigned 14 October 2024)	8(12)	*	*	*	*
John Lowe	12(13)	*	*	5(5)	6(6)
John Mulvey (Chief Financial Officer)	13(13)	*	*	*	*
Manuela Pifani (appointed 27 March 2024)	8(8)	1(1)	1(1)	3(3)	*
Barbara Taeed	12(13)	*	4(4)	*	5(6)
Gary Wilkinson (retired 26 March 2024)	5(5)	*	*	2(2)	2(2)

*Not a member of this committee.

On behalf of the Board

Nemone Wynn-Evans
Chair
7 February 2025

This report supplements the information provided on the committee's activities in the Corporate Governance report on page 15. The report provides further details of the committee's terms of reference and its work undertaken during the year, particularly in relation to the external auditor, financial reporting, and the internal auditor.

The committee's terms of reference include the following responsibilities:

- To make recommendations to the Board, for it to put to the members for their approval in a general meeting, in relation to the appointment of the external auditor;
- To approve the remuneration and terms of engagement of the external auditor;
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
- To implement policy on the engagement of the external auditor to supply non-audit services;
- To monitor the integrity of the financial statements of the Society and any formal announcements relating to the Society's financial performance, reviewing significant financial reporting judgements contained in them;
- To review the Society's internal financial controls framework and risk management systems;
- To monitor and review the effectiveness of the Society's internal audit function and to appoint and remove internal auditors, as appropriate;
- To monitor and review the effectiveness of the Society's compliance monitoring function;
- To report to the Board on how it has discharged its responsibilities.

The committee meets at least five time per year, with one meeting dedicated to the review and approval of the Annual Report & Accounts. The Society Chair, executive directors and representatives from external audit and internal audit and the Society's compliance monitoring function attend by invitation. The committee meets with representatives of external audit and internal audit without management at least once per year.

The committee undertakes a detailed annual self-assessment and evaluation process, which also evaluates specific aspects of the external audit and internal audit services received. The assessment is completed by the committee's members, executive directors and representatives from external audit and internal audit. The assessment is used by the committee to inform its review of the effectiveness of the service provider and audit quality.

External auditor

The Society's external auditor, Forvis Mazars LLP, was first appointed for the financial year ended 30 November 2022.

The committee is responsible for overseeing the Society's relationship with the external auditor including appointment and tendering, terms of engagement and remuneration, assessment of independence and the annual audit cycle.

At the start of the annual audit cycle, the committee undertakes a review of the audit strategy put forward by the external auditor. The committee receives a formal report on conclusion of the audit, including details of any significant control deficiencies brought to its attention.

The committee is responsible for monitoring the performance, objectivity and independence of the external auditor, ensuring the policy on provision of non-audit services by the external auditor is strictly applied. During the year, the external auditor was engaged to provide non-audit services in relation only to its work required by legislation to confirm that the Summary Financial Statement was consistent with the full annual account and conformed with the requirements of the Building Societies Act 1986 (the 'Act') and that the Society's section 68 Statement contained the requisite particulars as required by the Act. The formal report received from the external auditor on conclusion of the audit includes their confirmation of independence from the Society.

The committee undertakes a formal annual assessment to evaluate the effectiveness of the external audit process and the independence and objectivity of the external auditor.

Details of the fees paid to the external auditor for audit and non-audit services are set out in note 7 of the accounts.

Summary of Financial Reporting Council's annual review of audit quality and actions taken

In July 2024, the Financial Reporting Council ('FRC') published its annual review of audit quality covering the Tier 1 audit firms, which includes the Society's external auditor, Forvis Mazars. The FRC's report identified a number of areas for improvement for Forvis Mazars, and in response to these findings, Forvis Mazars has implemented an action plan.

The committee discussed the FRC's findings and Forvis Mazars' action plan in detail. Forvis Mazars have confirmed that they remain committed to achieving and maintaining the highest standards of audit quality and will continue to work closely with the FRC to address any areas of concern. The Committee notes the progress Forvis Mazars have made to date.

Financial reporting

The significant issues that the Audit and Compliance Committee considered in relation to the Annual Report and Accounts were:

- the appropriateness of the accounting policies adopted in the preparation of the accounts;
- the appropriateness of the adoption of the going concern basis in the preparation of the accounts;
- the impairment provisioning methodology for loans and advances to customers. The committee reviewed the key assumptions and judgements contained within the Society's impairment provision model, including probability of possession and loss given possession calculations for both individual and collective impairment assessments, the appropriateness of overlays applied to the model, and the related disclosures in the accounts. As part of the review, the committee considered the low level of internal impairment data available, relevant external impairment data, the quality of the underlying mortgage loans, economic conditions and the overall level of the impairment provision;

Strategic report
Governance
Financial statement
Other information

- the appropriateness of the estimates and accounting treatment of interest income. Interest income on mortgage loans and related fees received and paid are calculated using the effective interest method. The committee reviewed the approach taken, including the estimation of the expected mortgage product lives and expected early redemption charge receipts based on actual customer behaviour;

- the appropriateness of the use of hedge accounting in respect of interest rate swaps used to hedge fixed rate mortgage and savings products against changes in interest rates; and
- the appropriateness of the carrying value of the defined benefit pension scheme obligation and surplus, based on assumptions and advice received from an independent actuary.

The committee undertook a comprehensive review of the Annual Report and Accounts with a focus on ensuring that appropriate weight is given to bad news as well as good, the description of the business model, the strategy, risks and performance is appropriate, the disclosed risks are genuinely the principal risks the Board are concerned about, and that important policies, judgements, transactions and significant changes from prior periods are highlighted. The committee concluded that there were no material adjustments required to the accounts.

Risk management systems

Management is responsible for the effective design and operation of appropriate risk management systems that support the achievement of the Society's objectives. These systems also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reporting, and assist with the safeguarding of its assets and compliance with applicable laws and regulations.

The Audit and Compliance Committee is responsible for providing the Board with appropriate assurance over the effective design and operation of these risk management systems. To achieve this, the committee directs and oversees the work of the second line compliance function and the third line internal audit function.

Compliance function

The Society's Compliance function provides second line assurance on activities across the Society.

During the year, the Committee approved the Compliance function's annual assurance plan, which sets out the timing and scopes of reviews and ongoing monitoring that the function intends to perform. The results of the work performed are reported to the committee at each meeting, together with progress updates on management's implementation of actions arising from any findings.

The Committee satisfied itself that the Compliance function had the appropriate level of resource to carry out the approved assurance plan, and that any identified areas of improvement were adequately addressed by management.

Internal auditor

Deloitte LLP provides the Society's outsourced internal audit function.

The committee approves internal audit's proposed annual audit plan and reviews it at each meeting to ensure it remains focused on the significant risks to which the Society is exposed and covers the key areas of the business over a five year cycle.

At each committee meeting, internal audit reports completed in the period are reviewed and management's responses and timescales for remedial work challenged.

In accordance with the Chartered Institute of Internal Audit's (CIIA) recommendations on "Effective Internal Audit in the Financial Services sector" the internal auditors present an annual report to the committee, setting out their conclusion on the effectiveness of the control environment. This report, along with those from management and other evidence, is used to inform the committee's assessment of the effectiveness of the control environment.

The committee undertook an effectiveness review of internal audit during the year, which informed the committee's view of the internal audit process, audit quality, and the independence and adequacy of resourcing of internal audit during the period covered by the annual audit plan.

On behalf of the Audit and Compliance Committee

John Lowe
Chair of the Committee
7 February 2025

Remuneration Committee's report

This report details the Society's approach to remuneration for the period 1 December 2023 to 30 November 2024. It sets out the Remuneration Policy and remuneration details for the executive and non-executive directors of the Society.

Details of directors' remuneration can be found in note 9 of the accounts and provides, for our members, details of the basic salary, variable pay and benefits earned by directors in the year to 30 November 2024. Details of the Remuneration Policy applied to directors are set out below.

Policy for non-executive directors

Non-executive director fees are reviewed annually by the Chair of the Board and the Chief Executive. This review is based on comparable data from other building societies and similar financial service organisations, and performance reviews. No director or individual is involved in setting their own remuneration. Remuneration comprises a basic fee, with supplementary payments for committee Chairs. Non-executive director fees are not pensionable, and the individuals do not participate in any incentive schemes or receive any other benefits. The remuneration of the Chair of the Board is reviewed on an annual basis by the committee, without the Chair present, again using comparable external data. All non-executive directors have formal contracts of service. All new appointments are subject to a notice period of three months.

Policy for executive directors

The remuneration for executive directors reflects responsibilities and roles within the Society. The overall policy of the Board, as recommended by the committee, is set out below:

- the remuneration of executive directors (consisting of basic salary, performance related bonus, pension arrangements and other benefits) should be competitive with those of other comparable organisations in the financial sector, in order to attract and retain high calibre individuals with the necessary skills and experience for the Society to succeed;

- the Society operates a capped bonus payable against the achievement of both Society and individual objectives. The Society's business objectives are used to measure performance under four key pillars of financial growth, member centricity, people and excellence. These are all underpinned by the Society's risk management, culture and values, to encourage and reward against a broad range of key metrics that are in the long term interests of the Society's members and other stakeholders;

- performance reviews of the executive directors should be carried out at least annually, to assess their performance in meeting individual and business objectives;

- the committee treats any departing executive directors fairly, and is careful to consider the interests of members and ensure that there are no rewards for failure; and

- executive directors are entitled to be paid their basic salary and contractual benefits (including pension contributions) during their notice period. The Society has the discretion to pay these as a lump sum payment in lieu of notice.

The Chief Executive is the Society's highest paid employee, and no employee earns more than any executive director.

Basic salary

The executive directors receive a basic salary, in line with the policy detailed above, which recognises individual development and progression.

Performance related bonus

Along with all employees, the executive directors are eligible for a non-pensionable performance bonus, in line with the policy detailed above. As a mutual organisation, the Society has no share option scheme.

Pension

Executive directors were eligible to participate in the Society's defined contribution pension plan, which is offered to all employees. The Society makes contributions to the scheme of 14.25% of pensionable salary, with the cost equivalent to 4% of pensionable salary recovered through a salary sacrifice scheme.

- John Mulvey, Chief Financial Officer, opted to receive a cash alternative in lieu of pension contributions equivalent to 9% of basic salary.

The rate of pension contribution from the Society differs between the executive directors and the other employees, in that executive directors on appointment receive the level of contributions for an employee with 10 years' service, which is not in line with the most recent corporate governance guidelines. The contributions paid are benchmarked against other organisations and the committee is satisfied that the total reward is set at a level which allows the Society to attract a high quality employees at all levels.

Other benefits

Each executive director is provided with private medical insurance, group life cover of four times basic annual salary and a healthcare cash plan scheme.

Service contracts

The general policy for appointments at executive director level includes a contractual notice period of six months.

Member consultation

The committee takes into account any feedback given by members. Members are invited to vote on the annual Directors' Remuneration report.

On behalf of the Remuneration committee

Barbara Taeed
Chair of the Committee
7 February 2025

Meet the Board of Directors

Nemone Wynn-Evans

Chair

Nemone joined the Society as a non-executive director in March 2017. She is the Chair of the Board, the Chair of the Nominations and Governance Committee and a member of the Remuneration Committee.

Her background is in the equity capital markets sector of the City of London, including as a former Finance Director on the main board of a stock exchange, having begun her career in corporate finance and broking.

She also holds other non-executive positions at a renewable energy company (where she chairs the Audit & Risk Committee), at a Venture Capital Trust investing in small, growing companies, and at an investment management and stockbroking firm.

Nemone lives in Warwickshire, is a Fellow of the Chartered Institute of Securities and Investment and holds an MBA from Cranfield School of Management.

Barry Carter

Chief Executive Officer

Barry joined the Society in July 2022 as Chief Operating Officer and was appointed Chief Executive Office in January 2024. He has 20 years of experience in private and retail banking and previously held a position as Chief Operating Officer at HSBC Private Bank. Barry is a Chartered Certified Accountant, Chartered Banker and is a Member of the Chartered Institute for Securities and Investments.

Tony Alexander

Non-Executive Director

Tony joined the Society as a non-executive director in December 2023. He is the Chair of the Risk Committee and a member of the Audit and Compliance Committee.

Tony qualified as a Chartered Accountant at Grant Thornton, Coventry. He spent 30 years of his career at Nationwide Building Society in a variety of senior Finance, Risk, Audit and Business roles.

Tony is also a trustee for the charity Homeless Oxfordshire that provides accommodation and support for homeless people.

Lynda Blackwell

Non-Executive Director

Lynda joined the Society as a non-executive director in March 2023. She is a member of both the Risk Committee and the Nominations and Governance Committee, and is the Society's Consumer Duty Champion.

After qualifying as a solicitor, Lynda began a career in the mortgage sector that has spanned more than 35 years. She started in private practice advising retail banks, then moved into the building society sector, before spending 16 years at the financial services regulator, the FCA, in a variety of legal and policy-related roles.

For the last six and a half years, Lynda has been a consultant and non-executive director for fintech businesses, using her extensive regulatory experience and knowledge of the financial services industry to support good innovation and best practice, staying closely involved in the continuing evolution of the market.

John Lowe

Non-Executive Director

John joined the Society in December 2022 as a non-executive director. He is the Chair of the Audit and Compliance Committee and a member of the Risk Committee.

Along with over 25 years' experience of working in financial services, John also brings a wealth of experience as a Board director. After qualifying as a Chartered Accountant with Deloitte, John worked for retail banks, specialist lenders and within the building society sector. He spent 10 years at Coventry Building Society in roles including Head of Credit Risk, Head of Product Development and seven years as the Group Finance Director.

He is currently a non-executive director at Redwood Bank and Chair at Primis, the mortgage and protection insurance intermediary network.

John Mulvey

Chief Financial Officer

John joined the Society in March 2020 as Chief Financial Officer. He has over 20 years of experience in the financial services sector, having previously worked for Melton Mowbray Building Society, where he was the Deputy Chief Executive and Finance Director for 10 years. He is a chartered accountant, having trained and qualified at KPMG, working within their financial services team auditing banks and building societies.

His role at Hinckley & Rugby involves leading the finance and treasury functions, with responsibility for financial and regulatory reporting, and managing the Society's liquidity, funding and capital positions. He chairs the Assets and Liabilities Committee.

Manuela Pifani

Non-Executive Director

Manuela joined the Society as a non-executive director in March 2024. She is a member of both the Audit and Compliance Committee and the Remuneration Committee.

After qualifying as an Associate of the UK Chartered Institute of Bankers, Manuela began a career focused on customer experience and transformation that has spanned more than 25 years. She started in the financial services sector, leading Customer Experience functions in Barclays, RBS/Natwest and Direct Line Group, before moving into the retail sector with Kingfisher and ASDA.

For six years, Manuela has been a consultant and thought-leader, using her extensive experience and knowledge of the continuously evolving consumer market to help organisations across sectors improve their services and propositions to increase customer satisfaction and loyalty. She also volunteers as a member of the Board of directors for the not-for-profit Customer Institute.

Barbara Taeed

Non-Executive Director

Barbara joined the Society as a non-executive director in March 2017. She is currently the Chair of the Remuneration Committee, a member of the Risk Committee and is the Society's Senior Independent Director.

She is a qualified Risk Manager and in addition to her role at HRBS leads an academic Think Tank which specialises in the measurement and transaction of non-financial values and the use of new technology to enhance this, including artificial intelligence, web3 and digital currencies.

Prior to joining HRBS, Barbara worked at the heart of the UK's banking infrastructure at the not-for-profit UK Payments as Director of Payments Integrity and Security.

The directors are pleased to present their Annual Report and Accounts for the year ended 30 November 2024.

Business objectives

The principal aim of the Society is that of making loans which are secured on residential property and are funded substantially by its members. The primary business objectives are to continue to promote savings and home ownership through competitive rates of interest and high quality service.

Business review

A full review of business performance, including key performance indicators, can be found within the Chief Executive's report on page 5 and the Chief Financial Officer's report on page 8. The Chief Financial Officer's report includes details of the Society's gross capital, free capital and mortgage arrears levels.

Financial risk management objectives and policies

The Board has implemented a risk management framework to mitigate the financial and operational risks to which it is exposed.

The framework comprises a risk focused governance structure, risk appetite statements, risk management policies, and procedures for the identification, measurement and reporting of risks within defined risk limits.

The Board has established sub-committees to assist in the implementation and monitoring of the risk management framework, including the Audit and Compliance Committee, Risk Committee, Nominations and Governance Committee and Remuneration Committee. In addition, the Society operates executive committees with risk management responsibilities, including the Executive Committee, which reports directly to the Board, and the Assets and Liabilities Committee (ALCO), Business Risk and Controls Committee (BRCC) and Credit Committee, which report to the Risk Committee. Details of each Board sub-committee are set out in the Corporate Governance report and the responsibilities of the executive committees are noted below within the Principal Risks and Uncertainties section.

Principal risks and uncertainties

The Society seeks to understand and manage the various risks that arise from its operations. The continuing high interest rate conditions has impacted individuals and businesses, including the Society. The Society's risk profile remains elevated as a result, with the most material impact relating to the Society's mortgage credit risk exposures. Further details of the Society's mortgage credit risk exposures are disclosed in the Chief Financial Officer's report on pages 8 to 11 and in note 27 (c)(ii) of the accounts.

The principal risks facing the Society and the mitigants in place to manage them are described below.

Principal risk	Mitigants
Mortgage credit risk This is the risk of loss arising from borrowing members failing to meet the contractual obligations of their loans.	Mortgage credit risk is controlled by a Board approved risk appetite statement and a Lending Policy that is regularly reviewed by the Credit Committee and the Risk Committee, with changes approved by the Board. The policy is translated into lending criteria and procedures, which seek to ensure that members only assume a debt that they can afford to repay and the value of the security property is sufficient to support each loan, thereby safeguarding both themselves and the Society. All mortgages are manually underwritten in accordance with the Lending Policy and lending criteria to assess the credit quality of the customer, their ongoing ability to afford their mortgage repayments and the value of the Society's security. Should members find themselves in financial difficulty, the Society has established procedures to provide support, including working with members to create a personalised plan designed to help get their mortgage back on track. Possession is always a last resort and will only be pursued if agreement with a borrower to return them to an affordable and sustainable position or an alternative mortgage exit strategy, such as voluntary sale, cannot be reached. Whether the Society incurs a loss from possession is dependent on the value realised from the security property. The Society monitors the impact of house price movements by carrying out stress testing of its mortgage book to take account of actual and projected movements in house price indices on the expected value of any properties taken into possession. Further details of the Society's approach to mortgage credit risk are given in note 27 (c)(ii) of the accounts. Details of the Society's members who are one month or more in arrears are given in the Chief Financial Officer's report on pages 8 to 11. An analysis of the Society's impairment provision against loans and advances to customers is reported in note 15 of the accounts.
Treasury counterparty credit risk This is the risk of loss arising from a treasury counterparty being unable to meet their financial obligations to the Society.	A Board approved risk appetite statement and the Financial Risk Management Policy set out the types of financial instrument the Society can hold and the counterparties the Society can invest with, along with applicable asset class, sector, and counterparty limits. The policy is regularly reviewed by ALCO and the Risk Committee, with changes approved by the Board. Treasury counterparty exposures and related limits are monitored by ALCO each month. The Society's liquid assets are held on deposit with the Bank of England and UK banks and building societies, reducing the level of counterparty risk to which the Society is exposed. The Society has no provisions for impairment against any treasury counterparties. Further details of the Society's approach to treasury counterparty risk are given in note 27 (c)(i) of the accounts.

Principal Risk	Mitigants
Strategic risk This is the risk of loss and the impact on capital arising from the Society's agreed strategy or failure to achieve planned objectives. It can be caused by competitive pressures, deteriorations in the economy, or changes to legislation. The risk has the potential to impact the underlying profitability and capital adequacy of the Society required to keep the business viable.	The Board mitigates this risk by preparing a business plan that it believes to be robust and achievable, and by stress testing this plan to assess the impact of various adverse market conditions and other scenarios. In all stressed conditions, the Society aims to ensure that its capital and funding positions remain strong and that its performance remains within the boundaries specified within its stated risk appetite. This risk is also mitigated through the Society's ongoing strategy to ensure that it operates in sectors of the market where it has the expertise and the customer franchise to be able to price its products appropriately. Pricing decisions on all mortgage and savings products are individually assessed to ensure they are consistent with the Society's overall profitability objectives, promoting the sustainability of the Society for the benefit of all its members.
Liquidity risk and Funding risk Liquidity risk is the risk that the Society does not have sufficient financial resources to meet its liabilities as they fall due or can secure them only at an excessive cost. Funding risk is the risk that the Society is unable to obtain stable funding to achieve its business objectives or can secure them only at an excessive cost.	A Board approved risk appetite statement and the Financial Risk Management Policy set out liquidity risk limits, and these are regularly reviewed by ALCO and the Risk Committee, with changes approved by the Board. The policy aims to maintain liquid assets at all times that are adequate, both as to quantity and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due both in normal and stressed scenarios, to smooth out the effect of maturity mismatches between assets and liabilities, and to maintain the highest level of public confidence in the Society. The policy sets out the minimum liquidity requirements as determined by the Society's Internal Liquidity Adequacy Assessment Process (ILAAP), and the permissible financial instruments in which management can invest liquid assets. The Society holds liquid assets on deposit with the Bank of England and large UK clearing banks that are realisable at very short notice. These holdings are monitored daily. The Society forecasts its cash flows under normal conditions, taking account of expected inflows and outflows of funds from mortgage advances and repayments, and retail and wholesale funding sources. The Society also undertakes regular stress testing that models cash outflows under stressed conditions. The results of the forecasts and stress tests are monitored by ALCO each month and are used to determine the minimum liquidity requirement. Further details of how the Society manages liquidity risk are given in note 27 (d) of the accounts. The Financial Risk Management Policy details the risk limits used by the Society to maintain a prudent funding mix, maturity profile, and encumbrance level. The Society's funding profile and position against limits are monitored by ALCO each month.
Interest rate risk This is the risk of reductions in net interest margin arising from unfavourable movements in interest rates due to: • Mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates (re-pricing risk); and • The re-pricing of assets and liabilities according to different interest bases (basis risk).	A Board approved risk appetite statement and the Financial Risk Management Policy set out interest rate risk limits, and these are regularly reviewed by ALCO and the Risk Committee, with changes approved by the Board. Interest rate re-pricing risk and basis risk exposures are mitigated through a combination of matching assets and liabilities with offsetting interest rate characteristics and using derivative financial instruments, including interest rate swaps. Management maintains the Society's exposure to interest rate risk within approved maximum limits set within the policy, and actual positions against limits are monitored by ALCO each month. Further details of how the Society manages interest rate risk, including risk management objectives and policies, the Society's use of derivatives for hedging purposes and interest rate sensitivity analysis, are given in note 27 (e) of the accounts.
Conduct risk This is the risk of detrimental outcomes to customers arising throughout the lifecycle of the Society's products due to inadequate processes.	A Board approved risk appetite statement and the Conduct Risk Policy document the Society's commitment and approach to ensuring good customer outcomes and that regulatory requirements and best practice guidance from the Financial Conduct Authority (FCA) are met. This includes building the needs of vulnerable customers into the Society's culture and processes. The Society implemented the FCA's Consumer Duty regulations during the current and prior year. Management information measuring conduct risk, customer experience and consumer outcomes is reviewed monthly by the Executive Committee, which reports to the Board, ensuring visibility of any customer detriment and that adequate controls are implemented.

Principal Risk	Mitigants
Operational risk and Operational resilience This is the risk of loss arising from inadequate or failed internal processes, people and systems, or external events. It includes risks arising from cyber, change management, data loss, use of models, third parties, products, laws and regulations and financial crime. Operational resilience is the Society's ability to maintain important business services in the event of adverse internal or external events.	These risks are managed within a Board approved risk appetite statement as an integral part of the Society's operations. The Society's management has responsibility for assessing operational risks within each business area and implementing appropriate policies, procedures and mitigating controls. The effectiveness of the controls is considered by BRCC, with oversight by the Risk Committee. An Information Security Policy, approved by the Risk Committee, sets out the framework for mitigating cyber security risks. The Society recognises the increased threat of cyber-attacks being faced across the financial sector in general and continues to ensure that it has an appropriate capability to detect and respond to cyber security issues effectively, safeguarding the organisation, members' data and savings. A Change Management Policy, approved by the Risk Committee, is in place to reduce the risks arising from change across the Society. The Executive Committee provides oversight over the change agenda and ensures that approved projects contribute to the agreed business objectives, sufficient resources are available to complete each project, project risks are raised and appropriately addressed, and post-implementation reviews are undertaken so that the Society benefits from any lessons learned. A Third-Party and Outsourcing Policy, approved by the Risk Committee, sets out the framework through which third parties are managed. The policy requires evaluations for all new suppliers against set criteria and regular on-going assessments to ensure standards are adhered to. Regular management information is monitored on the performance of key suppliers. A Financial Crime Policy, approved by the Board, along with procedures and monitoring systems, provide the Society's framework for mitigating financial crime. Staff training is undertaken to prevent, deter and detect financial crime, and promote a culture that supports its prevention and detection. The Society's Money Laundering Reporting Officer (MLRO) is responsible for promoting adherence to the policies and procedures, and ensuring all staff understand and comply with the applicable regulations and their individual responsibilities. Compliance with other laws and regulations is monitored by BRCC, with oversight from the Audit and Compliance Committee. Policy statements are in place and reviewed regularly for key regulations, including those relating to data protection and health and safety. To ensure the Society is operationally resilient, business impact assessments have been undertaken to identify and map important business services and set specific impact tolerances that are consistent with the Board's risk appetite for operational risk. Management ensures that adequate procedures, resources and contingency plans are in place to adhere to the set impact tolerances, and these are assessed using different scenario tests. Management information relating to operational risk and resilience, the occurrence of risk events and near misses, as well as actions taken in response to such events, is monitored by BRCC each month, with a summary provided to the Board.
Climate change risk This is the risk of loss arising from the impact of climate change on the Society's assets, and the risk to the environment directly from the Society's own emissions.	Climate change presents a combination of risks to the Society that require management and mitigation. The Society has identified potential exposures to both physical risks and transition risks in respect of climate change. Physical risks relate to the potential impacts of the increased frequency of weather events, such as floods, storms and wildfires, and longer-term changes in the climate, such as rising sea levels. The physical risks that are particularly relevant to the Society have been identified as: • Increased severity and frequency of flooding; and • Rising sea levels impacting coastal communities. Both these risks have the potential to cause reductions in security property values and increased insurance premiums, impacting borrower affordability. Transition risks reflect the potential impact from the process of moving to a carbon neutral economy and include changes in government policy, technological advances, and consumer behaviour. The transition risks that are particularly relevant to the Society have been identified as: • Changes required to security properties, particularly those with low energy efficiency that may require substantial investment to meet future standards. • Borrowers employed in non-climate friendly occupations or industries may experience a reduction in income as the economy adjusts to a carbon neutral future. The transition risks identified have the potential to cause reductions in security property values and reductions in borrower affordability. The Society has a climate change strategy to respond to the financial risks arising from climate change and this has been approved by the Board, with responsibility for climate change risk allocated to the Chief Executive. Assessments undertaken of security property values with a potential high risk of flooding or low energy efficiency indicate minimal risk exposure at present. Further assessments of other risks and enhancements to data held are being undertaken to improve the Society's risk analysis. The Society continued to track its own scope 1 and 2 emissions during the year, relating to those arising from owned vehicles and electricity and gas usage. These are used to track the Society's own carbon footprint and to monitor the impact of actions taken to reduce emissions. The Society continues to monitor the regulatory landscape in relation to climate change to assess the impacts of any changes.

Creditor payment policy

For all trade creditors it is the Society's policy to agree the terms of payment at the start of trading with that supplier and to pay in accordance with its contractual and other legal obligations.

The creditor days were 8 days at 30 November 2024 (2023: 8 days).

Land and buildings

At the year-end, the Society's fixed assets included land and buildings with a net book value of £3.1m. The directors estimate that these assets have a market value of £2.7m. The directors are satisfied that the value in use of these assets exceeds their net book value.

Donations and sponsorship

During the year the Society provided £33,228 of charitable donations and sponsorship (2023: £29,594), mainly to local organisations. There were no donations for political purposes.

Directors

The directors who served during the year are shown in the table below.

At the end of the financial year, none of the directors had any beneficial interest in the shares or debentures of any connected undertaking.

Going concern

The directors have prepared forecasts for a period of at least twelve months from the date of approval of the accounts, of the Society's profitability, capital, funding and liquidity positions, that take account of the Society's current position and principal risks as set out in the Directors' report.

Forecasts have also been prepared to assess the impact on the Society's business and its profitability, capital, funding and liquidity positions of operating under plausible downside stressed conditions. The stressed conditions include a prolonged severe economic downturn, involving a slowdown in the housing market, reducing mortgage market volumes and reducing house prices, a rise in unemployment increasing arrears and possession levels, and a fall in interest rates. The detailed assumptions adopted in this scenario combine those used by the Bank of England, to test the capital adequacy of firms within the UK banking system, with additional firm-specific and market-wide stresses impacting the Society's income and expenditure.

Based on these forecasts the directors are satisfied that the Society has adequate resources to continue in business for a period of at least twelve months from the date of approval of the accounts. Accordingly, the accounts continue to be prepared on a going concern basis.

Independent auditor

The independent auditor, Forvis Mazars LLP, has expressed a willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

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 Society's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

On behalf of the Board

Nemone Wynn-Evans
Chair
7 February 2025

Name	Position	Date
Nemone Wynn-Evans	Chair (appointed 25 April 2024), Chair of Nominations and Governance Committee	
Colin Franklin	Chair	Retired 26 March 2024
Barry Carter	Chief Executive (appointed 2 January 2024)	
Colin Fyfe	Chief Executive (until 1 January 2024)	Resigned 26 January 2024
Tony Alexander	Chair of Risk Committee	Appointed 1 December 2023
Lynda Blackwell	Consumer Duty Champion	
Rebecca Griffin	Chief Risk Officer	Resigned 14 October 2024
John Lowe	Chair of Audit and Compliance Committee	
John Mulvey	Chief Financial Officer	
Manuela Pifani		Appointed 27 March 2024
Barbara Taeed	Senior Independent Director, Chair of Remuneration Committee	
Gary Wilkinson	Chair of Risk Committee	Retired 26 March 2024

Responsibilities of the Directors

Statement of directors' responsibilities in respect of the Annual Report, the Strategic report, the Directors' report and the annual accounts.

The directors are responsible for preparing the Annual Report, the Annual Business Statement, the 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under relevant law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of its profit or loss for that period. In preparing the 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, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the annual accounts;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its annual accounts comply with the Act. They are responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report and a Directors' report that complies with that law and those regulations.

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

On behalf of the Board

Nemone Wynn-Evans
Chair
7 February 2025






WINNER




Wrangler


Independent Auditor's report

To the members of Hinckley and Rugby Building Society

Opinion

We have audited the annual accounts of Hinckley and Rugby Building Society (the 'Society') for the year ended 30 November 2024 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests and the Cash Flow Statement and notes to the annual accounts, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

- give a true and fair view of the state of the Society's affairs as at 30 November 2024 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 Society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions used in the forecasts such as net business growth, net interest margins, profitability, reviewing supporting and contradictory evidence in relation to these key assumptions, and assessing the directors' consideration of severe but plausible scenarios. This included inspecting the Society's most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') and its reverse stress testing;
- Assessing the historical accuracy and the arithmetical accuracy of forecasts prepared by the directors;
- Performing sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity positions of the 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 Society's ability to continue as a going concern for a period of at least twelve months from when the annual accounts are authorised for issue.

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

Key audit matters

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

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

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

Key Audit Matter	How our scope addressed this matter
Credit risk - Impairment of loans and advances to customers 2024 - £634,000 (2023: £620,000) Refer to note 1 (principal accounting policies), note 2 (critical accounting estimates and judgements) and note 15 of the annual accounts. Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation in arriving at the year-end provisions. The total impairment provision of the Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio. Management judgement is applied in assumptions within the loss given default (LGD) estimate due to the Society having limited actual loss experience. Judgement is also applied when estimating the Probability of Default (PD). The impairment assessment is most sensitive to property collateral value adjustments within the estimation of the LGD. The most significant assumption relates to forced sale discounts (FSD). The model is also sensitive to the PD assumptions.	Our audit procedures included, but were not limited to: • Assessing the design and implementation, and testing operating effectiveness, of the key controls in relation to credit processes (loan origination and approval, loan redemptions and arrears monitoring and forbearance); • Assessing the Society's impairment methodology against the applicable standards with the assistance of our own quantitative analysts; • Assessing the reasonableness and appropriateness of external data used in the provisioning model based on our understanding of the Society's portfolio; • Comparing the Society's key assumptions with similar lenders and considering whether they are consistent with industry practice; • Developing an auditor's range estimate of the collective provision using reasonable alternative external datasets for PD, with the assistance of our own quantitative analysts; • Performing credit file reviews on a sample of exposures within the individual provision; and • Assessing the adequacy of the Society's disclosures in relation to the key assumptions applied by management in their estimate of the impairment losses on loans and advances to customers. **Our observations** Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision to be materially reasonable and in compliance with IAS 39.
Valuation of the defined benefit pension scheme obligation 2024 - £18,372,000 (2023: £18,305,000) Refer to note 1 (principal accounting policies), note 2 (critical accounting estimates and judgements) and note 29 of the annual accounts. The Society operates a retirement benefit scheme which closed to new members and future accruals in 2010. Actuarial assumptions used in the determination of the defined benefit obligation are inherently subjective and require expertise and judgement in their estimation. There is a significant degree of estimation uncertainty in respect of certain of these assumptions and small changes in the assumptions used to value the defined benefit obligation (before deducting the value of the scheme assets) could have a significant effect on the Society's net pension surplus. The most significant assumptions used in the valuation are: • Discount rate; • Inflationary increases (RPI / CPI); and • Life expectancy. The range of reasonable outcomes could be wider than materiality.	Our audit procedures included, but were not limited to: • Assessing the design and implementation, and testing the operating effectiveness, of the key controls over review and approval of assumptions used in valuing the pension scheme obligations; • Assessing the accuracy of data used by management's expert to calculate the defined benefit obligation; • Evaluating the competence, independence and objectivity of the Society's actuary; and • Involving our own pension experts to evaluate the valuation methodology used by management's expert and evaluating the key assumptions applied, being discount rate, inflation rate and life expectancy. **Our observations** Based on the audit procedures performed, we found the valuation of the defined benefit pension scheme obligation to be reasonable.

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	£476,000 (2023: £465,000)
How we determined it	1% of net assets (2023: 1% of net assets)
Rationale for benchmark applied	We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation. Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net 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 £285,000 (2023: £279,000) was applied in the audit based on 60% (2023: 60%) of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £14,200 (2023: £13,900) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 32, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

Based on our understanding of the Society and its industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') 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 Society, the industry in which it operates, and considering the risk of acts by the Society which were contrary to the applicable laws and regulations including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA;
- Reviewing minutes of directors' meetings in the year;
- 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 directors and review of minutes of the Board of Directors and Audit and Compliance Committee during the period and up to the signing date of the annual report and accounts.

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 modelling of loan fee income using the effective interest rate method, and determined that the principal risks related to posting manual journal entries to manipulate financial performance and significant one-off or unusual transactions.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment of loans and advances to customers, valuation of the defined benefit pension scheme obligation, hedging and revenue recognition-effective interest rates, 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 audit and compliance committee, we were initially appointed by the directors on 30 November 2022 to audit the annual accounts for the year ended 30 November 2022 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 30 November 2022 to 30 November 2024.

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

Our audit opinion is consistent with our additional report to the audit and compliance committee.

Use of the audit report

This report is made solely to the Society’s members as a body in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society’s members as a body for our audit work, for this report, or for the opinions we have formed.

Martin Orme (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
United Kingdom

7 February 2025

Income Statement

For the year ended 30 November 2024

	Notes	2024 £'000	2023 £'000
Interest receivable and similar income	3	**42,439**	35,529
Interest payable and similar charges	4	**(28,625)**	(22,041)
Net interest receivable		**13,814**	13,488
Fees and commissions receivable		**107**	149
Fees and commissions payable		**(102)**	(98)
Net losses from derivative financial instruments	5	**(11)**	(141)
(Losses)/Gains on sale or disposal of tangible and intangible fixed assets		**(23)**	4
Other operating income	6	**46**	46
Other finance income	29	**28**	83
Total income		**13,859**	13,531
Administrative expenses	7	**(11,668)**	(11,160)
Depreciation	17	**(267)**	(278)
Amortisation	19	**(391)**	(241)
Operating profit before impairment losses and provisions		**1,533**	1,852
Gains/(Losses) on revaluation of investment properties		**3**	(13)
Impairment losses on loans and advances to customers	15	**(13)**	(220)
Operating profit and profit before tax		**1,523**	1,619
Tax on profit on ordinary activities	10	**(388)**	(381)
Profit for the financial year		**1,135**	1,238

The notes on pages 44 to 72 form part of these accounts.
The above results are all derived from continuing operations.

Statement of Comprehensive Income

For the year ended 30 November 2024

	Notes	2024 £'000	2023 £'000
Profit for the financial year		**1,135**	1,238
Other comprehensive income			
Items that will not be reclassified to the Income Statement			
- Actuarial losses recognised in the pension scheme	29	**(544)**	(1,386)
- Movements in deferred tax relating to the pension scheme	10 (b)	**136**	347
Items that may be reclassified to the Income Statement			
- Valuation gains/(losses) on available for sale assets		**-**	77
- Movements in deferred tax relating to available for sale assets	10 (b)	**-**	(18)
Other comprehensive income		**(408)**	(980)
Total comprehensive income		**727**	258

Statement of Financial Position

As at 30 November 2024

	Notes	2024 £'000	2023 £'000
Assets			
Liquid assets			
- Cash in hand and balances with the Bank of England	11	**117,521**	119,994
- Loans and advances to credit institutions	12	**1,794**	6,071
Derivative financial instruments	13	**5,751**	10,260
Loans and advances to customers	14		
- Loans fully secured on residential property		**698,784**	679,221
- Loans fully secured on land		**1,182**	187
Tangible fixed assets	17	**4,740**	4,868
Intangible fixed assets	19	**1,395**	1,274
Investment properties	18	**150**	147
Other assets	20	**696**	808
Pension asset	29	**2**	550
Total assets		**832,015**	823,380
Liabilities			
Shares	22	**745,057**	698,807
Amounts owed to credit institutions	23	**12,126**	46,440
Amounts owed to other customers	24	**19,521**	19,330
Derivative financial instruments	13	**583**	615
Other liabilities	25	**6,976**	11,118
Deferred tax liability	21	**526**	571
Total liabilities		**784,789**	776,881
Reserves			
General reserve		**47,226**	46,499
Total reserves		**47,226**	46,499
Total reserves and liabilities		**832,015**	823,380

The notes on pages 44 to 72 form part of these accounts.

Approved by the Board of Directors on 7 February 2024.

Nemone Wynn-Evans
Chair

Barry Carter
Chief Executive

John Mulvey
Chief Financial Officer

Statement of Changes in Members' Interests

For the year ended 30 November 2024

	General reserve £'000	Available for Sale Reserve £'000	Total reserves £'000
Balance at 1 December 2023	46,499	-	46,499
Profit for the financial year	1,135	-	1,135
Other Comprehensive Income for the period (net of tax)			
- Re-measurement of defined benefit obligations	(408)	-	(408)
Total comprehensive income for the financial year	727	-	727
Balance at 30 November 2024	**47,226**	**-**	**47,226**

	General reserve £'000	Available for Sale Reserve £'000	Total reserves £'000
Balance at 1 December 2022	46,300	(59)	46,241
Profit for the financial year	1,238	-	1,238
Other Comprehensive Income for the period (net of tax)			
- Net loss from changes in fair value of available for sale assets	-	59	59
- Re-measurement of defined benefit obligations	(1,039)	-	(1,039)
Total comprehensive income for the financial year	199	59	258
Balance at 30 November 2023	**46,499**	**-**	**46,499**

Cash Flow Statement

For the year ended 30 November 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit before tax		**1,523**	1,619
Depreciation and amortisation	17, 19	**658**	519
Increase/(Decrease) in fair value of derivative financial instruments and hedged items	13, 14, 22	**328**	(334)
Pension credits	29	**4**	(67)
Movement in accrued interest on debt securities		**-**	135
Increase in allowance for impairment losses on loans and advances	15	**13**	220
Loss/(Gain) on disposal of tangible fixed assets	17	**1**	(4)
Loss on disposal of intangible fixed assets	19	**22**	-
(Gain)/Loss on revaluation of investment properties	18	**(3)**	13
Net cash generated by trading activities		**2,546**	2,101
Changes in operating assets and liabilities			
Decrease in other assets	20	**113**	529
Net increase in loans and advances to customers	14	**(16,000)**	(29,522)
Net increase in shares	22	**45,828**	43,496
Net decrease in amounts owed to credit institutions	23	**(34,314)**	(30,898)
Net increase/(decrease) in amounts owed to other customers	24	**191**	(625)
Net decrease in other liabilities	10, 21, 25	**(4,439)**	(965)
Net cash used in operating activities		**(6,075)**	(15,884)
Cash flows from investing activities			
Maturity of debt securities		**-**	14,001
Purchase of tangible and intangible fixed assets	17, 19	**(674)**	(1,080)
Proceeds from sale of tangible fixed assets	17	**-**	5
Net cash (used in)/generated by investing activities		**(674)**	12,926
Net decrease in cash and cash equivalents		**(6,749)**	(2,958)
Cash and cash equivalents at 1 December		**126,064**	129,022
Cash and cash equivalents at 30 November		**119,315**	126,064

For the purpose of the cash flow statements, cash and cash equivalents comprise the following balances with less than 90 days to maturity:

		2024 £'000	2023 £'000
Cash in hand and balances with the Bank of England	11	**117,521**	119,994
Loans and advances to credit institutions repayable on demand	12	**1,794**	6,070
		119,315	126,064

1. Principal accounting policies

Basis of preparation

The Society is a building society incorporated in the UK under the Building Societies Act 1986 and the Building Societies Act 1997. The address of its registered office is Upper Bond Street, Hinckley, Leicestershire LE10 1NZ.

The financial statements have been prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement" (via the option in FRS 102 para 11.2(b)). Amendments are made to FRS 102 from time to time, which are assessed and applied by the Society, as appropriate.

The Society has taken advantage of the exemption included in paragraph 9.9A of FRS 102 and section 4 of the Building Societies (Accounts and Related Provisions) Regulations 1998, to exclude a subsidiary from consolidated financial statements when its inclusion is not material. The subsidiary shown in note 16 did not trade during the current and prior years and its net assets were £2 at the current and prior year-end. Accordingly, entity only and consolidated financial statements are the same.

Basis of accounting

The accounts have been prepared on a going concern basis, under the historical cost convention, as modified by the following:

- Land and buildings which the Society lets to third parties on commercial terms are classified as investment properties and are stated at current value.

- Derivative financial instruments are stated at fair value. Underlying hedged items are held at amortised cost, adjusted for the fair value attributable to the hedged risk.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Functional and presentational currency

The Society's functional and presentational currency is pounds sterling and, unless otherwise indicated, figures have been rounded to the nearest thousand. The Society trades solely in the United Kingdom and has no material foreign currency transactions. There is one class of business as reported in the Income Statement.

Going concern and viability statement

The directors have prepared detailed forecasts of the Society's profitability, capital, funding and liquidity positions that take account of the Society's current position and principal risks as set out in the Directors' report on page 28. Forecasts have also been prepared to assess the impact on the Society's business and its profitability, capital, funding and liquidity positions of operating under stressed but plausible conditions. The stressed conditions include a prolonged severe economic downturn, involving a slowdown in the housing market, reducing mortgage market volumes and reducing house prices, a rise in unemployment increasing arrears and possession levels, and a fall in interest rates. The detailed assumptions adopted in this scenario combine those used by the Bank of England, to test the capital adequacy of systemic firms within the UK banking system, with additional firm-specific and market-wide stresses impacting the Society's income and expenditure.

Based on these forecasts the directors are satisfied that the Society has adequate resources to continue in business for a period of at least twelve months from the date of approval of the accounts. Accordingly, the accounts continue to be prepared on a going concern basis.

Interest income and expense

Interest income and expense are recognised in the Income Statement using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Transaction costs and fees, and charges paid or received, including mortgage early redemption charges, that are an integral part of the effective interest rate of a financial instrument, are recognised as an adjustment to the effective interest rate and are recorded within interest income and expense. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fees and commissions

Fees and commissions receivable and payable, other than those included within mortgage interest that are recognised using the effective interest method outlined above, are recognised when the relevant service is provided.

Other operating income

Other operating income includes rental income from investment properties and other sundry income. Rental income from investment properties is recognised in the Income Statement on a straight-line basis over the term of the leases.

Financial instruments

The Society has chosen to adopt the recognition and measurement provisions of IAS 39 – Financial Instruments: Recognition and Measurement and the disclosure requirements of section 11 and 12 of FRS 102 in respect of financial instruments.

The Society classifies its financial assets into one of the following categories. No assets are classified as held to maturity.

a) Loans and advances

Loans and advances are predominantly mortgage loans to customers and advances to credit institutions held for liquidity and for derivative margin management purposes. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently recorded at amortised cost using the effective interest method, less any impairment losses, other than where an adjustment is made as part of a fair value hedging arrangement.

b) Available-for-sale

Available-for-sale investments are non-derivative assets that are intended to be held for an indefinite period. Reasons for the sale of such assets may include changes in liquidity requirements or interest rates. Available-for-sale investments comprise debt securities which are measured at fair value after initial recognition. Subsequent changes in fair value are recognised in Other Comprehensive Income, except for impairment losses which are recognised in the Income Statement, until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in Other Comprehensive Income shall be reclassified to the Income Statement. Further information regarding how fair values are determined can be found in note 27 (b). Interest income is recognised in the Income Statement using the effective interest method.

c) Financial instruments at Fair Value Through Profit or Loss

Derivative financial instruments in the form of interest rate swaps, referred to as fair value hedges below, are used for interest rate risk management purposes only. The Society does not use derivatives for trading purposes.

Where derivatives qualify for hedge accounting, the Society designates derivatives as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Society formally documents the relationship between the hedging instrument and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at the inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and retrospectively whether the actual results of regression analysis over the life of the portfolio demonstrate effectiveness within a range of 80–125%.

Fair value hedges

Portfolio fair value hedges are used to hedge the variability in the fair value of recognised assets or liabilities, such as fixed rate mortgages and savings products. All changes in the fair value of derivatives are recognised immediately in the Income Statement. Fair values of derivative financial instruments are calculated by discounted cash flow models using yield curves that are based on observable market data. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the Income Statement (even if those gains would normally be recognised directly in reserves).

If the fair value of the derivative has changed prior to entering into the hedge relationship the movement will be amortised in the Income Statement over the remaining life of the derivative. If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised to the Income Statement using the effective interest method over the remaining life of the hedged item.

A summary of the effects of hedging and the associated fair value adjustments can be found in notes 5 and 13.

d) Financial liabilities

The Society's financial liabilities are predominantly customer deposits and amounts owed to credit institutions and other customers. They are recorded at amortised cost using the effective interest method.

e) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Interest flows on the Society's derivative contracts are settled on this basis.

f) Derecognition

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

Impairment of loans and advances to customers

Individual assessments are made of all loans and advances where there is objective evidence of impairment, such as loans that are in arrears, in possession or subject to forbearance, or where there is other evidence that all cash flows will not be received. If there is objective evidence of impairment, an individual impairment provision is recognised, and measured as the difference between an asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Estimated future cash flows will take into account the probability that a loss will be incurred, the sales proceeds of the security property, including any discount required to achieve a sale, expected costs of sale, and amounts recoverable under mortgage indemnity guarantee policies if applicable.

Where no objective evidence of impairment exists for an individually assessed asset, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is recognised, are not included in a collective assessment of impairment.

A collective impairment provision is made against a group of assets where there is evidence that credit losses have been incurred but not identified at the reporting date. The collective impairment calculation takes into account a number of factors, including external data on borrower arrears, the Society's historic experience of default and loss emergence periods (the period from a credit loss being incurred to it being identified).

In addition, individual or collective provisions may be increased where the standard provision calculations do not reduce the carrying amount of the asset to the expected recoverable amount.

The amount of any impairment loss is recognised immediately through the Income Statement, with a corresponding reduction in the value of the asset.

Forbearance strategy

A range of forbearance options are available to support members who are in financial difficulty, if it can be demonstrated that this difficulty can be successfully overcome. The Society considers that if one or more of the options identified below can be agreed, this would always be preferable to taking possession of the customer's home. The main options offered are:

- Reduced monthly payment including interest only concession;
- Payment holiday;
- Extension of mortgage term; and/or
- Transfer to a new product that reduces monthly payments.

Customers requesting a forbearance option will need to provide information to support the request which the Society will use to assess whether it is likely that the preferred arrangement will resolve the customer's financial difficulties.

Accounts on which forbearance has been provided are monitored and borrowers are expected to resume normal payments, including any increase to repay the mortgage at the end of the agreed term, once they are able. Loans that receive forbearance may only be classified as up-to-date once a specified number of qualifying payments have been received. These qualifying payments are set at a level appropriate to the nature of the loan and the customer's ability to make the repayment.

Impairment losses on debt securities

At each Statement of Financial Position date the Society assesses whether or not there is objective evidence that individual debt instruments are impaired. Debt instruments held can include UK government gilts or treasury bills or exposures to UK banks or building societies and therefore the likelihood of loss is remote. In reaching this conclusion the Society considers the financial status of the counterparty and the levels of activity in the market.

Employee benefits

The Society provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension scheme. A defined benefit pension scheme is also in place but was closed to further accrual in 2010.

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

(ii) Defined contribution pension scheme – The Society operates a defined contribution scheme for its employees. A defined contribution scheme is one into which the Society and the employee pay fixed contributions into a separate entity. Payments into the defined contribution scheme are charged to the Income Statement as they become payable in accordance with the rules of the scheme. Once the contributions have been paid the Society has no further payment obligations. Amounts owed but not paid are shown in accruals in the Statement of Financial Position. The assets of the scheme are held separately from the Society in independently administered funds.

(iii) Defined benefit pension scheme – The Society operates a defined benefit scheme for certain employees. A defined benefit scheme is one that defines the benefit the employee will receive on retirement, depending on such factors as age and length of service. The Society's contributions to the scheme are liable to increase or decrease in order to ensure liabilities to pensioners can continue to be met as they fall due. On 1 January 2010 the defined benefit scheme was closed to further accrual.

Society contributions payable to the defined benefit scheme are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method, and are charged to the Income Statement as incurred. The charge to the Income Statement over the financial year in relation to the defined benefit scheme is shown in note 29.

The asset/liability recognised in the Statement of Financial Position in respect of the defined benefit scheme is the fair value of the scheme assets less the present value of the defined benefit obligation at the reporting date. The defined benefit scheme was in surplus at the year end and this has been recognised as an asset in the Statement of Financial Position. The judgements in relation to this are disclosed in note 2.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a rate determined from the yields of high quality sterling bonds of comparable term to the related pension liability (the 'discount rate').

The fair value of scheme assets includes the use of appropriate valuation techniques in accordance with FRS 102. These include publicly quoted indices for assets traded on the open market and investment managers' own, unaudited valuation models for assets that are not publicly traded.

Net interest income, comprising expected interest income on scheme assets less interest costs on scheme liabilities, is calculated by applying the discount rate to the net balance of the fair value of scheme assets less the defined benefit obligation. This result is recognised in the Income Statement as Other finance income.

The cost of the defined benefit scheme, recognised in the Income Statement as employee costs, except where included in the cost of an asset, comprises any cost of plan benefit changes, curtailments, settlements, and administrative costs.

Actuarial gains and losses arising from scheme assets and from experience adjustments and changes in actuarial assumptions on the obligation are charged or credited each year to Other Comprehensive Income.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case tax is also recognised in Other Comprehensive Income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date, including property revaluations, but is not provided on differences that are expected to be permanent. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end, depending on the date at which the timing differences are expected to reverse.

Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances with original maturities of less than 90 days, including cash in hand, deposits with the Bank of England and loans and advances to credit institutions.

Loans and advances to credit institutions

Derivatives are only executed with organisations that have an approved credit limit. The majority of the Society's derivative agreements include arrangements requiring that any movement in the value of the derivative be offset by the placing of cash collateral to reduce the resulting credit exposure of either party on a regular basis. Cash deposited with the counterparty on this basis is held within Loans and advances to credit institutions at cost.

Investment properties

Freehold investment properties are included in the Statement of Financial Position at fair value, which is taken as being open market value. Movements in valuation are posted through the Income Statement. Open market value is reassessed annually by the directors, with periodic reassessment by appropriately qualified third party valuers.

Details of the value of the properties are provided in note 18 to the financial statements.

Intangible fixed assets and amortisation

Intangible fixed assets are stated at historical cost less accumulated amortisation. Amounts capitalised represent the costs of acquiring, developing and installing computer software, and may include amounts payable to third party suppliers and values associated with time spent by the Society's own staff. Amortisation is provided at 20% per annum on a straight-line basis, as an approximation of useful economic life.

Software licences granted by a third party as part of a 'software as a service' arrangement are assessed against the recognition criteria of an intangible asset set out in FRS 102. Where the recognition criteria are achieved, an intangible asset is recognised based on contractual or estimated licence costs, and amortised over the period from implementation to the end of the contract. Where the recognition criteria are not achieved, the licence costs incurred are expensed as the service is received.

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation, with the exception of certain freehold properties (or portions thereof) which are commercially let and are therefore classified as investment properties and held at open market value.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates designed to write down the cost or valuation of fixed assets to their residual values over their expected useful lives.

The following are approximations of the useful lives:

- Freehold buildings and leasehold land and buildings with more than 50 years unexpired (including building improvements): 2% to 10% per annum on a straight-line basis.
- Leasehold land and buildings with less than 50 years unexpired: Equal annual instalments to expiry of the lease.
- Fixtures and fittings: 5% to 15% per annum on a straight-line basis.
- Computer equipment: 20% to 33% per annum on a straight-line basis.
- Motor vehicles: 25% per annum on a reducing balance basis.
- Office equipment: 25% per annum on a straight-line basis.
- Freehold land is not depreciated.

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

Repairs, maintenance and minor inspection costs are expensed to the Income Statement as incurred.

Impairment of non-financial assets

The carrying amount of the Society's assets is reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indicators exist, the asset's recoverable amount is reviewed. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of market value or the value in use of the respective asset. Impairment losses are recognised in the Income Statement.

Where the reason for the impairment cease to apply, a reversal of the impairment loss is recognised as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognised.

Provisions for liabilities and charges

A provision is recognised in the Statement of Financial Position if the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities

Contingent liabilities are not recognised in the Statement of Financial Position. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Society's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Operating leases

The Society assesses agreements at their inception that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. All the Society's leases are operating leases. Payments under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

2. Critical accounting estimates and judgements

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

a) Post employment benefits and recognition of pension surplus

The Society operates a defined benefit pension scheme that has an obligation to pay pension benefits to certain current and former employees. Judgement is exercised in estimating the value of the liabilities of the scheme, and hence its net surplus or deficit. The directors have estimated the assumptions, set out in note 29, after taking advice from qualified independent actuaries. Sensitivities relating to the key assumptions are set out below:

- The discount rate used to value the liabilities at the year-end was 5.14% (2023: 5.29%). A decrease in the discount rate of 0.25% would increase scheme liabilities by approximately £0.5m (2023: £0.6m).
- The inflation rates used to value the liabilities at the year-end were 2.56% (2023: 2.55%) for CPI and 3.12% (2023: 3.20%) for RPI. An increase in the inflation assumptions of 0.25% would increase the scheme liabilities by approximately £0.3m (2023: £0.3m).
- The life expectancy assumptions for pensioners currently aged 65 used to value the liabilities at the year-end were 22 years for males (2023: 22 years) and 24 years for females (2023: 24 years). An increase in the life expectancy of scheme members by one year would increase scheme liabilities by approximately £0.7m (2023: £0.7m).

Mortality assumptions are based on publicly available mortality tables for the UK.

FRS 102 permits an entity to recognise an asset if a scheme is in surplus to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

The directors' view is that, under the scheme rules, the Society has an unconditional right to any surplus, assuming the gradual settlement of liabilities over time until all members have left the scheme. Furthermore, in the ordinary course of business the scheme Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Therefore, the Society is neither required to reflect any additional liabilities in relation to deficit funding commitments, nor restrict any scheme surplus that arises.

b) Impairment of loans and advances to customers

The Society's accounting policy for impairment of loans and advances to customers is set out in note 1 and consists of:

- Individual assessments of impairment of all mortgage loans that are in arrears or where other objective evidence exists that all cash flows will not be received; and
- Collective assessments of impairment of portfolios of mortgage loans that are not subject to individual impairment provisions, where there is objective evidence that credit losses have been incurred but not identified at the reporting date.

The Society regularly performs collective assessments of impairment. Objective evidence of impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a portfolio, or national or local economic conditions that correlate with defaults on assets in the portfolio.

Estimates based on historical loss experience for assets with similar credit risk characteristics to those in the portfolio and external data are used to assess impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to ensure they remain up to date.

During the year, borrower mortgage payment affordability has improved with interest rates reducing from their peak and wage inflation outpacing general cost inflation. The Bank of England's bank base rate fell from its peak of 5.25% as inflationary pressures eased, with reductions of 0.25% in each of August and November 2024, to reach 4.75% at the year-end. The outlook for house prices also improved with a small increase in the year to November 2024, and this is expected to continue in the next financial year.

The directors have exercised judgement in arriving at the key estimates used in the impairment provision assessments that reflect the current and forecast economic conditions, the small number of arrears cases observed in the Society's mortgage portfolio at the year-end, and the low level of internal historic arrears and loss data. The key judgements within the individual and collective assessments of impairment at the year-end include:

- The probabilities of possession for mortgage accounts not currently in arrears were estimated using external credit reference agency data for UK owner occupied and buy to let mortgage portfolios for different Loan to Value (LTV) and debt to income / interest coverage ratios. The use of external probability of possession data, rather than internal historic possession data, results in an increased collective impairment provision;
- The probabilities of possession for mortgage accounts with a high LTV (over 80%), excluding those that were not in arrears at the year-end, were uplifted to reflect the estimated increased possession rate associated with lower levels of borrower equity in a property. The estimates were used while the Society collates additional default experience for high LTV cases, which is currently limited. The estimates, which were consistent with external possession rates for higher LTV mortgages, increased the individual impairment provisions; and
- No house price reduction (2023: 5% reduction) has been assumed during the period from the impairment event to sale of the security property, reflecting future house price forecasts of an improvement in the housing market. A house price reduction assumption would reduce the estimated sale proceeds received following possession, increasing both individual and collective impairment provisions.

Details of provisions for impairment losses are shown in note 15 and arrears and forbearance details associated with loans and advances to customers are set out in note 27 (c)(ii). Sensitivities relating to the key assumptions are set out below:

- A reduction in the assumed level of house prices of 5% would result in increased impairment provisions of £0.2m (2023: £0.2m)
- An increase in the assumed default rates of 20% would result in increased impairment provisions of £0.1m (2023: £0.1m).

c) Effective interest rate

As noted within note 1, all cash flows directly associated with financial instruments are recognised in the Income Statement through the interest margin using the effective interest method. Mortgage related cash flows take account of fees and charges, including estimated early redemption charges receivable. The method also requires estimates to be made of the expected lives of mortgages. In determining the expected lives of mortgages and early redemption charges used within the cash flows, the Society uses historical and forecast redemption data, as well as management judgement.

A one-month reduction in the estimated life of a mortgage across the full mortgage portfolio would reduce interest income recognised by approximately £34,000 (2023: £6,000). A one-month increase in the estimated life of a mortgage across the full mortgage portfolio would increase interest income recognised by approximately £102,000 (2023: £35,000).

Notes to the Accounts continued

For the year ended 30 November 2024

3. Interest receivable and similar income

	2024	2023
	£'000	£'000
On loans fully secured on residential property and other loans	31,493	24,475
On liquid assets	6,162	5,987
Net interest income on derivative financial instruments	4,784	5,067
	42,439	35,529

All interest receivable and similar income arises in the UK.

Interest on loans fully secured on residential property and other loans includes interest accrued on impaired residential mortgage assets of £308,000 (2023: £277,000).

4. Interest payable and similar charges

	2024	2023
	£'000	£'000
On shares held by individuals and other shares	26,279	19,223
On deposits and other borrowings	1,624	2,667
Net interest expense on derivative financial instruments	713	149
Other interest payable	9	2
	28,625	22,041

5. Net losses from derivative financial instruments

	2024	2023
Financial assets at fair value through profit or loss	£'000	£'000
Instruments used to hedge loans and advances		
- Losses on derivatives in designated fair value hedge relationships	(4,560)	(1,927)
- Gains on hedged items attributable to the hedged risk	4,571	1,908
- Amortisation of hedged items following swap termination	-	(35)
Net hedge ineffectiveness	11	(54)
Instruments used to hedge savings		
- Gains/(Losses) on derivatives in designated fair value hedge relationships	373	(246)
- (Losses)/Gains on hedged items attributable to the hedged risk	(422)	195
- Amortisation of hedged items following swap termination	-	34
Net hedge ineffectiveness	(49)	(17)
Derivatives not in a designated hedge relationship		
- Gains/(Losses) on derivatives not in a designated hedge relationship	27	(70)
Net losses from derivative financial instruments	(11)	(141)

6. Other operating income

	2024	2023
	£'000	£'000
Rent receivable on investment properties	46	46

7. Administrative expenses

	2024 £'000	2023 £'000
Employee costs		
- Wages and salaries	**6,194**	6,107
- Social security costs	**627**	616
- Other pension costs	**478**	469
	7,299	7,192
Other administrative expenses	**4,369**	3,968
	11,668	11,160
Other administrative expenses include:		
Auditor's remuneration (excluding VAT)		
- Statutory audit of the Annual Report and Accounts	**275**	278
- Other assurance services	**2**	-
	277	278
Operating lease charges		
- Land and buildings	**73**	74
- Fixtures and fittings	**4**	4
	77	78

8. Employees

The average number of persons employed (including executive directors) during the financial year was:	2024	2023
Full time		
Principal office	**97**	104
Branch offices	**23**	23
	120	127
Part time		
Principal office	**32**	26
Branch offices	**8**	7
	40	33

9. Directors' and key management emoluments

Emoluments of the Society's directors and key management are detailed below:

a) To independent non-executive directors for services as directors

Aggregate emoluments	Fees 2024 £'000	Fees 2023 £'000
Nemone Wynn-Evans	**48**	33
Colin Franklin (retired 26 March 2024)	**18**	53
Tony Alexander (appointed 1 December 2023)	**37**	-
Geneane Bell (retired 28 March 2023)	**-**	10
Lynda Blackwell	**32**	28
John Lowe	**39**	35
Manuela Pifani (appointed 27 March 2024)	**22**	-
Barbara Taeed	**40**	36
Gary Wilkinson (retired 26 March 2024)	**13**	38
David Woodward (retired 28 March 2023)	**-**	13
	249	246

No pension contributions were made in respect of these directors.

b) To executive directors for services in connection with the management of the Society

2024	Salary £'000	Bonus £'000	Contribution to defined contribution pension scheme £'000	Total £'000
Colin Fyfe (resigned 21 January 2024)	**43**	**-**	**-**	**43**
Barry Carter	**236**	**14**	**24**	**274**
Rebecca Griffin (resigned 14 October 2024)	**216**	**-**	**22**	**238**
John Mulvey	**185**	**14**	**-**	**199**
	680	**28**	**46**	**754**

2023	Salary £'000	Bonus £'000	Contribution to defined contribution pension scheme £'000	Total £'000
Colin Fyfe	259	-	-	259
Barry Carter	179	10	18	207
Rebecca Griffin	137	8	14	159
John Mulvey	178	15	-	193
	753	33	32	818

	2024 £'000	2023 £'000
Total directors' emoluments including benefits and pension contributions	**1,003**	1,064

Salary costs, including any pension allowances, and pension contributions shown are before any adjustments for the payment of employee pension contributions by salary sacrifice.

Rebecca Griffin left the Society on 14 October 2024, and a payment in lieu of notice of £89,073 is included in her salary and pension contribution costs for the year shown above.

c) Directors' loans and transactions

During the financial year there were no (2023: no) new mortgage advances to directors and connected persons and no (2023: no) further advance on an existing mortgage to directors and connected persons. At the 30 November 2024, there were no (2023: no) outstanding mortgage loans to directors and connected persons that had been granted in the ordinary course of business.

All directors of the Society are required to maintain a savings balance of at least £1,000 each in the Society. At 30 November 2024 the aggregate balances held by 8 (2023: 12) of the Society's directors and connected persons in savings accounts was £12,313 (2023: £123,983).

In accordance with Section 68 of the Building Societies Act 1986, the Society maintains a register in respect of loans, transactions and arrangements, if any, between the Society and its directors, and persons connected with them.

Requisite particulars will be available for inspection by members, at the Society's Principal Office in Hinckley, for 15 days before the day of the Annual General Meeting, and also at that meeting.

Directors' loans and transactions represent all the related party transactions that are required to be disclosed in these accounts.

d) Key management compensation

The directors of the Society are considered to be the only key management personnel, as defined by FRS 102. The total compensation for key management personnel, including benefits and pension contributions, is shown above.

10. Tax on profit on ordinary activities

a) Tax expense included in the Income Statement

	2024 £'000	2023 £'000
Current tax:		
UK corporation tax on profits for the financial year	**300**	134
Adjustment in respect of previous periods	**(3)**	3
Total current tax charge	**297**	137
Deferred tax:		
Origination and reversal of timing differences	**88**	241
Effect of changes in tax rates	**-**	21
Adjustment in respect of previous periods	**3**	(18)
Total deferred tax	**91**	244
Total tax charge included in the Income Statement	**388**	381

b) Tax credit included in Other comprehensive income

Current tax	**-**	-
Deferred tax	**(136)**	(329)
Total tax credit included in Other Comprehensive Income	**(136)**	(329)

c) Reconciliation of tax charge

The charge for the year can be reconciled to the profit per the Income Statement as follows:

Profit for the period - continuing operations	**1,523**	1,619
Tax on profit at standard UK corporation tax rate of 25% (2023: 23%)	**381**	373
Effects of:		
Expenses not deductible	**7**	9
Accelerated capital allowances	**-**	(7)
Change in tax rate	**-**	21
Adjustment in respect of previous periods	**-**	(15)
Total tax charge for the financial year	**388**	381

d) Tax rate changes

On 3 March 2021, the UK government announced that the UK Corporation tax rate from 1 April 2023 would increase to 25%, and this was substantively enacted on 24 May 2021. The deferred tax liability at 30 November 2024 has been calculated based on the rate substantively enacted at the Statement of Financial Position date of 25% (2023: 25%).

11. Cash in hand and balances with the Bank of England

	2024 £'000	2023 £'000
Cash in hand	**323**	376
Balances at Bank of England	**116,827**	119,126
Accrued interest	**371**	492
	117,521	119,994

For the year ended 30 November 2024

12. Loans and advances to credit institutions

Loans and advances to credit institutions have remaining maturities as follows:

	2024 £'000	2023 £'000
Repayable on demand	1,787	6,070
Accrued interest	7	1
	1,794	6,071

13. Derivative financial instruments

	Contract notional amount £'000	Fair value - assets £'000	Fair value - liabilities £'000
At 30 November 2024			
Derivatives not in a designated hedge relationship – interest rate swaps	20,000	44	(13)
Derivatives designated as fair value hedges - interest rate swaps	254,000	5,707	(570)
Total recognised derivative assets/(liabilities)	**274,000**	**5,751**	**(583)**

	Contract notional amount £'000	Fair value - assets £'000	Fair value - liabilities £'000
At 30 November 2023			
Derivatives not in a designated hedge relationship – interest rate swaps	23,500	95	(46)
Derivatives designated as fair value hedges - interest rate swaps	243,000	10,165	(569)
Total recognised derivative assets/(liabilities)	**266,500**	**10,260**	**(615)**

All derivative financial instruments are ‘over-the-counter’ interest rate swaps held for risk management purposes and are bilaterally agreed with the counterparty.

Derivatives not in a designated hedge relationship relate to interest rate swaps which have not been matched against loans and advances to customers and savings for hedge accounting purposes at the relevant Statement of Financial Position date.

At 30 November 2024, the fixed interest rates on SONIA swaps vary from -0.06% to 5.51% (2023: -0.06% to 5.51%).

14. Loans and advances to customers

Loans and advances to customers are held at amortised cost, with interest and associated costs being recognised in the interest receivable and similar income line of the Income Statement on an effective interest rate basis.

Fair value adjustments have been made to hedged fixed rate mortgages that are in effective fair value hedging relationships.

	2024 £'000	2023 £'000
Loans fully secured on residential property	**703,349**	688,240
Loans fully secured on land	**1,182**	187
Effective interest rate adjustment	**780**	884
Fair value adjustment for hedged risk	**(4,711)**	(9,282)
	700,600	680,029
Provision for impairment losses	**(634)**	(621)
Loans and advances to customers	**699,966**	679,408

The remaining contractual maturity of loans and advances to customers from the Statement of Financial Position date is as follows:

	2024 £'000	2023 £'000
Repayable on demand	**1,269**	438
In not more than 3 months	**4,278**	4,449
In more than 3 months but not more than 1 year	**13,651**	14,629
In more than 1 year but not more than 5 years	**101,622**	96,924
In more than 5 years	**579,780**	563,589
	700,600	680,029
Provision for impairment losses	**(634)**	(621)
Loans and advances to customers	**699,966**	679,408

The maturity analysis above is based on contractual maturity, rather than behavioural or expected maturity, and may not reflect actual experience of repayments since many mortgage loans are repaid early.

The Society has encumbered £110.4m (2023: £136.4m) of mortgage assets through the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). These facilities are accessed via the placement of eligible collateral in the form of approved mortgage portfolios. TFSME does not involve the transfer of risk on the collateral and hence fail the derecognition criteria under IAS 39. Therefore, for accounting purposes, the underlying collateral is retained on the Statement of Financial Position.

15. Provision for impairment losses on loans and advances

	Loans fully secured on residential property		**Loans fully secured on land**		**Sub-total**		
Movements during 2024	**Individual provision £'000**	**Collective provision £'000**	**Individual provision £'000**	**Collective provision £'000**	**Individual provision £'000**	**Collective provision £'000**	**Total £'000**
At 1 December	**158**	**463**	**-**	**-**	**158**	**463**	**621**
Loan impairment recognised/(released) during the year	**(42)**	**37**	**-**	**18**	**(42)**	**55**	**13**
At 30 November	**116**	**500**	**-**	**18**	**116**	**518**	**634**

	Loans fully secured on residential property		Loans fully secured on land		Sub-total		
Movements during 2023	Individual provision £'000	Collective provision £'000	Individual provision £'000	Collective provision £'000	Individual provision £'000	Collective provision £'000	Total £'000
At 1 December	79	322	-	-	79	322	401
Loan impairment recognised/(released) during the year	79	141	-	-	79	141	220
At 30 November	158	463	-	-	158	463	621

For the year ended 30 November 2024

16. Investments

The Society has the following subsidiary undertaking, in which it directly holds all the issued shares.

	Principal activity	Place of incorporation	Class of shares held	Shares in subsidiary undertakings £	Society interest %
Hinckley & Rugby Financial Services Limited	Non-trading	England	Ordinary	2	100

The company is registered at the same address as the Society (see inside front cover) and has been dormant since 1 December 2004. As stated in note 1, the Society has taken advantage of the exemption in FRS102 and the Building Societies (Accounts and Related Provisions) Regulations 1998 to exclude a subsidiary from consolidated financial statements where its inclusion is not material.

All shares are £1 ordinary shares. No director had a beneficial interest in any shares or debentures of the subsidiary undertaking. The registered number of the company is 03262800.

17. Tangible fixed assets

	Land and buildings			Office and computer equipment	Fixtures, fittings and vehicles	Tangible fixed assets
	Freehold	Long leasehold	Short leasehold			
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 December 2023	3,188	427	49	839	2,646	7,149
Additions	-	-	-	55	85	140
Disposals	-	-	-	(4)	(45)	(49)
Cost at 30 November 2024	**3,188**	**427**	**49**	**890**	**2,686**	**7,240**
Accumulated depreciation at 1 December 2023	322	97	49	700	1,113	2,281
Charge for the financial year	56	9	-	72	130	267
On disposals	-	-	-	(4)	(44)	(48)
Accumulated depreciation at 30 November 2024	**378**	**106**	**49**	**768**	**1,199**	**2,500**
Net book value at 30 November 2024	**2,810**	**321**	**-**	**122**	**1,487**	**4,740**
Net book value at 30 November 2023	2,866	330	-	139	1,533	4,868

	2024	2023
	£'000	£'000
Net book value of land and buildings occupied by the Society for its own activities	**2,979**	3,040

The net book amount of land which is not subject to depreciation included in the freehold land and buildings at 30 November 2024 is £790,000 (2023: £790,000).

No tangible fixed assets were held under finance leases at 30 November 2024 (2023: none).

18. Investment properties

	Investment properties £'000
Valuation at 1 December 2023	147
Disposal of investment properties	-
Gain on revaluation of investment properties	3
Valuation at 30 November 2024	**150**

At 30 November 2024 the Society's investment property portfolio consisted of two commercial properties within the East Midlands (2023: two commercial properties). There are formal rental agreements in place for each property to third parties on commercial terms.

The investment properties are held at valuation. The properties were formally valued at 30 November 2024 on an open market value basis by Graham Parkinson BSc (Hons) MRICS IRRV of Musson Liggins, who has the required knowledge, skills and understanding to undertake the valuations competently. The valuations reflect the rental income of each property, the remaining period of each lease, the yield required by investors for similar properties and tenants, and market conditions.

If the investment properties had not been revalued, at 30 November 2024 they would have been recognised at a cost of £61,000 (2023: £61,000).

19. Intangible fixed assets

	Computer software £'000
Cost or valuation at 1 December 2023	3,097
Additions	534
Disposals	(107)
Cost or valuation at 30 November 2024	**3,524**
Accumulated amortisation at 1 December 2023	1,823
Charge for the financial year	391
Disposals	(85)
Accumulated amortisation at 30 November 2024	**2,129**
Net book value at 30 November 2024	**1,395**
Net book value at 30 November 2023	1,274

Intangible fixed assets represent the Society's computer software, relating largely to banking, accounting and regulatory systems, which were created externally. The software assets have remaining amortisation periods of between one and five years (2023: between one and five years). There are no other individually material intangible assets.

Additions in the year ended 30 November 2024 include £241,000 (2023: £139,000) of capitalised staff costs.

20. Other assets

	2024 £'000	2023 £'000
Prepayments	**638**	577
Other debtors	**58**	231
	696	808

For the year ended 30 November 2024

21. Deferred tax assets and liabilities

	2024 £'000	2023 £'000
Net deferred tax liability		
At 1 December	**(571)**	(656)
Adjustment in respect of prior years within the Income Statement	**(3)**	18
Income Statement charge for the financial year	**(88)**	(262)
Other comprehensive income credit for the financial year	**136**	329
At 30 November	**(526)**	(571)

The net deferred tax liability is attributable to the following items:

Deferred tax liability		
Fixed asset timing differences	**(532)**	(464)
Pension scheme	**(1)**	(138)
Investment properties	**(16)**	(12)
	(549)	(614)
Deferred tax asset		
Short term timing differences - trading	**23**	43
	23	43
Net deferred tax liability	**(526)**	(571)

There are no unrecognised tax losses or unused tax credits.

On 3 March 2021, the UK government announced that the UK Corporation tax rate from 1 April 2023 would increase to 25%, and this was substantively enacted on 24 May 2021. The deferred tax liability at 30 November 2024 has been calculated based on the rate substantively enacted at the Statement of Financial Position date of 25% (2023: 25%).

22. Shares

Fair value hedging adjustments have been made to certain fixed rate shares that are in effective fair value hedging relationships.

	2024 £'000	2023 £'000
Held by individuals	**744,162**	698,157
Other shares	**668**	845
	744,830	699,002
Fair value adjustment for hedged risk	**227**	(195)
	745,057	698,807

Other shares are those held by institutions such as corporate customers, clubs and charities.

Shares are repayable from the Statement of Financial Position date in the ordinary course of business as follows:

	2024 £'000	2023 £'000
Repayable on demand	**403,361**	364,594
In not more than 3 months	**110,123**	134,933
In more than 3 months but not more than 1 year	**112,791**	96,023
In more than 1 year, but not more than 5 years	**99,660**	88,809
	725,935	684,359
Accrued interest	**19,122**	14,448
	745,057	698,807

23. Amounts owed to credit institutions

Amounts owed to credit institutions are repayable from the Statement of Financial Position date as follows:

	2024 £'000	2023 £'000
In not more than 3 months	**-**	-
In more than 3 months but not more than 1 year	**12,000**	-
In more than 1 year but not more than 5 years	**-**	46,000
	12,000	46,000
Accrued interest	**126**	440
	12,126	46,440

The amounts owed to credit institutions represent borrowings from the Bank of England, under the Term Funding Scheme with additional incentives for SMEs (TFSME) (2023: TFSME and Indexed Long Term Repo facility).

24. Amounts owed to other customers

Amounts owed to other customers are repayable from the Statement of Financial Position date as follows:

	2024 £'000	2023 £'000
Repayable on demand	**4,948**	7,604
In not more than 3 months	**11,930**	11,199
In more than 3 months but not more than 1 year	**2,269**	285
	19,147	19,088
Accrued interest	**374**	242
	19,521	19,330

The amounts owed to other customers represent deposits from customers that do not meet the Society's share-holding member criteria.

25. Other liabilities

	2024 £'000	2023 £'000
Corporation tax	**300**	134
Other taxation and social security	**164**	339
Trade creditors	**21**	13
Other creditors	**195**	229
Accruals	**817**	1,082
Collateral received against derivative transactions	**5,479**	9,321
	6,976	11,118

Collateral received against derivative transactions represents cash received from counterparties where the derivatives have a net positive fair value.

26. Provisions for liabilities, guarantees and other financial commitments

Capital commitments

There were no capital commitments at the year-end (2023: £215,000) in respect of tangible or intangible fixed assets.

27. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Society is a retailer of financial instruments in the form of mortgage and savings products and also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and manage the risks arising from its operations. As a result of these activities, the Society is exposed to a variety of risks, the most significant being credit risk, liquidity risk and market risk. These risks are described later in this note.

The following table sets out a summary of terms and conditions and accounting policies of financial instruments.

Financial Instrument	Terms and Conditions	Accounting Policy
Cash in hand and balances with the Bank of England	Interest paid at Bank of England base rate Repayable on demand	Amortised cost Accounted for at settlement date
Loans and advances to credit institutions	Fixed or variable interest rates Repayable on demand	Loans and receivables at amortised cost Accounted for at settlement date
Loans and advances to customer	Fixed or variable interest rate Secured on residential property or land Standard contractual term of up to 35 years	Loans and receivables at amortised cost using the effective interest method, other than where adjustment is made as part of a fair value hedging arrangement. Accounted for at settlement date
Shares	Fixed or variable interest rates Variable term	Amortised cost using the effective interest method, other than where adjustment is made as part of a fair value hedging arrangement. Accounted for at settlement date
Amounts owed to credit institutions	Fixed or variable interest rates Fixed term	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed or variable interest rates Fixed or variable term	Amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest cash flows converted to variable interest cash flows Based on notional value of derivative	Fair value through profit and loss Accounted for at trade date

a) Classification of financial assets and liabilities

Financial assets and liabilities are measured on an ongoing basis either at fair value or amortised cost. Note 1 describes how the classes of financial instruments are measured, and how income and expenses, including fair values and gains and losses, are recognised. The tables below analyse the Society's assets and liabilities by financial classification.

Carrying values as at 30 November 2024

	Held at amortised cost		Held at fair value		
	Loans and receivables £'000	**Financial assets and liabilities at amortised cost £'000**	**Derivatives designated as fair value hedges £'000**	**Derivatives not in a designated hedge relationship at fair value £'000**	**Total £'000**
Financial assets					
Cash in hand and balances with the Bank of England	**-**	**117,521**	**-**	**-**	**117,521**
Loans and advances to credit institutions	**1,794**	**-**	**-**	**-**	**1,794**
Derivative financial instruments	**-**	**-**	**5,707**	**44**	**5,751**
Loans and advances to customers	**699,966**	**-**	**-**	**-**	**699,966**
Total financial assets	**701,760**	**117,521**	**5,707**	**44**	**825,032**
Total non-financial assets					**6,983**
Total assets					**832,015**
Financial liabilities					
Shares	**-**	**745,057**	**-**	**-**	**745,057**
Amounts owed to credit institutions	**-**	**12,126**	**-**	**-**	**12,126**
Amounts owed to other customers	**-**	**19,521**	**-**	**-**	**19,521**
Derivative financial instruments	**-**	**-**	**570**	**13**	**583**
Total financial liabilities	**-**	**776,704**	**570**	**13**	**777,287**
Total non-financial liabilities					**7,502**
Reserves					**47,226**
Total reserves and liabilities					**832,015**

The amounts owed to credit institutions include £12m (2023: £46m) of borrowings from the Bank of England under the Term Funding Scheme (TFSME).

Carrying values as at 30 November 2023

	Held at amortised cost		Held at fair value		
	Loans and receivables £'000	Financial assets and liabilities at amortised cost £'000	Derivatives designated as fair value hedges £'000	Derivatives not in a designated hedge relationship at fair value £'000	Total £'000
Financial assets					
Cash in hand and balances with the Bank of England	-	119,994	-	-	119,994
Loans and advances to credit institutions	6,071	-	-	-	6,071
Derivative financial instruments	-	-	10,165	95	10,260
Loans and advances to customers	679,408	-	-	-	679,408
Total financial assets	685,479	119,994	10,165	95	815,733
Total non-financial assets					7,647
Total assets					823,380
Financial liabilities					
Shares	-	698,807	-	-	698,807
Amounts owed to credit institutions	-	46,440	-	-	46,440
Amounts owed to other customers	-	19,330	-	-	19,330
Derivative financial instruments	-	-	569	46	615
Total financial liabilities	-	764,577	569	46	765,192
Total non-financial liabilities					11,689
Reserves					46,499
Total reserves and liabilities					823,380

Notes to the Accounts continued

For the year ended 30 November 2024

b) Financial assets and liabilities carried at fair value

The Society holds certain financial assets and liabilities at fair value. Fair value is the value for which an asset or liability could be sold or settled in an arm's length transaction between knowledgeable willing parties. The Society determines fair values using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Valuation techniques where inputs, other than quoted prices included within Level 1, are taken from observable market data for the asset or liability either directly or indirectly.

Level 3 – Valuation techniques where inputs for the asset or liability are not based on observable market data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 30 November 2024				
Financial assets				
Derivative financial instruments	**-**	**5,751**	**-**	**5,751**
Financial liabilities				
Derivative financial instruments	**-**	**583**	**-**	**583**
As at 30 November 2023				
Financial assets				
Derivative financial instruments	-	10,260	-	10,260
Financial liabilities				
Derivative financial instruments	-	615	-	615

The main valuation techniques employed by the Society to determine fair value of the financial instruments disclosed above are set out below:

Level 2 – Debt securities - Debt securities for which there is no readily available traded price are valued based on the 'present value' method. This requires expected future principal and interest cash flows to be discounted using prevailing yield curves. The yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings, which match the timings of the cash flows and maturities of the instruments.

Level 2 – Interest rate swaps – the valuation of interest rate swaps is based on the net present value method. The expected interest cash flows are discounted using prevailing interest rate yield curves. The yield curves are based on generally observable market data derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

c) Credit risk

Credit risk is the risk of loss if a customer or counterparty fails to perform its obligations. The risk arises primarily from the Society's loans and advances to customers, and the investment of liquid assets and entering into derivative financial instruments with treasury counterparties. The Society's exposure to credit risk can be influenced by changes in the wider economy, including unemployment levels, property values, household finances impacting the affordability of mortgages and the credit quality of treasury counterparties. The Society's Board of Directors has defined the Society's risk appetite for credit risk which clearly sets out the level of credit risk the Society is prepared to accept.

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

	2024 £'000	2023 £'000
Cash in hand and balances with the Bank of England	**117,521**	119,994
Loans and advances to credit institutions	**1,794**	6,071
Derivative financial instruments	**5,751**	10,260
Loans and advances to customers	**699,966**	679,408
Other assets	**696**	808
Total statement of financial exposure (1)	**825,728**	816,541
Off balance sheet exposure - mortgage commitment (2)	**78,743**	48,935
Total	**904,471**	865,476

(1) All values are stated at balance sheet amounts.
(2) This reflects mortgage applications that have been formally offered but have not yet completed.

i) Loans and advances to credit institutions, debt securities and derivative financial instruments

The Society holds treasury financial investments in order to meet liquidity requirements and for general business purposes. The Board of directors has defined the Society's risk appetite for credit risk exposure to treasury counterparties by defining within the Financial Risk Management Policy the permissible instruments that can be used, the minimum counterparty credit ratings required and maximum counterparty and sector exposure limits. Any changes in policy are submitted to the Risk Committee for consideration before recommendation to the Board for approval.

Permissible counterparties include supranational bodies, the UK government, UK banks and building societies. The limits for all rated counterparty exposures are linked to Fitch credit ratings in addition to management's own assessment. Unrated building societies are assessed by the Assets & Liabilities Committee (ALCO).

ALCO is responsible for monitoring adherence to the relevant Financial Risk Management Policy limits, with oversight provided by the Risk Committee, which is responsible for the oversight and challenge of risk management across the Society. It receives an independent view of each risk category from the Chief Risk Officer and has access to all ALCO papers.

An analysis of the Society's treasury asset concentration is shown in the table below.

	2024	**2024**	2023	2023
	£'000	**%**	£'000	%
Industry Sector				
Banks/Building Societies	**1,794**	**2%**	6,071	5%
Central banks	**117,198**	**98%**	119,618	95%
Total	**118,992**	**100%**	125,689	100%

An analysis of the Society's treasury assets and derivative financial instruments by credit rating of the counterparty is analysed in the table below.

		Step 1	**Step 2**	**Step 3**	**Step 4**
As at 30 November 2024	**Total**	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**
Credit quality step	**£'000**	**%**	**%**	**%**	**%**
Treasury assets	**118,992**	**100%**	**-**	**-**	**-**
Derivative financial instruments	**5,751**	**48%**	**52%**	**-**	**-**

		Step 1	Step 2	Step 3	Step 4
As at 30 November 2023	Total	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-
Credit quality step	£'000	%	%	%	%
Treasury assets	125,689	99%	1%	-	-
Derivative financial instruments	10,260	-	100%	-	-

All of the Society's treasury assets and derivative financial instruments are held with counterparties that are UK-based or UK branches of overseas institutions.

None of the Society's treasury assets were past due or impaired at 30 November 2024 or 30 November 2023 and no impairment charges were required during the current or prior years.

ii) Loans and advances to customers

The Board of directors has defined the Society's risk appetite for credit risk exposure to mortgage borrowers by defining within the Lending Policy the framework against which all mortgage applications are assessed in order to promote the origination of a balanced portfolio of mortgage assets that matches the expertise and experience of underwriters. Any changes in policy are submitted to the Risk Committee for consideration before recommendation to the Board for approval. The framework includes:

- The setting and regular monitoring of applicable lending limits, including product, borrower and loan related limits, to avoid concentrations of exposures in higher risk lending categories.
- The setting of full underwriting criteria for each product category, designed to ensure the affordability of mortgage repayments using an affordability model, the adequacy of loan security and the creditworthiness of borrowers through the use of external credit checks.
- The assessment of all new mortgage applications by experienced staff who are accredited through a formal training and competence scheme. Mortgage applications are approved by staff with specific underwriting mandates.
- The use of qualified external property surveyors, solicitors and accountants as necessary to assist the assessment of mortgage applications.
- The prevention of mortgage fraud through thorough mortgage application assessment and use of external fraud prevention systems.
- The pricing of all new mortgage products using a model that incorporates an expected probability of default and loss given default to ensure that the return received appropriately reflects the risks involved.
- The use of mortgage indemnity policies to insure the Society against the risk of lending at higher Loan to Value (LTV) ratios and to provide specialist cover for self-build lending.

The Society has a separate Arrears Policy detailing the systems and controls relating to the processes for dealing with arrears and forbearance.

Comprehensive credit risk management information is reviewed at the Credit Committee on a monthly basis and includes mortgage portfolio analysis, details of mortgage arrears, mortgage portfolio stress testing and lending limit monitoring. Oversight is provided by the Risk Committee, which is responsible for the oversight and challenge of risk management across the Society. It receives credit-related management information and an independent view of each risk category from the Chief Risk Officer at each meeting.

Loans and advances to customers are all secured on property in England and Wales. The portfolio is made up of retail loans, split between residential and buy to let loans. In addition, the Society has three loans (2023: one) secured on commercial properties.

The Society's loans and advances to customers are spread throughout the geographic regions. An analysis of the Society's geographical concentration, gross of provisions, is shown in the table below.

Geographic region	**2024 £'000**	**2024 %**	2023 £'000	2023 %
London	**179,857**	**25.7%**	175,511	25.8%
South East	**157,827**	**22.5%**	154,164	22.7%
West Midlands	**74,878**	**10.7%**	68,356	10.0%
South West	**72,077**	**10.3%**	67,935	10.0%
North West	**53,235**	**7.6%**	54,095	8.0%
East Midlands	**51,516**	**7.4%**	50,356	7.4%
Yorkshire	**46,927**	**6.7%**	45,986	6.8%
East Anglia	**28,276**	**4.0%**	28,088	4.1%
Wales	**21,790**	**3.1%**	21,366	3.1%
North	**14,217**	**2.0%**	14,172	2.1%
Total	**700,600**	**100.0%**	680,029	100.0%

The table below shows the indexed loan to value distribution of the loan portfolio at the year-end date.

Loan To Value analysis	**2024 %**	2023 %
0% to less than 50%	**40.2%**	41.4%
50% to less than 60%	**17.4%**	18.0%
60% to less than 70%	**15.4%**	16.6%
70% to less than 80%	**13.3%**	13.4%
80% to less than 90%	**10.9%**	6.4%
90% to less than 95%	**2.0%**	3.3%
95% and above	**0.8%**	0.9%
Weighted average loan to value of mortgage loans	**55.0%**	53.8%
Weighted average loan to value of new business in the year	**71.9%**	61.1%

iii) Arrears analysis

The quality of the Society's retail mortgage book is reflected in the number and value of accounts in arrears.

At the year-end, there were 26 borrowers (2023: 28 borrowers) in arrears of one month or more, representing 1.15% of balances (2023: 1.12%).

The following table analyses the Society's loans and advances to customers by length of time in arrears and whether or not the balances are impaired, with impairment defined as when a loan requires an individual impairment provision.

	2024 £'000	2023 £'000
Not impaired		
Neither past due or impaired	**689,980**	670,439
Past due up to 3 months but not impaired	**4,633**	4,991
Past due 3 to 6 months but not impaired	**842**	916
Past due 6 to 12 months but not impaired	**218**	159
Past due over 12 months but not impaired	**-**	-
Possessions	**-**	-
Impaired		
Not past due	**-**	-
Past due up to 3 months	**3,230**	1,897
Past due 3 to 6 months	**767**	394
Past due 6 to 12 months	**-**	340
Past due over 12 months	**296**	272
Possessions	**-**	-
Total	**699,966**	679,408

Value of collateral held:

	2024 £'000	2023 £'000
Not impaired	**1,771,641**	1,797,752
Impaired	**5,492**	3,762
Total	**1,777,133**	1,801,514

The collateral consists of residential property, with the exception of three (2023: one) commercial properties with a value of £1,841,000 (2023: £410,000) which provides collateral for three (2023: one) commercial loans. Collateral values are adjusted according to the Nationwide Building Society house price index to derive the indexed valuation at 30 November. The price index is produced on a regional basis and is used to update the property values for residential mortgages on a quarterly basis.

All residential mortgage advances above 80% LTV at origination are covered using mortgage indemnity insurance, such that the Society would be reimbursed in the event of taking possession of a property by an amount that would restore the Society to the position it would have been in had the advance been limited to 80% LTV. A deductible amount applies to cases originated during 2016 to 2020.

iv) Forbearance

The Society's forbearance strategy is set out in note 1.

Customers requesting one of these forbearance options need to provide information to support the request which the Society will use to assess whether it is likely that the preferred arrangement will resolve the customer's financial difficulties.

Where forbearance measures are not possible or are considered not to be in the customer's best interests, or where such measures have been tried and the customer has not adhered to the agreed forbearance terms, the Society will consider realising its security and taking possession of the property in order to sell it and clear the outstanding debt.

The table below details the number of accounts subject to forbearance at the year-end.

Type of forbearance	**2024 Number**	2023 Number
Reduced payment including interest only concessions	**14**	18
Term extensions	**-**	2
Total	**14**	20

In total, 14 (2023: 20) of the loans were subject to forbearance at the year-end date. An individual impairment provision of £8,000 (2023: £19,000) was held against these loans.

d) Liquidity risk

Liquidity risk is the risk that the Society does not have sufficient financial resources to meet its liabilities as they fall due or can secure them only at an excessive cost. The Society's policy is to hold sufficient assets in the form of readily realisable assets in order to:

- maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due;
- smooth out the effect of maturity mismatches between assets and liabilities; and
- maintain the highest level of public confidence in the Society.

The Board of directors has defined the Society's risk appetite, policy, systems and controls relating to the management of liquidity risk in the Financial Risk Management Policy, detailed in the Director's report on page 28. Any changes in policy are submitted to the Risk Committee for consideration before recommendation to the Board for approval. The key aspects of the control framework to mitigate liquidity risk are as follows:

- The setting and regular monitoring of applicable liquidity limits, including those covering the amount, instrument type and maturity of liquidity held;
- The monitoring of both short-term and long-term liquidity ratios, including the Liquidity Coverage Ratio and Net Stable Funding Ratio, to ensure that these are maintained above minimum levels;
- The holding of a high quality Liquid Assets Buffer, including deposits with the Bank of England;
- Monthly liquidity stress testing, to ensure that the level of the Liquid Assets Buffer and total liquidity held are sufficient to meet liabilities under severe but plausible stressed conditions; and
- A documented Recovery Plan that sets out the governance processes and the options available to the Society if it experienced a liquidity stress event. The Plan includes a menu of possible actions depending on the severity of the liquidity event.

The minimum level of the Liquid Assets Buffer is set in accordance with an Internal Liquidity Adequacy Assessment Process (ILAAP) that is reviewed by the Risk Committee and approved by the Board on an annual basis. The ILAAP incorporates severe but plausible stress testing linked to the Board's formal assessment of the liquidity risks to which the Society is exposed.

The Assets & Liabilities Committee (ALCO) monitors liquidity risk on a monthly basis, including management information on liquidity and funding limits, Liquid Asset Buffer levels and composition, liquidity stress testing results, and liquid asset and wholesale borrowing maturity analysis. ALCO reports into the Risk Committee. Oversight is provided by the Risk Committee, which is responsible for the oversight and challenge of risk management across the Society. It receives an independent view of each risk category from the Chief Risk Officer and has access to all ALCO papers.

The table below analyses the Society's assets and liabilities into relevant maturity periods that reflect the residual maturity from the year-end date to the contractual maturity date. The actual repayment profile of loans and advances to customers is likely to be significantly shorter from that shown in the analysis. Conversely, retail savings deposits repayable on demand generally remain with the Society for a much longer period.

Balance sheet residual maturity analysis

30 November 2024	On demand £'000	Not more than three months £'000	More than three months but less than one year £'000	More than one year but not more than five years £'000	More than five years £'000	No specific maturity £'000	Total £'000
Assets							
Liquid assets							
Cash in hand and balances with the Bank of England	**117,521**	**-**	**-**	**-**	**-**	**-**	**117,521**
Loans and advances to credit institutions	**1,794**	-	-	-	-	-	**1,794**
Total liquid assets	**119,315**	**-**	**-**	**-**	**-**	**-**	**119,315**
Derivative financial instruments	**-**	**53**	**148**	**5,540**	**10**	**-**	**5,751**
Loans and advances to customers	**1,269**	**4,278**	**13,651**	**101,622**	**579,780**	**(634)**	**699,966**
Other non-financial assets	**-**	**-**	**-**	**-**	**-**	**6,983**	**6,983**
Total assets	**120,584**	**4,331**	**13,799**	**107,162**	**579,790**	**6,349**	**832,015**
Liabilities							
Shares	**422,483**	**110,123**	**112,791**	**99,660**	**-**	**-**	**745,057**
Amounts owed to credit institutions	**-**	**126**	**12,000**	**-**	**-**	**-**	**12,126**
Amounts owed to other customers	**5,322**	**11,930**	**2,269**	**-**	**-**	**-**	**19,521**
Derivative financial instruments	**-**	**12**	**49**	**515**	**7**	**-**	**583**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**7,502**	**7,502**
Reserves	**-**	**-**	**-**	**-**	**-**	**47,226**	**47,226**
Total liabilities and reserves	**427,805**	**122,191**	**127,109**	**100,175**	**7**	**54,728**	**832,015**
Net liquidity gap	**(307,221)**	**(117,860)**	**(113,310)**	**6,987**	**579,783**	**(48,379)**	**-**

30 November 2023	On demand £'000	Not more than three months £'000	More than three months but less than one year £'000	More than one year but not more than five years £'000	More than five years £'000	No specific maturity £'000	Total £'000
Assets							
Liquid assets							
Cash in hand and balances with the Bank of England	119,994	-	-	-	-	-	119,994
Loans and advances to credit institutions	6,071	-	-	-	-	-	6,071
Total liquid assets	126,065	-	-	-	-	-	126,065
Derivative financial instruments	-	145	850	9,265	-	-	10,260
Loans and advances to customers	438	4,449	14,629	96,924	563,589	(621)	679,408
Other non-financial assets	-	-	-	-	-	7,647	7,647
Total assets	126,503	4,594	15,479	106,189	563,589	7,026	823,380
Liabilities							
Shares	379,042	134,933	96,023	88,809	-	-	698,807
Amounts owed to credit institutions	-	440	-	46,000	-	-	46,440
Amounts owed to other customers	7,846	11,199	285	-	-	-	19,330
Derivative financial instruments	-	-	39	576	-	-	615
Other liabilities	-	-	-	-	-	11,689	11,689
Reserves	-	-	-	-	-	46,499	46,499
Total liabilities and reserves	386,888	146,572	96,347	135,385	-	58,188	823,380
Net liquidity gap	(260,385)	(141,978)	(80,868)	(29,196)	563,589	(51,162)	-

Analysis of gross contractual cash flows payable under financial liabilities prepared on an undiscounted basis

30 November 2024	**On demand £'000**	**Not more than three months £'000**	**More than three months but less than one year £'000**	**More than one year but not more than five years £'000**	**More than five years £'000**	**Total £'000**
Shares	**284,533**	**125,279**	**194,865**	**159,752**	**-**	**764,429**
Amounts owed to credit institutions	**-**	**-**	**12,658**	**-**	**-**	**12,658**
Amounts owed to other customers	**4,998**	**12,231**	**2,297**	**-**	**-**	**19,526**
Non-derivative financial instruments	**289,531**	**137,510**	**209,820**	**159,752**	**-**	**796,613**
Derivative financial instruments	**-**	**85**	**193**	**235**	**(2)**	**511**
Total financial liabilities	**289,531**	**137,595**	**210,013**	**159,987**	**(2)**	**797,124**

30 November 2023	On demand £'000	Not more than three months £'000	More than three months but less than one year £'000	More than one year but not more than five years £'000	More than five years £'000	Total £'000
Shares	262,734	150,198	177,897	122,628	-	713,457
Amounts owed to credit institutions	-	-	-	56,118	-	56,118
Amounts owed to other customers	7,635	11,404	295	-	-	19,334
Non-derivative financial instruments	270,369	161,602	178,192	178,746	-	788,909
Derivative financial instruments	-	104	303	651	-	1,058
Total financial liabilities	270,369	161,706	178,495	179,397	-	789,967

The analysis of gross contractual cash flows differs from the analysis of residual maturity, due to the inclusion of interest accrued at current rates for the average period of maturity on the amounts outstanding at the Statement of Financial Position date. The contractual cash flows do not make allowance for any accounts that have been placed on notice of withdrawal by the customer. The impact of such notice is not material to the analysis.

e) Market risk

The Society's exposure to market risk primarily arises from interest rate risk, including interest rate repricing risk and basis risk.

Interest rate repricing risk is the risk of a reduction in net interest income due to mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates. The main cause of interest rate repricing risk is the imperfect matching of fixed rate mortgages and savings products. While the Society aims to match fixed rate assets with liabilities, it is not always possible to achieve exact matches due to the need to estimate initial customer demand for mortgage and savings products and the early repayment of mortgages. Interest rate derivatives are utilised to reduce mismatches where economic to do so, but remain susceptible to the early repayment of fixed rate products by customers.

Basis risk is the risk of a reduction in net interest income due to assets and liabilities repricing according to different interest rate bases.

i) Interest rate derivatives

The Society uses derivative financial instruments ('derivatives'), which are contracts or agreements whose current value is related to an underlying price, rate or index inherent in the contract or agreement, such as interest rates. Derivatives are only used by the Society in accordance with the Building Societies Act 1986 (as amended by the Building Societies Acts 1997 and 2005), to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. The Society does not trade in derivatives or use them for speculative purposes.

The principal derivatives used by the Society are interest rate swaps which are used to hedge exposures arising from fixed rate mortgage and savings products. An interest rate swap is a contract with a counterparty based on a notional principal amount to exchange one set of interest rate cash flows for another for a specific duration, usually between one and five years.

The following table describes the significant activities undertaken by the Society, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. The Society applies fair value hedging techniques to these. The fair value of these hedges at the year-end is shown in note 13.

Activity	**Risk**	**Type of hedge**
Fixed rate mortgage products	Increases in interest rates	Pay fixed interest rate swaps
Fixed rate savings products	Decreases in interest rates	Receive fixed interest rate swaps

ii) Interest rate risk management

The Board of directors has defined the Society's risk appetite for interest rate repricing risk by including within the Financial Risk Management Policy a maximum limit for the impact of a 2% shift in interest rates on the economic value of the Society. In addition to the risk appetite, the Board has set individual and cumulative gap limits for each time period analysed. Any changes in policy are submitted to the Risk Committee for consideration before recommendation to the Board for approval.

In order to manage interest rate repricing risk, an interest rate gap report is prepared showing how assets and liabilities reprice or mature over time. ALCO monitors historic and projected gap analyses and the results of stress tests assessing the impact of a shift in interest rates as a percentage of capital on a monthly basis in order that timely hedging actions can be taken. The stress tests include various parallel and non-parallel interest rate shifts to ensure that a range of scenarios are modelled and considered.

Exposures to different interest rate bases are monitored against Board-approved limits, and stress tests assessing the impact of a range of asymmetric changes in different interest rate bases are monitored. Oversight is provided by the Risk Committee, which is responsible for the oversight and challenge of risk management across the Society. It receives an independent view of each risk category from the Chief Risk Officer and has access to all ALCO papers.

iii) Market risk sensitivities

The Society uses derivative financial instruments and exposure limits to mitigate the effect of adverse interest rate movements on net interest income. At 30 November 2024 the impact of a 2% parallel increase in interest rates (measured using calculated interest rate gap positions) was £491,000 favourable across the gap report horizon (2023: £356,000 favourable). At 30 November 2024 the impact of a 2% parallel decrease in interest rates (measured using calculated interest rate gap positions) was £491,000 adverse across the gap report horizon (2023: £356,000 adverse).

iv) Offsetting financial assets and financial liabilities

The Society has financial assets and liabilities for which there is a legally enforceable right to set off the recognised amounts and which may be settled net. However the netting arrangements do not result in an offset of balance sheet assets and liabilities for accounting purposes, as the right to set off is not unconditional in all circumstances. The amounts relate to derivative financial instruments and associated financial collateral, which consists of cash that is settled, typically daily or weekly, to mitigate movements in fair value exposures. The agreements under which the collateral is settled typically allow either counterparty to offset the relevant amounts if the other counterparty defaults on the terms of the derivative contract.

The amounts for which offsetting arrangements were in place are as follows:

	2024 £000	2023 £000
Fair value of derivative financial instrument assets	**5,751**	10,260
Fair value of derivative financial instrument liabilities	**(583)**	(615)
Associated collateral received	**(5,479)**	(9,321)
Net financial (liability)/asset amount after offsetting	**(311)**	324

28. Capital adequacy

The objective of the Board is to maintain a strong capital base to provide protection for members, promote market confidence and support future growth. The Society is required to manage its capital to meet the requirements of the Capital Requirements Directive (CRD IV) and related requirements set by the Prudential Regulation Authority.

The Society operates a formal Internal Capital Adequacy Assessment Process (ICAAP) to determine and demonstrate how these requirements are met. As part of the ICAAP the Board has established an internal minimum capital requirement that is sufficient to support present and future capital requirements, withstand a severe but plausible stress and ensure the minimum regulatory requirement (Total Capital Requirement) is adhered to. Compliance with capital requirements is monitored monthly, the results of which are reported to the Assets & Liabilities Committee and the Risk Committee. The Society complied with and maintained capital above the regulatory minimums during the reporting period.

Summary capital position

	2024 £'000	2023 £'000
Common Equity Tier 1		
Total reserves	**47,226**	46,499
Adjustments to regulatory capital	**(1,402)**	(1,696)
Common Equity Tier 1	**45,824**	44,803
Tier 2 capital		
Collective provision	**518**	462
Total regulatory capital	**46,342**	45,265
Risk Weighted Assets (unaudited)	**295,202**	283,315
Capital ratios (unaudited)		
Common Equity Tier 1 ratio	**15.5%**	15.8%
Total capital ratio	**15.7%**	16.0%
Leverage ratio	**5.4%**	5.7%

29. Pension asset

Defined benefit pension scheme

The Society's defined benefit pension scheme was closed to future accrual on 1 January 2010. The assets of the scheme are held separately from those of the Society under a Master Trust arrangement operated by TPT.

Members of the scheme receive benefits based on their final salary for service to 31 May 2008 and on career average earnings while a member of the scheme after this date, until the closure of the scheme to future accrual on 1 January 2010. The plan also provides benefits to spouses/dependants in the event of a member's death before or after retirement.

Scheme expenses will be paid by the scheme and subsequently reimbursed by the Society upon request of the Trustee. The Society expects to contribute approximately £99,000 to the defined benefit scheme in respect of such expenses in the next financial year.

The valuation used was based on the most recent full actuarial valuation at 30 September 2022 and updated to 30 November 2024 by a qualified independent actuary to take account of the actuarial method and assumptions required by Section 28 of FRS 102.

The directors are aware of the recent court ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited (and others) relating to amendments to rules of defined benefit pension schemes that were contracted-out of a state salary related scheme between April 1997 and April 2016. The ruling stated that amendments to scheme rules, which impacted benefits accrued during the contracted-out period, were void unless the scheme actuary confirmed that the scheme continued to satisfy the statutory standards. The potential impact of the ruling on the scheme liabilities is not yet known and continues to be assessed.

The amounts recognised in the balance sheet are:	**2024** **£'000**	2023 £'000
Present value of funded obligations	**(18,372)**	(18,305)
Fair value of plan assets	**18,374**	18,855
Total surplus recognised	**2**	550

The directors' judgement is that the Society has the right to a surplus on winding up the scheme at the end of its life. As a result, the surplus at the current and prior year-ends has been recognised on the Society's Statement of Financial Position.

	2024 £'000	2023 £'000
Expected return on plan assets	**967**	982
Interest cost	**(939)**	(899)
Expenses	**(121)**	(94)
Total expense recognised in the Income Statement	**(93)**	(11)

	2024 £'000	2023 £'000
Actuarial losses on plan assets	**(319)**	(3,596)
Actuarial (losses)/gains on obligations	**(225)**	2,210
Total loss recognised in Other Comprehensive Income	**(544)**	(1,386)

	2024 £'000	2023 £'000
Opening defined benefit obligation at 1 December	**18,305**	20,522
Interest cost	**939**	899
Actuarial gains/(losses) on obligation	**225**	(2,210)
Benefits paid	**(1,097)**	(906)
Closing defined benefit obligation at 30 November	**18,372**	18,305

	2024 £'000	2023 £'000
Fair value of plan assets at 1 December	**18,855**	22,391
Expected return on plan assets	**967**	982
Actuarial losses on assets	**(319)**	(3,596)
Scheme expenses	**(121)**	(94)
Contributions to expenses paid by the employer	**89**	78
Benefits paid	**(1,097)**	(906)
Fair value of plan assets at 30 November	**18,374**	18,855

	2024 £'000	2023 £'000
Equity	**2**	27
Bonds	**6,980**	4,343
Property	**1,875**	2,290
Cash	**161**	636
Other	**2,384**	2,479
Liability-driven investments	**6,972**	9,080
Total fair value of plan assets at 30 November	**18,374**	18,855

	2024 £'000	2023 £'000
Expected return on plan assets	**967**	982
Actuarial losses on assets	**(319)**	(3,596)
Total return on plan assets	**648**	(2,614)

At the current and prior year-ends, the impact of GMP equalisation was included in the calculation of the defined benefit pension obligation.

Principal actuarial assumptions as at the Statement of Financial Position date:	2024 £'000	2023 £'000
Discount rate	**5.14%**	5.29%
Rate of future inflation - RPI (% pa)	**3.12%**	3.20%
Rate of future inflation - CPI (% pa)	**2.56%**	2.55%
Rate of increase (% pa) in future pensions in payment, split:		
- Inflation linked (RPI), with a maximum of 5.0% pa and a minimum of 3.0% pa	**3.64%**	3.67%
- Inflation linked (RPI), with a maximum of 2.5% pa	**2.08%**	2.10%
The mortality assumptions used were as follows:		
- Actuarial tables used	**S3PXA**	S3PXA
- Loading on base tables	**100%**	100%
- Improvement rate for Males / Females	**CMI 2023 1.5% / 1.25%**	CMI 2022 1.5% / 1.25%
Life expectancy from age 65 of:		
- Male / Female pensioner currently aged 65 at year-end date	**21.8 / 24.1**	21.8 / 24.1
- Male / Female non-pensioner currently aged 45 at year-end date	**23.4 / 25.5**	23.4 / 25.5
Allowance for members to commute pension for tax-free cash	**75%**	75%

The Society continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The inflation risk premium has been set at 0.3% at the year-end (2023: 0.3%). For CPI, the assumed difference between the RPI and CPI was 0.56% (2023: 0.65%).

Notes to the Accounts continued

For the year ended 30 November 2024

Defined contribution pension scheme

From 1 January 2010, employees have had the opportunity to participate in a stakeholder scheme to which the Society contributes a defined percentage of salary. The employer pension cost for the current year, excluding employee contributions paid by salary sacrifice, was £378,000 (2023: £337,000) and were no outstanding or prepaid contributions at 30 November 2024 (2023: £nil).

30. Leases

The future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	2024 Land and buildings £'000	**2024 Fixtures and fittings £'000**	2023 Land and buildings £'000	2023 Fixtures and fittings £'000
Payment due				
(i) less than 1 year	**63**	**1**	65	4
(ii) within 2 - 5 years	**112**	**-**	144	1
(iii) after 5 years	**1,048**	**-**	1,076	-
	1,223	**1**	1,285	5

The Society has no other off balance sheet arrangements.

31. Country-by-country reporting

The regulations under Article 89 of the CRD IV require the Society to disclose the following information about the source of the Society's income and the location of its operations:

- Name, nature of activities and geographical location: The Society has one dormant subsidiary and operates only in the United Kingdom. The principal activities of the Society are noted in the Directors' report on pages 28 to 31.
- Average number of employees: as disclosed in note 8 to the accounts.
- Annual turnover: equivalent to total income and along with profit before tax is as disclosed in the Income Statement on page 39.
- Corporation tax paid: £131,367 was paid in the current year in respect of the year ended 30 November 2023. £130,000 was paid in the prior year in respect of the year ended 30 November 2022.
- Public subsidies: there were none received in the year.

Annual Business Statement

For the year ended 30 November 2024

1. Statutory percentages

	2024 %	2023 %	Statutory Limit %
Lending limit	**1.2**	1.8	25.0
Funding limit	**4.1**	8.6	50.0

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.

Business assets comprise the total assets of the Society plus impairment provisions less liquid assets and tangible and intangible fixed assets as shown in the Society's accounts.

The Funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

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

2. Other percentages

	2024 %	2023 %
As percentage of shares and borrowings:		
Gross capital	**6.1**	6.1
Free capital	**5.3**	5.3
Liquid assets	**15.4**	16.5
As a percentage of mean total assets:		
Management expenses	**1.49**	1.43
Profit for the financial year	**0.14**	0.15

The above percentages have been prepared from the Society's 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 reserve and the available for sale reserve.
- 'Free capital' represents the aggregate of gross capital and collective impairment provisions less tangible and intangible fixed assets.
- 'Liquid assets' represent the total of cash in hand, loans and advances to credit institutions, debt securities and other liquid assets.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Management expenses' represent the aggregate of administrative expenses (including pension costs), depreciation and amortisation.

3. Information relating to directors and other officers at the year-end

Directors

Name	Year of birth	Date of appointment	Occupation	Other directorships/positions
Nemone Wynn-Evans (Chair)	1974	22.03.17	Company Director	Hinckley and Rugby Financial Services Limited Good Energy Group PLC The Income & Growth VCT PLC Redmayne Bentley LLP Shepherds Friendly Society
Barry Carter	1979	01.07.22	Building Society Executive	Hinckley and Rugby Financial Services Limited
Tony Alexander	1963	01.12.23	Company Director	Homeless Oxfordshire Limited
Lynda Blackwell	1960	29.03.23	Company Director	Molo Tech Limited ThistleDhu Consulting Limited Uinsure Ltd
John Lowe	1972	01.12.22	Company Director	Advance Mortgage Funding Limited First Complete Limited Personal Touch Financial Services Limited PRIMIS Redwood Bank Limited TenetLime Ltd
John Mulvey	1975	01.04.20	Building Society Executive	Hinckley and Rugby Financial Services Limited
Manuela Pifani	1968	01.04.24	Company Director	CXELLENCE LTD
Barbara Taeed	1966	22.03.17	Retired Bank Executive	17 The Esplanade Management Company Limited Centre for Citizenship Enterprise and Governance Limited Cottsway Housing Association Cottsway 2 Milton Keynes Women's Aid Rothbadi Holdings Limited

Documents may be served on any of the directors marked ‘Private and Confidential’ and c/o Forvis Mazars, 30 Old Bailey, London EC4M 7AU.

Barry Carter and John Mulvey are employed on open-ended service contracts which were entered into on 24 March 2023 (effective 1 July 2022) and 17 April 2020 (effective from 30 March 2020) respectively. In each case the director is entitled to twelve months’ notice of termination from the Society. Barry Carter and John Mulvey are required to give six months’ notice of an intention to resign.

Other Officers

Name	Occupation	Other directorships/positions
Nadia Baker	Chief People Officer	Director, NNB Consultancy Ltd
Danny Cranie	Chief Customer Officer	None
Sarah Johnson	Director of Lending	Trustee, Emmaus Leicestershire and Rutland
Cheryl Pidler	Director of Operations	Treasurer, Edward's Trust Ltd Governor and Board member, Solihull College and University Centre
Michael Sharpe	Director of Information Services	None
Grace Tavener	Company Secretary	Secretary, Hinckley And Rugby Financial Services Limited












Hinckley & Rugby
Building Society

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