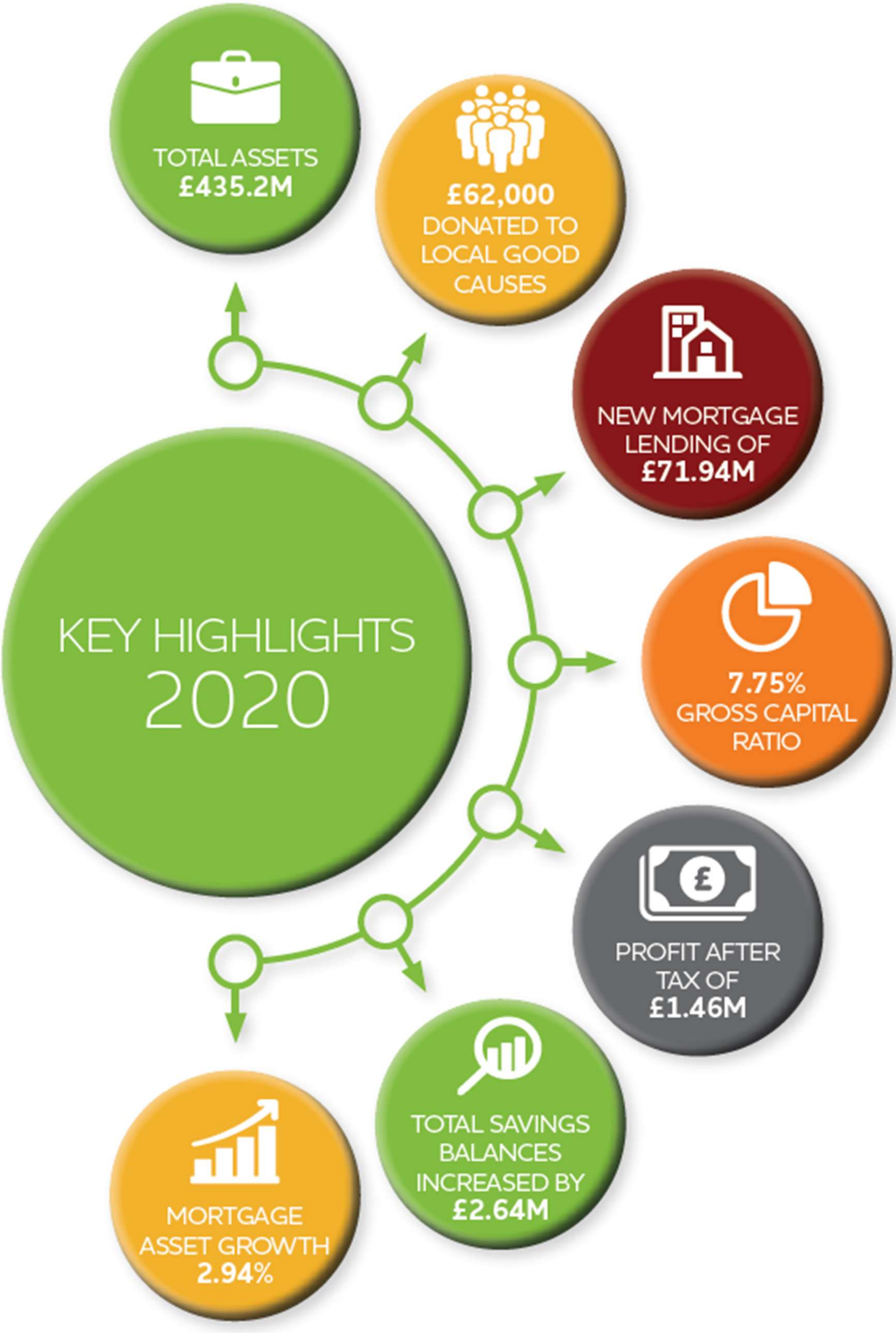
MANSFIELD
BUILDING SOCIETY

2020

REPORT & ACCOUNTS

For you | With you | Always

CONTENTS


KEY HIGHLIGHTS 2020
TOTAL ASSETS £435.2M
£62,000 DONATED TO LOCAL GOOD CAUSES
NEW MORTGAGE LENDING OF £71.94M
7.75% GROSS CAPITAL RATIO
PROFIT AFTER TAX OF £1.46M
TOTAL SAVINGS BALANCES INCREASED BY £2.64M
MORTGAGE ASSET GROWTH 2.94%

KEY PERFORMANCE INDICATORS

The following table provides an overview of the key performance indicators (KPIs) over the last five years:

SIGNIFICANT STATISTICS	2020	2019	2018	2017	2016
Total Assets £m[1]	435.2	433.7	407.8	368.1	328.8
New Mortgage Lending £m	71.9	89.8	94.0	93.7	63.8
Mortgage Assets growth	2.9%	4.0%	11.7%	12.2%	3.8%
Retail Share Balances net increase £m	4.6	28.9	20.8	15.8	20.7
Total Savings Balances net increase £m[2]	2.6	29.7	24.9	16.2	18.6
Management Expenses as a % mean Total Assets	1.36%	1.27%	1.27%	1.22%	1.21%
Cost to Income Ratio	73.54%	68.21%	66.46%	67.88%	65.16%
Profit After Tax £m	1.46	1.89	1.75	1.55	1.57
Liquid Assets as a % of Shares and Borrowings[1]	20.97%	23.06%	21.23%	22.03%	22.41%
Mortgage Arrears on accounts >2 months in arrears £m	0.15	0.09	0.06	0.06	0.06
Gross Capital as a % of Shares and Borrowings	7.75%	7.38%	7.34%	7.64%	8.07%
Net Interest Margin as a % of Mean Assets	1.86%	1.87%	1.97%	1.78%	1.83%
Leverage Ratio as Tier 1 Capital as % of Total Assets	6.78%	6.45%	6.35%	6.41%	6.50%
Common Equity Tier 1 Capital as % Risk Weighted Assets	19.00%	19.68%	19.38%	20.01%	20.15%

(1) In 2016, 2017, 2018, 2019 and 2020 respectively the Society held cumulative drawdown balances of £31m, £15m, £4m, £0m and £0m from the Funding for Lending Scheme (FLS). This funding was accounted for off balance sheet unless it was the subject of a repurchase agreement. In 2016, 2017, 2018, 2019 and 2020 the repurchase agreements were for £23m, Nil, Nil, Nil and Nil which brings that funding on to the balance sheet and leaves £8m, £15m, £4m, £0m and £0m off balance sheet in each year.

(2) Total savings includes retail share balances and deposits into non-member accounts, for example, Business Deposit and SIPP Cash Deposit.

Various Key Performance Indicators are used to measure and monitor periodic progress and these are shown in the table above. They include performance measures, which are explained more fully below.

- Management expenses as a percentage of mean total assets measures the Society's efficiency. The Society has continued to invest in colleagues, training and systems, representing an investment that the Society is making in the future sustainability of the business.
- Liquid assets as a percentage of shares and borrowings are monitored by the Board to ensure an adequate level of liquidity is maintained to meet payments when they become due.
- Gross capital is the general reserve expressed as a percentage of shares and borrowings. It is an indication of the Society's financial strength, and represents accumulated post tax profits.

STATEMENT FROM THE BOARD CHAIR

2020 was a landmark year for the Mansfield Building Society as it completed its 150th year serving its members and the communities in which it operates. It was to have been a year of celebration, but these plans, as with so many others, had to be rethought in the light of the Covid-19 pandemic. It has been a year when normal life has been disrupted for all, and our thoughts are especially with members and colleagues who have lost relatives and loved ones to the virus.

The economic and business landscape was, of course, affected for all organisations, and our Society was no exception and I would like to take this opportunity to thank the whole team at the Society for ensuring that we remained open throughout the pandemic for our members. Although we had to restrict our branch opening hours and have had challenges meeting the high demand for our mortgage products, due to colleagues working from home, we have successfully served our customers throughout this challenging period.

Board meetings were operated remotely from the start of the pandemic, and were more frequent during the initial phase as the most significant adjustments had to be made. The various risks presented by the situation were considered and appropriate action was taken. It seems remarkable to be able to say that financial performance has turned out to be strong for the year, and in fact, not far short of targets that were set well before the outbreak.

Looking ahead, the economic conditions are expected to deteriorate as the full economic headwinds which the government Furlough Scheme has kept in check, seem likely to materialise in 2021. We are already seeing unemployment rising and Brexit, while now complete, could still play a part in the wider economic picture, as businesses adapt to new trading arrangements.

Whilst we have not seen the full impact of the economic recession on all our borrowers yet, we do expect increases in mortgage arrears during 2021 and we will work with all of our impacted members to help them find suitable resolutions to these potential challenges.

We have put plans together for the coming year, which factor in the likely economic turbulence and have ensured that our resources are resilient for what is to come.

2020 saw some changes to the Board and I would like to congratulate Paul Wheeler on his appointment to the role of Chief Executive, taking over from Gev Lynott as he retired in April 2020. I would like to thank Gev for his commitment over 8 years leading the Society through a period of successful change and putting sound financial footings in place for the future. Paul was part of that successful transformation as Deputy Chief Executive and Finance Director and the continuity this brings is very welcome. Paul has already shown great leadership in guiding the Society through such a challenging year. We also welcomed Dan Jones to the Board, taking over as Finance Director. Dan brings with him many years of experience within Financial Services and has put this to good use since his appointment in a year in which careful financial planning has been of such importance.

During the year, Robert Hartley retired from the Board and I extend my thanks to Robert for his many years of service to the Society and the extensive experience of the property market he was able to bring to bear during that time. Robert is replaced on the Board by Lucy McClements who brings valuable experience of working for the financial regulator. Running the Society to the highest regulatory standards is critical in order to be able to appropriately serve and protect our members, and the insights Lucy is bringing from her time in this field are already proving invaluable.

I also want to say how delighted I was to see the new Market Place branch opened in Mansfield over the summer. Town centre communities in the areas we serve have been especially hard hit by the pandemic, and to be able bring a fresh new presence, right in to the centre of Mansfield at this time really epitomises our desire to play a positive role in the community. We see our branches not just as places where savings and loans are administered, but as hubs that serve a purpose in the community, and in the run up to Christmas we were able to use the new branch as a collection point for toys as part of an appeal that donated 600 toys to local children in partnership with the Schools Out Community Group. This kind of activity is a source of pride for me and all my colleagues.

Finally I would like to extend my thanks to all our members and customers for their custom during the year and the flexibility they have shown as our service levels changed and adapted to the sometimes daily shifts in government guidance.

Jeremy Cross
Board Chair
25 February 2021

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION FROM OUR NEW CEO

I am delighted and honoured to have taken the role of Chief Executive Officer (CEO) in April 2020 and I couldn't have asked for a more challenging first year. I am extremely proud of what the whole team at the Society have achieved, as it was the toughest and most difficult year that most of us will have experienced.

This time last year, we were looking forward to our 150th Anniversary but no-one could have predicted how 2020 would eventually play out. The Covid-19 pandemic has sadly affected thousands of people directly and indirectly and our focus throughout the year was to look after our members and colleagues.

We managed to sustain all of our operations and although our service levels have suffered at times, we were able to keep all of our branches open, continue to process mortgage applications and assist all those members who wanted to apply for payment deferments on their mortgages.

Our branch teams checked in on our most vulnerable customers by telephone and sent out support packages to the most in need and our mortgage team, supported by their colleagues from elsewhere in the Society, ensured that we were able to help everyone that enquired about their mortgage payments during the pandemic. We made it our objective to speak to as many of these members as possible to offer a personal helping hand.

PROFIT LEVELS

The Society has had a strong year considering the circumstances and I am pleased to be able to report profit after tax of £1.46m (2019: £1.89m). The mortgage book growth of 2.94% (2019: 4.01%) was also very pleasing. Although our mortgage lending in the year was impacted by the national lockdown and the general processing backlog in the market, our retention performance was very strong as members chose to stay with the Society.

BANK RATE REDUCTIONS

The pandemic also led to an immediate reaction from the Bank of England to try to contain the economic impact resulting in the Bank Rate reducing from 0.75% to 0.10% over the course of a number of weeks. The Society responded to the reductions in bank rate in a balanced manner by reducing its savings rates to counter a reduction in its Standard Variable Rate (SVR) and lower earnings from the Society's liquid assets. A prolonged period of low interest rates will be unwelcome news for savers however the Society intends to continue offering a competitive range of products and services to borrowing and savings members.

COVID RESPONSE

The Board made a decision at the outset of the Covid-19 pandemic that the key objectives for the Society were to protect our members, our colleagues and our assets. The Society was able to reap the benefit of the recent IT investment in infrastructure to convert our Head Office colleagues to home workers and with the purchase of plastic screens, hand sanitiser, masks and other PPE, we were able to keep our branches open in a safe manner for colleagues and members alike. We also made temporary changes to our lending policy to reduce credit risk and control the levels of business in an unexpectedly busy mortgage market.

Our Head Office was made Covid secure in a short space of time, however throughout the majority of 2020, there has only been a skeleton colleague presence on site due to the various lockdown restrictions. We therefore took the opportunity to perform much needed maintenance work on the building.

During the first lockdown period it became clear that a number of our borrowers needed help to overcome interruptions to their usual income. In line with FCA instructions, we provided payment deferrals of three or six months to those in need and we agreed deferrals for more than 600 of our mortgage members during the year, about 18.8% of our borrowers. Giving advice and help and ensuring that the best solution is found for each member is a time-consuming business and we were keen to ensure that we spoke to as many of our members that needed support as possible.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Our mortgage service colleagues, backed up by support from elsewhere in the Society, did an excellent job in providing this service at short notice and it is pleasing to see that a significant majority of the borrowers who took deferrals were able to resume their payments after their deferral period without the need for further forbearance measures. In almost all cases, our borrowers chose to capitalise their deferred interest payments.

Our financial strength, and the fact that we remained open as a key service during the lockdown, means that we did not need to access any government help or the Furlough Scheme.

COMMUNITY INVOLVEMENT

The communities in which our branches operate are very much at the heart of the Society. This year we have continued to give something back to the communities where our members live and work by supporting local charities with fund raising, helping local projects through our Work in the Communities Scheme and offering financial support to local organisations through our Community Support Scheme and our Charitable Trust. We have tried to ensure that a number of these activities have been focused on organisations and people that have been impacted by the Covid-19 pandemic.

An example of this focus was to repurpose our new Stanley Stag soft toys that were to be launched as part of our Children's Savings range and donate them to the Children's Ward at King's Mill Hospital.

We also started a collection of food items amongst our colleagues to donate to a local foodbank in Chesterfield.

All events were Covid compliant in accordance with regulations in place at the time.

CHARITY PARTNER

LINCS & NOTTS AIR AMBULANCE
SAVING LIVES EVERYDAY

Our colleagues chose to support Lincs and Notts Air Ambulance as our Society charity. A target was set to raise £5,000 in the year which is the cost of sending the helicopter out to save two lives.

Due to the Covid-19 pandemic, there has been limited opportunity to fund raise with physical events, however a number of events did take place including a successful flea market in Chesterfield which raised over £400 and a virtual London Marathon run by a colleague from our mortgage team which also raised over £400. The team also created a fund raising page on the internet to try to reach the target. In total, our colleagues raised £2,844 and the trustees of the Charitable Trust Fund agreed to donate £2,500 making an excellent total of £5,344.

We are proud to announce that we will be supporting the charity again during 2021.

All events were Covid compliant in accordance with regulations in place at the time.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

WORK IN THE COMMUNITY SCHEME

We actively encourage colleagues to participate in the Work in the Community Scheme by granting two days paid leave each year for individuals to assist deserving causes.

In 2020, due to lockdown restrictions, these days were more difficult to achieve, however we still managed to support a number of organisations including planting trees in the new Woodland Trail at Portland College, gardening at Spa Ponds Nature Reserve in Forest Town and collecting, wrapping and distributing toys for under privileged children at Christmas.

All events were Covid compliant in accordance with regulations in place at the time.

COMMUNITY SUPPORT SCHEME

The Society's Community Support Scheme contributions totalled £22,505 in 2020 (2019: £13,045) as the Board demonstrated an ongoing commitment to provide support for worthy causes in our local community. We supported a number of local organisations and have received some excellent feedback from them:

All events were Covid compliant in accordance with regulations in place at the time.

We donated £500 to Treetops Hospice Care in Risley, Derbyshire, to create care packages to help support children dealing with grief during the Covid-19 pandemic. The parcels were safely delivered by members of the Therapeutic Services Team at the hospice to children who would normally access the services provided by Treetops, free of charge. The packages include books, toiletries, chocolates and felt tip pens, as well as some useful advice for parents and carers on how to help a child through such a difficult time.

We were keen to support the Schools Out organisation who were looking to ensure that no children went hungry over Christmas. We funded the whole programme for them and also organised a toy appeal to ensure that the same children had Christmas presents to open. Our Mansfield branch operated as a collection point and through the generosity of our members, colleagues and suppliers we were able to collect over 600 toys.

"This donation is absolutely fantastic! It enables us to carry on doing what we have always done over the Christmas period, supporting local families with food vouchers and other essential items.

We can't thank Mansfield Building Society enough for their support and generosity. Sometimes it takes the community to come together and support one another in times of hardship and this is exactly that - a collaborative effort for the children of Mansfield. It's a Mansfield miracle".

School's Out Champion – Amanda Fisher

All events were Covid compliant in accordance with regulations in place at the time.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

The Freedom Community Project needed our help to fund their foodbank that they had set up to support people during Covid-19. We donated £250 and then organised a collection of food from colleagues to donate as well.

All events were Covid compliant in accordance with regulations in place at the time.

"Thank you Mansfield Building Society for your generous donation which has allowed us to continue to support families across the area.

The uncertainty brought on by Covid-19 has increased the need for our services and we want to make sure that we support as many people as possible, especially during such hard economic times."

Mark North, Chief Executive of Freedom Project

The Society also donated £2,500 to Sherwood Forest Foodbank, £1,250 to the St Andrews Primary School food parcel appeal and £2,500 to the Mansfield District Council Community Response Fund, all of which were to support our local community through the challenges of Covid-19.

"Thank you to Mansfield Building Society for this generous donation, which will be a great help to those in our community that need assistance at this worrying time. It's great to see the building society carrying on with its longstanding tradition of supporting local charities and community groups."

Mansfield District Council Executive Mayor, Andy Abrahams

CHARITABLE TRUST FUND

In addition to these worthy endeavours, the Society set up a Charitable Trust Fund in 2015 which will be used to fund larger charitable donations and provide enduring support to our local communities. The fund was started up with a £50,000 donation from Society profits. Future funding is received partly via our contribution from the Community Saver Account balances and partly from profits made during the year.

All events were Covid compliant in accordance with regulations in place at the time.

By the start of 2020 the fund had a total balance of £179,019 and during the year the trustees awarded donations to the Social Action Hub to help fund their youth support programme and to Inspire and Achieve to purchase more laptops to allow the Princes Trust programme to continue to support young disadvantaged adults in the Mansfield area during lockdown.

The trust also agreed to a donation to the Society charity partner, Lincs and Notts Air Ambulance and the final donation was made to Portland College for the Zip Wire and Climbing wall installation for disabled children to use.

During the year, the balances on our range of Community Saver Accounts grew to £21.1m - these accounts pay a competitive rate of interest to our saver members and also accrue a 0.1% annual contribution from the Society into the Charitable Trust Fund.

In total, the Society has provided £40,139 into the Charitable Trust Fund during 2020, to enable the fund to support more local charities and initiatives. The balance of the fund at the end of 2020 is £191,443.

Paul Wheeler
Chief Executive
25 February 2021

STRATEGIC REPORT

BUSINESS OBJECTIVES

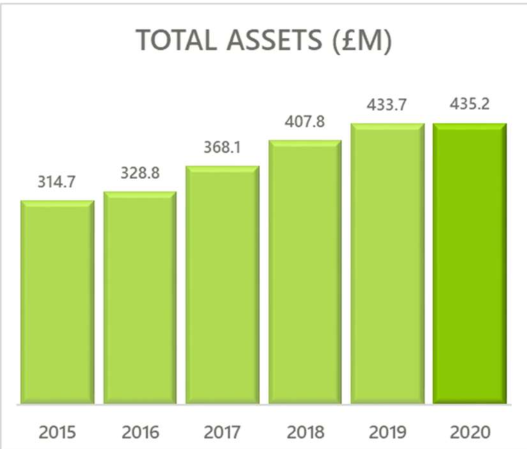
The principal business objective of the Society is to provide a safe and secure haven for members' savings whilst offering secured lending on residential property in order to promote home ownership. This mortgage activity is funded mainly by offering traditional savings products which are competitive, easy to understand and designed to attract savings from private individuals and businesses. Some additional funds are raised via the Bank of England's funding schemes and we use the wholesale money markets to smooth out fluctuations between savings inflows and mortgage needs.

BUSINESS REVIEW

This has been a solid year for the Society in a climate of significant uncertainty. The start of the year was still overshadowed by the long running negotiations around the future of the UK in the European Union, but the election of a government with a strong majority had a settling effect and the housing market was faring better than it had for much of 2019. Off the back of this, the Society completed a healthy level of mortgage business in the first 3 months of the year. By the middle of March, however, the Covid-19 pandemic took hold and was soon followed by a national lockdown, which included a shut down in the mortgage market. In terms of mortgage strategy, the Board took a cautious approach and reduced the credit risk of our lending, whilst ensuring that existing borrowers were given strong renewal options. These measures, along with the temporary closure of the mortgage market led to a reduction in new business volumes over the year.

As the initial lockdown ended, the government introduced a Stamp Duty holiday for property purchases up to £500k and this had a dramatic effect on property demand taking the market from a near standstill to record levels in a short space of time. Industry backlogs which had already been caused by the lockdown became longer and demand for services from solicitors, valuers, local authorities and the Land Registry outstripped supply. The Society has struck a careful balance with the mortgage business it has chosen to accept during this period, factoring in its desire to be cautious with its underwriting in such unusual times, and also its desire not to allow its pipeline to be so large that it could not process applications without unduly impacting service levels for prospective members and intermediaries.

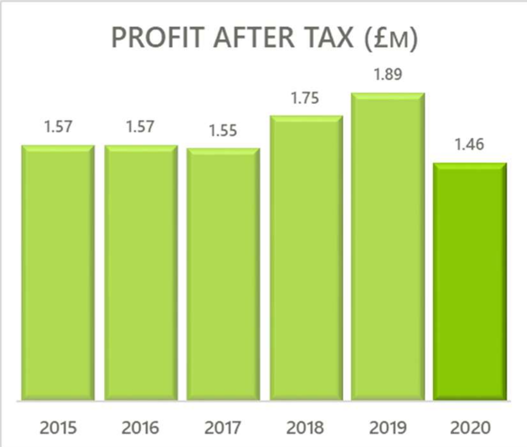
Against this backdrop the Board is extremely pleased with the level of mortgage lending with Gross Advances of £71.9m (2019: £89.8m). The annual growth in the mortgage book was £9.9m (2019: £13m) and this growth took place despite significant tightening of underwriting, especially in the higher Loan To Value (LTV) segments of the market. At 31 December 2020, mortgage assets were £348.2m (2019: £338.0m).



Total Assets have only grown by £1.5m (2019: £25.9m) reflecting the slower growth in the mortgage book and a decrease in liquidity of £8.5m (2019 increase: £12.4m). This reduction in liquidity was a managed change, enabled by the long standing strategy the Society has had of creating a stable and diverse range of savings balances sourced from loyal members. 2021 will likely see further, carefully managed reductions in liquidity. Liquidity is held for the purpose of ensuring the Society can cover its liabilities when they fall due, however holding excess liquidity can constrain the Society's ability to generate returns. The amount of liquidity held is informed by robust stress tests and these will allow us to manage down any excess liquidity in the future.

Looking ahead to 2021, the demand for housing, driven by the Stamp Duty holiday, is likely to fall away when this holiday ends and the house price rises seen during this time could also see some downward pressure. Much will depend on how successful vaccination efforts are in enabling a return to some level of normality and also how carefully government interventions, such as the Stamp Duty holiday are unwound. We expect growth to continue to be subdued.

STRATEGIC REPORT (CONTINUED)



The Society has maintained its focus on building reserves through improved profitability. The exceptionally strong growth of the mortgage book during 2017 and 2018 resulted in strong profit levels in 2018 and 2019, and we had budgeted lower profit levels in 2020, even before the pandemic. The after tax profit of £1.46m (2019: £1.89m) is partly a function of this.

The Covid-19 crisis was also a factor in reducing the year's profits. £50k was spent on measures to enable home working and to make our branch and office space Covid secure. We also increased our impairment provision by £54k in anticipation of foreclosures which we expect to become necessary as we work through the after effects of the crisis.

We have taken the opportunity to revalue our properties in light of the fact that commercial real estate in town centre locations, which was already under pressure, has been further reduced by the effects of the crisis. £151k of impairments (2019: £12k) were made to Society properties.

The highly unusual landscape presented by the pandemic led the Bank of England to lower Bank Base Rate to an all-time low of 0.10%. The extent to which this lower rate was passed on to members had to balance the interests of both mortgage and savings members and with this in mind, SVR was lowered by 0.40%, while savings rates were lowered to ensure a balanced approach was taken. This can be seen in the resulting net interest margin of 1.86% (2019: 1.87%).

The Society continually reviews the savings rates that it is offering against the wider market and despite the low Bank Base Rate, we regularly appeared in Best Buy tables with our competitive savings products that were on offer during 2020. With mortgage growth subdued, we did not actively pursue new savings balances, but our sustained level of competitiveness nonetheless led to growth in total savings balances of £4.6m.

Another measure put in place during the crisis was the Bank of England's TFSME (Term Funding Scheme with additional incentives for SME's). The Society is participating in this scheme and has used the funds drawn so far to replace funding which had been taken under the Bank of England's earlier TFS scheme, effectively extending the duration of this source of funding for a further four years. As at 31 December 2020, we had drawn £26m from TFSME, and this will be helpful in protecting margins and thereby supporting the Society to continue lending in an environment where significant uncertainty remains.

Achieving a continued increase in mortgage income has enabled the Society to make further investment in strengthening the people and infrastructure resources to deliver future sustained growth. This important investment in resources ensures that the Society will continue to have the people and systems of control, to manage risks and deliver numerous change projects brought about by regulatory requirements and market developments. A significant proportion of the administration costs continues to be invested in developing the systems environment operated by the Society. This included, for example, new software to support the way in which we comply with anti-money-laundering legislation and a new portal for existing customers to renew their mortgage.

In order to support members who applied for payment deferrals and also in anticipation of the need to spend more time with members who may experience difficulties with repayment in 2021, we have increased the number of colleagues who provide this support. We have also continued investing in training and development of colleagues, community engagement and further strengthening of cyber security defences.

The management expenses ratio of 1.36% (2019: 1.27%) reflects this continued investment in the infrastructure of the Society and remains well positioned in peer group comparisons.

STRATEGIC REPORT (CONTINUED)

During 2020 we also invested in a new flagship branch which we have opened in the Market Place in Mansfield. This is a fresh, modern facility in a prominent central location, which will give us the opportunity to better serve our existing members and attract more local and loyal savings members over the longer term. A secondary effect of moving the branch to this location was also that it provided a cost effective way of creating more Head Office space, which has become needed following successive years of strong growth. Investments towards the end of the year included the commencement of work to refurbish the Head Office to enable best use of this space.

One of the key reasons for the Society being so successful over the last few years has been the performance of our colleagues. We have invested in our teams with both in house and external training over the last few years and were able to keep this going despite the pandemic, using web conferencing facilities. This has ensured that our colleagues continue to grow their skills and also that our teams are fully up to date on all necessary regulation to ensure our products and service are compliant.

This strong team were able to transition all our processes online when the pandemic began. Branch colleagues have kept our branches open throughout the lockdowns, providing customers with access to their savings when they needed them, and Head Office colleagues have largely worked from home. The additional pressures this has put on individuals has not been insignificant, and a wellbeing program was designed to ensure that our colleagues were appropriately supported and this continues to be important as we enter 2021 in lockdown.

During 2021, the management expenses ratio is expected to continue to increase as we make the necessary further investments to ensure we continue to meet both member and regulatory needs.

Whilst strong finances are important, as a mutual membership based organisation, the service to our members and our community is paramount. It is therefore pleasing to report that we won the Mansfield & Ashfield 2020 'Business in the Community' award and were also runner up in the Mansfield & Ashfield 'Business of the Year' award. In the industry press, we were also Highly Commended in the Money Pages Personal Finance Awards in the 'Best Variable Rate Lender' category.

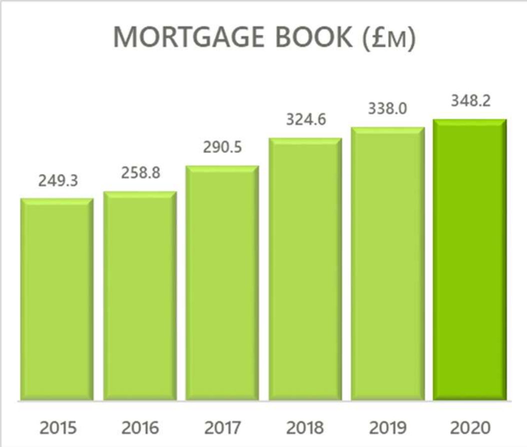
Members continue to appreciate our service and we have achieved an overall rating of over 4 stars out of 5 with independent financial services review platform Smart Money People. Indeed, our strong service ethic is also reflected in the small number of upheld complaints we receive. These results reinforce our belief that the combination of a strong personal service proposition, our mutual ethos and competitive rates is an effective strategy for the Society to follow.

We regularly receive positive feedback about many of our mortgage products and are pleased to be able to help many buyers achieve their aspirations of owning their own home.

The healthy results underline the Society's ability to operate soundly and successfully. The Board of Directors is fully committed to Mansfield Building Society remaining an independent mutual building society for the benefit of its members.

MORTGAGES

The Society continues to ensure that mortgage growth is delivered in a controlled and measured way and therefore it was expected that the exceptional (c.12%) annual growth levels of 2017-2018 would reduce to more normalised levels in line with the 2019 performance (4%). This lower growth was already expected to continue into 2020 and that was before the start of the Covid-19 crisis. Against this backdrop, the Board is therefore pleased to report a 2.94% growth in the mortgage book, driven by new lending of £71.9m.



All lending decisions continue to receive oversight by experienced underwriters adopting a common-sense and responsible approach to new lending in order to maintain a high quality loan book. The increase in mortgage balances has been funded, in the main, by £4.6m of retail savings inflows from our members, both new and existing.

All mortgage cases are fully assessed by our own underwriters (we do not operate automated credit scoring) to understand each case on its own merits. The underwriting process applies a number of checks to ensure borrowers have adequate repayment affordability even allowing for the impact of potential future interest rate increases.

With the mortgage market seeing considerable disruption from Covid-19, we put additional focus on supporting existing members to ensure they had competitive rates to move to, once their initial product terms came to an end. Products were reviewed to make this possible, and additional time was spent contacting mortgage members. We also launched a new internet portal for mortgage members to make their product choice online where they wished to.

There continues to be strong market/intermediary demand for different segments of mortgage lending including First Time Buyer/Low Deposit mortgages, Shared Ownership (part-rent/part-buy), Self Build and Lending into Retirement. The Society maintains prudent limits to ensure it does not allow the mortgage book to become over reliant on the performance of any particular lending segment.

As the Society continues to look for ways to help as many people as possible with their mortgage requirements, we lent funds to our first customers in Scotland during 2020, having launched this capability in 2019. We also launched specific products for members who let properties via a Limited Company and we entered a new market in conjunction with NEXA Finance Ltd to lend on small residential development projects.

Overall arrears levels have remained at very low levels, despite the economic backdrop. We supported 604 mortgage members by providing them with payment deferrals of three or six months under the government led scheme. Most of these returned to full payment and only 11 have required longer term support. As at 31 December 2020, 32 were still in their payment deferral period. The government Furlough Scheme has no doubt lessened what would have been a severe rise in unemployment and there has nonetheless been a rise in job losses across the UK. While we have not yet seen significant rises in arrears, we would expect to see these increase during 2021 as a result of the macroeconomic conditions. We believe the Society's robust underwriting approach will have significantly lessened the impact of any losses that arise. This is further supported by the very cautious approach the Society took to the LTV segments it lent in during the year, and the average LTV for the total loan book is down to 39.8% (2019: 41.5%).

As at 31 December 2020 there were four mortgages where repayments were 12 months or more in arrears (2019: one); the amount of those arrears being £18,287 (2019: £12,924) and the mortgage balances £342,490 (2019: £153,686). The Society always attempts to assist customers in arrears to reach a manageable solution. This is the reason that cases with arrears greater than 12 months are infrequent, as customers are able to find a solution to reduce their arrears. We believe this is the right outcome for our customers and the Society. Where the Society considers there to be evidence of impairment, an allowance is made in accordance with Board approved policy.

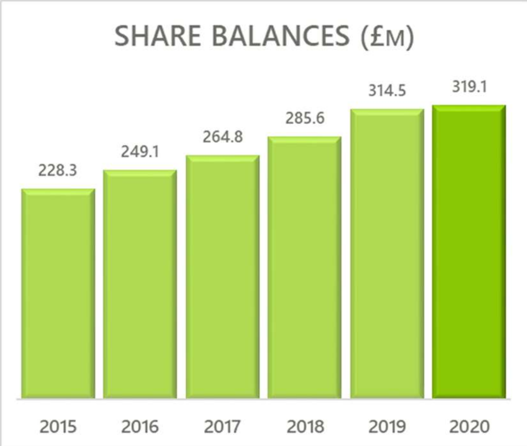
The Society did not take any properties into possession during the year.

Borrowers experiencing payment difficulties are encouraged to contact the Society as a number of forbearance measures are available to assist them with what, in most cases, are temporary problems. These measures could include: a temporary transfer to interest only payments; agreeing an arrears repayment plan; term extensions; or a temporary reduction in payments in order to reduce the financial pressure on the borrower. For all these cases, the intention is that the borrower will resume normal payments as soon as they are able. See Note 27 for further detail of the number of loans currently being managed, utilising forbearance measures.

The Board recognises the need to appropriately provide for losses. A review of the impairment allowance for forbearance and arrears cases, customers who have entered in to an IVA or bankruptcy, customers who have taken a payment deferral and any other customers where there is evidence of impairment, has resulted in an increase in the impairment allowance to £776,579 (2019: £723,329).

STRATEGIC REPORT (CONTINUED)

SAVINGS



Member savings balances increased by £4.6m (2019: £28.9m) through attracting funds into a diverse range of accounts including fixed term bonds, postal accounts, regular savings, and community deposits. The main focus of our product offerings in 2020 was to our local and loyal members rather than the wider market. Much of our effort during the pandemic was to ensure that we maintained a high level of service to our existing members which included launching a virtual account opening process for our local community.

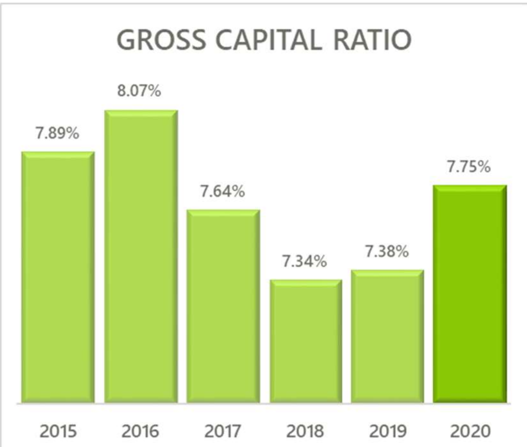
Our range of Community Savings accounts which pay a competitive rate of interest to our members as well as providing a contribution to our Charitable Trust Fund from the Society grew from £13.9m to £21.1m during the year and continue to be a popular choice with members.

The ongoing low interest rate environment is likely to prevail in the foreseeable future given that the messaging from the Governor of the Bank of England has indicated that near term rate rises are unlikely and that negative Bank Base Rates are being explored as an option. The Society has run scenarios where the Base Rate becomes negative and has ensured that it would be resilient in all plausible scenarios.

We constantly monitor the market to ensure our savings products remain competitively priced and ahead of average savings rates in the market. We continue to reserve our better savings rates for local and loyal customers and our Community Deposit Account (for local clubs, charities and associations) continues to provide a higher rate than other comparable deposit accounts. We also attract future savers through maintaining a competitive range of products for younger savers.

CAPITAL AND LIQUIDITY

The Prudential Regulation Authority supervises the financial health of all building societies and enforces strict requirements in respect of capital and liquidity levels as well as broader systems of governance and control.



This regulatory oversight aligns fully with the Society's promise of maintaining a safe and secure haven for savings. Growing capital reserves each year through maintaining healthy levels of post-tax profits, protects members against future risks and enables us to offer a wide range of mortgage products that generate income to maintain competitive savings rates.

At 31 December 2020, gross capital, which is represented by reserves, amounted to £31.1m (2019: £29.7m), being 7.75% of total shares and borrowings (2019: 7.38%). Free capital, which comprises gross capital and the collective loan impairment allowance less tangible and intangible fixed assets, amounted to £29.3m (2019: £27.8m). The leverage ratio, which represents Tier 1 Capital as a % of Total Assets including post offer pipeline mortgages rose to 6.78% (2019: 6.45%). Common Tier 1 Capital as a % of Risk Weighted Assets (where assets have risk weightings applied using the standardised approach outlined in the Basel II framework) continued to be strong at 19.00% (2019: 19.68%). Good levels of post-tax profit have allowed the Society to maintain its strong capital position in 2020. Capital is also stress tested at least annually via the ICAAP process and this shows the Society has significant capital surpluses, sufficient to absorb losses in a range of severe but plausible stresses.

Successive years of strong performance have bolstered our capital reserves to levels which, members can be assured, comfortably exceed the regulator's minimum requirement. The Board believes that the current capital levels are appropriate and stress testing scenarios confirm that we have a strong protective buffer to provide contingency against future headwinds in the market.

STRATEGIC REPORT (CONTINUED)

Liquid assets in the form of cash in hand, deposits with credit institutions and debt securities stood at £84.3m representing 20.97% of shares and borrowings as at 31 December 2020. This compares with £92.8m and 23.06% reported at 31 December 2019. The Board has been able to keep liquidity at efficient levels as the Society continues to have access to the various facilities in the Bank of England's Sterling Monetary Framework operations. This facility is designed to provide lenders with greater access and flexibility in managing balance sheet funding.

FUTURE DEVELOPMENTS

The Board reviews the Society's strategy each year and in 2020 the Board Planning Day focussed on the short and medium term impacts of Covid-19 and the expected economic recession that would follow as well as looking at how the long term requirements of our members and intermediary partners may change over the next 7 years. The Board also reviewed the expected market and technology change that will be inevitable during this period. A number of stress tests were run and different scenarios were modelled depending on the expected impact of the pandemic.

All of these scenarios showed a continued level of sustainable profitability and although over this longer term time horizon, the Board expects that the net interest margin will come under pressure due to fierce competition within the mortgage market, and also increasing competition for the retail savings necessary to fund future growth, there was confidence in our ability to navigate these challenges.

Our manual approach to mortgage underwriting using experienced individuals has protected the Society from serious financial losses. This manual and flexible approach allows us to review all the circumstances of a case and means that we are well placed to take advantage of opportunities in sectors that are sometimes ignored by larger lenders. Buy to Let, Self-Build, lending into retirement and Shared Ownership are areas in which we are actively increasing our mortgage book in a controlled manner and this will continue into 2021. We have expanded our common sense lending on owner-occupied residential properties in Scotland during the year and expect this to continue to grow in the future.

We plan to build upon our well-developed strengths in manual underwriting of residential mortgages, coupled with a common sense approach and strong customer service, to continue to deliver profitable growth.

Through ongoing feedback from members, customers and mortgage intermediaries, we will maintain an attractive and competitive product range and ensure our distribution relationships remain strong and productive.

In 2021, we plan to enhance our online savings offering to give our members a choice of how they interact with us.

We will also be reviewing our mortgage application process and will be investing in our management information provision including upgrading the systems utilised to provide reporting to our regulators.

We will continue to grow our people to ensure we have appropriate resources, skills and experience to deliver significant change and realise the opportunities that lie ahead, for the long term interests of our members. We remain fully committed to further investing in the Society to ensure we can address any future challenges and continue to deliver value to our members.

Given the intensification of market competition and the challenges of Covid-19, the Board was pleased with the growth of 2.94% in 2020 and expects strong growth in mortgages to be a challenge for the year ahead with the market likely to be impacted by the cessation of the Stamp Duty Relief and the impact to the economy of Covid-19.

Notwithstanding these market pressures, the Society is well placed to maintain its strong capital position and robust infrastructure to meet customer and regulatory needs.

STRATEGIC REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Society has a formal structure for managing risk, including procedures for identifying and measuring risks, establishing risk limits, reporting lines, mandates and other control procedures. The Board is responsible for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes. Further details on these risks can be found in notes 27, 28 and 29.

PRINCIPAL RISKS AND UNCERTAINTIES

The Society operates within a cautious Board approved risk appetite. We are members of the Financial Services Compensation Scheme and protecting investors' and members' interests is paramount. The principal business risks to which the Society is exposed are considered to be:

CONDUCT	Conduct Risk is the risk of the Society providing poor outcomes to customers. The Society is committed to treating customers fairly and this is underpinned by the Society's conduct risk framework, which is regularly reviewed by the Risk Committee. The executive committees monitor conduct risk at an operational level.
STRATEGIC	Strategic Risk is the impact on the Society's business model as a result of the changing interest rate environment, competition and legislation. These have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society. Strategic risk is regularly considered by the Board.
CREDIT	Credit Risk is the risk that mortgage customers or treasury counterparties default on their obligation to pay. Mortgage credit risk is controlled in accordance with the Board approved lending policy and by strict controls over lending mandates. Mortgage applications are approved by a central underwriting team in accordance with the Lending Policy. Quality control reports are regularly considered by the Credit Committee and the Risk Committee. Counterparty credit risk is controlled through adherence to the Board approved policies for Liquidity and Financial Risk Management, these include prudent limits on credit exposures to individual and groups of counterparties.
INTEREST RATE	Interest Rate Risk is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates, impacting on profitability and the value of the Society's assets and liabilities. Interest rate risk is managed utilising financial instruments where appropriate (in accordance with the Board approved policies for Liquidity and Financial Risk Management). This is regularly reviewed by the Management Assets and Liabilities Committee and the Risk Committee. A detailed analysis of the Society's interest rate sensitivity at 31 December 2020 can be found in note 29 on page 71.
LIQUIDITY	Liquidity Risk is the risk of being unable to meet demands and commitments to provide funds to customers and other third parties. Liquidity risk is controlled through adherence to the Board approved policies for Liquidity and Financial Risk Management, which ensures sufficient funds in liquid form are available at all times so the Society can meet its liabilities as they fall due. Stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows. The policies for Liquidity and Financial Risk Management are regularly reviewed by the Risk Committee and are approved by the Board.
OPERATIONAL	Operational Risk (including Cyber Risk) is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. The Society has robust processes and controls in place for all operational areas, which are designed to mitigate this risk. The Society has invested heavily in upgrading our IT systems and security to ensure we are protected from Cyber Risk. The Audit and Compliance Committee is responsible for assessing the effectiveness of the system of inspection and control including cyber protection.
LEGAL & REGULATORY	Legal and Regulatory Risk is the risk of failing to interpret, implement and comply with the array of legal and regulatory requirements. This is regularly reviewed by the Risk Committee.
CLIMATE CHANGE	Climate Change Risk is the risk that the effects of climate change will have an impact on the environment to the extent that the residential houses that our mortgages are secured against are put at risk. This risk is particularly prevalent in coastal areas and locations prone to flooding. Given there will be a government led drive to improve the energy efficiency of the UK housing stock, it could also be relevant in cases where properties have lower than average EPC ratings, the value of which could be at risk unless remedial improvement works are carried out.

COVID-19 IMPACT	Covid-19 has had a significant economic impact. Gross Domestic Product (GDP) has fallen and unemployment is rising, and is likely to rise further as Government schemes end in 2021. The use of lockdowns has also driven greater use of technology and an increase in associated cyber risks. These factors have meant that the profile of the Society's principal risks could have been affected as follows: ▪ Strategic: Covid-19 has impacted how some consumers choose to interact with their financial service providers. This could accelerate the consumer shift from branches to more online requirements. The Society has improved its ability to service customers digitally in 2020, and will continue to evolve its digital capability. ▪ Credit: The Society took a number of measures at the start of the crisis to ensure that its lending policy accounted for the increased risk that certain segments of lending were likely to represent. The Society offered payment deferrals to many mortgage members during 2020 and some of these members will need ongoing support beyond the initial period of the deferral. Whilst no material mortgage losses have occurred to date, it is likely that higher arrears and losses will occur over coming months as the effects of higher unemployment take effect. The Society's year-end provisioning and corporate plan have allowed for additional losses. ▪ Market Risk: The reduction of the Bank of England base rate to 0.1% reduced the level of return on the Society's liquid assets as well as increasing the amount paid on swaps. The Society took these effects in to account when setting the level for its SVR in response. Negative bank base rate is a possible future risk, and the Society regularly reviews stresses to the levels of bank base rate, which include scenarios where the rate reduces below zero. ▪ Operational: The requirement for a significant increase in home-working, the introduction of Covid-friendly working practices for the Society's branches and head office, changes to cyber risk, the slower delivery of third party services and the impact of increased customer support, have resulted in a degree of change to the Society's operational practices. In order to address the potential risk that has arisen from these changes, additional controls have been introduced which include system strengthening and ensuring the scope of second-line assurance work includes the changes. ▪ To ensure the potential financial implications of Covid-19 are fully understood, the Society has undertaken rigorous stress testing of the potential outcomes, the results of which show that it has sufficient capital resources to withstand a range of severe stress scenarios. The Corporate Plan has also been reviewed and the strategic objectives take account of the expected difficult market conditions in 2021.
BREXIT	Brexit Risk arises because a significant amount of uncertainty remains regarding the after effects of the changed relationship between the United Kingdom and the European Union. As a solely UK focused organisation, the Society has no direct exposure to the EU. However, the wider UK economic implications and operational impacts of Brexit have been considered and are summarised below: ▪ The Board believes that the implications of Brexit are difficult to quantify; however, following the transition period, which ended 31 December 2020, uncertainty remains in the economy as the details of future trade agreements take time to negotiate. These impacts are likely to add to economic difficulties at a time when the effects of Covid-19 are still building. There is a risk of the recession leading to unemployment and therefore reduced ability from customers to repay their mortgages. ▪ The Board has focused on this potential downside when performing stress tests and can reassure members that the Society has sufficient capital buffers to withstand this worst case Brexit fallout. ▪ The Board also considered other implications of Brexit and can confirm that our treasury assets are all invested in the UK and our colleagues are all UK residents. Although the Society has some exposure to suppliers with EU parent companies the Board considers the risks to be controlled and that the operational resilience of the organisation is not impacted by the UK leaving the EU.

The Society has a Board Risk Policy which outlines the key policies and controls in place to ensure that the risks that exist in the business are well managed.

The identification, control and monitoring of risks remains a business priority. Through regular assessment of risk management procedures, steps are taken to mitigate such risks. The Society has business continuity plans in place which it regularly reviews and tests as part of this ongoing review process.

DIRECTORS' REPORT

The Directors are pleased to present their annual report together with the Society's Accounts and Annual Business Statement for the year ended 31 December 2020.

INFORMATION PRESENTED IN OTHER SECTIONS

Certain information required to be included in a Directors' report can be found in other sections of the Annual Report and Accounts as described below. All the information presented in these sections is incorporated by reference in the Directors' report and is deemed to form part of this report.

BUSINESS OBJECTIVES AND ACTIVITIES	Strategic report
BUSINESS REVIEW AND FUTURE DEVELOPMENTS	Strategic report
PRINCIPAL RISKS AND UNCERTAINTIES	Strategic report
DISCLOSURE REQUIREMENTS UNDER CRD IV COUNTRY-BY-COUNTRY REPORTING	Note 32 to the Accounts

DIRECTORS

The following were directors of the Society during the year:

NON-EXECUTIVE DIRECTORS	
Jeremy Cross, FCA	Chair
Rob Clifford, CertPFS	Vice Chair and Senior Independent Director
Alison Chmiel, FCMA	
Colin Bradley, ACA, ACIB	
Robert Hartley	(retired 31.8.20)
Nick Baxter, DipM, DipMan (Open)	
Lucy McClements, FCCA	(appointed 30.7.20)

EXECUTIVE DIRECTORS	
Gev Lynott FCCA, FCIB	Chief Executive (retired 30.4.20)
Paul Wheeler, ACA	Chief Executive (appointed 30.4.20)
Daniel Jones, FCA	Finance Director (appointed 30.4.20)

All directors stand for election or re-election in accordance with Rule 26 (retirement by rotation).

At 31 December 2020 no director held any interest in the shares or debentures of any connected undertaking.

Paul Wheeler held the position of Deputy Chief Executive, Finance Director and Secretary until his appointment as Chief Executive on 30 April 2020.

OTHER MATTERS

CREDITOR PAYMENT POLICY

The Society does not follow a formal code or standard on payment practice. Instead, the Society has continued with its policy of ensuring payments to trade creditors are made promptly within the agreed terms of credit, once the contractual obligations of the supplier have been discharged. Amounts due to creditors as at 31 December 2020 represented 2 days (2019: 4 days).

AUDITOR

The Board is recommending that BDO LLP be reappointed as auditor for the year ended 31 December 2021 and a resolution for their appointment will be proposed to the Society's forthcoming Annual General Meeting.

EVENTS SINCE THE YEAR END

The directors do not consider that any event since the year end has had a material effect on the position of the Society. In reaching this conclusion, the directors have given due consideration to the ongoing Covid-19 pandemic.

DIRECTORS' REPORT (CONTINUED)

POLITICAL DONATIONS AND GIFTS

The Society has not made any political gifts or donations in the year to 31 December 2020 (2019: £nil).

GOING CONCERN

The directors have considered the risks and uncertainties outlined on pages 14 and 15 and the extent to which they might affect the preparation of the annual report and accounts on a going concern basis.

The Society's future plans have been discussed by the Board and outlined on page 13. Furthermore the Society's forecasts and plans, taking account of current and possible future operating conditions, have been subjected to stress tests and scenario analysis and indicate that the Society has sufficient operating liquidity and capital for the foreseeable future. These stress tests included scenarios related to Covid-19.

The Covid-19 assessment, which focused on the Society's capital and liquidity position and operational resilience, included the following actions:

- The Society's capital position was assessed against the ICAAP stress scenarios, incorporating Covid-19 economic forecasts. The assessment included reverse stress testing scenarios to consider which combinations of house price inflation and unemployment variables would consume regulatory capital in full and breach the Society's regulatory capital requirements. The Directors concluded the likelihood of those scenarios occurring within the next 12 months was remote.
- The Society's liquidity position was assessed against the ILAAP stress scenarios, reviewed for suitability in the context of Covid-19.
- Operational resilience was assessed, including the ability to achieve a Covid secure working environment in the Society's head office and branches, and to continue to support significant levels of home working.

After considering all of this information, together with available market information and the Directors' knowledge and experience of the Society and markets in which it operates, the Directors are satisfied that the Society has adequate resources to continue as a going concern for a period of at least 12 months from the signing of the accounts. For this reason the accounts are prepared on a going concern basis.

PILLAR 3 DISCLOSURES

The Society's approach to risk management and the annual capital adequacy assessment are in line with the Capital Requirements Directive and can be found in the Society's Pillar 3 disclosures and additional disclosures section on our website, mansfieldbs.co.uk under "Corporate Information".

On behalf of the Board of Directors

Jeremy Cross
Board Chair
25 February 2021

CORPORATE GOVERNANCE REPORT

The Society has regard to the principles of the Financial Reporting Council's UK Corporate Governance Code, last updated in July 2018. The following pages outline the key principles of the code and the Board's response.

BOARD LEADERSHIP AND SOCIETY PURPOSE

Code Principle 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.

The Board has collective responsibility for safeguarding the interests of members. It operates effectively by directing the business of the Society, by developing and monitoring strategic matters, such as the Corporate Plan and business objectives, and reviewing and approving policy.

The Board considers the opportunities and risks to strategy, and the resulting implications on the future success of the Society, through the Corporate Planning process. This includes assessing how the Society maintains its financial strength in a sustainable way over the long-term within the constraints of operating in a challenging market environment. One element of overall strategy is the continuing investment in people, processes and technology to ensure long-term capability to deliver sustainable balance sheet growth whilst remaining operationally resilient and improving customer access to products and services.

Delivery of strategy is overseen through an established governance framework embedded within a transparent culture where constructive challenge is encouraged with the aim of delivering improvements for the benefit of members. In 2020 the Board met 10 times to closely monitor the Society's business performance. In addition, a meeting was held in July where a detailed review of the Society's strategy took place and a number of ad hoc meetings were held in the first half of the year in respect of the Covid-19 crisis and the implications for the Society, its employees and its members.

Code Principle 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.

The Board is responsible for setting the purpose, values and strategy of the Society and ensuring that these are aligned to the culture of the organisation. In order to achieve these aims the Board consists of six non-executive directors (including the Chair) and two executive directors who have the collective responsibility for ensuring that the affairs of the Society are managed competently and with integrity. The Board views all the non-executive directors as being independent in character.

Code Principle C:

The Board should ensure that the 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.

Through the Corporate Planning process, and ongoing monitoring of performance, the Board ensures that the Society has sufficient resources to enable the Senior Leadership Team to deliver the Corporate Plan objectives and goals. Monitoring of performance and risk is through an established governance framework which includes delegation of certain matters to Board sub-committees.

The Board has four sub-committees, as outlined below, which assess proposals in detail and make recommendations to the full Board. The Terms of Reference for committees are available on the Society's website. Proceedings of all committees are formally minuted and minutes are subsequently considered by the full Board.

NOMINATIONS COMMITTEE

The Nominations Committee meets at least annually or at any other time determined by the Committee. The principal functions are to review the independence, structure, skills, knowledge, fitness and performance of the Board. It also makes recommendations on Board succession planning and election of directors.

Committee members during the year were Jeremy Cross (Chair), Rob Clifford, and Nick Baxter (appointed 30.7.20). Gev Lynott (retired as Chief Executive on 30.04.20) and Paul Wheeler (appointed as Chief Executive on 30.4.20) were attendees during the year.

CORPORATE GOVERNANCE REPORT (CONTINUED)

REMUNERATION COMMITTEE

The Committee meets three times each year. It is responsible for the remuneration policy for all directors of the Society. The Committee also makes recommendations to the Board regarding remuneration and contractual arrangements for both the Society's executive/senior management team and Remuneration Code colleagues. In addition, the Committee reviews, at a strategic level, the quality and effectiveness of the people resources deployed within the Society.

Committee members during the year were Robert Hartley (Chair until retirement on 31.8.20), Jeremy Cross, Nick Baxter (Chair with effect from 31.8.20) and Alison Chmiel (Appointed 30.7.20).

Meetings of the Committee were also attended, as appropriate, by Chief Executive, Finance Director, Governance Executive and the Head of HR, who withdraw from the meeting when their own remuneration is being considered, or on request.

Further information on the role of the Remuneration Committee is included within the Directors' Remuneration Report on page 27.

AUDIT AND COMPLIANCE COMMITTEE

This Committee meets quarterly and considers regulatory compliance matters and the adequacy of internal controls. It has specific responsibility for the monitoring of the external auditor's independence, objectivity, competence and effectiveness. This Committee also reviews audit reports, monitors the relationship with both internal and external auditors, agrees the annual internal audit plan and ensures that the systems of accounting, business control and management of information are adequate for the needs of the Society.

The Committee has responsibility for the financial reporting of the Society and this includes review of accounting policies and the integrity of these financial statements.

The Committee also has responsibility to ensure that auditor objectivity is maintained where the external auditor provides additional non audit services.

Committee members during 2020 were Colin Bradley (Chair), Alison Chmiel, Robert Hartley (until retirement on 31.8.20) and Lucy McClements (appointed 30.7.20). Colin Bradley, Alison Chmiel and Lucy McClements all have financial business knowledge. The meetings are attended by representatives from internal and external audit, together with the Chief Executive, Finance Director, Board Chair and the Governance Executive.

A report from the Audit and Compliance Committee is included on pages 25 and 26.

RISK COMMITTEE

The Committee meets four times a year and is responsible for the oversight and challenge of the Society's risk management framework to identify, manage and mitigate the risks that could impact the Society. The Committee reviews risk assessments, risk limits and risk mitigation policies in accordance with the overall risk appetite of the Society.

The Committee also considers the Lending Policy, Financial Risk Management Policy, Liquidity Policy and other key risk documents including Board Risk Policy in detail.

Committee members during 2020 were Alison Chmiel (Chair), Colin Bradley, Rob Clifford, Nick Baxter, Lucy McClements (appointed 30.7.20), Gev Lynott (until retirement on 30.4.20), Daniel Jones and Paul Wheeler. Jill Watson attended as Risk and Compliance Executive until 31.8.20 and David Newby attended as Risk Executive with effect from 1.9.20.

CORPORATE GOVERNANCE REPORT (CONTINUED)

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The table below shows the number of meetings of the Board and its Committees at which each director was present and the total number of Board and Committee meetings held during the year.

	NUMBER OF MEETINGS / NUMBER OF MEETINGS ATTENDED				
	BOARD	NOMINATIONS COMMITTEE	REMUNERATION COMMITTEE	RISK COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE
Number of Meetings	10	2	3	4	4
NON-EXECUTIVE DIRECTORS					
Jeremy Cross	10	2	3	*4	*4
Alison Chmiel	10	*	††1	4	4
Colin Bradley	10	*	*	3	4
Robert Hartley **	6	*	2	*	2
Rob Clifford	10	2	*	4	*
Nick Baxter	10	††1	†3	4	*
Lucy McClements ***	5	*	*	2	2
EXECUTIVE DIRECTORS					
Gev Lynott ****	2	1	*2	1	*1
Paul Wheeler	10	*2	*3	4	*4
Daniel Jones*****	10	*	*3	4	*4

* Denotes not a member of the Committee
** Retired 31.8.20
*** Appointed 30.7.20
**** Retired 30.4.20
***** Appointed 30.4.20
† Appointed as Remuneration Committee Chair 31.8.20
†† Appointed to Committee 30.7.20

Code Principle D:

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

As a mutual organisation the Society's membership consists of individuals who are also the Society's customers. The Society is committed to dialogue with members through regular newsletters, questionnaires and events attended by executive and non-executive directors. The purpose of this dialogue is to understand our members and better serve their needs.

Each year the Society sends details of the AGM to all members who are entitled to vote. Members are encouraged to vote and can do so in a number of ways. Members can vote on-line by visiting www.mansfieldbs.co.uk and following the instructions, by completing a proxy form and returning it to the Society by an agreed deadline, or by attending the AGM itself, which is usually held in the late afternoon to aid attendance. It is noted that the arrangements were slightly different for the 2020 AGM, due to the Covid-19 lock down situation. For a number of years the Society has encouraged members to vote by linking the number of votes cast to a donation to local charities. This year (2021) the Society will donate 50 pence per vote cast to Lincs & Notts Air Ambulance. In addition, in line with the Society's desire to protect the environment, a further 50 pence donation will be made for any member who chooses to receive future AGM information by email.

All Board members are present at the AGM unless there are exceptional circumstances that prevent attendance. Under normal circumstances, Board members meet with members and community representatives both before and after the meeting and answer questions on both a formal and informal basis. This year the Society is again requesting questions by email, with the answers to the most popular questions being published on the Society's website.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Code Principle 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.

Through its governance structure the Board approves various policy documents which relate to employees, including matters such as equality and diversity, whistleblowing, and remuneration. The Remuneration Committee receives management information which provides regular insight into employee matters, including turnover, sickness and performance. The Society has a clear employee grievance and disciplinary process which includes the ability to whistle-blow and raise matters of concern with the Senior Independent Director.

The Society operates a Colleague Forum which has representatives from across the business and is chaired by a member of staff. The Colleague Forum meets quarterly and raises any issues or concerns with the Executive Committee. The Chair of the Remuneration Committee has been appointed as the Colleague Champion by the Board and meets regularly with the Colleague Forum Chair as well as other employees where relevant.

The Colleague Forum Chair has access to members of the Remuneration Committee and formally meets with them annually. The Chief Executive leads a culture which also encourages employees to raise matters of concern with their direct line manager and then senior manager, and then directly with him where matters have still not been resolved satisfactorily. The Society's purpose, vision and values are shared with employees who also have access to regular Cascade Communications with the Executives and, through a programme of regular business (or virtual) visits, all non-executive directors.

DIVISION OF RESPONSIBILITIES

Code Principle F:

The Board 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 Board Chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

THE BOARD CHAIR

The Board Chair sets the direction and culture of the Board, facilitating effective contribution from directors, maintaining constructive relations between executive and non-executive directors and ensuring that directors receive accurate, timely and clear advice and information. The current Board Chair was appointed in May 2015 and has been a member of the Board for eight years.

Code Principle 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.

The offices of Board Chair and Chief Executive are distinct and held by different people. The Board Chair is responsible for leading the Board. The day to day conduct of the Society's business is entrusted to the Chief Executive and his senior management colleagues within the policies established by the Board.

THE COMPOSITION OF THE BOARD

The non-executive directors are independent in character and judgement and are not employees of the Society. The Board Chair has served on the Board for eight years. All directors bring a wealth of experience and diversity of business perspective and objectivity which complements the 'hands on' expertise of their executive director colleagues.

In line with the UK Corporate Governance Code, the Society's Board has appointed Rob Clifford as the Senior Independent Director. The appointed director is available to members if they have concerns, which contact through the normal channels of Board Chair, Chief Executive or Secretary has failed to resolve, or for which such contact is inappropriate.

Code Principle 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.

NON-EXECUTIVE DIRECTORS

The Board provides an independent and constructive challenge to the executive team with regard to the strategy and business performance of the Society. They ensure that the interests of the members are maintained and that the Society is fully compliant with all regulations. This requires time commitment for both attendance at Society meetings and continued development of their knowledge and skills relating to the building society sector. Each year the Board carries out a specific, formal review of Society strategy.

COMMITMENT

Non-executive directors are required to commit a minimum of three days per month to their Board responsibilities. Directors are informed of the time commitment in the letter of appointment. The Board evaluates the ability of directors to commit the time required for their role, prior to appointment. The formal appraisal process carried out by the Board Chair each year also assesses whether directors have demonstrated this ability during the year. The attendance record during the year of Board and Committee members is set out on page 20.

Code Principle 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.

INFORMATION AND SUPPORT

All directors are provided with clear, timely and accurate information for the effective conduct of business, including an established list of items for review and regular financial updates.

All directors are entitled to seek independent professional advice at the Society's expense and have access to the services of the Secretary.

COMPOSITION, SUCCESSION AND EVALUATION

Code Principle 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.

APPOINTMENTS TO THE BOARD

The composition of the Board is kept under review with the aim of ensuring that the Board collectively possesses the necessary skills and experience for the proper direction of the Society's business activities. The Board believes that individual directors have a range of skills and experience which is appropriate for the management of the Society. The Board also has a well-documented and approved succession plan which will ensure that the Board is refreshed with new members without jeopardising the stability of the Board.

The Society has a well-developed process for recruiting non-executive directors which includes advertising on relevant websites and in appropriate publications. The search and selection process involves the whole Board and is supported with a clear definition of the experience and the required skill set for the role. The Society recognises, values and promotes diversity and is committed to protecting all employees. The Society has put in place a Board Composition Policy (available on the Society's website) to demonstrate that this commitment extends to members of the Board. Appointments to the Board will, however, continue to be based on merit and on the skills and experience required within the Board as a whole subject to a minimum target of 25% of the Board being from the underrepresented gender. The underrepresented gender currently constitutes 25% of all Board members (and 30% of non-executive directors). All new directors appointed are subject to election by the members at the next Annual General Meeting of the Society following their appointment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Code Principle 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.

RE-ELECTION

The Society's Rules require all directors to submit themselves for election by the members at the first opportunity after their appointment and, until the end of 2020, for re-election after a maximum of every three years. The Board has considered the Code requirement for annual re-election of all directors and, historically, has had concerns that in extreme circumstances this could have immediate implications on the stable governance and management of the Society, which is not in the interests of members. However, recent discussions concluded that in the interests of clarity for our members, all directors will submit themselves for election on an annual basis commencing 2021, subject to satisfactory performance.

All directors must meet the test of fitness and propriety as laid down by the appropriate regulator and each director must be approved by the Prudential Regulation Authority in order to fulfil their control function as a director.

DEVELOPMENT

All directors are given appropriate training following their appointment and are encouraged to attend industry events, seminars and training courses to maintain an up to date knowledge of the industry and the regulatory framework within which the Society operates.

The Society also operates a continuous training programme for the Board and Senior Management to ensure that skills are maintained and new regulatory requirements are clearly understood.

Code Principle 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.

EVALUATION

All directors are subject to an individual annual performance review including an evaluation against a skills matrix to identify any future training and/or recruitment requirements. There is also an annual evaluation of the effectiveness of the Board and each sub-committee as a whole.

The Society has a formal performance evaluation system for all colleagues including the executive directors. The Chief Executive holds a performance review with the senior managers including the Finance Director. The Board Chair reviews the Chief Executive's performance and reports to the Board. A performance evaluation system for non-executive directors, including the Board Chair, has been in operation for several years. In 2020 this included 360° feedback completed by each individual director. The Board Chair reviewed the output of all questionnaires and used these as a basis for an appraisal interview with each non-executive director. The Senior Independent Director supported by the other non-executive directors, undertook the appraisal interview for the Board Chair. This procedure identifies any individual and Board training requirements and provides the evidence for the Board as to whether to recommend to members that a director should be re-elected.

AUDIT, RISK AND INTERNAL CONTROL

Code Principle 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.

AUDIT AND COMPLIANCE COMMITTEE AND AUDITORS

The Audit and Compliance Committee Report on pages 25 and 26 explains how the Society applies the Code Principles relating to corporate reporting and internal control.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Code Principle N:

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

FINANCIAL CONTROL

The Board believes that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for members to assess position and performance, strategy and the business model of the Society.

The responsibilities of the directors in relation to the position and preparation of the Society's accounts and the statement that the Society's business is a going concern are contained in the Statement of Directors' Responsibilities on page 30.

The Audit and Compliance Committee Report on pages 25 and 26 describes the main areas of accounting judgement considered by the Audit and Compliance Committee.

Code Principle 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board Risk Committee has been delegated responsibility for oversight of risk management for the Society.

The Risk Committee conducts a separate annual review of the risk appetite and the Board Risk Policy and also reviews on a quarterly basis the effectiveness of the controls in place for managing key risks. The Board has delegated the responsibility for managing the system of internal controls, which includes those specifically relating to risk management, to senior management. The internal control system can provide only reasonable and not absolute assurance against material mis-statement or loss. The Society's internal audit function has been outsourced to Deloitte LLP. The internal auditors provide independent assurance to the Board regarding the effectiveness of internal controls, reporting through the Audit and Compliance Committee.

REMUNERATION

The Directors' Remuneration Report on page 27 explains how the Society pays regard to the Code Principles relating to remuneration.

Jeremy Cross
Board Chair
25 February 2021

AUDIT AND COMPLIANCE COMMITTEE REPORT

This report explains how the Society applies the principles of the UK Corporate Governance Code July 2018 (the Code) relating to the operation of the Audit and Compliance Committee and the system of internal control. The report details how the Committee discharged its responsibilities in line with the provisions of the 2016 version of the Financial Reporting Council's 'Guidance on Audit Committees'. In particular it details the significant issues reviewed and concluded on including the Committee's assessment of those areas on which accounting judgement was exercised. The Audit and Compliance Committee met four times last year, which included approving the year end accounts, and also met with the external and internal auditors without the Executive Directors being present.

The Committee acts independently of the Executive to ensure that the interests of members are properly protected in relation to financial reporting and internal control. All of the current members of the Committee are independent non-executive directors with extensive experience of the financial services sector. The Chair of the Committee is a Chartered Accountant with significant, relevant accounting and audit competence. The Committee has reviewed the collective skills of members and concluded that the balance of skills, knowledge and experience of the Committee is appropriate.

All minutes of the Audit and Compliance Committee are made available to all Board members and the Chair of the Audit and Compliance Committee updates the Board after each meeting, prior to the minutes being received.

Throughout the year the Committee reviews its own performance and that of the internal and external auditors.

FINANCIAL AND BUSINESS REPORTING

The Audit and Compliance Committee has oversight of Financial Reporting within the Society. As such it is charged with monitoring the integrity of the Society's financial statements and reviewing critical accounting policies, judgements and estimates. This includes reviewing the appropriateness of the going concern basis for preparing the accounts and advising the Board whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable.

The Committee also paid particular attention during the year to the following matters which are important by virtue of their potential impact on the Society's results, particularly because they involve a high level of complexity, judgement or estimation by management:

PROVISIONING FOR LOAN IMPAIRMENT - The Committee monitored loan impairment provisions by considering key assumptions contained in the Society's provisioning model and the relevant disclosure in the Report and Accounts. In particular, the Committee considered and challenged the assumptions adopted, and has satisfied itself with the level of impairment provisions made for the mortgage portfolio.

EFFECTIVE INTEREST RATE - Interest income on the Society's mortgages is measured under the effective interest rate (EIR) method. The application of the EIR method of accounting requires judgement and the accounting entries involve estimates based on key assumptions, particularly around the behavioural life of products and requires management to make a number of financial modelling estimates. The Committee has examined the approach taken including the revised mortgage product lives, and has satisfied itself that the estimates and accounting treatment are appropriate.

HEDGE ACCOUNTING - The Society has implemented hedge accounting in line with IAS 39. The designated macro hedges require matching, hedge effectiveness documentation and testing; and fair valuing both the hedging instrument and the underlying hedged item. The Committee considered the appropriateness of the hedging arrangements and the fair value processes in respect of hedging instruments and the underlying hedged items. The Committee agreed that hedge accounting had been applied in accordance with IAS 39.

STATUTORY AUDIT - The Committee considered matters raised during the statutory external audit, through discussion with senior management of the business and the external auditor, and concluded that there were no adjustments required that were material to the financial statements. In light of its enquiries above, the Committee is satisfied that, taken as a whole, the 2020 Report and Accounts are fair, balanced and understandable and provide a clear and accurate presentation of the Society's position and prospects. In particular ensuring this year that the impacts of the Covid-19 pandemic on the Society are adequately disclosed in the financial statements.

AUDIT AND COMPLIANCE COMMITTEE AND AUDITORS

The Society recognises the importance of good systems of internal control in the achievement of its objectives and the safeguarding of its assets. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reporting, and assist in compliance with applicable laws and regulations. Management are responsible for designing an appropriate internal control framework whereas the Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation of this framework.

AUDIT AND COMPLIANCE COMMITTEE REPORT (CONTINUED)

Consistent with these responsibilities, the Committee undertook the following activities during 2020 to satisfy itself over the robustness of the internal control framework:

COMPLIANCE - The Society's Compliance function provides second line assurance on activities across the Society. The outputs of Compliance activities are reported to the Committee, together with progress updates on management's implementation of the findings. During the year, the Committee approved and monitored the Compliance function's annual plan of work.

INTERNAL AUDIT - The Society's Internal Auditors (Deloitte LLP) provide independent assurance to the Board, via the Audit and Compliance Committee, on the effectiveness of the internal control framework. The information received and considered by the Committee during 2020 provided assurance that there were no material breaches of control and that the Society maintained an adequate internal control framework that met the principles of the UK Corporate Governance Code. The Committee is also responsible for agreeing the annual budget for the Internal Audit service and for approving its annual risk based plan of work. Internal Audit provides the Committee with reports on its findings and recommendations as well as updates on the progress made by management in addressing these findings, including verification that actions have been accurately reported as complete. The Committee is satisfied that, throughout 2020, Internal Audit had an appropriate level of resource to deliver its plan of work and that it discharged its responsibilities effectively.

EXTERNAL AUDIT – Following approval by the members at the 2020 AGM, BDO LLP were appointed as external auditors for the year ending 31 December 2020. The Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the external auditor, BDO, agreeing its remuneration and terms of engagement, and making recommendations to the Board on the appointment, re-appointment or removal of the external auditor as appropriate. As part of the external audit process, BDO will highlight any material control weaknesses that come to their attention. The Committee is also responsible for monitoring the performance, objectivity and independence of the external auditor. This is addressed via evidence provided by the external auditor as well as a review performed by each member of the Committee. The Committee is also responsible for ensuring that the policy regarding the external audit firm providing non-audit services is appropriately applied.

BDO will be proposed for reappointment to the members at the AGM in April 2021.

OTHER ACTIVITIES – During the year the Committee reassured itself as to the effectiveness of the Society's IT controls. This reassurance was gained via the control self-assessment process in operation at the Society. In addition the external auditors review IT controls relating to the financial reporting.

Colin Bradley
Chair of the Audit and Compliance Committee
25 February 2021

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The purpose of this report is to inform members of the Mansfield Building Society about our policy on the remuneration of executive and non-executive directors. In providing such information to members, the Society has adopted a Remuneration Policy which describes how the Society also complies with the applicable principles within the FCA's Remuneration Code. A resolution will again be put to the AGM, inviting members to vote on the Directors' Remuneration Report. The vote is advisory and the Board will consider what action is required.

THE REMUNERATION COMMITTEE

This report has been prepared by the Remuneration Committee, which is made up entirely of non-executive directors and meets three times a year, with special meetings as needed. The membership of the Committee during 2020 was:

Robert Hartley - Retired as Chair 31.8.20
Nick Baxter - Appointed as Chair 31.8.20
Jeremy Cross
Alison Chmiel - Appointed to Committee 30.7.20

Meetings of the Committee are also attended by Paul Wheeler, Daniel Jones, Jill Watson and Vickie Preston, as appropriate, who withdraw from the meeting when their own remuneration is being considered, or on request.

The primary responsibility of the Committee is the determination of the terms and conditions of employment of the executive directors (and other members of senior management as appropriate) and the fees payable to non-executive directors.

The Committee is responsible for the Remuneration Policy for all directors of the Society and makes recommendations to the Board regarding remuneration and contractual arrangements. The Committee reviews supporting evidence, including external professional advice, if appropriate, on comparative remuneration packages. The Committee also reviews proposals by the Chief Executive for senior management remuneration and any bonuses.

POLICY FOR EXECUTIVE DIRECTORS

The Board's policy is to set remuneration levels in order to attract and retain high calibre executive directors and to encourage excellent performance through rewards directly linked to the achievements of the Society's strategic objectives. The main components of executive directors' remuneration are:

BASIC SALARY – this takes into account the job content and responsibilities, individual performance (assessed annually) and salary levels for similar positions in comparable organisations.

BONUS – the two executive directors are entitled to a medium term bonus which is a non-pensionable, performance related cash bonus, payable on achievement of Board specified key performance indicators and personal objectives which include risk management objectives. Performance is based on a one year period with 50% of the payment being deferred equally over the following two years. The deferred payment is subject to additional medium term performance objectives. Payment is not guaranteed and the maximum bonus is 20% of basic salary. Given the solid performance in difficult circumstances during 2020, the two executive directors have earned 10% of basic salary as reward under this scheme.

PENSIONS – the executive directors are entitled to a Group Personal Pension Plan which is available for all colleagues. The rate of contribution from the Society differs between the executive directors and other colleagues which is not in line with the most recent corporate governance guidelines. The contributions paid are regularly benchmarked against other organisations in the local area as part of our review of the total package paid to all colleagues and the Board is currently satisfied that the total packages are set at a level which allows the Society to attract a high quality of colleague at all levels.

OTHER BENEFITS – notably the provision of a car allowance to each executive director and private medical insurance. Benefits are reviewed annually by the Remuneration Committee.

The Committee are satisfied that the Remuneration Policy has achieved the desired performance and behavioural outcomes during 2020.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

SERVICE CONTRACTS

The Chief Executive has a service contract with the Society dated 30 April 2020. The Chief Executive's notice period to the Society is 6 months. The Society's notice period to the Chief Executive is 12 months. In the event of amalgamation, transfer of engagements or transfer of business where the executive director's employment is to be terminated, the Society shall give not less than 12 months' notice.

The Finance Director has a service contract dated 5 November 2019. The Finance Director's notice period to the Society is 6 months. The Society's notice period to the Finance Director is 12 months. In the event of amalgamation, transfer of engagements or transfer of business where the executive director's employment is to be terminated, the Society shall give not less than 12 months' notice.

POLICY FOR NON-EXECUTIVE DIRECTORS

The remuneration of non-executive directors is reviewed annually by the Remuneration Committee, using data from other comparable building societies, and by a performance review process undertaken by the Society's Board Chair. The remuneration of the Board Chair is reviewed by the Remuneration Committee and ratified by the Board and is informed by a performance review conducted by the Senior Independent Director.

Non-executive directors are remunerated solely by fees which reflect time spent on Society affairs including membership of Board committees. They do not have service contracts and do not receive a salary, pension, bonus incentives or other taxable benefits. Non-executive directors serve under letters of appointment following election by the Society's membership.

DIRECTORS' REMUNERATION

Details of directors' emoluments for the financial year ended 31 December 2020 are shown below:

	2020 £000	2019 £000
Non-executive directors' fees	165	157
Executive directors' remuneration	416	383
TOTAL	**581**	540

NON-EXECUTIVE DIRECTORS' FEES	2020 £000	2019 £000
Jeremy Cross (Board Chair)	35	35
Rob Clifford	26	26
Alison Chmiel	26	25
Robert Hartley (retired 31.8.20)	16	23
Lucy McClements (appointed 30.7.20)	12	-
Nick Baxter	24	23
Colin Bradley	26	25
TOTAL	**165**	157

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2020

EXECUTIVE DIRECTORS	SALARY £000	SALARY IN LIEU OF PENSION £000	ANNUAL BONUS £000	DEFERRED BONUS £000	BENEFIT £000	PENSION £000	TOTAL £000
Gev Lynott (Outgoing CEO)[1]	54	3	-	-	7	-	**64**
Paul Wheeler (Incoming CEO)[2]	138	-	8	8	17	33	**204**
Daniel Jones (Finance Director)[3]	107	-	6	6	13	16	148
TOTAL	**299**	**3**	**14**	**14**	**37**	**49**	**416**

2019

EXECUTIVE DIRECTORS	SALARY £000	SALARY IN LIEU OF PENSION £000	ANNUAL BONUS £000	DEFERRED BONUS £000	BENEFIT £000	PENSION £000	TOTAL £000
Gev Lynott (CEO)[1]	162	8	11	11	20	-	212
Paul Wheeler (DCEO)[2]	113	-	8	8	15	27	171
TOTAL	275	8	19	19	35	27	383

The highest paid Director in the Society is Paul Wheeler (CEO). Gev Lynott retired on 30.4.20 and on the same date Paul Wheeler was appointed CEO and Daniel Jones was appointed as Finance Director.

(1) Gev Lynott has received 5% additional salary in lieu of pension contributions from June 2018.
(2) Paul Wheeler has chosen to salary sacrifice his pension contributions thus reducing his salary and increasing his pension benefit.
(3) Daniel Jones has chosen to salary sacrifice his pension contributions thus reducing his salary and increasing his pension benefit.

On behalf of the Board of Directors

Nick Baxter
Chair of the Remuneration Committee
25 February 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT, THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS:

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society.

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTING RECORDS AND INTERNAL CONTROLS

The directors are responsible for ensuring that the Society:

- keeps proper adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Society, in accordance with the Act;

- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are 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.

WEBSITE PUBLICATION

The directors are responsible for ensuring the Annual Report and the Annual Accounts are made available on a website. Annual Accounts are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On behalf of the Board of Directors

Jeremy Cross
Board Chair
25 February 2021

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion, the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 December 2020 and of the Society's profit 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.

We have audited the financial statements of Mansfield Building Society (the 'Society') for the year ended 31 December 2020 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests, the Cash Flow Statement and notes to the financial statements, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

INDEPENDENCE

Following the recommendation of the Audit Committee, we were appointed by the Board of directors on 18 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 December 2020. We remain independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of their Going Concern Board paper
- Reviewing the ICAAP, ILAAP and capital requirements
- Challenging management's assumptions and judgements made with regards to their forecast and stress tested scenarios
- Searching publicly available information on house market and house price index to assess any impact on their mortgage book
- Enquiring with management and assessing the implications of Covid-19 on the business

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 financial statements 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.

OVERVIEW

KEY AUDIT MATTERS			2020
	Effective Interest Rate		✓
	Loan loss provision		✓
MATERIALITY	£228,000 based on 0.75% of Tier 1 Capital		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Society and its environment, including the Society's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. All the audit work was undertaken by BDO LLP.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER		HOW WE ADDRESSED THE KEY AUDIT MATTER IN OUR AUDIT
REVENUE RECOGNITION ("EIR") As disclosed in Note 1, in Interest Income and Accounting estimates and judgements, the Society's mortgage interest income is recognised using an effective interest rate ("EIR") method.	This method involves adjusting fee and interest income to ensure it complies with the EIR method. The models used to achieve this are complex and reliant on the completeness and accuracy of input data. Significant management judgement is also required to determine the expected cash flows for Society's loans and advances within these models, in particular the expected behavioural life redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows. Errors within the EIR models themselves or bias in key assumptions applied could result in the material misstatement of revenue together with the relevant disclosures required. Revenue recognition is therefore considered to be a significant risk area.	We assessed whether the revenue recognition policies adopted by the Society are in accordance with requirements of the accounting framework. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard. We tested the completeness and accuracy of data and key model inputs feeding into the EIR models by agreeing samples back to the loan management system or source documents. This includes the data used in the historical behavioural life redemption profiles. We challenged management's segmentation of the behavioural life curves based on the different product types and the trends of more recent data which could impact the customer

KEY AUDIT MATTER		HOW WE ADDRESSED THE KEY AUDIT MATTER IN OUR AUDIT
		behaviour used for modelling the projected cash flows. We assessed whether the spreadsheet models calculate the EIR adjustments as designed, by testing the integrity of the model calculations. We reviewed the relevant interest income and effective interest rate disclosures made by management to ensure compliance with accounting standards and agreed the disclosures to supporting evidence. Key observations: We have not identified any indicators that the assumptions included in the EIR models are unreasonable in consideration of the Society's mortgage portfolio, historic behaviours and current economic and market conditions.
IMPAIRMENT LOSSES ON LOANS AND ADVANCES As disclosed in Note 13 and explained in Note 1 (critical estimates and judgements), the Society holds £777K of impairment provisions at year-end (2019: £723K).	The Society accounts for the impairment of loans and advances to customers using an incurred loss model and has chosen to apply IAS 39 when reporting under FRS 102. In accordance with the recognition and measurement criteria of IAS 39, management has calculated two types of provisions. i. A specific provision is calculated for loans where there is an observable loss event. ii. A collective provision is recognised for loans which are impaired as at the year end date and, whilst not specifically identified as such, are known from experience to be present in any portfolio of loans. Estimating an appropriate loan loss provision requires significant management judgement in determining the value and timing of future cash flows. In particular, the assumptions related to the cash flows expected to be received from the sale of property following	We obtained an understanding of the design and implementation of key controls in the impairment provisioning process and performed a process walk-through to confirm our understanding. This included data flows and procedures for identifying of customers in arrears and other specific impairment provisioning categories. Based on our assessment the only control we relied on was the system control that identifies loans in arrears, which is the flagging of arrears in the system. We tested the operating effectiveness of this control. We assessed the specific and collective provision methodology against the requirements of IAS 39. Our testing on specific provisions included selecting a sample of loans and checking the collateral valuation on loan inception to the external valuations obtained by management.

KEY AUDIT MATTER		HOW WE ADDRESSED THE KEY AUDIT MATTER IN OUR AUDIT
	repossession, have the most significant impact on the calculation of the provision and this has therefore been identified as a key audit matter, together with the relevant disclosures required.	We tested the House Price Index (HPI) and the discount rate applied to the collateral valuations on inception in order to determine current valuations based on industry information available. We also tested the population of loans to gain comfort that all loans that meet the criteria for a specific provision have been included for specific provisioning. For the collective provision we tested the appropriateness of the key assumptions within this model such as impairment triggers, indexed property valuations, and probability of defaults through a combination of, independent recalculations and agreeing inputs to external data sources where applicable. We tested the completeness and accuracy of key model inputs by agreeing them back on a sample basis to underlying source data. We performed sensitivity analysis on the discount applied to the indexed collateral valuations and to the level of segmentation in the model. We reconciled the loan balances in the models to test whether the relevant loan populations were being considered for impairment. We tested the appropriateness of management's capture of the impacts of COVID – 19 through assessing the rationale for changes to the assumptions and risk segments identified. We obtained support for this where available or considered and challenged the basis of managements estimate. We reviewed the impairment and sensitivity analysis disclosures made by management to ensure compliance with accounting standards and agreed the disclosures to supporting evidence with no material exceptions noted.

KEY AUDIT MATTER		HOW WE ADDRESSED THE KEY AUDIT MATTER IN OUR AUDIT
		Key observations: We have not identified any indicators that the provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made.

OUR OPINION ON MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2020
MATERIALITY	£228,000
BASIS FOR DETERMINING MATERIALITY	0.75% of Tier 1 Capital
RATIONALE FOR THE BENCHMARK APPLIED	We determined that Tier 1 capital was the most appropriate benchmark considering the different in stakeholders. In particular as regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits.
PERFORMANCE MATERIALITY	65%
BASIS FOR DETERMINING PERFORMANCE MATERIALITY	Lower level of materiality applied in particular considering this our first year and overall assessment of auditing the Society.

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report all individual audit differences in excess of £4,500 to the Audit Committee and any other differences that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANSFIELD BUILDING SOCIETY (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements 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.

Our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER BUILDING SOCIETIES ACT 1986 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

<table>
<tr>
<td>ANNUAL BUSINESS STATEMENT AND DIRECTORS' REPORT</td>
<td>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 requirements of the Building Societies Act 1986;
▪ The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
▪ The information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In the 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.</td>
</tr>
<tr>
<td>MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION</td>
<td>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; or
▪ the financial statements are not in agreement with the accounting records; or
▪ we have not received all the information and explanations we require for our audit.</td>
</tr>
</table>

OPINION ON OTHER MATTER PRESCRIBED BY THE CAPITAL REQUIREMENTS (COUNTRY-BY-COUNTRY REPORTING) REGULATIONS 2013

In our opinion the information given in note 32 for the financial year ended 31 December 2020 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANSFIELD BUILDING SOCIETY (CONTINUED)

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

We gained an understanding of the legal and regulatory framework applicable to the Society and the industry in which it operates and considered the risk of acts by the Society which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Building Societies Act 1986, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension legislation and tax legislation.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, internal audit and the audit committee;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the Financial Conduct Authority and the Prudential Regulation Authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. As part of this discussion, we identified potential for fraud accounting estimates such as EIR and loan loss provision.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

USE OF OUR 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.

Ariel Grosberg
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London

25 February 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 £000	2019 £000
Interest receivable and similar income	2	11,601	12,782
Interest payable and similar charges	3	(3,540)	(4,905)
Net interest income		**8,061**	7,877
Fees and commissions receivable	4a	133	170
Fees and commissions payable	4b	(95)	(114)
Other operating (charges)/income		(2)	-
Net losses from derivative financial instruments	5	(62)	(72)
Total net income		**8,035**	7,861
Administrative expenses	6	(5,512)	(5,039)
Depreciation and amortisation	14 & 15	(392)	(324)
Operating profit before impairment provisions		**2,131**	2,498
Impairment provisions on loans and advances	13	(54)	(15)
Impairment losses on property	14	(151)	(13)
Provisions for liabilities	22	(63)	(130)
Profit before tax		**1,863**	2,340
Tax expense	9	(402)	(447)
Profit for the financial year		**1,461**	1,893

OTHER COMPREHENSIVE INCOME

	2020 £000	2019 £000
Total comprehensive income for the year	**1,461**	1,893

Profit for the financial year arises from continuing operations. Both the profit for the financial year and total comprehensive income for the period are attributable to the members of the Society.

The notes on pages 43 to 75 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	NOTE	2020 £000	2019 £000
ASSETS			
Cash in hand and balances with the Bank of England	10a	54,338	70,339
Loans and advances to credit institutions	10b	29,971	22,473
Derivative financial instrument assets	11	-	21
Loans and advances to customers	12	348,209	337,958
Tangible fixed assets	14	1,855	1,985
Intangible assets	15	378	512
Other debtors	16	444	422
Total assets		**435,195**	433,710
LIABILITIES			
Shares	17	319,127	314,510
Amounts owed to credit institutions	18	48,011	50,090
Amounts owed to other customers	19	34,842	37,820
Derivative financial instrument liabilities	11	834	411
Accruals and deferred Income		293	395
Other liabilities	20	594	439
Tax liabilities	20	179	173
Deferred tax	21	83	53
Provisions for liabilities	22	84	132
Total liabilities		**404,047**	404,023
RESERVES			
General reserves	25	31,148	29,687
Total reserves attributable to members of the Society		**31,148**	29,687
Total reserves and liabilities		**435,195**	433,710

The notes on pages 43 to 75 form part of these accounts.

These accounts were approved by the Board of Directors on 25 February 2021 and signed on its behalf by:

Jeremy Cross
Board Chair

Daniel Jones
Finance Director

Paul Wheeler
Chief Executive and Director

STATEMENT OF CHANGES IN MEMBERS' INTERESTS

	2020 General Reserve £000	2020 Total £000	2019 General Reserve £000	2019 Total £000
Balance at 1 January	29,687	29,687	27,794	27,794
Total comprehensive income for the period				
Profit	1,461	1,461	1,893	1,893
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	1,461	1,461	1,893	1,893
Balance at 31 December	**31,148**	**31,148**	29,687	29,687

The notes on pages 43 to 75 form part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2020 £000	2019 £000
Profit before tax		1,863	2,340
Adjustment for			
Depreciation and amortisation	14 & 15	313	324
Increase in impairment of property	14	230	13
Increase in impairment provisions on loans and advances	13	54	15
TOTAL		**2,460**	2,692
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Increase in prepayments, accrued income and other assets		(2)	(45)
Decrease in fair value of derivatives		21	211
(Decrease) / Increase in accruals, deferred income and other liabilities		(91)	459
Increase in loans and advances to customers		(10,303)	(13,375)
Increase in shares		5,049	28,858
Decrease in amounts owed to other credit institutions and other customers		(4,970)	(5,250)
Increase in loans and advances to credit institutions		(8,270)	(6,070)
Taxation paid		(367)	(474)
Net cash (used in) / generated by operating activities		**(16,473)**	7,006
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of debt securities		-	1,000
Purchase of tangible fixed assets		(310)	(415)
Disposal of tangible fixed assets		100	-
Purchase of intangible fixed assets		(69)	(286)
Net cash (used in) / generated by investing activities		**(279)**	299
Net cash (decrease) / increase in cash and cash equivalents		**(16,752)**	7,305
Cash and cash equivalents at 1 January		79,079	71,774
Cash and cash equivalents at 31 December	10(a)	**62,327**	79,079

The notes on pages 43 to 75 form part of these accounts.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

BASIS FOR PREPARATION

The Society annual accounts are prepared and approved by the directors in accordance with FRS102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) and those parts of the Building Societies Act 1986 and Building Societies (Accounts and Related Provisions) Regulations 1998 applicable to societies reporting under FRS102. The Society has also chosen to apply the recognition and measurement provisions of IAS39 (Financial Instruments: recognition and measurement).

The annual accounts are prepared under the historical cost convention as modified by the fair value of derivatives.

The accounts have been prepared on the going concern basis as outlined in the Directors' report on page 16.

The preparation of accounts in conformity with FRS102 and IAS39 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

INTEREST INCOME AND EXPENSE

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

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

Fair value changes on derivatives held for risk management purposes, and financial assets and financial liabilities carried at fair value through profit or loss, are presented in net losses from derivative financial instruments at fair value through profit or loss in the statement of comprehensive income.

FEES AND COMMISSIONS

If the fees are an integral part of the effective interest rate of a financial instrument, they are recognised as an adjustment to the effective interest rate and recorded in interest income/payable.

Other fees are recognised on an accruals basis when the service has been provided or on the completion of an act to which the fee relates.

Commission receivable from the sale of third party products is recognised upon fulfilment of contractual obligations, that is when policies go on risk or on completion of a transaction.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Society uses derivatives for risk management purposes. The Society does not use derivatives for trading purposes. Derivatives are measured at fair value in the statement of financial position. Fair values are obtained by applying market rates to a discounted cash flow model. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

In September 2019, the IASB issued amendments to IAS 39, IFRS 9 and IFRS 7 Financial Instruments: Disclosures to address uncertainties related to the market wide reform of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9. The Society has adopted these amendments.

NOTES TO THE ACCOUNTS (CONTINUED)

The Society designates derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Society formally documents the relationship between the hedging instruments and hedge 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 as well as on an ongoing basis as to 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 whether the actual results of each hedge are within an effectiveness range of 80-125 percent.

FAIR VALUE HEDGES

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of comprehensive income as the hedged item).

FINANCIAL ASSETS

The Society classifies non derivative financial assets as either, loans and receivables or held to maturity assets. Management determines the classification of financial assets at initial recognition. No assets have been classified as available for sale.

LOANS AND RECEIVABLES

The Society's loans and advances to customers are classified as loans and receivables. Loans and advances to Credit Institutions are classified as financial assets at amortised cost. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Society measures its customer loans and receivables at amortised cost, using the effective interest method, less impairment. The initial value may, if integral to the effective interest rate, include certain upfront costs and fees such as procuration fees, mortgage indemnity guarantee premiums and arrangement fees, which are recognised over the expected life of mortgage assets. Mortgage discounts are also recognised over the expected life of mortgage assets as part of the effective interest rate. Throughout the year and at each year end, the mortgage life assumptions are reviewed for appropriateness. If there is a change in the mortgage life assumption, the future cash flows of the associated mortgages are reforecast over the revised expected life using the original effective interest rate. The resulting change in carrying value of the mortgages is recognised in interest receivable and similar income.

IMPAIRMENT OF FINANCIAL ASSETS NOT CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

ASSETS CARRIED AT AMORTISED COST

Throughout the year and at each year-end, individual assessments are made of all loans and advances against properties which are in possession or in arrears and/or are subject to forbearance activities or where the loan is interest only and there is no evidence of a repayment vehicle. Individual impairment provision is made against those loans and advances where there is objective evidence of impairment.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. In considering expected future cash flows, account is taken of any discount which may be needed against the indexed value of the property at the statement of financial position date thought necessary to achieve a sale and expected costs of realisation.

NOTES TO THE ACCOUNTS (CONTINUED)

In addition the Society assesses whether there is objective evidence to suggest a financial asset or group of financial assets is likely to be impaired. Where a collective assessment is made, each category or class of financial asset is split into groups of assets with similar credit risk characteristics. The Society measures the amount of impairment loss by applying expected loss factors based on external credit reference data, industry/Society experience of default, the effect of movements in house prices and any adjustment for the expected forced sale value.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets, with the exception of freehold land and assets in the course of construction, at rates calculated to write off each asset over its expected useful life.

An assessment of impairment is made on all property at each year end and any write down is taken to Profit and Loss in that year.

The straight line basis has been used in the following way:

FREEHOLD PREMISES	2% per annum
LEASEHOLD PREMISES	Over life of lease or useful life of the asset, whichever is shorter
MOTOR VEHICLES	25% per annum
COMPUTER EQUIPMENT	25% per annum
OFFICE EQUIPMENT	10% per annum or over the useful life of the asset if shorter

Depreciation is not provided on freehold land.

INTANGIBLE ASSETS

COMPUTER SOFTWARE

Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Society which will generate future economic benefits and where costs can be reliably measured.

Intangible assets are stated at cost less cumulative amortisation.

Amortisation begins when the asset becomes available for operational use and is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, which is generally between 3-6 years.

PENSION COSTS

The Society operates a personal pension plan that is open to all colleagues. For employees not wishing to join this plan there is a personal pension plan with a separate provider for auto enrolment purposes. Pension costs in respect of these plans are charged to the Statement of Comprehensive Income in the year in which contributions are payable. In addition, the Society operates a defined benefit pension scheme, the assets of which are held in a separate Trustee administered fund. The assets and liabilities are measured at fair value at each balance sheet date. Any resulting deficit is recognised immediately on the balance sheet net of deferred tax however any resulting surplus is not recognised in the balance sheet as the trust deed prevents the Society accessing any surplus funds unless the scheme were wound up. The Scheme has been closed to future accruals since 28 February 2007. Further details on pension schemes are provided in note 30 to the Accounts.

TAXATION

The charge for taxation is based upon the profit for the year and takes into account taxation which is deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided using the full provision method. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, and is calculated at rates expected to be applicable when the liability or asset crystallises on a non-discounted basis.

NOTES TO THE ACCOUNTS (CONTINUED)

OPERATING LEASES

The costs associated with operating leases are charged on a straight-line basis over the period of the lease.

LIQUID ASSETS

Treasury bills and debt securities are held to maturity and so are accounted for as financial fixed assets and accordingly shown at cost, adjusted for premium or discount on purchase amortised over the period to maturity. Where the directors consider there to be objective evidence that an impairment of a financial fixed asset has occurred, a provision is made to write down the cost of the asset to its recoverable amount.

Term Funding Scheme (TFS) and Term Funding Scheme with additional incentives for SME's (TFSME) – In order for the Society to access funding from the TFS and TFSME, mortgage assets are required to be pledged as collateral. Where the risk and reward of ownership of the mortgage assets remain with the Society they are retained on balance sheet. The interest received on these assets remains with the Society and is accounted for as earned on an accruals basis. Interest payable is accrued over the life of the agreement on a straight line basis.

Cash and cash equivalents - for the purposes of the cash flow statement, cash and cash equivalents comprise highly liquid investments that are convertible into cash and have an insignificant risk of change in value.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

A IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

The Society reviews its mortgage advances portfolio at least every half year, to assess loan impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cashflows. Estimates are applied to determine prevailing market conditions (for example, house prices are adjusted for movement in valuations based on the Land Registry house price index), customer behaviour (for example, default rates) and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

One key assumption is the estimate of the value of the property at the point of recovery and to the extent that house prices differ from that estimated by 5%, the impairment allowance on loans and advances would change by an estimated £0.21 million. Another key assumption is the probability of default when an impairment trigger has been observed, and to the extent that the probability of default differs from that estimated by 5%, the impairment allowance on loans and advances would change by an estimated £0.03 million.

B EFFECTIVE INTEREST RATES AND REVENUE RECOGNITION

When calculating the expected future cash flows of a mortgage, the expected life of that mortgage is key to this calculation as it determines the expected effective interest to be earned. In determining the expected life of mortgage assets, the Society uses historical redemption data as well as management judgement.

At regular intervals throughout the year, the expected life of mortgage assets is reassessed for reasonableness. Any variation in the expected life of mortgage assets will change the carrying value in the statement of financial position and the timing of the recognition of interest income. Management have assessed, based on a review of historic data, that the expected life of its mortgage products ends when only 10% of customers remain on the product.

A 3 month increase in the expected life profile of mortgage assets would result in an increase in the value of loans on the statement of financial position by approximately £0.12 million, and a corresponding increase in interest receivable.

C EMPLOYEE BENEFITS

The Society operates a defined benefit pension scheme. Significant judgements (on such areas as future interest rates, inflation rates and mortality rates) have to be exercised in estimating the value of the assets and liabilities of the scheme, and hence of its net surplus.

The assumptions and associated sensitivities are outlined in note 30 to the accounts.

NOTES TO THE ACCOUNTS (CONTINUED)

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £000	2019 £000
On loans fully secured on residential property	11,762	12,218
On loans fully secured on land	35	16
Interest and other income on other liquid assets	278	654
Net expense on derivatives	(474)	(106)
	11,601	12,782

Included within interest income is £151,029 (2019: £125,487) in respect of interest income accrued on impaired loans, two or more months in arrears.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2020 £000	2019 £000
On shares held by individuals	3,205	4,134
On deposits and other borrowings	335	771
	3,540	4,905

NOTES TO THE ACCOUNTS (CONTINUED)

4 FEES AND COMMISSIONS

A FEES AND COMMISSIONS RECEIVABLE

	2020 £000	2019 £000
Insurance commission	18	16
Other commissions	19	15
Fees receivable	96	139
	133	170

B FEES AND COMMISSIONS PAYABLE

	2020 £000	2019 £000
Bank charges	50	61
Other fees payable	45	53
	95	114

5 NET LOSS FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2020 £000	2019 £000
Movement in derivatives in designated fair value hedge relationships	(443)	(556)
Movement in hedged items in fair value hedge accounting relationships	381	484
	(62)	(72)

Included in the above are fair value gains of £335 (2019: £21,191) on derivatives held in qualifying fair value hedging relationships and £833,511 (2019: £411,494) representing losses on derivatives in qualifying fair value hedging relationships. Also included are fair value gains of £731,296 (2019: £366,659) in the fair value of the hedged item attributable to the risk hedged and losses of £424 (2019: £16,520) in the fair value of the hedged item attributable to the risk hedged.

The above numbers are based on an average effectiveness of 107.4% (2019: 116.8%) for LIBOR based derivatives and 104.3% (2019: Not applicable) for SONIA based derivatives.

NOTES TO THE ACCOUNTS (CONTINUED)

6 ADMINISTRATIVE EXPENSES

	2020 £000	2019 £000
Wages and salaries	2,710	2,510
Social security costs	335	299
Contributions to defined contribution pension scheme	279	235
Other administrative expenses	2,188	1,995
Total administrative expenses	**5,512**	5,039

Included in other administrative expenses are the following:

Auditor's remuneration (stated exclusive of VAT)

	2020 £000	2019 £000
Payments to the Auditor for:		
Audit of these financial statements	100	86
Amounts receivable by the Society's Auditors and its associates in respect of:		
Other audit services	5	5

7 COLLEAGUE NUMBERS

The average number of persons employed during the year was as follows:

	2020	2019
FULL TIME		
Principal office	52	41
Branch offices	17	24
	69	65
PART TIME		
Principal office	14	13
Branch offices	13	12
	27	25

In 2020, the Mansfield Branch, previously located within Head Office, moved location. Support departments, traditionally situated within the branch, remained at Head Office.

NOTES TO THE ACCOUNTS (CONTINUED)

8 DIRECTORS' REMUNERATION

REMUNERATION OF DIRECTORS

	2020 £000	2019 £000
For services as non-executive directors	165	157
For services as executives	416	383
	581	540

The highest paid Director in the Society is Paul Wheeler (CEO).

Further details of the directors' remuneration are given in the Directors' Remuneration Report on pages 27 to 29.

A DIRECTORS' LOANS AND TRANSACTIONS

At 31 December 2020, there were no outstanding mortgage loans granted in the ordinary course of business to any directors or their connected persons (2019: £nil).

A register is maintained at the Principal Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with directors and their connected persons.

A statement of the appropriate details contained in the register, for the financial year ended 31 December 2020, will be available for inspection at the Principal Office for a period of 15 days up to and including the Annual General Meeting.

B RELATED PARTY TRANSACTIONS

During the year there were no services provided to the Society by any connected business of a serving director. At 31 December 2020, there were no amounts outstanding to any connected businesses (2019: £nil).

There were no significant contracts with the Society subsisting during or at the end of the financial year in which a director of the Society (or a person connected with a director of the Society) is, or was, interested.

At 31 December 2020 a total of £84,356 (2019: £94,862) was held in Society savings by the directors and their connected parties.

NOTES TO THE ACCOUNTS (CONTINUED)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

ANALYSIS OF CHARGE IN YEAR	2020 £000	2019 £000
CURRENT TAX		
Corporation tax at 19.00% (2019: 19.00%)	392	410
Adjustments relating to prior year	(20)	(3)
Total current tax	**372**	407
DEFERRED TAX		
Origination and reversal of timing differences	2	42
Adjustment to prior year estimates	19	(2)
Effects of changes in tax rate	9	-
Total tax	**402**	447

FACTORS AFFECTING THE TAX CHARGE FOR THE CURRENT PERIOD	2020 £000	2019 £000
Profit on ordinary activities before tax	1,863	2,340
Current tax at 19.00% (2019: 19.00%)	354	445
Effects of:		
Expenses not deductible for tax purposes	40	7
Impact of different tax rates	-	(1)
Adjustments relating to prior year	8	(4)
Total tax	**402**	447

	2020			2019		
	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Recognised in statement of comprehensive income	372	30	402	407	40	447
Total tax	**372**	**30**	**402**	407	40	447

NOTES TO THE ACCOUNTS (CONTINUED)

10 LIQUID ASSETS

A CASH AND CASH EQUIVALENTS

	2020 £000	2019 £000
Cash in hand and balance with the Bank of England	54,338	70,339
Loans and advances to credit institutions	7,989	8,740
Cash and cash equivalents per Cash Flow Statement	**62,327**	79,079

B LOANS AND ADVANCES TO CREDIT INSTITUTIONS

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

	2020 £000	2019 £000
Repayable on demand	7,991	8,760
In not more than three months	7,958	7,690
In more than three months but not more than one year	14,022	6,023
In more than one year	-	-
	29,971	22,473
Total included within cash and cash equivalents	**7,989**	8,740

Loans and advances to credit institutions which are included within cash and cash equivalents in the cash flow statement comprise current accounts held at other credit institutions utilised for the Society's daily operations.

C DEBT SECURITIES

Movements in debt securities during the year are summarised as follows:

	2020 £000	2019 £000
At 1 January	-	1,008
Additions	-	-
Maturities	-	(1,008)
At 31 December	**-**	-

NOTES TO THE ACCOUNTS (CONTINUED)

11 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 Positive market value £000	2020 Negative market value £000	2019 Positive market value £000	2019 Negative market value £000
Derivatives designated as fair value hedges:				
Interest rate swaps	-	**834**	21	411

12 LOANS AND ADVANCES TO CUSTOMERS

	2020 £000	2019 £000
Loans fully secured on residential property	345,652	336,891
Loans fully secured on land	1,826	717
Fair value of hedged risk	731	350
At 31 December	**348,209**	337,958

The remaining maturity of loans and advances to customers from the date of the balance sheets is as follows:

MATURITY ANALYSIS	NOTE	2020 £000	2019 £000
On call and at short notice		6	27
Repayable with remaining maturity:			
In not more than three months		2,848	2,560
In more than three months but not more than one year		7,670	7,361
In more than one year but not more than five years		49,942	47,480
In more than five years		288,520	281,253
		348,986	338,681
Less allowance for impairment for bad and doubtful debts	13	(777)	(723)
		348,209	337,958

The maturity analysis is based on contractual maturity not actual redemption levels experienced by the Society.

At 31 December 2020 the Society had pledged £93.1m (2019: £81.9m) of mortgage assets to the Bank of England as collateral under the Bank of England Sterling Monetary Framework.

NOTES TO THE ACCOUNTS (CONTINUED)

The Society operates throughout England, Scotland & Wales and an analysis of the geographical concentration is shown in the table below :

GEOGRAPHICAL ANALYSIS	2020 %	2019 %
North East	2.7	2.7
North West	12.1	12.3
Yorkshire and Humberside	11.0	11.9
East Midlands	16.0	16.2
West Midlands	9.0	8.9
East Anglia	5.2	5.2
South West	11.3	11.8
London	9.6	8.7
South East	17.3	17.7
Wales	4.5	4.6
Scotland	1.3	-
	100.0	100.0

13 ALLOWANCE FOR IMPAIRMENT

Provisions against loans and advances to customers have been made as follows:

	Loans fully secured on residential property		Loans fully secured on land		Total	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
AT 1 JANUARY						
Individual impairment	114	96	-	-	114	96
Collective impairment	609	610	-	2	609	612
	723	706	**-**	2	**723**	708
CHARGE / (CREDIT) FOR THE YEAR						
Individual impairment	269	18	50	-	319	18
Collective impairment	(265)	(1)	-	(2)	(265)	(3)
	4	17	**50**	(2)	**54**	15
AT 31 DECEMBER						
Individual impairment	383	114	50	-	433	114
Collective impairment	344	609	-	-	344	609
	727	723	**50**	-	**777**	723

NOTES TO THE ACCOUNTS (CONTINUED)

During 2020, the loss mitigation represented by the mortgage indemnity guarantee purchased on high LTV loans by the Society has been factored in to the impairment assessment, and this has had the effect of reducing the collective impairment allowance during 2020.

Individual impairments as at 31 December 2020 include allowances for customers who received a payment deferral during the year as part of the government scheme, and where an impairment trigger was deemed to have occurred. The majority of these accounts were not in arrears as at 31 December 2020.

The individual impairment to loans fully secured on land relates to a single syndicated loan secured on sites which are let to car dealerships. During the year one of the sites ceased to be let. There are no further loans of this nature in the Society portfolio.

14 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Equipment, fixtures, fittings and vehicles £000	Assets in the Course of Construction £000	Total £000
COST				
At 1 January 2020	1,459	1,758	22	3,239
Additions/Transfers	-	332	245	577
Disposals/Transfers	(101)	-	(267)	(368)
Impairment	(230)	-	-	(230)
At 31 December 2020	**1,128**	**2,090**	**-**	**3,218**
DEPRECIATION				
At 1 January 2020	(118)	(1,136)	-	(1,254)
Charge for year	(18)	(171)	-	(189)
Disposals	1	-	-	1
Impairment	79	-	-	79
At 31 December 2020	**(56)**	**(1,307)**	**-**	**(1,363)**
NET BOOK VALUE				
At 1 January 2020	1,341	622	22	1,985
At 31 December 2020	**1,072**	**783**	**-**	**1,855**

Included within freehold land and buildings above is £476,143 (2019: £532,614) of non-depreciable land.

The net book value of land and buildings occupied by the Society for its own activities is £1,072,307 (2019 £1,341,163). An impairment review of the Society's Mansfield head office and its Chesterfield branch were conducted in 2020, the impact of which to net book value was £151,711 (2019: £12,309). This was in light of the repurposing of the head office to be solely office space, following the relocation of the Mansfield branch to its new Market Place site, and also a view that town centre commercial property values had been impacted by the Covid-19 crisis.

NOTES TO THE ACCOUNTS (CONTINUED)

15 INTANGIBLE ASSETS

	Software £000	Assets in the course of construction £000	Total £000
COST			
At 1 January 2020	1,543	35	1,578
Additions/Transfers	68	64	132
Disposals/Transfers	-	(63)	(63)
At 31 December 2020	**1,611**	**36**	**1,647**
AMORTISATION			
At 1 January 2020	(1,066)	-	(1,066)
Charge for year	(203)	-	(203)
At 31 December 2020	**(1,269)**	**-**	**(1,269)**
NET BOOK VALUE			
At 1 January 2020	477	35	512
At 31 December 2020	**342**	**36**	**378**

16 OTHER DEBTORS

	2020 £000	2019 £000
Prepayments and accrued income	444	422
	444	422

NOTES TO THE ACCOUNTS (CONTINUED)

17 SHARES

	2020 £000	2019 £000
Held by individuals	319,120	314,503
Other shares	7	7
	319,127	314,510
Shares are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	439	877
Repayable on demand	156,442	162,024
Other shares by residual maturity repayment:		
In not more than three months	84,912	78,325
In more than three months but not more than one year	33,113	27,579
In more than one year but not more than five years	42,870	45,177
In more than five years	1,351	528
	319,127	314,510

18 AMOUNTS OWED TO CREDIT INSTITUTIONS

	2020 £000	2019 £000
Amounts owed to credit institutions are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	11	90
Repayable with agreed maturity dates or period of notice:		
In not more than three months	2,000	2,000
In more than three months but not more than one year	10,000	2,000
In more than one year but not more than five years	36,000	46,000
	48,011	50,090

Included in the amounts above is £20.0m (2019: £46.0m) relating to funds drawn from the Term Funding Scheme and £26.0 m (2019: £0m) of funds drawn from the Term Funding Scheme with additional incentives for SME's.

NOTES TO THE ACCOUNTS (CONTINUED)

19 AMOUNTS OWED TO OTHER CUSTOMERS

	2020 £000	2019 £000
Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	2	3
On demand	22,444	23,265
With agreed maturity dates or period of notice:		
In not more than three months	9,599	11,765
In more than three months but not more than one year	2,797	2,787
	34,842	37,820

20 OTHER LIABILITIES

	2020 £000	2019 £000
Falling due within one year:		
Corporation tax	179	173
Other creditors	594	439
	773	612

21 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Accelerated capital allowances	-	-	126	102	126	102
Short term timing differences	(43)	(49)	-	-	(43)	(49)
Tax (assets) / liabilities	**(43)**	(49)	**126**	102	**83**	53

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. This rate was substantively enacted on 17 March 2020, and repeals the previously enacted 17% tax rate which was due to come into force on 1 April 2020. Based on this rate we have assumed that the deferred tax assets and liabilities will reverse after 12 months and we have updated the disclosures to reflect this.

NOTES TO THE ACCOUNTS (CONTINUED)

22 PROVISIONS

	Bonus Provision > 1 yr £000	Mortgage Interest £000	FSCS Levy £000	Total £000
Balance at 1 January 2020	111	15	6	132
Provisions charged during the year	84	-	-	84
Provisions utilised during the year	(111)	-	-	(111)
Provisions released to profit and loss	-	(15)	(6)	(21)
Balance at 31 December 2020	**84**	**-**	**-**	**84**

BONUS PROVISION

The Society pays a medium term bonus to all senior colleagues subject to satisfactory personal performance and based on Society targets. The bonus relates to annual performance and is payable 50% in the year following the year of earning and 25% in each of the following two years subject to meeting Society medium term and personal targets. The bonus is awarded as a percentage of the individual's salary at the time of payment.

MORTGAGE INTEREST

This provision represented an adjustment to closed customer mortgage accounts to realign their interest calculation to the Society's revised methodology. As at 31 December 2020, all payments for closed customer mortgage accounts had been made.

FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

In common with all regulated UK deposit takers, the Society had previously paid levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy. The management expenses levy covers the interest on the compensation paid out by the FSCS and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it.

The FSCS meets these claims by way of loans received from HM Treasury. In past years loans were made in relation to the failure of Bradford and Bingley plc, Dunfermline Building Society and other casualties of the last financial crisis.

The final instalment of these loans from HM Treasury was made by the FSCS in 2018 and this has subsequently caused the FSCS to realign its methods of levying its payments. Payments are now made to the FSCS in the year in which the payment becomes due, removing the requirement for the Society to calculate a provision for the outstanding charge at the year end.

As at 31 December 2020 all invoices for outstanding charges had been received. For this reason, the yearend provision contained in these accounts for 2020 was reduced to nil.

NOTES TO THE ACCOUNTS (CONTINUED)

23 COMMITMENTS

FINANCIAL COMMITMENTS

STAFF PENSIONS

Under the Trust Deed of the staff pension scheme, the trustees have a claim on the assets of the Society if there are insufficient assets available to meet all benefits payable by the scheme.

CAPITAL COMMITMENTS

No material capital expenditure has been contracted for or authorised at 31 December 2020 (2019: £nil).

24 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2020		2019	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	40	-	41	-
Greater than one year less than 5 years	150	-	151	-
Greater than 5 years	136	-	175	-
	326	**-**	**367**	**-**

25 GENERAL RESERVES

	2020 £000	2019 £000
At 1 January	29,687	27,794
Profit for the financial year	1,461	1,893
At 31 December	**31,148**	29,687

26 FINANCIAL INSTRUMENTS

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

The Society's principal derivatives used in balance sheet risk management are interest rate swaps, which are used to hedge balance sheet exposures arising from fixed rate mortgage lending and savings products. These derivatives are only used by the Society in accordance with the Building Societies Act 1986 (as amended by the Building Societies Act 1997) to limit the extent to which the Society will be affected by changes in interest rates or other factors specified in the legislation. Derivatives are not used in trading activity or for speculative purposes; consequently all such instruments are classified as hedging contracts.

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. This note describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The tables below analyse the Society's assets and liabilities by financial classification:

CARRYING VALUES BY CATEGORY 31 DECEMBER 2020		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	Total £000
FINANCIAL ASSETS				
Cash in hand and Balances with Bank of England	-	54,338	-	54,338
Loans and advances to credit institutions	-	29,971	-	29,971
Derivative financial instruments	-	-	-	-
Loans and advances to customers	348,209	-	-	348,209
Total financial assets	**348,209**	**84,309**	-	**432,518**
Non-financial assets	-	2,677	-	2,677
Total assets	**348,209**	**86,986**	-	**435,195**
FINANCIAL LIABILITIES				
Shares	-	319,127	-	319,127
Amounts owed to credit institutions	-	48,011	-	48,011
Amounts owed to other customers	-	34,842	-	34,842
Derivative financial instruments	-	-	834	834
Other liabilities	-	1,233	-	1,233
Total financial liabilities	-	**403,213**	**834**	**404,047**
RESERVES				
General reserves	-	31,148	-	31,148
Total	-	**434,361**	**834**	**435,195**

NOTES TO THE ACCOUNTS (CONTINUED)

CARRYING VALUES BY CATEGORY 31 DECEMBER 2019		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	Total £000
Financial assets				
Cash in hand and Balances with Bank of England	-	70,339	-	70,339
Loans and advances to credit institutions	-	22,473	-	22,473
Derivative financial instruments	-	-	21	21
Loans and advances to customers	337,958	-	-	337,958
Total financial assets	337,958	92,812	21	430,791
Non-financial assets	-	2,919	-	2,919
Total assets	337,958	95,731	21	433,710
Financial liabilities				
Shares	-	314,510	-	314,510
Amounts owed to credit institutions	-	50,090	-	50,090
Amounts owed to other customers	-	37,820	-	37,820
Derivative financial instruments	-	-	411	411
Other liabilities	-	1,192	-	1,192
Total financial liabilities	-	403,612	411	404,023
Reserves				
General reserves	-	29,687	-	29,687
Total	-	433,299	411	433,710

VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The Society holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1: The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society does not hold any Level 1 assets/liabilities.

Level 2: These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. The Society's Level 2 portfolio comprises interest rate swaps for which market informed yield curves have been used in their fair value.

Level 3: These are valuation techniques for which one or more significant inputs is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models. The Society does not hold any Level 3 assets/liabilities.

The table below summarises the fair values of the Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Society to derive the financial instruments fair value:

FAIR VALUE AT 31 DECEMBER	2020 Level 2 £000	2019 Level 2 £000
Financial assets		
Interest rate swaps	-	21
Hedged risk	731	367
	731	388
Financial liabilities		
Interest rate swaps	834	411
Hedged risk	-	17
	834	428

In September 2019, the IASB issued amendments to IAS 39, IFRS 9 and IFRS 7 Financial Instruments: Disclosures to address uncertainties related to the market wide reform of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9. They are effective for periods beginning on or after 1 January 2020.

Commencing 1 January 2020, when the Society takes swaps, they no longer make use of LIBOR, and are now taking SONIA swaps. This will ensure that the exposure the Society has to LIBOR will naturally reduce as swaps mature. Nonetheless, the Society is holding £36m of LIBOR swaps which do not mature until after 31 December 2021. The Society will monitor the market for opportunities to replace these with SONIA swaps. The Society could also take advantage of other reliefs or transitional arrangements, should they emerge, such as the creation of a formalised relationship aligning LIBOR to SONIA.

The composition of the portfolio of interest rate swaps used in hedges and held at each year end is shown in the table below.

	2020 £000	2019 £000
Notional value of LIBOR swap contracts used in hedges	66,500	95,500
Notional value of SONIA swap contracts used in hedges	26,500	-
Total notional value of swap contracts used in hedges held at 31 December	**93,000**	95,500
Notional value of LIBOR swap contracts used in hedges which mature before the end of 2021	30,500	59,500
Notional value of LIBOR swap contracts used in hedges which mature after 2021	36,000	36,000
	66,500	95,500

	2020 £000	2019 £000
Carrying value of mortgages hedged by LIBOR swap contracts which mature before the end of 2021	20,732	47,839
Carrying value of mortgages hedged by LIBOR swap contracts which mature after 2021	33,204	34,607
Total carrying value of mortgages hedged by LIBOR swap contacts	**53,936**	82,446

The carrying value of mortgages included in hedge relationships is equal to their amortised cost after hedge accounting adjustments.

FINANCIAL ASSETS PLEDGED AS COLLATERAL

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2020 and 2019 are shown in the following table:

	2020 £000	2019 £000
Loans and advances to customers	93,084	81,945
	93,084	81,945

The mortgage loans are pledged as collateral against any loans received from the Bank of England under the Bank of England Sterling Monetary Framework.

27 CREDIT RISK

Credit risk is the risk of default by counterparties to transactions. Appropriate credit limits have been established for individual counterparties, sectors and countries and the Board ensures that the Society adheres to these limits.

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

	2020 £000	2019 £000
Cash in hand and Balances with Bank of England	54,338	70,339
Loans and advances to credit institutions	29,971	22,473
Derivative financial instruments	-	21
Loans and advances to customers - fully secured on residential property	345,652	336,891
- fully secured on land	1,826	717
Total statement of financial position exposure	431,787	430,441
Off balance sheet exposure – mortgage commitments	17,824	17,599
	449,611	448,040

NOTES TO THE ACCOUNTS (CONTINUED)

MORTGAGE BOOK CREDIT RISK

Credit quality analysis of loans and advances to customers excluding commitments to lend:

	NOTE	2020 Loans fully secured on residential property £000	2020 Loans fully secured on land £000	2019 Loans fully secured on residential property £000	2019 Loans fully secured on land £000
Not Impaired					
Neither past due nor impaired		334,069	1,342	330,090	717
Past due under 3 months but not impaired		3,958	-	3,563	-
Past due 3 months and over but not impaired		772	20	1,206	-
Impaired					
Not past due		5,289	514	323	-
1-2 months		1,400	-	1,622	-
2-4 months		179	-	361	-
4-6 months		423	-	308	-
6 months +		289	-	141	-
		346,379	**1,876**	337,614	717
Allowance for impairment					
Individual		(383)	(50)	(114)	-
Collective		(344)	-	(609)	-
		(727)	**(50)**	(723)	-
Loans and advances to customers	12	**345,652**	**1,826**	336,891	717

	2020 £000	2019 £000
Indexed value of collateral held		
Neither past due nor impaired	852,898	789,632
Past due but not impaired	11,424	9,771
Impaired	11,599	3,360
	875,921	802,763

The allowance for impairment category includes cases in forbearance and arrears cases, customers who have entered in to an IVA or bankruptcy and customers who have taken a payment deferral. Only customers where there is evidence of impairment are included.

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession, or where credit scoring evidence suggests an impairment trigger has occurred due to the customer's ability to afford repayments. Further consideration is given in the accounting policies on page 43.

The collateral consists of residential and commercial property. Collateral values are adjusted by the latest price index produced by the Land Registry to derive the indexed valuation at 31 December 2020. This index takes into account regional data from eleven different regions within the UK. The Society uses this index to update its mortgage portfolio on a monthly basis.

The value of collateral held against impaired loans at 31 December 2020 is £11,599k (2019: £3,360k) against outstanding debt of £8,094k (2019: £2,755k).

The value of collateral held against loans past due but not impaired as 31 December 2020 is £11,424k (2019: £9,771k) against outstanding debt of £4,750k (2019: 4,769k).

COLLATERAL HELD AND OTHER CREDIT ENHANCEMENTS

The Society holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2020 %	2019 %	
Loans and advances to customers	**100**	100	Property

The table below stratifies exposures from loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

	2020		2019	
	FSRP 2020 £000	FSOL 2020 £000	FSRP 2019 £000	FSOL 2019 £000
LTV ratio				
Less than 50%	121,215	1,049	107,611	717
51 – 70%	105,685	99	100,912	-
71 – 90%	107,970	728	100,650	-
91 – 100%	11,509	-	28,300	-
More than 100%	-	-	141	-
	346,379	**1,876**	337,614	717

The average LTV for the total loan book is 39.8% (2019: 41.5%).

The loans included in the 91-100% LTV banding include standard residential mortgages that are insured using High Loan to Value Insurance. There are also Shared Ownership customers in this banding, whose loans are shown as the mortgage balance versus the value of the share that the customer has purchased, as opposed to the percentage of the loan compared to the value of the property. A Housing Association will own the remaining share and a guarantee exists between the Society and the Housing Association which allows the Society to access the full equity in the property in a default situation.

The above table includes £21.47m (2019: £25.48m) of self-build mortgages where the customer receives their funds in stages. The loan to value for these mortgages is calculated as the value drawn to date as a percentage of the estimated final valuation of the completed property.

NOTES TO THE ACCOUNTS (CONTINUED)

FORBEARANCE

Borrowers experiencing payment difficulties are encouraged to contact the Society as a number of forbearance measures are available to assist them with what, in most cases, are temporary problems. These measures include:

TEMPORARY CONCESSION	a temporary transfer to interest only or underpayments on a temporary basis.
AGREED FORMAL ARRANGEMENT	includes cases where there is an agreed arrears repayment plan.
LOAN MODIFICATION	includes cases where there is a term extension.

The table below analyses residential mortgage borrowers with renegotiated terms at the yearend date:

	2020 Number	2019 Number
Temporary concession	10	10
Agreed formal arrangements	5	10
Loan modification	19	18
	34	38

At 31 December 2020 £2.45m (2019: £2.82m) of loans are subject to forbearance.

28 LIQUIDITY RISK

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its obligations as they fall due, under either normal business conditions or a stressed environment. The Society's policy is to maintain sufficient funds in a liquid form at all times to ensure that liabilities can be met as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected event that may arise.

Monitoring of liquidity, in line with the Society's prudential policy framework, is performed daily. Compliance with these policies is reported to the Management Assets and Liabilities Committee seven times per year and to the Board's Risk Committee quarterly.

The tables below set out the remaining contractual maturities of the Society's financial assets and financial liabilities.

YEAR END 2020	On Demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
ASSETS						
Cash in hand and balances with Bank of England	54,338	-	-	-	-	54,338
Loans and advances to credit institutions	7,991	7,958	14,022	-	-	29,971
Derivative financial instruments	-	-	-	-	-	-
Loans and advances to customers	6	2,842	7,653	49,830	287,878	348,209
Other assets	2,677	-	-	-	-	2,677
Total Assets	**65,012**	**10,800**	**21,675**	**49,830**	**287,878**	**435,195**
LIABILITIES						
Shares	156,736	84,967	33,160	42,906	1,358	319,127
Amounts owed to credit institutions	-	2,001	10,003	36,007	-	48,011
Amounts owed to other customers	22,444	9,601	2,797	-	-	34,842
Derivative financial instruments	834	-	-	-	-	834
Other liabilities	1,233	-	-	-	-	1,233
Reserves	-	-	-	-	31,148	31,148
Total Liabilities	**181,247**	**96,569**	**45,960**	**78,913**	**32,506**	**435,195**
Net liquidity gap	**(116,235)**	**(85,769)**	**(24,285)**	**(29,083)**	**255,372**	**-**

YEAR END 2019	On Demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
ASSETS						
Cash in hand and balances with Bank of England	70,339	-	-	-	-	70,339
Loans and advances to credit institutions	8,760	7,690	6,023	-	-	22,473
Derivative financial instruments	-	21	-	-	-	21
Loans and advances to customers	27	2,555	7,345	47,378	280,653	337,958
Other assets	2,919	-	-	-	-	2,919
Total Assets	82,045	10,266	13,368	47,378	280,653	433,710
LIABILITIES						
Shares	162,760	78,416	27,599	45,198	537	314,510
Amounts owed to credit institutions	-	2,002	2,001	46,087	-	50,090
Amounts owed to other customers	23,267	11,765	2,788	-	-	37,820
Derivative financial instruments	411	-	-	-	-	411
Other liabilities	1,192	-	-	-	-	1,192
Reserves	-	-	-	-	29,687	29,687
Total Liabilities	187,630	92,183	32,388	91,285	30,224	433,710
Net liquidity gap	(105,585)	(81,917)	(19,020)	(43,907)	250,429	-

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

YEAR END 2020	On Demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
FINANCIAL LIABILITIES						
Shares	156,733	85,164	33,489	44,063	1,575	321,024
Amounts owed to credit Institutions	-	2,002	10,040	36,144	-	48,186
Amounts owed to other customers	22,458	9,610	2,806	-	-	34,874
Derivative financial instruments	1	12	159	578	-	750
Total financial liabilities	**179,192**	**96,788**	**46,494**	**80,785**	**1,575**	**404,834**

YEAR END 2019	On Demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
FINANCIAL LIABILITIES						
Shares	162,794	78,701	27,875	46,960	678	317,008
Amounts owed to credit institutions	-	2,005	2,011	46,746	-	50,762
Amounts owed to other customers	23,288	11,793	2,803	-	-	37,884
Derivative financial instruments	-	-	13	302	-	315
Total financial liabilities	186,082	92,499	32,702	94,008	678	405,969

We have adjusted the categorisation of a number of our products to reflect their specific terms and conditions. For example an account with a limited number of withdrawals is no longer classified as available on demand.

29 MARKET RISK

Market risk is the risk of changes to the Society's financial condition caused by market interest rates. The Society is exposed to movements in interest rates reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The Society manages this exposure continually by using both on and off-balance sheet instruments.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in the yield curve. The following is an analysis of the Society's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

SENSITIVITY OF PROJECTED NET INTEREST INCOME AT 31 DECEMBER

	2020		2019	
	200bp parallel increase £000	200bp parallel decrease £000	200bp parallel increase £000	200bp parallel decrease £000
Average for the period	(502)	502	(667)	667
Maximum for the period	(621)	621	(885)	885
Minimum for the period	(339)	339	(563)	563

DERIVATIVES HELD FOR RISK MANAGEMENT

The Society uses derivatives to assist in managing interest rate risk. The only derivatives used are interest rate swaps to hedge its exposure to changes in the fair values of its fixed-rate mortgages and its exposure to market interest rates on certain treasury deposits.

The fair values of derivatives designated as fair value hedges are shown in note 11.

NOTES TO THE ACCOUNTS (CONTINUED)

30 PENSIONS

DEFINED CONTRIBUTION SCHEMES

The Society operates two personal pension plans, The Mansfield Building Society 2007 Group Personal Pension Plan and The Mansfield Building Society 2014 Auto Enrolment Plan. Both schemes are available to all colleagues. During the year ended 31 December 2020, the Society made contributions of £278,719 (2019: £235,420), which are included in the Statement of Comprehensive Income and shown in Note 6 within staff costs. At 31 December 2020, 12 months of contributions, paid in arrears, had been made for the year.

DEFINED BENEFIT SCHEME

Additionally, the Society operates a defined benefit pension scheme, The Mansfield Building Society 1978 Retirement & Death Benefit Scheme (the Scheme). The Scheme funds are administered by Trustees and are independent of the Society's finances. Contributions are paid to the Scheme in accordance with the recommendations of an independent actuarial adviser. The Scheme was closed to future accruals for all colleagues with effect from 28 February 2007.

Details in respect of the scheme are provided below in accordance with Financial Reporting Standard 102 – Retirement Benefit Plans. A professional qualified actuary carries out an actuarial valuation every three years. The latest valuation of the Scheme was undertaken as at 1 March 2019 using the projected unit credit method and both the assets and liabilities include the value of those pensions in payment which are secured with insured annuities. In accordance with FRS102, this latest actuarial valuation was updated to the accounting date by an independent qualified actuary.

The following tables set out the principal actuarial assumptions underlying the Scheme.

	Year to 31 December	
	2020	2019
Price inflation	2.85%	2.85%
Discount rate	1.40%	2.00%
Pension increase (LPI)	2.75%	2.75%

In valuing the liabilities of the Scheme at 31 December 2020, assumptions have been made as indicated above. If the discount rate were to decrease by 0.10%, the value of the reported liabilities would have increased by approximately £0.16m before adjustment for deferred taxation. Similarly, if the life expectancies shown below increased by one year an increase of £0.31m would be seen in liabilities, and if the inflation rate shown were to increase by 0.10%, then an increase of £0.09m would be seen in liabilities.

The principal underlying assumption (shown below) relating to longevity is based on standard actuarial mortality tables and includes an allowance for future improvements in longevity.

Assumed life expectancies on retirement at age 65	2020	2019
Male retiring immediately	21.1 years	20.2 years
Female retiring immediately	22.8 years	22.1 years

Amounts recognised in the balance sheet:
As at 31 December

	2020 £000	2019 £000
Liabilities	-	-
Assets	-	-
Net Asset	-	-

NOTES TO THE ACCOUNTS (CONTINUED)

The table below provides a reconciliation of the present value of the defined benefit obligation.

DEFINED BENEFIT OBLIGATION	2020 £000	2019 £000
Fair value of plan assets	9,222	9,154
Present value of defined benefit obligation	(7,764)	(6,776)
Surplus in plan	1,458	2,378
Unrecognised surplus	(1,458)	(2,378)
Deferred tax	-	-
Net defined benefit asset to be recognised[1]	-	-

(1) Under FRS102, where a scheme is in surplus according to FRS102 assumptions, the surplus may only be recognised if it is available to the Society. A surplus is only deemed available to the extent that the Society can take a contribution holiday or if the Trustees have agreed to provide a refund to the Society. The Scheme is now closed and has no active members and no agreement has been made with the Scheme Trustees to make any refunds. Accordingly, it has been assumed that none of the surplus is currently available to the Society, unless the Scheme were to be wound up and therefore no asset was recognised at the balance sheet date.

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION:

	As at 31 December	
	2020 £000	2019 £000
Defined benefit obligation at start of period	6,776	6,375
Expenses	8	7
Interest expense	133	175
Actuarial losses	1,103	457
Benefits paid and expenses	(256)	(238)
Losses due to benefit changes	-	-
Defined benefit obligation at end of period	**7,764**	6,776

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS:

	As at 31 December	
	2020 £000	2019 £000
Fair value of plan assets at start of period	9,154	8,623
Interest income	181	238
Actuarial gains	135	524
Contributions by the Society	8	7
Benefits paid and expenses	(256)	(238)
Fair value of plan assets at end of period	**9,222**	9,154

The actual return on the plan assets over the period ended 31 December 2020 was £316,000 (2019: £762,000).

	As at 31 December	
	2020 £000	2019 £000
Defined benefit costs recognised in profit or loss		
Expenses	8	7
Net interest cost	-	-
Losses due to benefit changes	-	-
Defined benefit costs recognised in profit and loss account	**8**	7

Over the year to 31 December 2020, contributions by the Society of £7,500 were made to the Scheme (Year to 31 December 2019: £7,000).

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is £nil (2019: £nil).

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank PLC and others was published on 26 October 2018 and held that UK Pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The impact of this adjustment was a £49k increase to the liabilities of the scheme, which was taken through profit and loss in 2018. Management have continued to monitor ongoing legal cases across the industry in relation to GMP, and do not consider that any cases have arisen that materially change the liability that has been recognised in the accounts.

	As at 31 December	
	2020 £000	2019 £000
Defined benefit costs recognised in other comprehensive income:		
Return on plan assets (excluding amounts included in net interest cost) – gain	135	524
Experience gains and losses arising on the plan liabilities – gain	58	1
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – (loss)	(1,161)	(458)
Effects of changes in the amount of surplus that is not recoverable – gain / (loss)	968	(67)
Total amount recognised in other comprehensive income - gain	**-**	-

The following table sets out the fair value of assets together with a breakdown of the assets into the main asset classes as at the accounting dates.

	31 December 2020 Fair value £000	31 December 2019 Fair value £000
Components		
Equities	3,674	3,629
Bonds	4,200	4,180
Property	855	803
Cash	55	119
Other	438	423
Total	**9,222**	9,154

None of the fair values of the assets shown above include any direct investments in the Society's own financial instruments or any property occupied by, or other assets used by, the Society.

31 CAPITAL

The Society's policy is to retain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The Board has strategies and controls to ensure that both capital and liquidity are maintained at appropriate levels. The new rules being implemented by world banking authorities (for example, CRDIV) have put a higher emphasis on improving our capital strength and it is therefore important for the Society to return strong levels of profitability in order to organically grow our capital base. Adopting this capital strengthening strategy ensures that we have protection against future risks and that we exceed regulatory capital requirements so that we can continue to offer a wide range of mortgage products to our members.

The Society's capital requirements are set and monitored by the Prudential Regulation Authority (PRA) following the formal ICAAP process (Internal Capital Adequacy Assessment Process). However, the Society aims to maintain its capital above this requirement, the Total Capital Required (TCR), and it is monitored regularly to ensure that this is the case. There were no reported breaches of capital requirements during the year. Capital comprises the Society's reserves and collective provisions net of any required deductions for regulatory purposes e.g. Intangible assets.

Under Pillar 3 the Society is required to publish further information regarding its capital position and exposures including the TCR and the quality of capital held. The Society's Pillar 3 disclosures are available on our website mansfieldbs.co.uk under "Corporate Information".

	2020 £000	2019 £000
COMMON EQUITY TIER 1 CAPITAL		
General reserve	31,148	29,687
Intangible assets	(378)	(512)
TOTAL COMMON EQUITY TIER 1 CAPITAL	**30,770**	29,175
TIER 2 CAPITAL		
Collective provision	344	609
TOTAL REGULATORY CAPITAL	**31,114**	29,784

32 COUNTRY BY COUNTRY REPORTING

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

For the year ended 31 December 2020:

- the Society's principal activities are mortgage lending and the provision of savings accounts;
- the Society's turnover (defined as net interest receivable) was £8.1m (2019: £7.9m) and profit before tax was £1.86m (2019: £2.34m), all of which arose from UK based activity;
- the average number of Society full time equivalent employees was 87 (2019: 82), all of whom were employed in the UK;
- corporation tax of £367k (2019: £474k) was paid in the year and is all within the UK tax jurisdiction; and
- no public subsidies were received in the year.

ANNUAL BUSINESS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

1 STATUTORY PERCENTAGES

	As at 31 December 2020 %	Statutory Limit %
Proportion of business assets other than in the form of loans fully secured on residential property – 'Lending limit'	0.66	25.00
Proportion of shares and borrowings other than in the form of shares held by individuals – 'Funding limit'	20.61	50.00

EXPLANATION

The statutory limits are prescribed in building society legislation 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.

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, Sections 6 and 7 of the Building Societies Act 1986 (as amended by the Building Societies Act 1997).

Business assets are the total assets of the Society as shown in the statement of financial position plus provisions for impaired debts, less fixed assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the statement of financial position plus provisions for impaired debts.

2 OTHER PERCENTAGES

	As at 31 December 2020 %	As at 31 December 2019 %
As a percentage of shares and borrowings:		
Gross capital	7.75	7.38
Free capital	7.28	6.91
Liquid assets	20.97	23.06
Profit after taxation as a percentage of mean total assets	0.34	0.45
Management expenses as a percentage of mean total assets	1.36	1.27

EXPLANATION

The above percentages have been calculated from the Society's Statement of Financial Position and Statement of Comprehensive Income. 'Gross capital' represents the general reserves as shown in the Statement of Financial Position.

'Free capital' represents gross capital and collective provisions for impaired debts less tangible and intangible fixed assets as shown in the Statement of Financial Position.

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

'Mean total assets' are the average of the 2020 and 2019 total assets.

'Liquid assets' represent the total of cash in hand, treasury bills and debt securities and loans and advances to credit institutions shown in the Statement of Financial Position.

'Management expenses' represent the aggregate of administrative expenses and depreciation in the Statement of Comprehensive Income.

ANNUAL BUSINESS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3 INFORMATION RELATING TO THE DIRECTORS AT 31 DECEMBER 2020

NON-EXECUTIVE DIRECTORS

NAME	YEAR OF BIRTH	DATE OF APPOINTMENT AS DIRECTOR	BUSINESS OCCUPATION	OTHER DIRECTORSHIPS
Jeremy Cross FCA *Board Chair*	1967	21.02.2013	Management Consultant	Cross Consulting Ltd GSAL Transport Ltd Harrogate NHS Foundation Trust Forget me not Children's Hospice, Huddersfield Headrow Money Line Limited
Colin Bradley ACA, ACIB	1952	28.05.2015	Building Society Director	-
Alison Chmiel FCMA	1964	21.02.2013	Finance Director	The Alexander Workshop Ltd The Two Counties Trust
Rob Clifford CertPFS	1968	19.01.2012	Commercial Director Financial & Property Services	Stonebridge Mortgage Solutions Ltd Zenith Freehold Ltd Mortgage and Surveying Services Ltd Pure Financial Advisory Ltd MoneyQuest Mortgage Brokers Ltd Revolution Company (Essex) Ltd Stonebridge Genus Ltd
Nick Baxter DipMan (Open), DipM	1956	23.01.2017	Business Consultant	Mortgage Promotions Ltd Rockstead Ltd Rockstead Group Ltd
Lucy McClements FCCA	1976	30.07.2020	Consultant	Finwell Coaching & Consulting Ltd Fire Financial Services Ltd Community Inclusive Trust The British Handball Association

EXECUTIVE DIRECTORS

NAME	YEAR OF BIRTH	DATE OF APPOINTMENT AS DIRECTOR	BUSINESS OCCUPATION	OTHER DIRECTORSHIPS
Paul Wheeler ACA	1967	21.07.2011	Building Society Chief Executive	-
Daniel Jones FCA	1975	30.04.2020	Building Society Finance Director	-

Documents may be served on the above named directors at the offices of Harrop White, Vallance & Dawson, 9/11 Albert Street, Mansfield, Nottinghamshire NG18 1EA.

ANNUAL BUSINESS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

DIRECTORS' SERVICE CONTRACTS

The executive directors, Paul Wheeler and Daniel Jones, have service contracts with the Society dated 30 April 2020 and 5 November 2019, respectively.

The Chief Executive, Paul Wheeler, has a service contract which can be terminated by the individual giving six months' notice in writing or the Society giving twelve months' notice. The Finance Director, Daniel Jones, has a service contract which can be terminated by the individual giving six months' notice in writing or the Society giving twelve months' notice.

In the event of amalgamation, transfer of engagements or transfer of business where the executive director's employment is to be terminated, the Society shall give not less than 12 months' notice.

ANNUAL BUSINESS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Board Chair
Jeremy Cross, FCA

Senior Independent Director & Vice Chair
Rob Clifford, CertPFS

Non-Executive Directors
Colin Bradley, ACA, ACIB
Alison Chmiel, FCMA
Nick Baxter, DipMan (Open) DipM
Lucy McClements, FCCA

Chief Executive
Paul Wheeler, ACA

Finance Director
Daniel Jones, FCA

Governance Executive, Secretary and Money Laundering Reporting Officer
Jill Watson, CPFA

Risk Executive
Dave Newby

Commercial Development Executive
Richard Crisp, DipFSM

Head of Products and Savings
Mike Taylor, LLB, ACIB

Head of HR
Vickie Preston

Head of Mortgages
Linda Herbert

Auditor
BDO LLP

Bankers
Barclays Bank Plc

Solicitors
Harrop White, Vallance & Dawson

Established 1870

Member of the Building Societies Association with Trustee status

Member of the Financial Ombudsman Service Scheme

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority - reference number 206049

HEAD OFFICE:

Regent House, Regent Street
Mansfield, Nottinghamshire
NG18 1SS
t: 01623 676300
e: enquiries@mansfieldbs.co.uk
w: mansfieldbs.co.uk

BRANCHES:

MANSFIELD

25 Market Place
Mansfield, Nottinghamshire
NG18 1JA
t: 01623 676350

SUTTON IN ASHFIELD

22-26 Low Street
Sutton-in-Ashfield, Nottinghamshire
NG17 1DG
t: 01623 554265

KIRKBY IN ASHFIELD

48 Station Street,
Kirkby-in-Ashfield, Nottinghamshire
NG17 7AS
t: 01623 756601

CHESTERFIELD

91 New Square
Chesterfield, Derbyshire
S40 1AH
t: 01246 202055

MANSFIELD BUILDING SOCIETY

For you | With you | Always

MANSFIELD

BUILDING SOCIETY

For you | With you | Always