MANSFIELD
BUILDING SOCIETY

For you | With you | Always

Online
Copy

Report and Accounts 2023

5.4%
MORTGAGE ASSET GROWTH

£61m
INCREASE IN MEMBER SAVINGS

£1.8m
PROFIT AFTER TAX

GROSS CAPITAL RATIO OF
7.66%

NEW LENDING OF
£110m

£118k
OF LOCAL DONATIONS

TOTAL ASSETS
£525.4m

2023 KEY HIGHLIGHTS

In this Report

KEY PERFORMANCE INDICATORS

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

SIGNIFICANT STATISTICS	2023	2022	2021	2020	2019
Total Assets £m	525.4	485.1	452.8	435.2	433.7
New Mortgage Lending £m	109.7	120.7	87.7	71.9	89.8
Mortgage Assets Growth	5.4%	9.6%	4.6%	2.9%	4.0%
Retail Share Balances Net Increase £m	61.0	13.1	3.1	4.6	28.9
Total Savings Balances Net Increase £m[1]	61.9	11.5	3.7	2.6	29.7
Underlying Profit Before Tax £m[2]	3.34	2.35	2.88	1.86	2.34
Profit After Tax £m	1.82	1.90	2.31	1.46	1.89
Return on Assets (%)	0.36	0.41	0.52	0.34	0.45
Net Interest Margin as a % of Mean Assets	2.62%	2.25%	2.07%	1.86%	1.87%
Management Expenses as a % Mean Total Assets	1.98%	1.64%	1.48%	1.36%	1.27%
Cost to Income Ratio	80.14%	72.68%	70.90%	73.54%	68.21%
Allowance for Loan Impairment as a % of Loans and Advances to Customers	0.25%	0.21%	0.13%	0.22%	0.21%
Liquid Assets as a % of Shares and Borrowings	21.03%	18.72%	20.67%	20.97%	23.06%
Mortgage Arrears on Accounts >2 months in arrears £m	0.44	0.26	0.20	0.15	0.09
Gross Capital as a % of Shares and Borrowings	7.66%	7.90%	8.01%	7.75%	7.38%
Leverage Ratio as Tier 1 Capital as % of Total Assets	6.56%	6.57%	6.88%	6.78%	6.45%
Common Equity Tier 1 Capital as % Risk Weighted Assets	18.01%	18.27%	19.48%	19.00%	19.68%

(1) Total savings includes retail share balances and deposits into non-Member accounts, for example, Business Deposit and SIPP Cash Deposit.
(2) Underlying profit before tax is reconciled to the profit shown in the Statement of Comprehensive Income on page 21

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 management expenses included in this calculation include non-recurring items relating to the Society's digital transformation project. 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.
- **Net Interest Margin as a percentage of Mean Assets** measures the Society's rate of return on the assets used to generate this return, net of interest payable, but before applying any administrative costs.
- **Cost to Income Ratio** shows the relationship between the income earned and the administrative cost of running the business, and thereby acquiring that income.

Board Chair
Alison Chmiel

"It's been great to see so many new Members join the Society during 2023."

STATEMENT FROM THE BOARD CHAIR

2023 saw a record number of new Members joining the Society. Member numbers increased by over 800 and the amounts invested in our savings products rose from £367.1m to £429.1m. I believe we have something special here at the Mansfield Building Society, with our business model that has no shareholders and is rooted in our local communities. I hope that both new and existing members feel the same. We certainly aim to continue to prove that this is the case by offering competitive savings rates, mortgage lending that meets underserved needs, efficient customer service with a human touch, and giving back to our communities through our colleagues' time as well as charitable donations.

2023 was a turbulent year for the housing market with mortgage approvals and housing transactions at their lowest for over a decade. The Bank of England continued to focus its attention on tackling heightened consumer price inflation and increased its Base Rate to the highest level since 2008. Despite this, inflation proved stubbornly high throughout most of the year. Our members, along with the wider UK population, have therefore experienced one of the worst cost-of-living squeezes in a generation, with the price of day-to-day goods rising faster than wages, and our borrowing members seeing increased costs from paying higher mortgage interest as well.

We have been delighted to be able to offer much higher rates of interest to our savings Members this year, but finding the right balance has been key as we continue to ensure we can offer competitive rates to savers without unduly burdening our mortgage customers with higher interest payments. Our mutual business model, where our membership comprises both saving and mortgage customers, positions us well to be able to find this balance, and I believe we achieved this in 2023. Certainly, I am pleased to see that levels of arrears have remained low.

Against this backdrop, I am very happy that the Society is reporting such positive results in its 2023 Report and Accounts. Both mortgage and savings balances have grown, and profit is strong. This profitability is important to our long-term strategy to provide homes for people and their savings long into the future. This will involve investment in our technology transformation initiative, Project Sherwood, which commenced in 2023, and which will see us invest these recent profits in improved customer experience for Members over the next two to three years.

We aim to put customers at the heart of what we do, and work carried out in 2023 to ensure compliance with the FCA's new Consumer Duty was a key focus. When the Government announced its new Mortgage Charter, the Society was able to sign up to this with very few changes to its procedures, which reflects well on the already high standards we hold in this area. It is especially important to us during this cost-of-living crisis that we provide the appropriate support to any of our customers experiencing financial difficulty, and we will continue to do so.

The signing of this year's Annual Report and Accounts represents a significant milestone for Colin Bradley's time with the Society. Having become Chair of Audit and Compliance Committee when he joined us in May 2015, he has overseen the last 9 sets of Annual Reports and has been integral in the ever-stronger governance and control with which the Society has been managed during that time. Having previously spent over 25 years at another local Building Society, Colin's retirement from the Board also marks the end of a long and successful career in the sector. I would like to extend my heartfelt thanks to him for his dedication and commitment to our Society and the mutual sector as a whole. Succession plans are already in place for his role.

As I look to the future, I am extremely encouraged by the strong financial position of the Society and what it has achieved in 2023. While the economic backdrop continues to be unsettled, I have confidence in the Society's ability to execute on its strategy. I would like to take this opportunity to thank all our Members for their custom, and our colleagues for their hard work across 2023 and in to 2024.

Alison Chmiel
Board Chair
7 March 2024

Mansfield Town Centre, by day

Chief Executive
Paul Wheeler

"The Society has had another strong year, delivering mortgage growth of 5.4% in a market that was significantly smaller than in previous years and attracting a net increase of over 800 savings members."

CHIEF EXECUTIVE'S REVIEW

2023 has been another year of economic challenges with interest rates continuing to rise, a stubborn rate of inflation that has slowly started to reduce and a housing market that has shrunk due to the challenges of affordability for customers taking out mortgages. These challenges, coupled with an extremely active savings market, where customers can now get meaningful returns on their savings, has led to a very busy year for my colleagues at the Society, reacting to market changes and customer demand.

Balancing the needs of savers, borrowers, and our people simultaneously has been a key priority and I'm extremely proud that the Society not only successfully navigated through these challenges, but did so with strong mortgage lending, strong financial performance, and we also continued to invest in enhancing our services to customers and Members. My colleagues have worked exceptionally hard to provide you, our Members, with the level of care and attention you expect and deserve and I would like to thank each of them for this dedication.

We have focussed much of our project resources on gathering requirements and documenting our existing processes in preparation for our major systems IT transformation. We are calling this Project Sherwood and over the next two years, we will be investing significant time and effort into delivering systems that are fit for the future and provide our Members and broker partners with the ease of digital access that they deserve. This investment started in 2023 with the use of third parties to support the preparation work and will continue to gather pace as we go into the New Year.

BUSINESS PERFORMANCE

Despite the economic turmoil, I'm pleased to report that the Society continues to grow with mortgage lending of £110m leading to 5.4% growth in mortgage assets and operating profit of £2.47m.

The Society's mortgage lending proposition is based on the provision of a competitive range of fixed and discounted mortgages, mainly for owner occupiers but also for Buy-to-Let landlords and a small tranche of development finance. The Society's purpose is '*Providing homes for people and their savings*' and our lending is therefore to private homeowners, those providing homes as rental properties or small developers who are building new homes. In recent years we have developed our capabilities to allow lending where appropriate returns for risk can be made, and this has led to an increasing number of self-build mortgages as well as supporting first time buyers with shared ownership properties and parental guarantee mortgages. 2023 has also seen the launch of our range of Credit Repair products to assist those that have struggled during these difficult economic times to continue with home ownership. We also believe that it is important as a mutual, to offer products to people at all stages of life and therefore we continue to offer mortgages to people with credible repayment plans who require interest only mortgages and to those seeking mortgages beyond normal retirement dates.

We started the financial year with a very strong pipeline as the economic shock created by the governmental changes in 2022 led to a surge in variable rate mortgages, an area that we are strong in, and therefore we carried a high number of completions into the first quarter of 2023. However, the mortgage market took a downturn during 2023 with higher interest rates leading to affordability being a major issue for borrowers and we chose to tighten our criteria to ensure positive outcomes for both our borrowers and the Society in the long term. Our lending volumes during 2023 were therefore reduced against 2022 being £109.7m (2022: £120.7m); however, a strong performance retaining existing borrowers coming to the end of a deal has led to mortgage book growth of 5.4% (2022: 9.6%).

Despite the challenges of the economy and the very real squeeze on household budgets, our arrears levels have remained low and whilst we have seen an increase in early arrears during the year, many of these customers are managing to get back on track quickly with support from our Collections Team. The number of cases two months or more in arrears has increased slowly from 55 to 64 year on year with the value in arrears rising from £255k to £444k on mortgage balances of £6.59m (2022: £4.9m). With a book of nearly £420m, this remains a very small portion of the lending and gives us a good base from which we will be able to manage any future rises in arrears that can be expected as borrowers come to the end of low interest deals during 2024. To date, it is comforting that borrowers have been collectively able to withstand recent stresses created by the wider economy and whilst we had only two repossessions during the year, we continue to be prepared for a rise in arrears next year.

Our book has the benefit of being underwritten against a prudent lending policy and we have a low average loan to value of 41.4%, which will give us significant headroom if house prices continue with their downturn as some economists are forecasting.

In summary, 2023 has been a year of strong growth in a challenging market, and one in which we have not seen the adverse mortgage arrears which might be expected in such an uncertain economy. What I'm most proud of, is that these successes have been achieved by colleagues who continue to operate with a positive attitude and a desire to do their best for our broker and borrowing customers. There have been times during the year when the Society has been under pressure to handle large volumes and whilst our processing speed continues to be something we are working to improve, we have talented, hard-working colleagues who care about their work and who go the extra mile to help our customers. This positive culture was once again highlighted by the fact that we maintained our 2-star accreditation in the Best Companies awards as being a great place to work and continued to attract excellent talent to the Society during the year.

While we continue to grow, it's important that we harness our success to develop our services for our Members, to help and support our local community, and to operate in a way that demonstrates the real benefits of being a modern building society.

After updating our online savings platform with new functionality last year, we had a significant test of the capabilities of the system and processes when we had a market leading savings product in January of 2023. The media attention was a key driver of volumes that were larger than expected. We identified a number of teething problems with the new processes and set in motion a Savings Process Review to allow us to handle high volumes in the future within service standards expected. This review is ongoing but has already delivered a number of changes that have led to many 5* reviews from customers in the last few months of 2023 when we had further market leading products and high account opening volumes.

2023 has seen a significant change in the savings market with the rise in interest rates making cash savings more attractive again and as a result we have seen competition for savings increase. Media attention on this market has increased and has driven many savers to move their savings to alternative providers. As a mutual building society, we are always keen to ensure that our savers are receiving competitive rates and we passed on a significant proportion of the Bank of England Base Rate increases to them as well as providing very competitive products throughout 2023 with many of our Fixed Rate Bonds and notice accounts achieving best buy status.

These excellent rates have driven a net increase of over 800 new savings customers and we expect this to continue as we have launched our new products into the business and community markets in the last quarter of 2023. Our personal approach to saving for these organisations will allow us to stand out in a crowded market.

BUSINESS MODEL

As a mutual, the Society exists for the common benefit of its borrowing and savings Members, who are collectively its owners. Members' interests remain at the heart of everything that we do and the Board continues to balance and serve those interests through operating in markets that deliver a sustainable financial performance within an agreed appetite for risk, while supporting the continued need to invest in the business for the benefit of future Members.

The Society's principal activity is the provision of a range of long-term residential mortgages so that borrowing Members can buy a home funded by personal savings from Members through straightforward savings products.

PURPOSE

Providing homes for people and their savings, helping to create a sustainable future.

The Society has been providing mortgages and savings accounts for 153 years and we do not intend to deviate from this purpose. We see helping people find a home, whether that be directly via home ownership or indirectly via landlords and developers as being a core reason for our existence. As a mutual financial services provider, we are able to support a wider population of potential homeowners due to our human approach to the assessment of lending. We believe this supports the sustainability of our business as well as the sustainability of homes for people. We also feel passionately that people should save to create sustainable financial futures. This can take the form of small regular monthly amounts up to large lump sum investments and we provide products and services to support all types of saving.

VISION

Our Vision is to be - Bigger, Better, Brighter, Together.

A Society that grows steadily to provide a sustainable future for all its Members **BIGGER**

A forward thinking Society striving to improve our services and offerings to our customers **BETTER**

A great place to work that shines through in our people **BRIGHTER**

An inclusive Society that gives back to our Members and our community **TOGETHER**

VALUES

We are driven by our five core values, which represent what the Society stands for and form the basis for how it is governed. The values were developed by colleagues from across the Society and ensure the Society does the right thing by our customers, communities and people.

CUSTOMER AT HEART

Our customers are at the heart of everything we do and we strive to provide them with a good outcome at all times.

PEOPLE FIRST

We focus on the needs of current and future Members, our colleagues, and supporting the communities in which we serve.

INTEGRITY

We meet our obligations and create positive outcomes for customers, colleagues and the community.

FORWARD THINKING

We constantly look for ways to bring about positive change for the benefit of the Society, its Members and the environment.

POSITIVE & PRODUCTIVE

We are adaptable and efficient, working together towards a common goal to offer great service whilst having fun.

STRATEGY

The Society's strategy is to ensure that we continue to evolve into the Modern Mutual that our Members need and demand. We will continue to support underserved populations in the financial services market in both our mortgage and savings product offerings and will develop our technology to ensure that our customers receive a choice in how they interact with the Society, whilst maintaining our high standards of customer service and our human interaction.

This strategy is supported by a series of strategic aims:

1 FINANCIAL
We will sustain the financial strength required to provide high-quality services and value to our Members.

2 PEOPLE
We will create an inclusive, great place to work that allows our colleagues to grow and thrive.

3 SALES & SERVICE
We will offer first class, multi channel, efficient customer service, supported by technology, delivered with a human touch.

4 PRODUCTS
We will offer fair value products that deliver great outcomes for our Members with a focus on providing solutions to meet the underserved needs in our chosen markets.

5 GOVERNANCE
We will operate within an effective governance framework which is underpinned by openness with stakeholders, ethical decision making and integrity of leaders.

6 COMMUNITY
We will provide financial and social support to improve the lives of people within the communities that we serve.

7 ENVIRONMENT
We will provide opportunities for our Members to support environmental improvements and are committed to playing our part in the Government's Net Zero aims.

8 TECHNOLOGY
We will provide the technology that will deliver the customer journeys that our customers want and need and the efficiency that the Society requires.

Over the next 2-3 years the Society will be embarking on a significant investment in technology that will transform our digital offering and provide a more efficient service to our Members, in a way that supplements our existing branch network. This program has made good progress in 2023, having completed the understanding of our processes, customer journeys and future requirements for both processes and technology. We are now in the process of evaluating systems to deliver those requirements.

Paul Wheeler
Chief Executive
7 March 2024

OUR COMMUNITIES

Alongside supporting the financial wellbeing of our saving and borrowing members, we're also committed to making a real difference to our local communities in Nottinghamshire and Derbyshire. We do this through charitable and community donations, fundraising for our Charity Partner and volunteering for local charities and community groups.

In total during 2023, the Society has donated over £118,000 to charitable and community organisations, either through our Community Support Scheme or via our Charitable Trust.

We see this support as a key part of being a local building society, responsible to Members and communities not to shareholders. Our colleagues are always keen to give back with volunteering days in our local community and supporting fundraising events for our Charity Partner.

CHARITY PARTNER

Our colleagues chose to support Alzheimer's Society as their Charity Partner in 2023. During the year, £6,000 has been raised from a range of activities with many colleagues coming together to support this truly worthy cause. Fundraising included a memory walk in Clumber Park, cycling from Nottingham to Liverpool and the continued tradition of the Charity Colleague Christmas lunch.

WORK IN THE COMMUNITY SCHEME

Each colleague is given two days paid leave each year to volunteer in the community through our Work in the Community scheme.

In 2023 we achieved a total of 91 days supporting local organisations. We continue to volunteer and work with Sherwood Forest Trust to support local tree planting and help create a more sustainable environment. We've also supported local schools by giving gardens and play areas some much-needed maintenance.

Our annual **Secret Santa Toy Appeal**, in partnership with Mansfield District Council and Mansfield Bid, goes from strength to strength. Alongside a £500 donation from the Community Support Scheme, colleagues collected and delivered the toys. Over 1,000 toys were delivered in the local community to ensure that children didn't go without a present at Christmas.

COMMUNITY SUPPORT SCHEME

The Society's Community Support Scheme contributions totalled £22,654 in 2023 (2022: £17,973) as the Society demonstrated an ongoing commitment to help charity and community groups thrive. We have supported a number of local organisations and received some excellent feedback.

The Community Support Scheme donated £1,000 to **Mansfield Town's Community Trust** to help it deliver its exciting community programme which includes coaching and health and wellbeing initiatives alongside its work with schools and the Community Trust Sports College.

Gary Shaw, Mansfield Town's Community Trust Manager said, "*This support will be instrumental in enhancing our initiatives, across our programmes such as Education & Employability, Sports Participation & Community Engagement and Health & Wellbeing.*"

St Ann's Allotments (STAA) wanted £300 to run six Eat, Play and Grow sessions in the St Anns area of Nottingham. In one of the most deprived Inner-City wards in the country, the sessions are a response to the cost-of-living crisis to support skill-sharing, foster resilience and support wellbeing.

Rachel Brooke, Outreach and Engagement Worker at STAA said *"Food poverty is chronic in St Ann's with the cost-of-living crisis adding to daily worries. These sessions took place in the school holidays when families, especially those in receipt of free school meals, find it difficult to feed their family. Everyone can share the food together as well as sharing recipes and tips on cooking affordable and attractive meals."*

The Citizen's Advice Bureau offers free, confidential and impartial advice on matters ranging from debt and benefits to housing and employment and were awarded £678 from our Community Support Scheme to allow them to purchase a new computer.

Leanne Smith, Operations Manager for CAB North East Derbyshire said, *"Many of the computers we currently own are old and slow and cannot be updated, making them a cyber security risk. The new computer will help Advisers with case management, including being able to research advice options from the Citizen's Advice database.*

As a semi-rural area and given the nature of the support we provide, the new computer will improve our service to help protect and advise vulnerable people in the local area."

The Society were also delighted to support local people with Dementia by making a £1,000 donation to **Oar Blimey** in their quest to row across the Atlantic.

CHARITABLE TRUST FUND

In addition to the Community Support Scheme, the Society operates a Charitable Trust Fund which is used to fund larger charitable donations and provide enduring support to our local communities. Funding is received partly via our contribution from the Community Saver Account balances and partly from profits made during the year. In 2023, the Charitable Trust donated £95,442 to local charity groups.

Following on from last year's commitment to **Unanima Theatre**, the Trustees have awarded the theatre group a further £23,500. Unanima Theatre are a community theatre company working with people with autism and learning disabilities. The company aims to create unique, witty and provocative performances, based on their lives, experiences, questions and frustrations. The donation allowed Unanima to provide a programme of stand-up comedy and continue to tour their productions.

Teens Unite are dedicated to improving the lives of young people with cancer so they don't have to face their battle alone. The charity supports those aged 13 to 24 from across the UK, helping them to overcome the emotional, social and physical impact cancer has on a young person. Teens Unite is the only charity in the UK to offer ongoing support of this kind to young people and the Trustees were keen to support their application for funding to enable them to provide 'Challenge' Activity Sessions. These sessions support the young people in making a return to physical activity, help strengthen their core, improve balance, and rebuild their confidence.

The trust also agreed to donate £20,000 to **Portland College** to further support the development of their Outdoor Adventure Zone for people with disabilities. The donation enabled installation of a new Hand Bike Trail and the purchase of Hand Bikes and necessary safety equipment. This further enhances the development of the outdoor climbing wall which the trust previously helped fund.

The Charitable Trust has been working closely with **Nottinghamshire Blood Bikes**, whose vital services are 3 times more in demand since the pandemic, delivering lifesaving blood, blood products and frozen breast milk for premature babies. The Trust made a donation of £12,500 to purchase another bike, to help increase capacity.

The Charitable Trust agreed to fund the installation of solar panels for green energy regeneration as part of the overall development of **Sherwood Observatory**.

Steve Wallace, Planetarium Project Manager at Sherwood Observatory, explained "*Our vision is to create a Science Discovery Centre and Planetarium next to the already existing Sherwood Observatory site. We aim to inspire a new generation of scientists and engineers, helping local people fulfil their potential and support jobs growth, in what is a deprived area. It will be a cultural attraction, where visitors feel a sense of wonder through an exciting journey from the moment they arrive.*"

As at 31 December, the balances on our range of **Community Saver Accounts** were £31.2m - these accounts pay a competitive rate of interest to our savings Members and also accrue a 0.1% annual contribution from the Society into the Charitable Trust Fund.

In total, the Society placed £45,000 into the Charitable Trust Fund during 2023, to enable the fund to support more local charities and initiatives. After donations of £95,442 from the Trust to local organisations, the balance of the fund at the end of 2023 was £179,258.

93%

of colleagues said they feel proud to work for the Society.

OUR COLLEAGUES

OUTSTANDING
TO WORK FOR
2023
cert.b.co.uk

Through its people strategy, the Society aims to:

- be an Employer of Choice
- live and breathe an engaging and inclusive culture
- develop our colleagues for success
- support and promote colleague wellbeing
- reward colleagues fairly and in keeping with our values

EMPLOYER OF CHOICE

We believe strong colleague engagement supports us in recruiting and retaining the best individuals, who can help the Society succeed, thereby benefiting Members. For the third year running, in 2023 the Society was awarded a 2-star accreditation in the Best Companies Survey for 'Outstanding commitment to employee engagement'. Best Companies ranked us in it's top 75 organisations nationally, and it's top 20 within our sector. Engaging in the Best Companies accreditation process involves an anonymous survey to all our colleagues, which we then also use to gather useful insight on where we might be able to further improve engagement.

The Society operates a Hybrid Working model, which means many colleagues spend some of their week working from home, and some working out of an office or branch. We believe this can be done in a way that helps them balance work and life demands, while also driving strong productivity and engagement. It's important that we continue to evolve and learn best practice in operating this model. We are also continuing to evolve our technology to support this and have implemented Office 365, which has provided colleagues with better online collaboration tools.

DIVERSITY, EQUALITY AND INCLUSION

The Society is committed to the provision of diversity and inclusion and to ensuring its management team are well versed in the social skill sets required to manage a diverse and highly engaged workforce.

Having agreed our strategy for equality, diversity, and inclusion during 2021, the Society continued to roll this out in 2023. As part of this, we asked colleagues to complete a diversity survey which provided a snapshot of data on diversity within the Society which has aided our development of policies and practices to support our people, including our Menopause Policy and our Carers Policy. Our Inclusion Forum has been established for one year now with nine representatives from across the organisation. This forum's purpose is to support the Executive in delivering the strategy, as well as to provide a feedback mechanism for the Executive to improve their awareness of how they can have the most positive impact.

The whole management team has attended a number of CPD accredited workshops around equality, diversity and inclusion; accreditation the Society is very proud to have achieved. In 2023, the training agenda continued to cover issues of relevance to inclusion and included Emotional Resilience in the Workplace. More informal 'lunch and learn' sessions and educational awareness took place, such as celebrating International Women's Day, Neurodiversity Week, Ramadan, Pride Month, Carers Week, Eid-ul-Adha, Diwali and Hanukkah. We also launched our Menopause Café for colleagues, under the Menopause Café association trademark. Training was also run for a second year for all managers on The Equality Act.

The Nominations Committee monitors gender diversity within the Board and Senior Management Team and have set a minimum threshold of 33% for the under-represented gender.

	31 December 2023			31 December 2022		
	Male	Female	% Female	Male	Female	% Female
Directors	5	3	38%	5	3	38%
Senior Management Team	5	3	38%	5	3	38%

In 2023 the Board held further discussions regarding gender and ethnicity targets across the whole Society. These will be introduced from 2024.

DEVELOPMENT

The Society is committed to the ongoing development of colleagues at all levels, including the provision of bespoke internal training programmes as well as accessing external courses to encourage personal development and career progression.

Through a recognised in-house Learning & Development Specialist, the Society has built a Leadership Programme for colleagues with management responsibilities, and a Management Development Programme (MDP) based on 'CMI' Level 3 and Level 5 skill sets, to prepare colleagues for future supervisory and management roles. This supports the Society's talent mapping and succession planning processes. To date and upon completion of our MDP Phase 3 programme, 50 managers have completed one of these two programmes, which commenced in 2018 and are now in their third phase.

COLLEAGUE WELLBEING

The Executive aim to foster a culture where the wellbeing of our colleagues is treated as a priority. Managers carry out regular one-to-one meetings with their team members, using these discussions to build trust and surface any wellbeing issues that need addressing. The Society has a team of volunteers who act as Wellbeing Champions and are formally trained Mental Health First Aiders. We also provide access to independent counselling via a third-party employee assistance programme and GP Helpline.

To further support openness, a Colleague Forum exists, which enables people to surface matters they would like to see improved. The Colleague Forum works autonomously to directly address issues where they can, but also has a representative who is invited to each Executive Committee meeting to enable escalation where appropriate. The Chair of the Colleague Forum also has regular catch ups with the Vice Chair of the Board to ensure that there is a clear voice at all levels of the Society.

The cost-of-living crisis continues to impact many across the UK, and our colleagues were no exception. To help any colleagues experiencing financial difficulty, the Society has two schemes available, The Colleague Welfare Loan and The Colleague Hardship Grant. The Colleague Welfare Loan is an interest free loan for colleagues facing short term financial difficulties which is repaid over an agreed period of time and The Colleague Hardship Grant is a one-off non repayable grant for colleagues experiencing exceptional or unexpected hardship. All applications to these schemes are considered anonymously by a panel of three, comprising two Members of the Executive Committee and the Head of HR.

REWARD

An annual salary review takes place for all colleagues, and all roles in the organisation were benchmarked against the market as part of this during 2023. Insight from this as well as monitoring of salary inflation more broadly helps to inform the setting of salary increases, with the intent that every role should be fairly rewarded. Benchmarking is also carried out across the benefits offered to ensure the overall package remains appropriate and competitive.

During 2023, out of concern around the exceptional rates of inflation on food and energy bills, we made a one-off £600 cost-of-living award to all colleagues below Executive level, outside of the annual pay review.

ENVIRONMENT

The impact of climate change is taken very seriously by the Society, with the Chief Executive having the main accountability for the development and implementation of governance arrangements and the progression of the Society's Green agenda.

Climate Risk is seen as a key emerging risk, and forms part of discussions at Executive Committee, Risk Committee and Board.

KEY CLIMATE RISKS

There are two key types of risk associated with climate change: the risks that arise as the economy moves from a carbon-intensive one to net-zero emissions, known as transition risks; and risks associated with the higher global temperatures likely to result from taking no further policy action, known as physical risks.

The Bank of England publishes a Climate Biennial Exploratory Scenario (CBES) which attempts to draw out the direction of travel and impact of Climate Change using plausible representations of what might happen based on different future paths of climate policies, technological developments and consumer behaviour that are aimed at limiting the rise in global temperatures.

The CBES includes three scenarios exploring both transition and physical risks, to different degrees. The exercise considered two possible routes to net-zero UK greenhouse gas emissions by 2050: an 'Early Action' scenario and a 'Late Action' scenario. A third 'No Additional Action' scenario explores the physical risks that would begin to materialise if governments around the world fail to enact any responses to global warming and continue down the current path.

The main features of the scenarios are described as follows:

CBES CLIMATE SCENARIO	EMISSIONS SCENARIO ILLUSTRATION
Early Action	▪ The transition to a net zero emissions economy starts in 2021 so carbon taxes and other policies intensify relatively gradually over the scenario horizon. ▪ Global carbon dioxide emissions are reduced to net zero by around 2050. ▪ Global warming is limited to 1.8°C by the end of the scenario (relative to pre-industrial levels).
Late Action	▪ The implementation of policy to drive transition is delayed until 2031 and is then more sudden and substantial. ▪ Global warming is limited to 1.8°C by the end of the scenario (relative to pre-industrial levels).
No Action	▪ No new climate policies introduced beyond those already implemented. ▪ Global temperature levels continue to increase, reaching +3.3°C (relative to pre-industrial levels).

The key threats to the Society's business in terms of Climate Risk are principally the physical risk of properties held as security for lending, plus transitional risk of the carbon footprint created by the properties from which it operates, the commuting of employees, and the purchase of goods and services from third parties.

PHYSICAL RISKS

At the end of 2022, the Society updated the independent assessment of its mortgage portfolio against three scenarios, Flooding, Coastal Erosion and Subsidence, considering the impact of an increase in global temperatures of between 0.9% and 5.4%.

The key Physical Risks to our business result from lending on properties that become un-mortgageable, or have their value impacted due to climate change. This can be as a result of an exposure to an increased risk of flooding, subsidence or coastal erosion. There are a number of other perils which can manifest themselves as a result of climate change, but these are less likely within the UK, and not considered within the assessment:

PERIL	DESCRIPTION / IMPACT	CURRENT RELEVANCE	TIMEFRAME
FLOODING	Wetter winters and more concentrated rainfall events will increase flooding from coastal, river and pluvial sources.	LOW	Long Term
SUBSIDENCE	Drier summers will increase subsidence on shrink/swell clay.	LOW	Long Term
COASTAL EROSION	Increased storm surge and rising sea levels will increase the rate of erosion. Property close to the coast may be impacted.	LOW	Long Term
WINDSTORM	Climate change forecasts do not suggest that extreme windstorm events are going to become more frequent. The current mean UK wind speed is 4.2 m/s. In 2050 with high emissions, it is suggested that this might fall to 4.1 m/s.	LOW	Long Term
HEAT STRESS	Increased heat stress will be an important impact of climate change and will be felt most in the South of England. However, it is not clear that this increase will materially impair the value of property.	LOW	Long Term
DEMOGRAPHIC AND ECONOMIC IMPACT	Global economic destabilisation, collapse of traditional agricultures and increased tourism are all significant potential impacts of climate change.	LOW	Long Term

TIMEFRAME	PERIOD
Short Term	10 Years or Less
Medium Term	10 to 20 Years
Long Term	20 Years +

The exposure to Climate Risks is considered by the Risk Committee and Board on a biennial basis, and the results are included in the Internal Capital Adequacy Assessment Process (ICAAP) each year.

TRANSITIONAL RISKS

Transitional Risks have the potential to affect the Society in a number of areas, from changes to Government Policy, the use of third party suppliers and their own Green credentials, carbon pricing once offsetting becomes an option, and any minimum EPC ratings that will apply to the properties on which the Society lends money.

Lower rated properties may be required to undergo expensive remediation, and there is likely to be a transition to minimum energy ratings by 2030, although there is still considerable uncertainty as to the scope of potential regulation in this area.

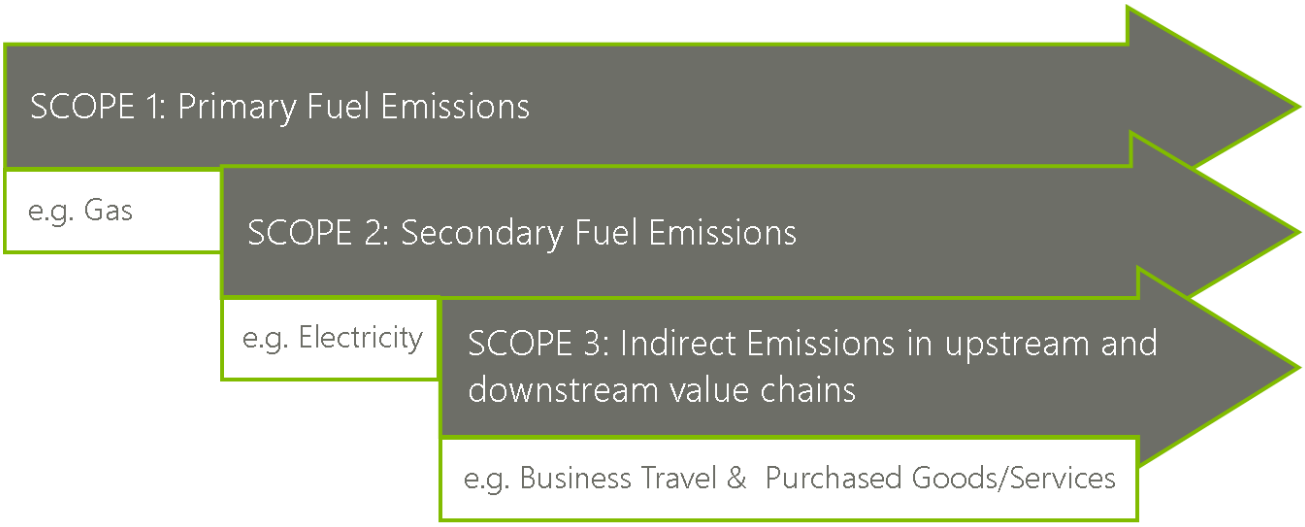
GETTING THE SOCIETY TO NET ZERO CARBON

The UK government is targeting net zero for carbon emissions by 2050, and the Society has started on its own journey to support this. Achieving net zero is accomplished through reducing emissions as much as possible and offsetting the remainder.

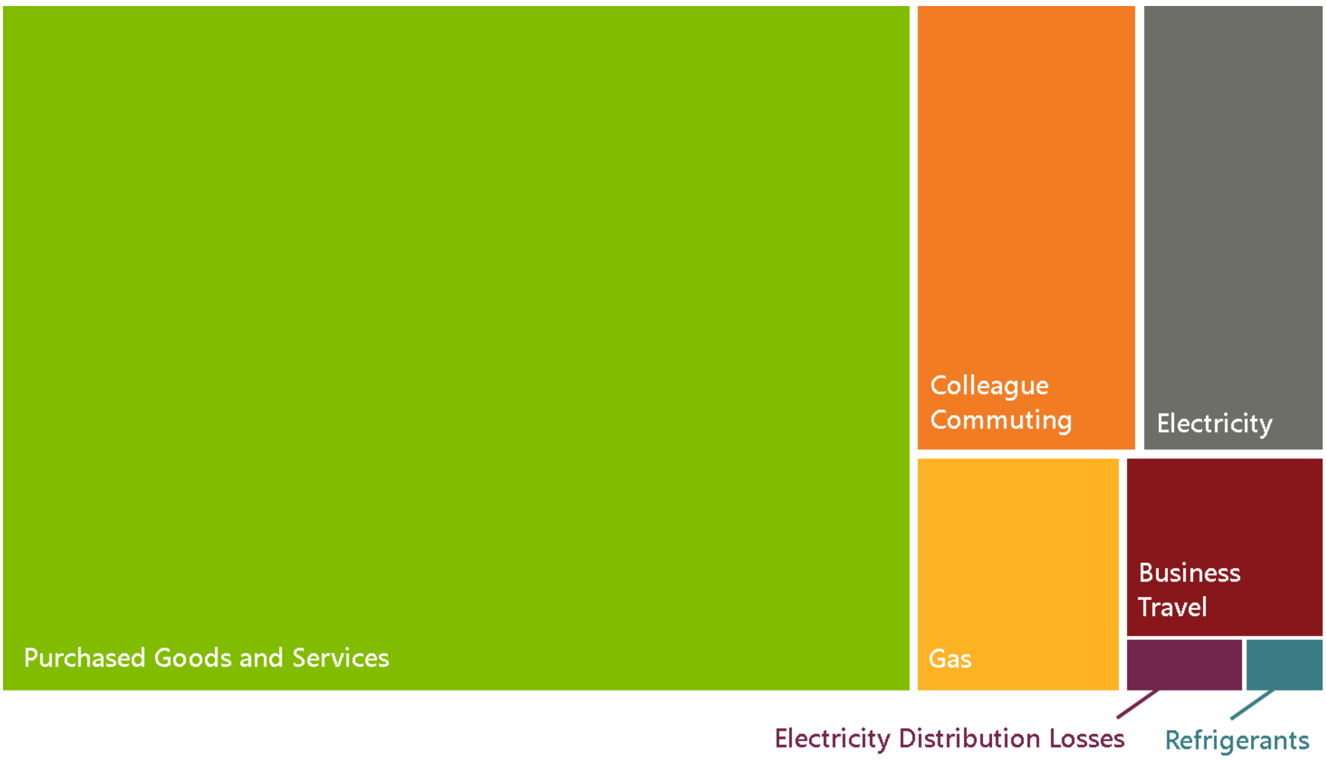
Reducing emissions at source, reduces the costs to offset. Both reductions and offsets will come with a financial impact as well as cultural and operational changes to maintain them.

It is not acceptable to simply offset all of your footprint and declare net zero, to adhere to the recognised frameworks' philosophies, net zero can only be declared once 'meaningful reductions' have been achieved for the operational emissions.

Emissions come from 3 sources as detailed below:



The Society's more material Carbon Footprint is created by those Indirect Emissions in the supply chain and through business travel. The graphic below identifies the proportion of the emissions from each key area, using 2019 as a baseline year to mitigate the impact that the COVID pandemic had on all businesses throughout 2020 and 2021. Calculations are based on tonnes of carbon dioxide equivalent (tCO2e). Periodic refreshes of the below analysis will be useful in measuring progress but as the path to net zero will be a multiyear journey we will not be updating it every year.



[The Society, as a provider of development finance, recognises that CO2e emissions are generated by the projects being financed (Category 15 emissions). However, this has been assessed as immaterial within the Society's overall CO2e emissions and is therefore not included in the above analysis.]

ROADMAP OF PROGRESS TO DATE

There are four key pillars to the Society's climate change plans as detailed below:

The table below highlights the achievements to date, and those future activities which are anticipated to take place in our move to becoming a Greener Building Society:

ACHIEVEMENTS TO DATE	FUTURE DEVELOPMENTS
STRATEGY	
▪ Climate Change risks considered in annual strategic planning and incorporated into our Corporate Plan. ▪ Launch of a further advance product to assist borrowers in making their homes more energy efficient. ▪ Launch of cycle to work and electric car schemes for colleagues. ▪ Review out to identify opportunities for reducing our Carbon Footprint. ▪ We are actively supporting more eco-friendly Modern Methods of Construction within our self-build lending portfolio.	▪ Develop a broader range of products with a range of green finance options, including savings accounts. ▪ Develop Member information to increase awareness of green issues through mailings or information on the website. ▪ Identify strategic partners and third parties with green credentials in order to help reduce our carbon footprint. ▪ Consider funding a Green Education programme. ▪ Implement opportunities identified by review of Carbon Footprint. ▪ Initiatives for staff to use low carbon transport options, reduction and recycling of waste, reducing unnecessary consumption of goods and services. ▪ Replacement of Society van with electric or hybrid alternative.
RISK MANAGEMENT	
▪ Risk Appetite for the management of Climate Change risks established. ▪ Enhanced understanding of those future risks inherent within our mortgage book, with initial discussions on changes required in the short to medium term. ▪ Climate Change risks considered within the annual ICAAP reporting process.	▪ Further consideration of Climate Change risks in lending decisions.
GOVERNANCE	
▪ Senior Management Function (SMF) for Climate Change allocated to Chief Executive. ▪ Society wide engagement with some climate related activities.	▪ Embedding of Climate Change considerations in all Society policies. ▪ Ongoing education of colleagues on Climate Change matters through training and communications. ▪ Development of procurement policies and supplier questionnaires to advise the supply chain of our objectives and expectations to assist with Scope 3

	reductions and data acquisition to inform the reductions. ▪ Establish a working group to develop the introduction of an internal shadow price of carbon to bring the conversation around Climate Change and net zero obligations into investment and financial decisions.
TARGETS & MANAGEMENT INFORMATION	
▪ Society Carbon Footprint established with a base year of 2019 using external consultancy review. ▪ Mortgaged property related risk data now established and updated biennially, with overall improvement in average EPC ratings seen to date. ▪ Windows upgraded at Head Office, and LED lighting installed. ▪ Sensor lighting introduced in a number of areas. ▪ Removal of plastic cups from water coolers, and recycling of waste materials where practicable.	▪ Implement systems to allow capture of all climate-related risks on our mortgage portfolio. ▪ Specific targets to be established. ▪ Identify further activities to reduce waste, water and energy usage. ▪ Specifically source 100% certified renewable electricity provider. ▪ Internal data collection of energy, water and other consumables to enable regular monitoring of Society's Carbon Footprint to take place.

Mansfield Town Centre, by night

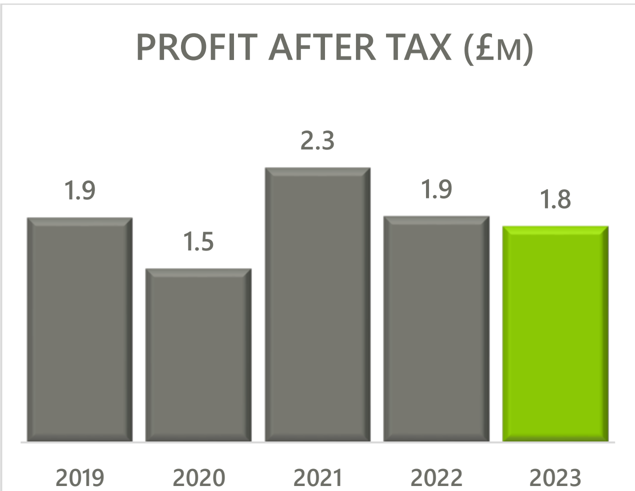
Finance Director

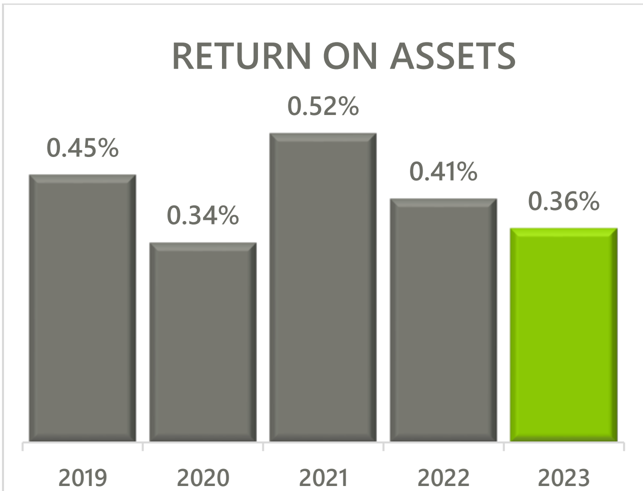
Daniel Jones

> "With strong capital reserves, the next three years will see us enter a period of re-investment in our digital capabilities, to ensure Members continue to get a great customer experience."

FINANCIAL REVIEW

PROFITABILITY





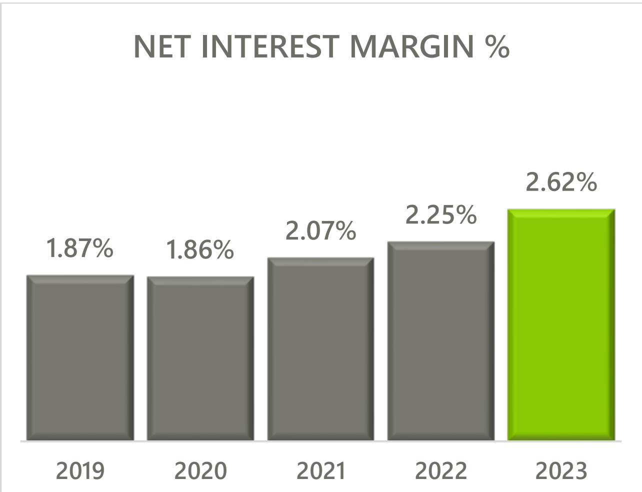
The Society has delivered strong financial performance in the year, recording a profit after tax of £1.82m (2022: £1.9m) and a return on assets of 0.36%. This was a better result than budgeted, supported by strong growth in the mortgage book. The underlying performance was better year-on-year (see below), driven by higher net interest margin. This additional margin was used to start the Society's digital transformation (Project Sherwood), which sets out to deliver much improved customer experience for Members in the future. After taking these Project Sherwood costs into account, the net profitability was similar to, but slightly lower than the prior year.

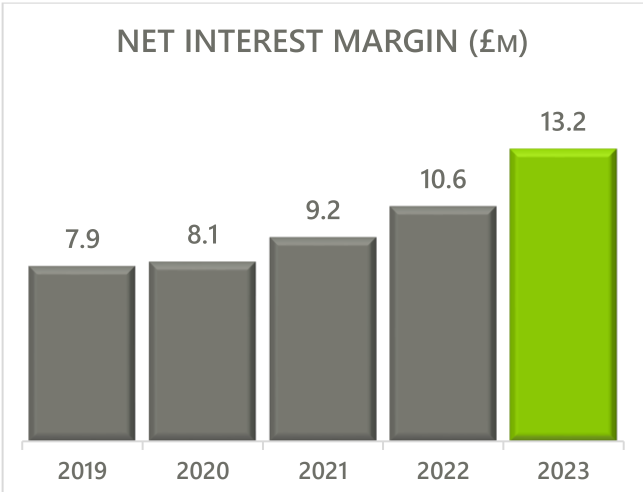
UNDERLYING PROFITABILITY

The Society began its Digital Transformation journey (Project Sherwood) in 2023, and to enable Members to better understand financial performance over the coming years as we execute this, we will be presenting a measure of Underlying Profit Before Tax, which is stated before netting off the non-recurring costs related to this transformation. The below table shows this underlying profit and how it compares to overall profit before tax.

	2023 £000	2022 £000
Net Interest Income	13,249	10,552
Fees, Commissions & Other Income	(791)	54
Total Underlying Income	**12,458**	10,606
Underlying Administrative Expenses	(8,776)	(7,407)
Underlying Depreciation & Amortisation	(280)	(301)
Underlying Operating Profit before Impairment & Other Provisions	**3,402**	2,898
Impairment Provisions on Loans and Advances, Properties & Other Provisions	(61)	(552)
Underlying Profit before Tax	**3,341**	2,346
Non-Recurring Administrative Costs	(928)	-
Profit before Tax recorded in the Income Statement	**2,413**	2,346

NET INTEREST MARGIN



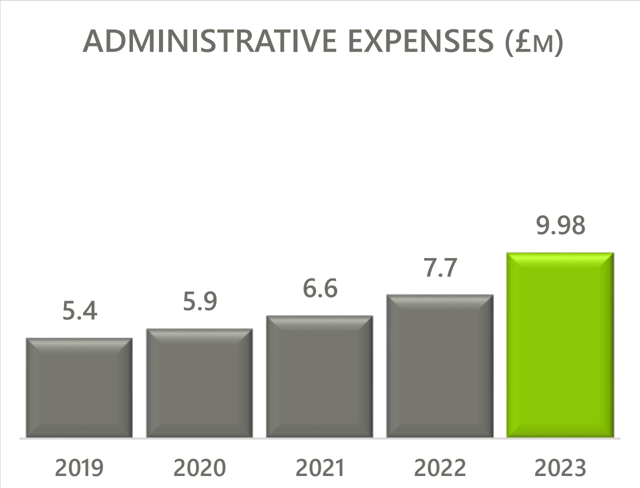


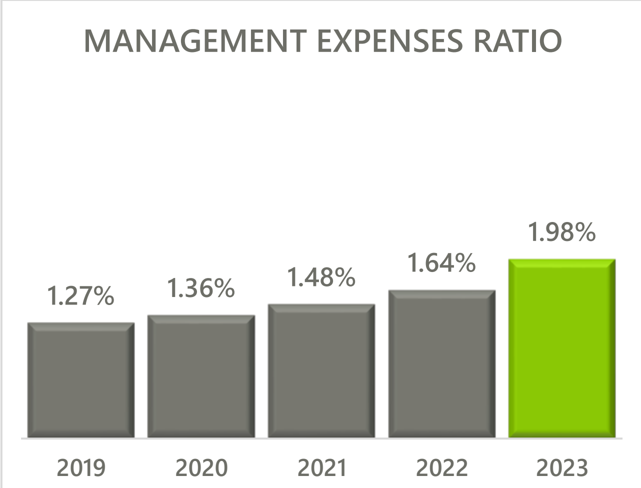
Net Interest Margin is primarily the interest income from the mortgage and liquidity portfolios, minus the interest payable on the savings portfolio and treasury funding. During the recent period where Bank Base Rate and other market rates have moved higher so rapidly, it has also been bolstered by the income on interest rates swaps which are used to hedge against interest rate risk. The net margin is divided by mean Total Assets across the year to calculate the margin percentage.

The Society continues to maintain a very healthy margin from which it is able to cover administrative costs, any credit losses and any increases it needs to make in its provisions. In its management of net interest margin, the Society seeks to maintain a strong margin, by maintaining a diversified mix of mortgage types which include niches that command a higher interest rate. It does this, while also ensuring that it pays a competitive rate of interest to its savings customers.

This diversification in lending continued during 2023, for instance with year-on-year growth in the segments of Buy to Let where the landlord operates via a limited company and Development Finance. Prime Owner-Occupied Residential mortgages remain by far the largest portion of the mortgage book, but these niche segments help to maintain a strong margin.

ADMINISTRATIVE EXPENSES (INCLUDING DEPRECIATION)



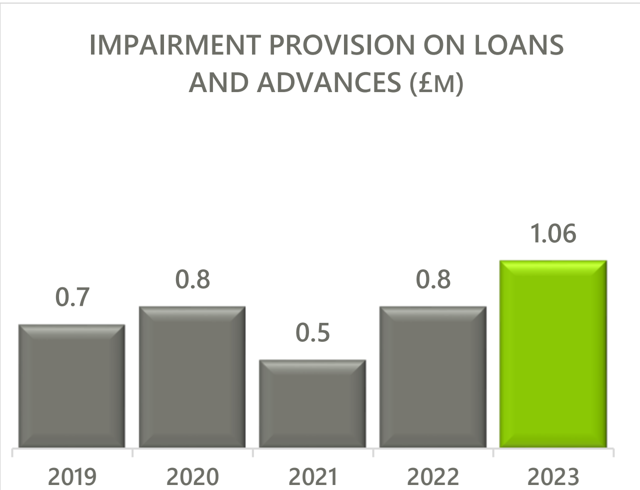


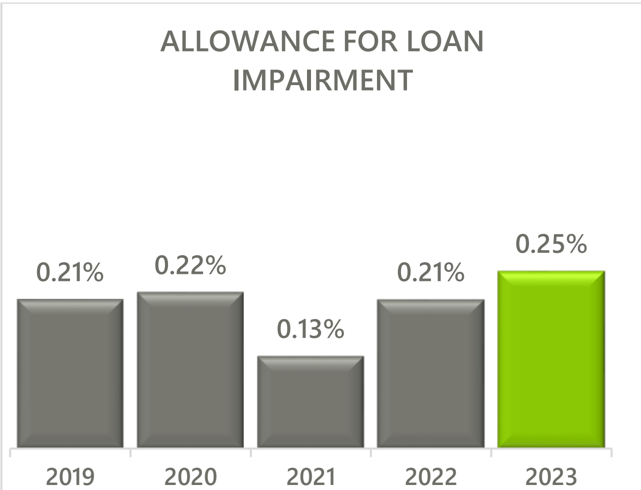
In 2023, Administrative Expenses include £928k of non-recurring items relating to the Society's digital transformation. Aside from this, the underlying administrative expenses also continued to rise in 2023. Price inflation in the UK economy was a key part of this. The Bank of England sets monetary policy to achieve the Government's target of keeping inflation at 2%, but global events left inflation running significantly higher than this. CPI peaked at 11.1% in the 12 months to October 2022, and although it dropped during 2023, it remained well above targeted levels, and many contracts renewing in 2023 still had to reflect inflationary rises seen across 2022. As a result, most existing contracts have become more expensive during the course of the year, though we have been strong in our negotiations to mitigate this wherever possible.

Price inflation has flowed through to salary inflation as well. ONS reported the rate of annual pay growth for total pay was 6.5% and for regular pay was 6.6% in September to November 2023. The Society seeks to remunerate its colleagues fairly and uses benchmarking to inform this. Its rate of pay growth has been similar to the UK average.

As well as these inflationary effects, the requirements from regulation continue to grow. These regulations seek to further strengthen the resilience of the financial sector and protect its consumers, all of which is positive, but it does drive cost into the business. In the last year, work was carried out on new requirements for Consumer Duty, Third-Party Management, and Regulatory Reporting. We seek to comply with the requirements in a proportionate and efficient way, but over time, they are certainly a factor in the ongoing increases to the Society's headcount.

IMPAIRMENT PROVISIONS ON LOANS AND ADVANCES





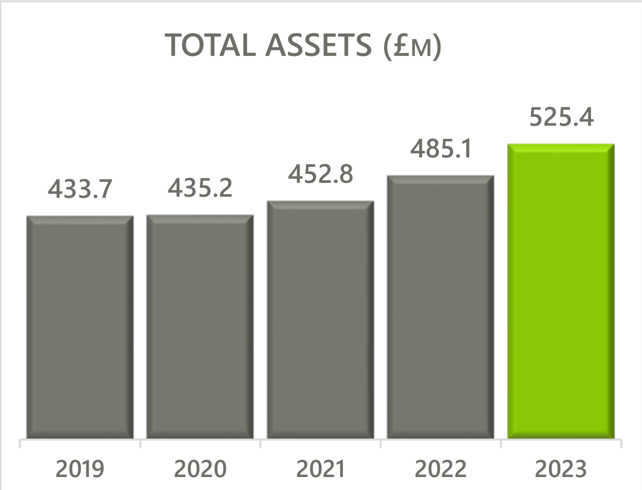
Allowance for Loan Impairment is shown as a percentage of the total mortgage book.

Also referred to as the 'Bad Debt Provision', the Society is required to account for the losses that arise if borrowers are unable to repay, and the Society is not able to recover the funds via either forbearance or repossession. The Society conducted two repossessions in 2023, but made no losses on either. Therefore the full £223k charge to the Profit & Loss Account is driven by increasing the provision held on the balance sheet for the eventuality of such losses that may arise in the future. This provision stood at £1,059k at 31 December 2023 (2022: £836k). The level of arrears on the book remains low with the number of cases 12 months or more in arrears totalling 17, comprising arrears of £219k on mortgage balances of £1,600k.

We account for provisions under FRS 102, which is a so-called 'incurred loss' model, and so requires evidence of potential loss behind the provision. We make a specific provision for accounts where there are conditions at the balance sheet date that indicate potential impairment, such as arrears on the account or forbearances in place. This year, we have also included a provision for any customer who requested an interest only period as part of the Government's Mortgage Charter. We make a further collective provision for the remainder of the mortgage book on the basis of industry data to inform what a typical loss rate might be for our mortgages, which is also further informed by obtaining credit bureau data for each mortgage.

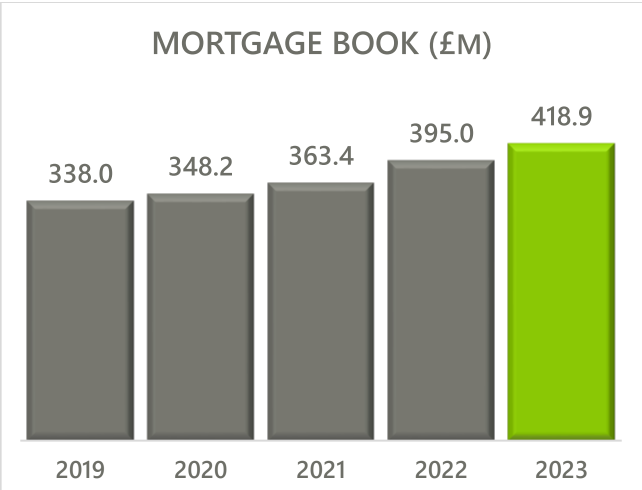
The calculation of the loss amount for any loan which is provided against is informed by applying a forced sale discount assumption, where we assume that the amount that can be recovered from the sale of a property in repossession may not be the value that an owner would obtain in the normal course of events.

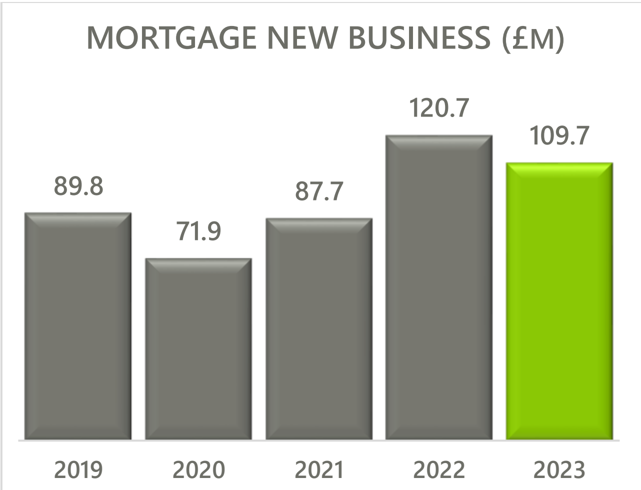
TOTAL ASSETS



Total assets increased by £40.3m to £525.4m (2022: £485.1m) during the course of 2023. This was the result of increases in the mortgage book, which grew by £23.9m to £418.9m (2022: £395.0m). Cash and cash equivalents (see note 10), which would normally be expected to increase proportionately with the overall size of the balance sheet, increased by £18.7m to £92.8m (2022: £74.1m), as the Society began to raise funding from savers ahead of replacing the funding it has from the Bank of England Term Funding Scheme (TFSME).

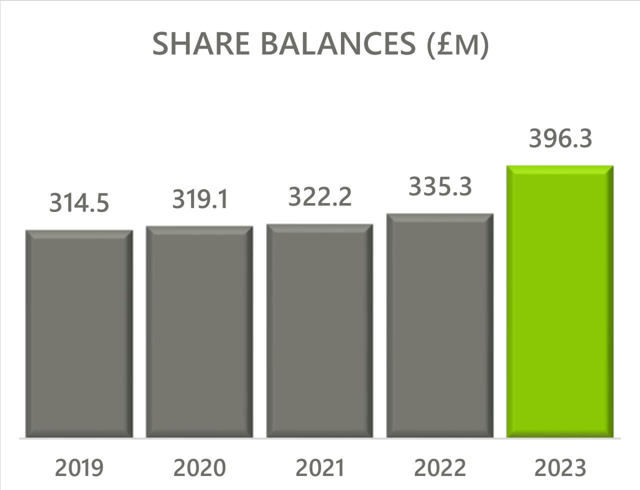
MORTGAGES

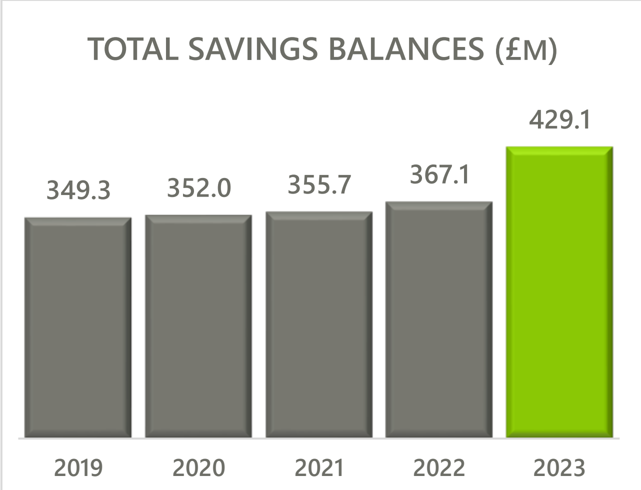




It was another successful year for new mortgage business, with strong consumer demand for our products, despite a broader market in which mortgage volumes dropped significantly. Mortgage completions dropped by £11.0m to £109.7m from the record level of £120.7m we had in 2022. They remained above the levels seen in 2019 to 2021 and these strong levels would not have been possible without the investments made in recent years in the mortgage process review.

FUNDING



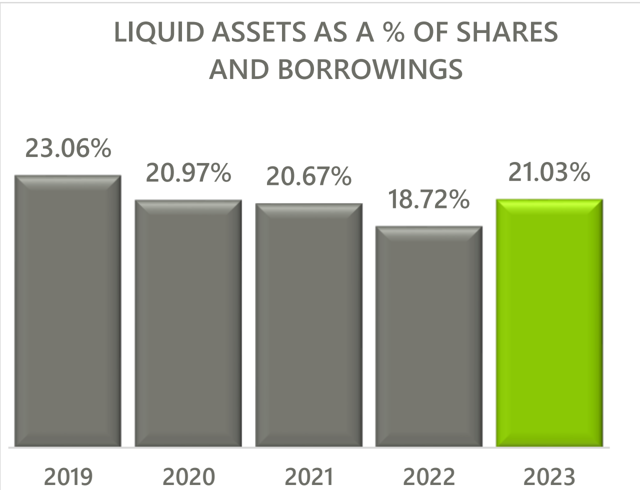


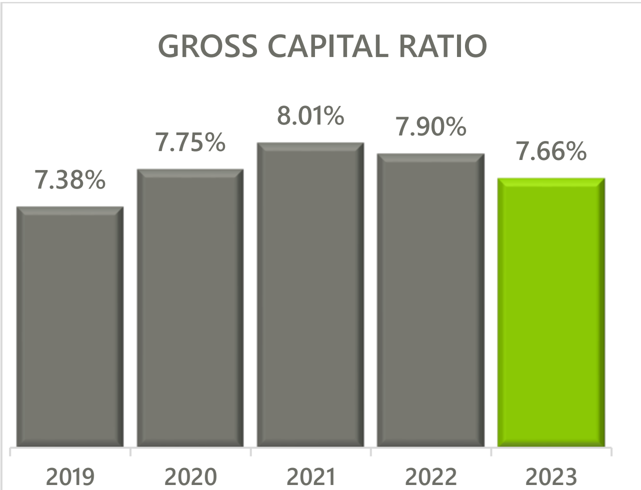
Savings make up the largest source of funding for the Society and most savings balances are held by Members of the Society. These comprise a diversified mixture of products, including notice accounts and fixed term bonds, ISAs, regular saver products and those with easy access. As at 31 December 2023, these Member balances were £396.3m (2022: £335.3m) and rose £61.0m during the year. Some savings, where the saver is not a formal Member of the Society, include business and SIPP balances and those held by community organisations. In total savings balances rose by £62.0m to £429.1m (2022: £367.1m) during the year.

The Society also accesses funding from other credit institutions, including the Bank of England. Amounts owed to credit institutions decreased by £18.5m to £52.8m (2022: £71.3m). The largest element of this funding is £50m (2022: £60m), which the Society has borrowed under the Bank of England TFSME Scheme. The remaining amounts largely comprise wholesale loans from financial institutions or local authorities, and £0.7m was also held as margin collateral on the interest rate swaps it has.

The Society's strategy for repaying TFSME involves settling the individual tranches ahead of their contractual repayment dates. Accordingly, the £10m repaid during 2023 was not due to mature until 2024. The remaining £50m of TFSME funding has maturity dates spread across 2024 and 2025, and the Society has a robust strategy for replacing this funding source. The Society also deliberately raised more funding from savers in 2023 than it needed to fund mortgage growth, in readiness for these repayments.

LIQUIDITY AND CAPITAL





The Society's Liquid Assets as a percentage of Shares and Borrowings increased over the course of 2023 from 18.72% to 21.03%. This was part of a managed strategy to be ready to repay TFSME funding. We expect liquidity levels to be lower again in future as we make the TFSME repayments. The appropriate level of liquidity is determined by the Executive and approved by the Board via its Internal Liquidity Adequacy Assessment Process (ILAAP). This process assesses the liquidity and funding risks faced by the Society and chooses a level of liquidity that the Executive are targeted to maintain, and which provides the Society with enough liquid assets that it can withstand a severe stress and continue to cover its liabilities as they fall due. The mix of funding is an important consideration in this assessment. The Society has a well-diversified mix of funding sources, including access to the Bank of England's Sterling Monetary Framework, wholesale funding markets and a wide range of savings products and customer types.

At 31 December 2023, gross capital, which is represented by reserves, amounted to £37.2m (2022: £35.4m), being 7.66% of total shares and borrowings (2022: 7.90%). Free capital, which comprises gross capital and the collective loan impairment allowance less tangible and intangible fixed assets, amounted to £35.8m (2022: £33.9m). The leverage ratio, which represents Tier 1 Capital as a % of Total Assets including post offer pipeline mortgages was 6.56% (2022: 6.57%). 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 18.01% (2022: 18.27%). Good levels of post-tax profit have allowed the Society to maintain its strong capital position in 2023. Capital is also stress tested at least annually via the ICAAP process and this shows the Society has significant capital surpluses, over and above that which would be 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.

FUTURE DEVELOPMENTS

The Society is committed to managing its finances in such a way as to protect its capital strength, and ensure it has access to a diversified range of funding sources, that enable it to manage its liquidity risks appropriately, while also funding growth. Strong margins and growth in both mortgage and savings balances are needed over the long term to protect the Society's ability to offer competitive savings rates, while also enabling it to make investments that maintain its ability to attract mortgage and savings business and service customers in the fashion they would expect.

Protecting these abilities requires digital transformation and this will involve significant investment over the coming years. The Society started this process (Project Sherwood) in 2023, investing recent strong profits in this project. Over the coming two to three years, this project will continue, and we plan to use capital reserves to fund the remainder of the project. What this will mean in practice is that the Society will not expect to make significant profits during the course of the project, and could make losses. This does not mean the Executive and the Board will disregard the financial health of the Society, far from it, but it will instead focus on capital strength over the long term, executing a managed reduction in capital levels, which are currently well in excess of those needed, to fund investment, while ensuring that surpluses still exist to support future growth and resilience.

To give appropriate visibility of this investment, the Society has started reporting underlying profit before tax (page 21). This will enable the reader to see financial performance with and without the cost of this investment. Readers should note that as well as the investment itself, the work required is likely to impact short term growth rates, which have a knock-on effect to short term growth in income. Both factors are accounted for when providing the Board with forward looking plans for the Society's capital.

In assessing the likely forward view for the Society's finances, capital strength rather than year-on-year profits, will be of most importance. The Society has significant capital surplus, as assessed by its annual ICAAP process, and the Society's capital strength means it can afford a period of worse profit performance, caused by the Project Sherwood re-investment, without affecting its long-term viability. The Board have reviewed long term projections of the Society's capital position in assessing its strategy of Digital Transformation, and it will require the Executive to regularly refresh these as it progresses this piece of work.

BOARD OF DIRECTORS

Alison Chmiel, Board Chair

Alison was appointed as a Non-Executive Director in February 2013. She is an experienced business leader, being a qualified accountant with an IT background having started her career in technical roles with IBM. Her previous roles include Deputy Managing Director of Ikano Bank UK. Alison is a long-standing supporter of community institutions having spent many years as a Director/Trustee of The Woodland Trust and currently as a Director/Trustee on a local multi-academy trust board.

Paul Wheeler, Chief Executive

Paul is the Chief Executive of the Society and assumed this role in April 2020. He has been with the Society for a number of years having joined as Finance Director in 2011. Paul has extensive senior leadership experience having operated as Deputy Chief Executive (CEO) at the Society as well as previously holding senior roles at Next plc, Alliance & Leicester plc and East Midlands Development Agency. Paul is a Chartered Accountant and a strong believer that building societies should offer easy to understand products at a fair return whilst giving both financial and practical support to their local community.

Dan Jones, Finance Director & Secretary

Dan is a Chartered Accountant with significant finance experience, having previously held senior management positions at Capital One and Experian plc. He joined the Society in 2019, and oversees the financial strength and resilience of the organisation. He is also passionate about the way building societies serve their local communities and that their ethos is centred on improving people's lives.

Nick Baxter, Vice Chair and Senior Independent Director

Nick was appointed as a Non-Executive Director in January 2017. He has more than 40 years' experience in the financial services industry. Nick's principal qualifications are in marketing and management, however, he also holds a number of mortgage related qualifications. With a passion for ensuring good consumer outcomes and increasing professional standards, Nick has worked with a number of regulators and is an advocate for building societies as being well-placed to deliver financial security and integrity to customers. Nick is also the Society's Whistleblowing Champion.

Colin Bradley, Non-Executive Director

Colin was appointed in May 2015 as a Non-Executive Director. He was Deputy Chief Executive and Finance Director with Loughborough Building Society. He is a Chartered Accountant and chairs the board Audit and Compliance Committee. Having worked in building societies for over 30 years, Colin is committed to the values and service ethos of the mutual sector with its roots in the local community and with Members' interests being at the heart of everything we do.

Lucy McClements, Non-Executive Director

Lucy was appointed as a Non-Executive Director in July 2020. Previous roles include non-executive directorship of an E-money firm and she is currently a Board Member of the Isle of Man Financial Service Authority. Passionate about improving financial capability across all age and socio-economic groups, much of her experience comes from almost two decades as a financial services regulator on both prudential and conduct of business issues in roles spanning Authorisation, Supervision, Operations, and Risk. More recently Lucy has consulted with clients on good governance as well as delivery of Board/Executive level development interventions.

Keith McLeod, Non-Executive Director

Keith was appointed as a Non-Executive Director in December 2021 and currently chairs the board Risk Committee. He is a Chartered Accountant and has spent over 30 years within the financial services industry, including senior roles at Schroders, UBS and Morgan Stanley. His most recent role was as the Chief Financial Officer and Acting Chief Executive Officer for the UK subsidiary of a large Middle Eastern Bank. Keith views building societies as providing a strong business model that delivers good outcomes for customers and is a firm believer in the benefits of mutuality. Keith is a Trustee of Lymphoma Action, a national Cancer Charity and a Non-Executive with a Housing Association.

Rachel Haworth, Non-Executive Director

Rachel was appointed as a Non-Executive Director in December 2021 and currently chairs the board Remuneration Committee. Rachel is a successful customer-focussed leader with significant experience in the financial services industry, most recently as Customer Experience Director at Coventry Building Society. Her experience in the sector reflects an outlook that sees commercial success as best achieved by providing customers with the best possible outcomes, and a dedication to engaging with customers as owner-members. Rachel's experience spans Marketing, Digital Transformation, Risk Management and Cultural Leadership.

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 (a more recent update in January 2024 does not yet apply). 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 2023 the Board met eight times to closely monitor the Society's business performance. In addition, a Board Strategy Day was held in July.

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 usually 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 consisted of eight Non-Executive Directors at the beginning of 2022 due to the temporary increase whilst we transitioned two new members onto the Board and retired two existing Directors. However, as at 31 December 2022, the Board again consisted of six Non-Executive Directors and this was the case throughout 2023 also. Although the Board Chair has now been a member of the Board for over nine years, this is considered acceptable by the Board in order to maintain relevant skills and experience on the Board and aid succession planning. The Board views all the Non-Executive Directors as being independent in character and judgement.

The Board supports the Society's purpose of 'Providing homes for people and their savings, helping to create a sustainable future'.

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 five 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 propriety and performance of the Board. It also makes recommendations on Board succession planning and election of Directors.

As part of the succession planning for the outgoing Audit & Compliance Committee Chair, a research agency (Taylor Harrison) was engaged towards the end of 2023. This agency had no other connection with the Society or its Directors.

The Committee met twice in 2023 and Committee members during the year were Alison Chmiel (Board Chair), Nick Baxter and Lucy McClements. Paul Wheeler (Chief Executive) was also an attendee during the year.

REMUNERATION COMMITTEE

The Committee met three times during 2023. 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 Directors and Remuneration Code colleagues. It reviews and recommends to the Board the general Remuneration Policy of the Society, ensuring that this aligns with the Society's overall risk appetite, strategy and long-term objectives; and takes into account the long-term interests of members, depositors and other stakeholders in the Society.

It reviews and recommends to the Board all elements of remuneration and terms of employment of the Executive Directors including service contracts, notice periods, termination/compensation payments and bonus payments; having regard to appropriate regulation. It also reviews and recommends the annual remuneration of Non-Executive Directors.

Committee members during the year were Rachel Haworth (Chair from 08.11.23), Nick Baxter (Chair until 08.11.23) and Alison Chmiel.

Meetings of the Committee were also attended, as appropriate, by the Chief Executive, Finance Director 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 pages 40 to 42.

AUDIT AND COMPLIANCE COMMITTEE

This Committee meets at least quarterly and considers regulatory compliance matters and the adequacy of internal controls. It met five times during 2023 and 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 2023 were Colin Bradley (Chair), Lucy McClements and Keith McLeod. All members of the Committee have appropriate financial business knowledge. The meetings are attended by representatives from internal and external audit, together with the Chief Executive, Finance Director, Board Chair, and Risk and Compliance Executive.

A report from the Audit and Compliance Committee is included on pages 35 and 36.

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 2023 were Keith McLeod (Chair), Nick Baxter, Colin Bradley, Lucy McClements, Rachel Haworth, Paul Wheeler and Daniel Jones. Jim Stevens attends as Risk and Compliance Executive and Alison Chmiel, Board Chair, also attends.

PROJECT SHERWOOD SUB-COMMITTEE

This Committee has been created during 2023 to provide oversight in regard to Project Sherwood, which is the Society's digital transformation project. The Project Sherwood Executive Steering Committee reports to this Board Sub-Committee. The responsibilities of the Sub-Committee include oversight of delivery of the programme plan, cost control against the budget, quality of deliverables and the assessment of the future direction of the programme. It also provides oversight of vendor selection and the wider organisational and cultural change programme linked to the project. It has oversight of Project Sherwood risks, and receives assurance reports relating to the project.

The Committee meets at least four times a year and on an ad-hoc basis, dependent on the timings of key deliverables within the project plan.

Committee members during 2023 were Alison Chmiel (Chair), Keith McLeod, Rachel Haworth, Paul Wheeler and Daniel Jones. The Committee appointed Partners In Change (PiC Consulting) as the assurance partners for the project, and Mark Foulsham represented PiC at meetings during 2023. Jim Stevens attends as Risk and Compliance Executive and Iain Lister as IT Executive.

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	NOMSCO	REMCO	RISKCO	ACC	PSSC
Number of Meetings	8	2	3	4	5	3
NON-EXECUTIVE DIRECTORS						
Alison Chmiel	8	2	3	4*	5*	3
Colin Bradley	8	*	*	4	5	*
Nick Baxter	8	2	3^	4	*	*
Lucy McClements	8	2	*	4	5	*
Rachel Haworth	8	*	3^	4	1*	3
Keith McLeod	8	*	*	4	5	3
EXECUTIVE DIRECTORS						
Paul Wheeler	7	2*	3*	4	4*	2
Daniel Jones	8	*	3*	4	5*	3

NOMSCO denotes Nominations Committee
REMCO denotes Remuneration Committee
RISKCO denotes Risk Committee
ACC denotes Audit and Compliance Committee
PSSC denotes Project Sherwood Sub-Committee

* Denotes not a member of the Committee, displayed with a number denotes an attendee of the Committee
^ Nick Baxter was Chair of the Remuneration Committee until 08.11.23. Rachel Haworth was Chair of the Remuneration Committee from 08.11.23

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 Annual General Meeting (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 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. 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 (2024) the Society will donate 50 pence per vote cast to the Alzheimer's Society. 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. Board members will be available to meet with Members and community representatives both before and after the meeting and answer questions on both a formal and informal basis. In addition, the Society is again requesting questions by email, with the answers to the most common questions being published on the Society's website.

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, diversity and inclusion, whistleblowing, and remuneration. In 2023, the Board received management information which provided 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 whistleblow 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 Vice Chair 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 Board and formally meets with them annually.

The Society introduced an Inclusion Forum in 2022, which is chaired by a member of staff and consists of a number of employees from across the business. The Inclusion Forum meets quarterly and raises any concerns with the Head of HR and the Executive Committee. A member of the Board, Rachel Haworth, has been appointed as the Inclusion Champion and meets with the Forum periodically.

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 visits, with 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 June 2021 and has been a member of the Board for nearly eleven 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 now served on the Board for nearly 11 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 Nick Baxter 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 30.

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 and utilising search consultants. Where appropriate, specialist external search consultants will be engaged (as is currently the case in the recruitment to replace Colin Bradley, who plans to retire in 2024). 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 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 33% of the Board being from the under-represented gender. The under-represented gender constituted 37.5% of all Board members (and 50% for Non-Executive Directors) at the end of 2023. All new Directors appointed are subject to election by the Members at the next AGM of the Society following their appointment.

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, in the interests of clarity for our Members, the Society requires all Directors to be submitted for re-election every year (unless they are retiring), subject to satisfactory performance.

All Directors must meet the test of fitness and propriety as laid down by the appropriate regulator and each Director fulfilling a Senior Management Function must be approved by the Prudential Regulation Authority and Financial Conduct Authority.

Although the Board Chair has now exceeded her nine-year tenure, this is considered acceptable by the Board in order to maintain relevant skills and experience on the Board and aid succession planning.

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. During 2023 the Society entered the Best Companies accreditation process for a third year, which involved an assessment of the Leadership of the Society by the Board.

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 and includes 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 35 and 36 explains how the Society applies the Code Principles relating to corporate reporting and internal control.

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 45.

The Audit and Compliance Committee Report on pages 35 and 36 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 and mitigating key and emerging risks. The Board Risk Policy outlines the overall Risk Management Framework for the Society and the key risks faced by the Society are documented in the Society's Risk Register. 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 RSM. The internal auditors provide independent assurance to the Board regarding the effectiveness of internal controls, reporting through the Audit and Compliance Committee. In addition, Partners In Change Consulting have been appointed as assurance advisors for the Society's digital transformation programme, Project Sherwood, providing assurance reports to the Project Sherwood Board Sub-Committee on a regular basis.

REMUNERATION

The Directors' Remuneration Report on pages 40 to 42 explains how the Society pays regard to the Code Principles relating to remuneration.

Alison Chmiel
Board Chair
7 March 2024

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 five 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 its 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 the impact on HPI, arrears and forbearance in a year of several rises in interest rates and has satisfied itself with the increased 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 using the SONIA benchmark rate. 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.

PENSIONS - The Society operates a defined benefit pension scheme, which is currently closed to new members. The Committee reviews the assumptions which are used in the calculation of the scheme's liabilities. The surplus for the scheme and the assumptions behind its calculation are outlined in note 31 to the accounts.

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 2023 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 potential impacts of the current cost-of-living crisis were adequately considered and 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.

Consistent with these responsibilities, the Committee oversaw the following activities during 2023 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 (RSM 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 2023 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 2023, Internal Audit had an appropriate level of resource to deliver its plan of work and that it discharged its responsibilities effectively.

EXTERNAL AUDIT - The re-appointment of Mazars LLP as external auditors was approved by Members at the 2023 AGM. The Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the external auditor, agreeing its remuneration and terms of engagement, and making recommendations to the Board on the appointment, reappointment or removal of the external auditor as appropriate. As part of the external audit process, Mazars 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. The only non-audit services supplied by our external auditors during 2023 were in regard to the CASS audit, which is a requirement of the financial regulator. The external auditor's work includes a review of IT controls relating to the financial reporting.

Mazars will be proposed for re-appointment to the Members at the AGM in April 2024.

Colin Bradley
Chair of the Audit and Compliance Committee
7 March 2024

PRINCIPAL RISKS AND UNCERTAINTIES

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 overarching requirements are defined in the Society's Board Risk Policy, which is approved by the Board.

The Board is responsible for robustly assessing the principal risks facing the Society. To achieve this, the Board approves the Society's risk appetite and metrics following consideration by the Board Risk Committee and receives regular reports and assessments of the Society's risk and control processes and recommendations from this Committee. The Risk Committee oversees the management and control of balance sheet exposures and the use of financial instruments for risk management purposes. Further details on these risks can be found in notes 28, 29 and 30 on pages 78 to 85.

PRINCIPAL RISKS AND UNCERTAINTIES

Mansfield Building Society will actively manage risk levels to minimise threats to its ongoing operation and reputation as a sustainable, mutual financial organisation. In common with other financial institutions, the nature of the Society's business, results in a number of unavoidable risks. These principal risks, which are defined in the Board Risk Policy, are reviewed and assessed on a quarterly basis by the Board Risk Committee, along with any emerging risks. This quarterly assessment is then reported upwards to the Board.

The Society's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls are reviewed and assessed by the Audit and Compliance Committee, which is a sub-committee of the Board. This Committee receives assurance on the effectiveness of systems and controls from the second line Risk and Compliance department as well as from Internal Audit. Having received this information, the Board considers that there are effective systems and controls, and therefore does not perform its own separate review of the effectiveness of these. Nor does it therefore report on such a review in the annual report.

The current principal risks are defined in the table below.

BALANCE SHEET	Balance Sheet Risk is the risk that the Society does not have adequate financial resources, in terms of either amount or quality, to meet liabilities as they fall due or is unable to secure appropriate funding. This risk incorporates Capital Risk, Funding Risk and Liquidity Risk. This 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.
CREDIT	Credit Risk is the risk that the parties with whom the Society has contracted fail to meet their obligations as they become due. 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 Management Credit Committee and the Board 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 reduction in earnings and/or capital value due to unplanned variations in interest rates. 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 2023 can be found in note 30 on page 85.
PENSION DEFICIT	Pension Deficit Risk is the risk to capital arising from the Society's obligation to make contributions to the defined benefit pension scheme, or due to the Society having insufficient funds to meet liabilities. To manage this risk the Society performs internal stress tests on the pension fund as well as reviewing the Pension Trustees' triennial valuation. The impact of this risk is considered in the Society's ICAAP and a proportionate amount of capital is set aside to cover potential impacts.

STRATEGIC	Strategic Risk The risk that the medium and long-term business plan and strategy of the Society fails to achieve its objectives. This risk arises from 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. The Management Product Committee regularly review data on the mortgage and savings markets, as well as using product profitability analysis when deciding on the pricing of new products. Summaries of this are provided to the Board. The Board runs an annual Board Planning Day, during which it considers strategic risks and opportunities, and this includes reviewing scenarios over a seven-year period. This risk category also includes Climate Change Risk which is discussed separately below.
OPERATIONAL	Operational Risk (including Cyber Risk) The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Society has undertaken considerable work in 2023 to demonstrate its operational resilience and to ensure that it can maintain delivery of important business services through plausible stress scenarios. As part of this process the Society has also reviewed its third party relationships to ensure that they continue to deliver an appropriate level of service to our Members. The Society continues to invest 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 that the Society fails to comply fully with regulations, law, or codes applicable specifically to the Society. This is regularly reviewed by the Risk Committee. The Compliance Team support a process whereby new and emerging regulations are captured and assigned to an appropriate colleague to ensure any consequences for the Society are understood and acted upon.
CONDUCT	Conduct Risk is the risk of adverse customer outcomes arising from direct or indirect failures in the overall conduct of the business. The Society is committed to delivering fair outcomes to all customers and fully implemented the requirements of the FCA's 'Consumer Duty' regulations in 2023. This is underpinned by the Society's conduct risk framework and related Consumer Duty management information, which is regularly reviewed by the Risk Committee and the Board. The Executive Committee monitors consumer duty performance and conduct risk at an operational level.
CLIMATE CHANGE	Climate Change Risk is primarily the risk that the value of the residential houses that our mortgages are secured against reduces due to the environmental impact from the effects of climate change. There are two key types of risk associated with climate change: the risks that arise as the economy moves from a carbon-intensive one to net zero emissions, known as transition risks; and risks associated with the higher global temperatures likely to result from taking no further policy action, known as physical risks. For more detail see the Environment section on page 15. The Society regularly reviews its existing mortgage portfolio with regard to climate risk, and this assessment is used to inform the ICAAP process. The ICAAP process is used to ensure adequate capital is maintained by the Society. The mortgage and savings products offered, along with the effect that the Society's own carbon footprint has on the environment is also being assessed to identify opportunities for the Society to contribute towards the UK Government's target of a reduction in carbon emissions and the move to a net zero economy.

The principal risks are all influenced by a number of significant uncertainties created largely by external factors, including consumer price inflation, the war in Ukraine, the energy and cost-of-living crises, along with frequent movements in Bank Base Rate. These uncertainties are discussed below, along with the controls and mitigations that have been put in place to manage the risks and minimise their impacts.

CURRENT ECONOMIC UNCERTAINTY

2023 has seen the Bank of England Base Rate hit its highest level in 15 years and this has accompanied a prolonged cost-of-living squeeze and a period of significant inflation. The main impacts of the current economic situation are as follows:

- Credit: The difficult economic environment has been compounded by the impact of borrowers coming to the end of relatively low-rate fixed mortgage deals and therefore facing a significant increase in their monthly payments. The Society implemented the requirements of the Government's Mortgage Charter in July 2023 and continues to take significant steps to help its Members continue to meet their mortgage payments. The Society carries out careful affordability assessments as part of its underwriting processes to mitigate this risk.
- Market Risk: The rising rate environment has increased the cost of new interest rate swaps that the Society uses as part of its interest rate risk management, which could compress net interest margin on new loans. The Society regularly reviews product profitability and adjusts the pricing of new and retention products to ensure an adequate return is generated.

The Society considers a forward view of profitability when assessing rate changes on savings products, and in setting the level for its mortgage Standard Variable Rate (SVR) in response to any Bank Base Rate change. The Society will also continue to closely monitor all relevant economic forecasts to ensure that it incorporates emerging risks.

THE TRADING ENVIRONMENT

Competition in the retail banking sector continues to affect the Society's ability to maintain its recent level of earnings. The main impacts of the trading environment are discussed below:

- Mortgage Trading: Mortgage conditions remain challenging, with significant competition across the market. The Society will continue striving to balance the needs of savers and borrowers, while earning sufficient margin to maintain operations, provide investment for the future and build sustainable capital reserves. In response to these reduced margins, the Society will continue to explore new lending 'niches' to generate increased returns within risk appetite.
- Retail Funding: Following a sustained period of low interest rates, the transition to an increasing interest rate environment poses a number of challenges for the Society. The Society is committed to paying fair interest rates to its savings customers and has therefore seen an increase in the cost of funding which is reflected in the wider market. During 2024 a significant number of financial institutions will be repaying the government-backed funding provided by the Bank of England under the TFSME Scheme and this is expected to increase the competition for retail funding further. The Society has robust plans in place to ensure that it can continue to raise the necessary level of retail funding as well as having access to alternative funding sources. Funding and liquidity are assessed as part of the Internal Liquidity Adequacy Assessment Process (ILAAP) which includes robust stress testing.

REGULATORY CHANGE

Financial services regulation continues to develop, with a number of new initiatives coming into force in 2024 and beyond. The new regulations impact multiple areas of the business and will all require significant resource to be applied to ensure that the Society remains able to meet all regulatory requirements.

The key elements of regulatory change under consideration include:

- Consumer Duty (FCA)
- Basel 3.1 (PRA)
- The Strong and Simple regime (PRA)
- Confirmation of Payee (PSR)
- Solvent Exit Planning (PRA)

The Society actively monitors the regulatory environment to ensure that it continues to comply fully with all new and changing regulatory requirements.

DIGITAL TRANSFORMATION

To enable the Society to continue to grow, remain innovative and improve existing ways of working, we continue to pursue and implement a digital change agenda. 2023 has seen significant progress in this development area as the Society has undertaken the necessary preparatory work to enable it to fully scope and understand the changes required and the level of effort that will be needed to deliver them. Digital Transformation inevitably increases the level of risk within an organisation as well as placing additional strain on existing management. To manage this risk, change activities are underpinned by a clear attribution of responsibilities, regular and transparent status reporting and a high level of oversight and scrutiny by members of the Executive Team and the Board. A Board sub-committee (page 29) has been established to oversee this, and independent assurance partners have also been appointed to provide challenge to the Executive Team and to report to this Committee.

REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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 met three times a year in 2023. The membership of the Committee during 2023 was:

Nick Baxter - Committee Chair until 08.11.23
Alison Chmiel
Rachel Haworth - Committee Chair with effect from 08.11.23

The makeup of the Committee complies with the Corporate Governance Code requirements for smaller organisations to have at least two members who are Independent Non-Executive Directors.

Meetings of the Committee were also attended by Paul Wheeler, Daniel Jones and Head of HR Vickie Preston, who withdrew from the meeting when their own remuneration was 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 remuneration of Executive Directors is reviewed annually by the Remuneration Committee, using data from other comparable building societies, and by a performance review process which, in the case of the Chief Executive, is undertaken by the Society's Board Chair. 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. The two Executive Directors have earned 12% of basic salary as reward under this scheme during 2023.

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 12% for the Chief Executive and 10% for the Finance Director. The pension contributions for all colleagues are regularly benchmarked against other organisations in the local area and in the building society sector as part of our review of the total package paid to all colleagues. 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. In 2023, the Society introduced an improved pension contribution for employees which paid up to 8% from the Society. This reduced the gap between contributions made for Executives and other colleagues. The Society is committed to further reducing this gap over time and from March 2024 it will pay up to 9%.

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 2023.

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 six 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 six 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, although travel expenses are reimbursed. 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 2023 are shown below:

	2023 £000	2022 £000
Non-Executive Directors' fees	193	179
Executive Directors' remuneration	426	420
TOTAL	**619**	599

NON-EXECUTIVE DIRECTORS' FEES	2023 £000	2022 £000
Alison Chmiel	40	37
Jeremy Cross (resigned 27.04.22)	-	9
Rob Clifford (resigned 27.01.22)	-	2
Colin Bradley	31	27
Nick Baxter	33	27
Lucy McClements	27	25
Keith McLeod	33	27
Rachel Haworth	29	25
TOTAL	**193**	179

In 2023, fees include an allowance for travel and expenses.

2023

EXECUTIVE DIRECTORS	SALARY £000	ANNUAL BONUS £000	DEFERRED BONUS £000	BENEFIT £000	PENSION £000	TOTAL £000
Paul Wheeler (CEO)[1]	161	10	10	30	38	**249**
Daniel Jones (Finance Director)[2]	122	10	8	16	21	**177**
TOTAL	**283**	**20**	**18**	**46**	**59**	**426**

2022

EXECUTIVE DIRECTORS	SALARY £000	ANNUAL BONUS £000	DEFERRED BONUS £000	BENEFIT £000	PENSION £000	TOTAL £000
Paul Wheeler (CEO)[1]	154	17	17	20	36	244
Daniel Jones (Finance Director)[2]	117	13	12	14	20	176
TOTAL	271	30	29	34	56	420

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

(1) The Chief Executive receives a 12% employer's pension contribution from the Society but also chooses to use salary sacrifice to increase this amount by a further 8% (20% in total) and this higher value is included within the pension contributions disclosed above.
(2) The Finance Director receives a 10% employer's pension contribution from the Society but also chooses to use salary sacrifice to increase this amount by a further 5% (15% in total) and this higher value is included within the pension contributions disclosed above.

CORPORATE GOVERNANCE CODE

The Committee's overall approach to remuneration has given consideration to the principles of the Corporate Governance Code. In particular, its approach to provision 40 of the code is as follows:

Clarity – the full details of the Executive Directors' and Non-Executive Directors' remuneration is published annually.
Simplicity – Basic salary makes up the majority of the Executive Directors' remuneration, and the Committee ensures the bonus scheme is not unduly complex.
Risk – the Committee ensures the bonus scheme is only a small proportion of overall remuneration, and it reviews the scheme annually to ensure it does not incentivise inappropriate risk taking. The deferred element of the scheme is contingent on future years' financial performance, which helps to avoid short-term bias in decision making.
Predictability – the bonus scheme for Executive Directors has a maximum achievable amount, which remains a small portion of overall remuneration, even when results are strong.
Proportionality – the bonus element of remuneration is withheld if an Executive Director's individual performance, as judged by their annual performance review, is not satisfactory.
Alignment to culture – the bonus scheme is aligned to the Corporate Strategy, and payment of the bonus is subject to satisfactory performance of the individual. The performance appraisal includes an assessment of whether the individual's behaviour is consistent with the Society's values. This appraisal is informed by a 360-degree feedback process.

On behalf of the Board of Directors

Rachel Haworth
Chair of the Remuneration Committee
7 March 2024

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 2023.

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 (pages 2 to 25)
BUSINESS REVIEW AND FUTURE DEVELOPMENTS	Strategic report (pages 2 to 25)
PRINCIPAL RISKS AND UNCERTAINTIES	Strategic report (pages 2 to 25)
DISCLOSURE REQUIREMENTS UNDER CRD IV COUNTRY-BY-COUNTRY REPORTING	Note 33 to the Accounts (page 89)
DISCLOSURE OF FREE CAPITAL AND GROSS CAPITAL AS A PERCENTAGE OF SHARE AND DEPOSIT LIABILITIES	Annual Business Statement (page 90)
MORTGAGE ARREARS	Strategic report (pages 2 to 25)

DIRECTORS

Those named below were Directors of the Society during the year:

NON-EXECUTIVE DIRECTORS	
Alison Chmiel, FCMA	Chair
Nick Baxter, DipM, DipMan (Open)	Vice Chair and Senior Independent Director
Colin Bradley, ACA, ACIB	
Rachel Haworth, FCIM	
Lucy McClements, FCCA	
Keith McLeod, FCA	

EXECUTIVE DIRECTORS	
Paul Wheeler, FCA	Chief Executive
Daniel Jones, FCA	Finance Director and Secretary

All Directors stand for election or re-election (unless they are retiring) in accordance with Rule 26 (retirement by rotation).

At 31 December 2023 no Director held any interest in the shares or debentures of any connected undertaking.

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. The number of creditor days as at 31 December 2023 was three (2022: three days).

AUDITOR

The Board is recommending that Mazars LLP be re-appointed as auditor for the year ended 31 December 2024 and a resolution for their appointment will be proposed to the Society's forthcoming AGM.

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 ongoing cost-of-living pressures.

POLITICAL DONATIONS AND GIFTS

The Society has not made any political gifts or donations in the year to 31 December 2023 (2022: £nil).

GOING CONCERN

The Directors have considered the risks and uncertainties outlined on pages 37 and 39 and the extent to which they might affect the preparation of the Annual Report and Accounts on a going concern basis.

The Society updates a three-year corporate plan annually, and uses the forecasts within this to carry out the annual ILAAP and ICAAP. These involve running the Society's liquidity and capital positions against a range of severe but plausible stresses, which include both idiosyncratic and market wide scenarios. Each of these processes includes a forward-looking assessment and demonstrates that we have sufficient capital and liquidity and are a going concern. So-called reverse stress tests are also carried out, which involve making plausible scenarios ever more extreme until the break point is identified; the results of these show the Board that failure of the organisation is sufficiently remote.

As part of the year end process the Society's future plans have been discussed by the Board and outlined on page 25. The Society's forecasts and plans, taking account of current and possible future operating conditions, have been appraised and indicate that the Society has sufficient operating liquidity and capital for the foreseeable future. These forecasts comprise a one-year budget carried out annually, a one-year forecast which updates this budget for latest conditions at least once a year, a three-year corporate plan, carried out once a year, and a high level seven-year projection.

A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of high inflation and changing interest rates, focused on the Society's capital and liquidity position and operational resilience.

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

Alison Chmiel
Board Chair
7 March 2024

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; and
- 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 Society'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 Society'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

Alison Chmiel
Board Chair
7 March 2024

mazars

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

OPINION

We have audited the annual accounts of The Mansfield Building Society (the 'Society') for the year ended 31 December 2023 which comprise 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 annual accounts, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

- give a true and fair view of the state of the Society's affairs as at 31 December 2023 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual accounts" section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Obtaining the Directors' going concern assessment, including the cash flow forecast for the going concern period covering 12months from the date of signing this audit opinion;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions used in the forecasts such as net business growth, net interest margins, profitability, reviewing supporting and contradictory evidence in relation to these key assumptions, and assessing the directors' consideration of severe but plausible scenarios. This included inspecting the Society's most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') and its reverse stress testing;
- Assessing the historical accuracy and the arithmetical accuracy of the forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigation actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation levels and interest rates;
- Considering whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion;
- Reviewing regulatory correspondence and committee and board meeting minutes to identify events or conditions that may impact the Society's ability to continue as a going concern;
- Performing sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity positions of the Society;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

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

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
Credit risk - Impairment of loans and advances to customers **2023 - £1,059,000 (2022 - £836,000)** *Refer to note 1 (principal accounting policies and critical accounting estimates and judgements) and note 13 of the annual accounts.* Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation in arriving at the year-end provisions. The total impairment provision of the Society is predominantly made up of individual provisions on loans with default indicators and a collective provision on the performing portfolio. The Society has limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment. The collective and individual impairment provision is derived from a model that uses a combination of the Society's historical experience and management judgement. In particular, the impairment assessment is most sensitive to movements in the probability of default (PD) and forced sale discounts (FSD) against collateral. The impairment assessment may be sensitive to other factors applied to take account of the impact of inflation on borrowers' financial resilience and the strength of the UK property market.	Our audit procedures included, but were not limited to: ▪ Assessing the design and implementation and testing operating effectiveness of the key controls in relation to credit processes (loan origination and approval , loan redemptions, arrears monitoring, forbearance, self-build valuation and loan curing) ▪ Assessing the Society's impairment methodology for compliance with applicable standards; ▪ Assessing the reasonableness and relevance of external and internal data used in the provisioning model based on our understanding of the Society's portfolio; ▪ Comparing the Society's key assumptions with similar lenders and considering whether they are consistent with industry practice; ▪ Challenging the reasonableness of the overlays applied in impairment modelling ▪ Performing sensitivity analysis over the key assumptions on PDs, including the emergence period, and Loss Given Default (LGD), including Forced Sale Discount, costs to sell, and time to collect; ▪ Reviewing the loan modification computation in line with FRS 102. ▪ Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Society's portfolio; ▪ Performing credit file reviews on a sample of exposures with a specific provision; and ▪ Assessing the adequacy of the Society's disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers. **Our Observations** Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision to be reasonable and in compliance with FRS 102.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

OVERALL MATERIALITY	£368,000 (2022: £354,000)
HOW WE DETERMINED IT	1% of net assets (2022: 1% of net assets)
RATIONALE FOR BENCHMARK APPLIED	We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximization. Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net assets is an approximation of regulatory capital resources.
PERFORMANCE MATERIALITY	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole. Performance materiality of £221,000 (2022: £177,000) was applied in the audit based on 60% (2022: 50%) of overall materiality. A higher percentage in our range has been used to reflect that it's our second year as statutory auditors. We considered several factors in determining performance materiality including, the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment and concluded that an amount towards the higher end of our normal range was appropriate.
REPORTING THRESHOLD	We agreed with the directors that we would report to them misstatements identified during our audit above £11,000 (2022: £11,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINIONS ON THE ANNUAL BUSINESS STATEMENT AND THE DIRECTORS' REPORT

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the Building Societies Act 1986;
- the information in the Directors' Report for the financial year is consistent with the accounting records and the annual accounts; and

- the information given in the Annual Business Statement (other than the information on which we are not required to report) gives a true representation of the matters in respect of which it is given.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of directors' responsibilities set out on page 45, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL ACCOUNTS

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

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

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

Based on our understanding of the Society and its industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA') and anti-money laundering regulations, and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the annual accounts.

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

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

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

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment of loans and advances to customers, valuation of the defined benefit pension scheme obligation and revenue recognition-effective interest rate, and performing the procedures described in the "Key audit matters" section of our report.

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

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

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were initially appointed by the directors on 26 May 2022 to audit the annual accounts for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the year ended 31 December 2023.

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

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

USE OF THE AUDIT REPORT

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

Martin Orme
(Senior Statutory Auditor)
for and on behalf of Mazars LLP, Statutory Auditor

30 Old Bailey
London
EC4M 7AU

7 March 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTE	2023 £000	2022 £000
Interest receivable and similar income	2	28,106	15,675
Interest payable and similar charges	3	(14,857)	(5,123)
Net interest income		**13,249**	10,552
Fees and commissions receivable	4a	122	128
Fees and commissions payable	4b	(434)	(324)
Other operating (charges) / income		(42)	22
Net (losses) / gains from derivative financial instruments at fair value through profit or loss	5	(437)	228
Total net income		**12,458**	10,606
Recurring administrative expenses	6	(8,776)	(7,407)
Non-recurring administrative expenses	6	(928)	-
Depreciation and amortisation	14 & 15	(280)	(301)
Operating profit before impairment and other provisions		**2,474**	2,898
Impairment provisions on loans and advances	13	(223)	(360)
Impairment reversal on property	14	140	-
Provisions for liabilities	23	22	(192)
Profit before tax		**2,413**	2,346
Tax expense	9	(598)	(444)
Profit for the financial year		**1,815**	1,902

OTHER COMPREHENSIVE INCOME

	2023 £000	2022 £000
Total comprehensive income for the year	**1,815**	1,902

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 55 to 89 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	NOTE	2023 £000	2022 £000
ASSETS			
Cash in hand and balances with the Bank of England	10a	86,823	64,931
Loans and advances to credit institutions	10b	10,292	17,829
Other liquid assets	10c	-	1,010
Debt Securities	10d	4,950	-
Derivative financial instrument assets	11	1,578	3,622
Loans and advances to customers	12	418,940	395,006
Tangible fixed assets	14	1,859	1,829
Intangible assets	15	215	271
Prepayments and accrued income	16	722	601
Total assets		**525,379**	485,099
LIABILITIES			
Shares	17	396,342	335,334
Amounts owed to credit institutions	18	52,864	71,333
Amounts owed to other customers	19	36,061	40,827
Derivative financial instrument liabilities	11	1,091	380
Accruals	20	373	902
Other liabilities	21	1,073	576
Tax liabilities	21	141	118
Deferred tax	22	85	73
Provisions for liabilities	23	170	192
Total liabilities		**488,200**	449,735
RESERVES			
General reserves	26	37,179	35,364
Total reserves attributable to Members of the Society		**37,179**	35,364
Total reserves and liabilities		**525,379**	485,099

The notes on pages 55 to 89 form part of these accounts.

These accounts were approved by the Board of Directors on 7 March 2024 and signed on its behalf by:

Alison Chmiel
Board Chair

Daniel Jones
Finance Director

Paul Wheeler
Chief Executive and Director

STATEMENT OF CHANGES IN MEMBERS' INTERESTS

	2023		2022	
	General Reserve £000	Total £000	General Reserve £000	Total £000
Balance at 1 January	35,364	35,364	33,462	33,462
Total comprehensive income for the period				
Profit	1,815	1,815	1,902	1,902
Other comprehensive income	-	-		
Total comprehensive income for the period	1,815	1,815	1,902	1,902
Balance at 31 December	**37,179**	**37,179**	35,364	35,364

The notes on pages 55 to 89 form part of these accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2023 £000	2022 £000
Profit before tax		2,413	2,346
Adjustment for			
Depreciation and amortisation	14 & 15	280	301
Provision for Liabilities	23	(22)	192
Loss on disposal of intangible assets	15	42	2
Decrease / (Increase) in fair value of derivative financial instruments and hedged items	5	437	(228)
(Decrease) in impairment of property	14	(140)	-
Increase in impairment provisions on loans and advances	13	223	360
TOTAL		**3,233**	2,973

CHANGES IN OPERATING ASSETS AND LIABILITIES

(Increase) in prepayments, accrued income and other assets		(304)	(320)
Increase in accruals, deferred income and other liabilities		1,863	1,197
(Increase) in loans and advances to customers		(21,581)	(34,633)
Increase in shares		59,086	12,721
(Decrease) / Increase in amounts owed to other credit institutions and other customers		(23,467)	16,169
Decrease / (Increase) in loans and advances to credit institutions		4,500	(80)
Decrease / (Increase) in other liquid assets		1,000	(1,000)
Taxation paid		(563)	(630)
Net cash generated by / (used in) operating activities		**23,767**	(3,603)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of tangible fixed assets	14	(81)	(108)
Purchase of intangible assets	15	(76)	(116)
Purchase of debt securities	10d	(14,877)	(10,000)
Disposal of debt securities	10d	10,000	10,000
Net cash used in investing activities		(5,034)	(224)
Net Increase / (Decrease) in cash and cash equivalents		**18,733**	(3,827)
Cash and cash equivalents at 1 January		74,077	77,904
Cash and cash equivalents at 31 December	10(a)	**92,810**	74,077

Contained within cash flow movement is £28,184,918 (2022: £15,766,582) of interest received and £14,857,288 (2022: £5,122,771) of interest paid.

The notes on pages 55 to 89 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's Annual Report and Accounts are prepared and approved by the Directors in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and those parts of the Building Societies Act 1986 and Building Societies (Accounts and Related Provisions) Regulations 1998 applicable to societies reporting under FRS 102. The Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement.

The 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 pages 43 and 44.

The preparation of accounts in conformity with FRS 102 and IAS 39 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 other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net gain/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.

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 or insurance services, 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.

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 undertakes macro portfolio hedge accounting in accordance with IAS 39 to make assessments, 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%.

Should the Society de-recognise a hedging instrument, if the underlying asset or liability is not also de-recognised then the carrying amounts of the hedged items are amortised to profit and loss using the effective interest rate method.

NOTES TO THE ACCOUNTS (CONTINUED)

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 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. The Society's financial assets include cash in hand and balances held with the Bank of England, Treasury Bills, loans and advances to credit institutions, other liquid assets, loans and advances to customers and derivative financial instrument assets.

The Society classifies all its financial assets, other than derivatives, as measured at amortised cost using the effective interest method.

LOANS AND RECEIVABLES

The Society's loans and advances to customers and its loans and advances to credit institutions and other liquid assets are classified as loans and receivables. 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 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. The factors which constitute objective evidence of impairment are reviewed annually by the management Credit Committee.

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.

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 loss factors based on external credit reference data, industry and Society experience of default, the effect of movement in house prices and any adjustment for the expected forced sale value.

Held to maturity assets, that are not short-term assets, are assessed at the date of the Statement of Financial position for any objective evidence of impairment.

NOTES TO THE ACCOUNTS (CONTINUED)

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.

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.

The Society assesses at each reporting date whether any tangible fixed assets are impaired. In the case of freehold premises, a valuation is carried out at least every three years, to inform this impairment assessment.

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.

Costs which are identifiable as development costs for assets in the course of construction are capitalised only when the commercial feasibility of the asset has been established. For the Society this will take the form of identifying the future economic benefits of deploying the asset into active use and the determination of a useful economic life. The Society does not recognise any research costs incurred in the development of the asset as a part of that asset. Instead, these costs are expensed to profit and loss as they are incurred.

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. The Society assesses at each reporting date whether any intangible fixed assets are impaired.

SOFTWARE AS A SERVICE CONTRACT

Long term software as a service contract, that does not meet the definition of an intangible asset, is expensed to profit and loss and is not capitalised. Implementation, configuration and customisation costs associated with the software are expensed to profit and loss either at the time that they are incurred or when access to the software is provided.

PENSION COSTS

The Society operates a Defined Contribution Personal Pension Plan that is open to all colleagues. For colleagues not wishing to join this Plan there is a Defined Contribution 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 are measured at fair value at each balance sheet date and the liabilities are measured using the projected unit credit method. 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 surplus is not deemed to be available to the Society as the Trustees have the ultimate right to apply the scheme’s assets to settle the scheme's liabilities in respect of pension and other benefits. The Scheme has been closed to future accruals since 28 February 2007. Further details on Pension Schemes are provided in note 31 to the Accounts on pages 86 to 88.

NOTES TO THE ACCOUNTS (CONTINUED)

TAXATION

The charge for taxation recognised in the Statement of Comprehensive Income is based upon the profit for the year and calculated at the tax rate which is applicable to the accounting period. It also includes 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 date of the Statement of Financial Position and is calculated at rates expected to be applicable when the liability or asset crystallises on a non-discounted basis. The rate used for Deferred Tax is the rate substantively enacted by the date of the Statement of Financial Position.

PROVISIONS

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

OPERATING LEASES

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

ADMINISTRATION COSTS

The Society designates administration costs contained within the Statement of Comprehensive Income as either recurring or non-recurring items. Recurring items relate to operating costs incurred by the Society's usual operating activities. Non-recurring administration costs are items incurred outside of the Society's usual operating activities. These costs are incurred in the implementation of projects which are material and unlikely to occur frequently.

LIQUID ASSETS

Treasury bills and other debt securities are held to maturity and so are accounted for as financial 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 asset has occurred, a provision is made to write down the cost of the asset to its recoverable amount. If the recoverable amount later increases then the impairment is reversed and the asset returned to its amortised cost.

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. Any debt securities included within cash equivalents must be marketable and have a maturity of less than 90 days.

FINANCIAL LIABILITIES

The Society classifies all its financial liabilities, other than derivatives, as measured at amortised cost.

NOTES TO THE ACCOUNTS (CONTINUED)

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. The Board consider that the following items rely on material estimates and judgements.

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. To the extent that this value were to be lower than our estimates by 10%, the impairment allowance on loans and advances would be higher by £0.67m (2022: £0.66m). Another key assumption is the probability of default when an impairment trigger has been observed, and to the extent that the probability of default increases from our estimates by 5%, the impairment allowance on loans and advances would be higher by £0.04m (2022: £0.04m).

The Credit Committee review the book annually to identify where there are idiosyncratic risks, which could lead to a customer not repaying their mortgage. This review aims to capture impairments that may not yet have led to the customer being in arrears. Such risks could exist, for example, if a customer has let us know that they are experiencing difficulties, or if our latest review of climate data suggests the property is at risk from flooding. Having identified these risk factors, the Committee recommends adjustments to the likelihood of non-payment and the property value were the Society to need to take it in to possession. These adjustments are reviewed by the Audit and Compliance Committee and form a key assumption within the provision model.

The carrying value of mortgage assets is impacted by the assessment of any impairments. The carrying value of mortgages can be seen in note 12 on page 66.

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.

A three 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 £0.34m (2022: £0.18m), and a corresponding increase in interest receivable. A three month decrease in the expected life profile of mortgage assets would result in a decrease in the value of loans on the statement of financial position by approximately £0.43m (2022: £0.32m) and a corresponding decrease in interest receivable.

The carrying value of mortgage assets is impacted by the assessment of the effective interest rate and revenue recognition. The carrying value of mortgages can be seen in note 12.

C EMPLOYEE BENEFITS

The Society operates a defined benefit pension scheme, which is currently closed to new members. 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 for the net surplus are outlined in note 31 to the accounts on pages 86 to 88.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2023 £000	2022 £000
On loans fully secured on residential property	19,959	13,524
On loans fully secured on land	1,745	681
Interest and other income on debt securities (all fixed income)	262	7
Interest and other income on other liquid assets	3,813	1,093
Net income on derivatives	2,327	370
	28,106	15,675

Included within interest income is £459,742 (2022: £251,868) in respect of interest income accrued on impaired loans, two or more months in arrears. Debt security interest received of £262,212 (2022: £7,299) relates to interest earned from UK Government Treasury Bills held during the year.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2023 £000	2022 £000
On shares held by individuals	10,813	3,808
On deposits and other borrowings	4,047	1,315
Net expense on derivatives	(3)	-
	14,857	5,123

4 FEES AND COMMISSIONS

A FEES AND COMMISSIONS RECEIVABLE

	2023 £000	2022 £000
Insurance commission	11	12
Other commissions	7	11
Fees receivable	104	105
	122	128

B FEES AND COMMISSIONS PAYABLE

	2023 £000	2022 £000
Bank charges	63	54
Other mortgage administration fees payable	371	270
	434	324

The above fees are those which do not form part of the effective interest rate and are recognised on an accruals basis when the service has been provided or on the completion of an act to which the fee relates. Fees which are considered to form part of the effective interest rate include, for example, mortgage arrangement and procuration fees which are recorded in interest income.

5 NET (LOSSES) / GAINS FROM DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 £000	2022 £000
Movement in derivatives in designated fair value hedge relationships	(2,688)	2,828
Movement in hedged items in fair value hedge accounting relationships	2,317	(2,621)
Net Matched Position	(371)	208
(Loss) / Gains on derivatives not in designated fair value relationships	(66)	21
	(437)	228

The net fair value loss from matched derivative financial instruments of (£371k) (2022: gain of £208k) represents the net fair value movement on derivative instruments that match risk exposures on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges. The loss of (£66k) (2022: gain of £21k) on derivatives not in a designated fair value relationship represents the change in fair value of unmatched derivatives arising from timing differences between the execution of the derivatives and the completion of the associated underlying hedged items.

The above numbers are based on an average effectiveness of 103.85% (2022: 102.83%) for SONIA based derivatives taken to hedge underlying assets and 98.72% (2022: not applicable) for SONIA based derivatives taken to hedge underlying liabilities.

6 ADMINISTRATIVE EXPENSES

	2023 £000	2022 £000
Wages and salaries	4,446	3,662
Social security costs	483	412
Contributions to defined contribution pension scheme	534	420
Operating leases	37	37
Other recurring administrative expenses	3,276	2,876
Total recurring administrative expenses	**8,776**	7,407
Non-recurring administrative expenses	928	-
Total administrative expenses	**9,704**	7,407

Included in other recurring administrative expenses are the following:

Auditor's remuneration (stated exclusive of VAT)

	2023 £000	2022 £000
Payments to the Auditor for:		
Audit of these financial statements	171	159
Amounts receivable by the Society's Auditors and its associates in respect of:		
Other audit services	5	5

The Society began its Digital Transformation journey (Project Sherwood) in 2023, and to enable Members to better understand financial performance over the coming years as we execute this, we will be presenting the non-recurring costs related to this transformation separately, as shown above. During 2023, Project Sherwood costs comprised customer journey and process mapping as well as requirements gathering to ensure that an appropriate vendor is selected. At the balance sheet date no forward-looking commitments had been made in relation to software costs.

NOTES TO THE ACCOUNTS (CONTINUED)

7 COLLEAGUE NUMBERS

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

	2023	2022
FULL TIME		
Principal Office	79	73
Branch offices	13	9
	92	82
PART TIME		
Principal Office	16	15
Branch offices	12	12
	28	27

8 DIRECTORS' REMUNERATION

REMUNERATION OF DIRECTORS

	2023 £000	2022 £000
For services as Non-Executive Directors	193	179
For services as Executives	426	420
	619	599

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 40 to 42.

A DIRECTORS' LOANS AND TRANSACTIONS

At 31 December 2023, there were no outstanding mortgage loans granted in the ordinary course of business to any Directors or their connected persons (2022: £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 2023, 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 2023, there were no amounts outstanding to any connected businesses (2022: £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 2023 a total of £141,634 (2022: £62,675) was held in Society savings by the Directors and their connected parties.

The Society offers employment to a number of students throughout the year to undertake office administration tasks. One of these students was the daughter of a Director who worked for the Society during August. The total payment was £845.

NOTES TO THE ACCOUNTS (CONTINUED)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

ANALYSIS OF CHARGE IN YEAR	2023 £000	2022 £000
CURRENT TAX		
Corporation tax at 23.52% (2022: 19.00%)	586	448
Adjustments relating to prior year	-	(10)
Total current tax	**586**	438
DEFERRED TAX		
Origination and reversal of timing differences	11	(3)
Adjustment to prior year estimates	-	10
Effects of changes in tax rate	1	(1)
Total tax	**598**	444

FACTORS AFFECTING THE TAX CHARGE FOR THE CURRENT PERIOD	2023 £000	2022 £000
Profit on ordinary activities before tax	2,413	2,346
Current tax at 23.52% (2022: 19.00%)	567	446
Effects of:		
Expenses not deductible for tax purposes	30	12
Effects of super deduction element of capital allowances	-	(13)
Impact of different tax rates	1	(1)
Adjustments relating to prior year	-	-
Total tax	**598**	444

	2023			2022		
	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Recognised in statement of comprehensive income	586	12	598	438	6	444
Total tax	**586**	**12**	**598**	438	6	444

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate was substantively enacted on 24 May 2021 and, as the date of the statement of financial position falls after the date of this enactment, the UK corporation tax rate for the year has been taken as 23.52%.

NOTES TO THE ACCOUNTS (CONTINUED)

10 LIQUID ASSETS

A CASH AND CASH EQUIVALENTS

	2023 £000	2022 £000
Cash in hand and balance with the Bank of England	86,823	64,931
Loans and advances to credit institutions	5,987	9,146
Cash and cash equivalents per Cash Flow Statement	**92,810**	74,077

B LOANS AND ADVANCES TO CREDIT INSTITUTIONS

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

	2023 £000	2022 £000
Repayable on demand	6,207	9,249
In not more than three months	3,071	2,524
In more than three months but not more than one year	1,014	6,056
Total	10,292	17,829
Of which, included within cash and cash equivalents	**5,987**	9,146

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 OTHER LIQUID ASSETS

Other liquid assets have remaining maturities as follows:

	2023 £000	2022 £000
Repayable on demand	-	-
In not more than three months	-	1,010
In more than three months but not more than one year	-	-
Total	-	1,010

Other liquid assets in 2022 comprised short-term liquidity advances made to local authorities and undertaken as part of the Society's treasury management activities.

NOTES TO THE ACCOUNTS (CONTINUED)

D DEBT SECURITIES

Debt securities have remaining maturities as follows:

	2023 £000	2022 £000
Repayable on demand	-	-
In not more than three months	-	-
In more than three months but not more than one year	4,950	-
Total	**4,950**	-

Movements in debt securities are summarised below:

	2023 £000	2022 £000
At 1 January	-	-
Additions	14,950	10,000
Maturities	(10,000)	(10,000)
At 31 December	**4,950**	-

11 DERIVATIVE FINANCIAL INSTRUMENTS

	2023		2022	
	Positive market value £000	Negative market value £000	Positive market value £000	Negative market value £000
Derivatives designated as fair value hedges:				
Interest rate swaps	1,578	1,045	3,601	380
Derivatives not designated as fair value hedges:				
Interest rate swaps		46	21	-
At 31 December	**1,578**	**1,091**	3,622	380

The movements in the market value of interest rate swaps have been driven by changes in the market's forward view of interest rates.

Unmatched derivatives relate to swaps which have not matched against either mortgages or savings for hedge accounting purposes at the balance sheet date and reflect short-term timing differences between the transacting of the interest rate swap and the completion of the associated mortgages / savings.

12 LOANS AND ADVANCES TO CUSTOMERS

	2023 £000	2022 £000
Loans fully secured on residential property	408,188	388,557
Loans fully secured on land	11,155	9,427
Fair value adjustment for hedged risk	(403)	(2,978)
At 31 December	**418,940**	395,006

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

MATURITY ANALYSIS	NOTE	2023 £000	2022 £000
On call and at short notice		40	266
Repayable with remaining maturity:			
In not more than three months		4,159	5,646
In more than three months but not more than one year		13,405	11,341
In more than one year but not more than five years		54,259	51,516
In more than five years		348,136	327,073
		419,999	395,842
Less allowance for impairment for bad and doubtful debts	13	(1,059)	(836)
		418,940	395,006

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

At at 31 December 2023 the Society had pledged £99.1m (2022: £105.1m) of mortgage assets and £5.0m (2022: £0m) of Debt Securities to the Bank of England as collateral under the Bank of England Sterling Monetary Framework.

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

GEOGRAPHICAL ANALYSIS	2023 %	2022 %
North East	3.0	3.1
North West	12.4	12.6
Yorkshire and Humberside	9.6	9.8
East Midlands	13.5	14.5
West Midlands	9.0	8.8
East Anglia	5.2	5.5
South West	10.7	11.5
London	9.8	8.5
South East	16.5	16.3
Wales	4.9	4.9
Scotland	5.4	4.5
	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	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
AT 1 JANUARY						
Individual impairment	187	194	48	-	235	194
Collective impairment	569	276	32	6	601	282
	756	470	**80**	6	**836**	476
AMOUNT WRITTEN OFF						
Individual impairment	-	-	-	-	-	-
Collective impairment	-	-	-	-	-	-
	-	-	**-**	-	**-**	
CHARGE / (CREDIT) FOR THE YEAR						
Individual impairment	129	(7)	(31)	48	98	41
Collective impairment	121	293	4	26	125	319
	250	286	**(27)**	74	**223**	360
AT 31 DECEMBER						
Individual impairment	316	187	17	48	333	235
Collective impairment	690	569	36	32	726	601
	1,006	756	**53**	80	**1,059**	836

The individual impairment release to loans fully secured on land relates to a single syndicated loan which was redeemed during the year.

14 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Equipment, fixtures and fittings £000	Assets in the course of construction £000	Total £000
COST				
At 1 January 2023	1,128	1,609	2	2,739
Additions/Transfers	-	78	33	111
Disposals/Transfers	-	(9)	(30)	(39)
Impairment reversal	230	-	-	230
At 31 December 2023	**1,358**	**1,678**	**5**	**3,041**
DEPRECIATION				
At 1 January 2023	(80)	(830)	-	(910)
Charge for year	(17)	(173)	-	(190)
Disposals	-	7	-	7
Impairment reversal	(88)	(1)	-	(89)
At 31 December 2023	**(185)**	**(997)**	-	**(1,182)**
NET BOOK VALUE				
At 1 January 2023	1,048	779	2	1,829
At 31 December 2023	**1,173**	**681**	**5**	**1,859**

Included within freehold land and buildings above is £476,143 (2022: £476,143) of non-depreciable land.

The net book value of land and buildings occupied by the Society for its own activities is £1,173,141 (2022: £1,048,256). The Society's assessment demonstrated that previous impairments of the Society's premises had reversed in 2023.

A review of equipment, fixtures and fittings during the year has prompted the disposal of £8,556 (2022: £49,939) of fixed assets which had a £798 net book value and which had become obsolete during the year.

Assets in the course of construction, are assets which are not brought into immediate use upon purchase. Depreciation is not applied to such assets until they become useful, at which time the assets are removed from the construction pool and transferred into the main pool of assets to which they belong. During the year £32,725 of assets in the course of construction were purchased with £30,163 being transferred into the main equipment, fixtures and fittings pool during the year. This number is included within the £78,218 of additions for this pool.

15 INTANGIBLE ASSETS

	Software £000	Assets in the course of construction £000	Total £000
COST			
At 1 January 2023	1,200	92	1,292
Additions/Transfers	54	62	116
Disposals/Transfers	(170)	(40)	(210)
At 31 December 2023	**1,084**	**114**	**1,198**
AMORTISATION			
At 1 January 2023	(1,021)	-	(1,021)
Charge for year	(90)	-	(90)
Disposals/Transfers	128	-	128
At 31 December 2023	**(983)**	**-**	**(983)**
NET BOOK VALUE			
At 1 January 2023	179	92	271
At 31 December 2023	**101**	**114**	**215**

A review of intangible assets during the year has prompted the disposal of £170,495 (2022: £96,579) of intangible assets with a £41,390 net book value. These assets were either obsolete or had been replaced with upgrades during the year. Transfers from assets in the course of construction of £39,900 are included in additions/transfers in software of £115,666 and represent assets which were brought into use by the Society during the year. The Society has recognised no amounts (2022: £nil) relating to the research and development of an intangible asset in the Statement of Comprehensive Income during the year.

Assets in the course of construction, relate to software assets which are not brought into immediate use upon purchase. Amortisation is not applied to such assets until they become useful, at which time the assets are removed from the construction pool and transferred into the main pool of software assets. During the year £61,860 of assets in the course of construction were purchased with £39,900 being transferred into the main software pool during the year. This number is included within the £53,807 of additions for this pool.

16 PREPAYMENTS AND ACCRUED INCOME

	2023 £000	2022 £000
Prepayments	722	601
	722	601

17 SHARES

	2023 £000	2022 £000
Held by individuals	396,085	335,334
Fair value of hedged risk	257	-
	396,342	335,334
Shares are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	2,452	787
Repayable on demand	129,362	146,950
Other shares by residual maturity repayment:		
In not more than three months	126,497	108,384
In more than three months but not more than one year	75,530	22,019
In more than one year but not more than five years	60,591	55,593
In more than five years	1,910	1,601
	396,342	335,334

18 AMOUNTS OWED TO CREDIT INSTITUTIONS

	2023 £000	2022 £000
Amounts owed to credit institutions are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	674	483
Repayable with agreed maturity dates or period of notice:		
On demand	690	2,850
In not more than three months	-	3,000
In more than three months but not more than one year	17,500	5,000
In more than one year but less than two years	34,000	26,000
In more than two years but not more than five years	-	34,000
	52,864	71,333

Included in the amounts above is £50.0m (2022: £65.0m) of funding drawn from the Bank of England Sterling Monetary Framework, of which £50.0m (2022: £60.0m) was from the Term Funding Scheme with additional incentives for SME's (TFSME). This also included £0m (2022: £5.0m) from the Index Long-Term Repo (ILTR). TFSME and ILTR are schemes within the Bank of England Sterling Monetary Framework, which involve pledging mortgage assets to the Bank of England as collateral. The amount of collateral relating to this scheme is shown in note 12 on page 66.

Interest on the TFSME scheme is charged at Bank of England Base Rate and paid on a quarterly basis.

NOTES TO THE ACCOUNTS (CONTINUED)

19 AMOUNTS OWED TO OTHER CUSTOMERS

	2023 £000	2022 £000
Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	86	46
On demand	6,278	19,617
With agreed maturity dates or period of notice:		
In not more than three months	21,222	13,283
In more than three months but not more than one year	7,397	7,881
In more than one year but not more than five years	1,077	-
Fair value hedged risk	1	-
	36,061	40,827

20 ACCRUALS

	2023 £000	2022 £000
Accruals falling due in less than one year	373	902
	373	902

21 OTHER LIABILITIES

	2023 £000	2022 £000
Falling due within one year:		
Corporation tax	141	118
Other creditors	1,073	576
	1,214	694

22 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Accelerated capital allowances	-	-	138	142	138	142
Short term timing differences	(53)	(69)	-	-	(53)	(69)
Tax (assets) / liabilities	**(53)**	(69)	**138**	142	**85**	73

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised, based on tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position. Deferred tax balances in respect of fixed asset timing difference, tax losses and short-term timing difference have been calculated at 25%.

NOTES TO THE ACCOUNTS (CONTINUED)

23 PROVISIONS

	Bonus Provision > 1 yr £000	Rental Dilapidations £000	Total £000
Balance at 1 January 2023	181	11	192
Provisions charged during the year	159	11	170
Provisions utilised during the year	-	-	-
Provisions released to profit and loss	(181)	(11)	(192)
Balance at 31 December 2023	**159**	**11**	**170**

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.

DILAPIDATIONS

The rental dilapidations provision relates to an assessment of the branches that the Society leases and any potential work that would be required in the event that the Society allowed these leases to end. The review has led to a £10,560 (2022: £10,560) provision for these works as a result. The provision is expected to be utilised between 2024 and 2029 as the leases terminate.

NOTES TO THE ACCOUNTS (CONTINUED)

24 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 2023 (2022: £nil).

25 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2023		2022	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	34	-	34	-
Greater than one year less than five years	125	-	125	-
Greater than five years	20	-	51	-
	179	-	210	-

26 GENERAL RESERVES

	2023 £000	2022 £000
At 1 January	35,364	33,462
Profit for the financial year	1,815	1,902
At 31 December	**37,179**	35,364

NOTES TO THE ACCOUNTS (CONTINUED)

27 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 as shown in the following table.

Financial Instrument	Terms and Conditions	Accounting Policy
Loans and advances to credit institutions	▪ Fixed interest rate ▪ Fixed term ▪ Short to medium term maturity	▪ Loans and receivables at amortised cost ▪ Accounted for at settlement date
Debt securities	▪ Fixed interest rate ▪ Fixed term ▪ Short to medium term maturity	▪ Amortised cost ▪ Accounted for at settlement date
Loans and advances to customers	▪ Secured on residential property or land ▪ Typical standard contractual term of 25 years ▪ Fixed or variable rate of interest	▪ Loans and receivables at amortised cost ▪ Accounted for from date of advance
Shares	▪ Fixed or variable term ▪ Fixed or variable interest rates	▪ Amortised cost ▪ Accounted for from the date of deposit
Amounts owed to credit institutions	▪ Fixed or base rate linked interest rate ▪ Fixed term ▪ Short to medium term maturity	▪ Amortised cost ▪ Accounted for at settlement date
Amounts owed to other customers	▪ Fixed or variable rate of interest ▪ Fixed or variable term ▪ Short to medium term maturity	▪ Amortised cost ▪ Accounted for at settlement date or date of deposit
Derivative financial instruments	▪ Fixed interest received / paid converted to variable interest paid / received ▪ Based on the notional value of the derivative	▪ Fair value through profit and loss ▪ Accounted for at trade date

The Society's accounting policies, set out in Note 1, describe 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:

NOTES TO THE ACCOUNTS (CONTINUED)

CARRYING VALUES BY CATEGORY 31 DECEMBER 2023		Held at amortised cost	Held at fair value	
	Loans and Receivables £000	Financial liabilities £000	Derivatives designated as fair value hedges £000	Total £000
FINANCIAL ASSETS				
Cash in hand and balances with Bank of England	86,823	-	-	86,823
Loans and advances to credit institutions	10,292	-	-	10,292
Debt securities	4,950	-	-	4,950
Derivative financial instruments	-	-	1,578	1,578
Loans and advances to customers	418,940	-	-	418,940
Total Financial Assets	**521,005**	-	**1,578**	**522,583**
Non-financial assets				2,796
Total Assets				**525,379**
FINANCIAL LIABILITIES				
Shares	-	396,342	-	396,342
Amounts owed to credit institutions	-	52,864	-	52,864
Amounts owed to other customers	-	36,061	-	36,061
Derivative financial instruments	-	-	1,091	1,091
Other liabilities	-	1,446	-	1,446
Total Financial Liabilities	-	**486,713**	**1,091**	**487,804**
Non-financial liabilities				396
Total Liabilities				**488,200**
RESERVES				
General reserves				37,179
Total				**525,379**

CARRYING VALUES BY CATEGORY
31 DECEMBER 2022

		Held at amortised cost	Held at fair value	
	Loans and Receivables £000	Financial liabilities £000	Derivatives designated as fair value hedges £000	Total £000
Financial Assets				
Cash in hand and balances with Bank of England	64,931	-	-	64,931
Loans and advances to credit institutions	17,829	-	-	17,829
Other liquid assets	1,010	-	-	1,010
Derivative financial instruments	-	-	3,622	3,622
Loans and advances to customers	395,006	-	-	395,006
Total Financial Assets	478,776	-	3,622	482,398
Non-financial assets				2,701
Total Assets				485,099
Financial Liabilities				
Shares	-	335,334	-	335,334
Amounts owed to credit institutions	-	71,333	-	71,333
Amounts owed to other customers	-	40,827	-	40,827
Derivative financial instruments	-	-	380	380
Other liabilities	-	1,478	-	1,478
Total Financial Liabilities	-	448,972	380	449,352
Non-financial liabilities				383
Total Liabilities				449,735
Reserves				
General reserves				35,364
Total				485,099

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	2023 Level 2 £000	2022 Level 2 £000
Financial Assets		
Interest rate swaps	1,578	3,622
	1,578	3,622
Financial Liabilities		
Interest rate swaps	1,091	380
	1,091	380

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 2023 and 2022 are shown in the following table:

	2023 £000	2022 £000
Loans and advances to customers	99,147	105,131
Debt securities	5,000	-
	104,147	105,131

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

28 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:

	2023 £000	2022 £000
Cash in hand and balances with Bank of England	86,823	64,931
Loans and advances to credit institutions	10,292	17,829
Other liquid assets	-	1,010
Debt securities	4,950	-
Derivative financial instruments	1,578	3,622
Loans and advances to customers - fully secured on residential property	408,188	388,557
- fully secured on land	11,155	9,427
Total statement of financial position exposure	522,986	485,376
Off balance sheet exposure - mortgage commitments	35,902	46,352
	558,888	531,728

Off balance sheet mortgage commitments are mortgage offers and retentions which are outside the scope of IAS 39 and therefore held off balance sheet.

NOTES TO THE ACCOUNTS (CONTINUED)

MORTGAGE BOOK CREDIT RISK

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

	NOTE	2023 Loans fully secured on residential property £000	2023 Loans fully secured on land £000	2022 Loans fully secured on residential property £000	2022 Loans fully secured on land £000
Not Impaired					
Neither past due nor impaired		384,546	9,698	368,335	9,040
Past due under 3 months but not impaired		7,928	-	4,612	-
Past due 3 months and over but not impaired		3,274	18	2,907	-
Impaired					
Not past due		7,835	1,492	7,920	448
1-2 months		3,986	-	4,603	-
2-4 months		195	-	164	-
4-6 months		162	-	60	-
6 months +		1,268	-	712	19
		409,194	**11,208**	389,313	9,507
Allowance for Impairment					
Individual		(316)	(17)	(187)	(48)
Collective		(690)	(36)	(569)	(32)
	13	**(1,006)**	**(53)**	(756)	(80)
Loans and Advances to Customers	12	**408,188**	**11,155**	388,557	9,427

	2023 £000	2022 £000
Indexed Value of Collateral Held		
Neither past due nor impaired	966,906	1,025,499
Past due but not impaired	25,400	19,327
Impaired	23,696	25,491
	1,016,002	1,070,317

The allowance for impairment category includes cases in forbearance and arrears cases and customers who have entered into an IVA or bankruptcy.

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 inability to afford repayments. Further consideration is given in the accounting policies on pages 55 to 59.

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 2023. This index takes into account regional data from 11 different regions within the UK. The Society uses this index to update its mortgage portfolio on a monthly basis. Current economic conditions and their impact on the cost of living have resulted in an increase in the provision.

The value of collateral held against impaired loans at 31 December 2023 is £23,696k (2022: £25,491k) against outstanding debt of £14,938k (2022: £13,927k).

The value of collateral held against loans past due but not impaired as at 31 December 2023 is £25,400k (2022: £19,327k) against outstanding debt of £11,220k (2022: £7,519k).

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
	2023 %	2022 %	
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 for mortgages fully secured on residential properties (FSRP) and mortgages fully secured on land (FSOL). LTV is calculated as the ratio of the gross amount of the loan 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.

	2023		2022	
	FSRP £000	FSOL £000	FSRP £000	FSOL £000
LTV Ratio				
Less than 50%	126,027	8,917	151,582	7,890
51 – 70%	136,609	2,291	150,283	1,617
71 – 90%	121,950	-	80,691	-
91 – 100%	22,856	-	6,589	-
More than 100%	1,752	-	169	-
	409,194	**11,208**	389,314	9,507

The average LTV for the total loan book is 41.4% (2022: 37.3%). The amount showing in the table as more than 100% LTV for 2023 relates to four self-build accelerator mortgages, one shared ownership mortgage which was revalued during a transfer of equity agreement and two mortgages on family assist mortgage products. The amount showing in the table as more than 100% LTV for 2022 relates to a previous shared ownership mortgage which was revalued during a transfer of equity agreement.

Self-build products allow the borrower to draw funds in advance of the completion of the property. During the build it is possible therefore for the LTV to be greater than 100%. This is a short-term timing difference which is removed on the completion of the build. Valuations are carried out at each stage of the build, and the LTV shown here is prudently based on the last stage valuation. The above table includes £28.78m (2022: £34.29m) of self-build mortgages where the customer receives their funds in stages.

Family assist mortgages require the borrower to have a family member deposit an amount equivalent to 20% of the property's value or provide equivalent collateral in the form of equity in their own property. We do not include this additional security when calculating the above LTV figures.

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.

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 year end date:

	2023 Number	2022 Number
Temporary concession	1	6
Agreed formal arrangements	8	12
Loan modification	11	13
	20	31

At 31 December 2023 £1.36m (2022: £2.39m) of loans were subject to forbearance.

29 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 11 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 2023	On Demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000	£000	£000	£000	£000	£000	£000
ASSETS							
Cash in hand and balances with Bank of England	86,823	-	-	-	-	-	86,823
Loans and advances to credit institutions	6,207	3,071	1,014	-	-	-	10,292
Debt securities	-	4,950	-	-	-	-	4,950
Derivative financial instruments	-	1,400	73	105	-	-	1,578
Loans and advances to customers	40	4,149	13,371	54,122	347,258	-	418,940
Other assets	-	-	-	-	-	2,796	2,796
Total Assets	**93,070**	**13,570**	**14,458**	**54,227**	**347,258**	**2,796**	**525,379**
LIABILITIES							
Shares	130,351	126,845	76,203	61,014	1,929	-	396,342
Amounts owed to credit institutions	695	-	17,719	34,450	-	-	52,864
Amounts owed to other customers	6,306	21,222	7,456	1,077	-	-	36,061
Derivative financial instruments	-	1,091	-	-	-	-	1,091
Other liabilities	-	-	-	-	-	1,842	1,842
Reserves	-	-	-	-	-	37,179	37,179
Total Liabilities	**137,352**	**149,158**	**101,378**	**96,541**	**1,929**	**39,021**	**525,379**
Net Liquidity Gap	**(44,282)**	**(135,588)**	**(86,920)**	**(42,314)**	**345,329**	**(36,225)**	**-**

YEAR END 2022

	On Demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000	£000	£000	£000	£000	£000	£000
ASSETS							
Cash in hand and balances with Bank of England	64,931	-	-	-	-	-	64,931
Loans and advances to credit institutions	9,249	2,524	6,056	-	-	-	17,829
Other liquid assets	-	1,010	-	-	-	-	1,010
Derivative financial instruments	-	25	653	2,928	16	-	3,622
Loans and advances to customers	266	5,634	11,317	51,407	326,382	-	395,006
Other assets	-	-	-	-	-	2,701	2,701
Total Assets	74,446	9,193	18,026	54,335	326,398	2,701	485,099
LIABILITIES							
Shares	147,500	108,491	22,064	55,668	1,611	-	335,334
Amounts owed to credit institutions	2,858	3,022	5,027	60,426	-	-	71,333
Amounts owed to other customers	19,617	13,304	7,906	-	-	-	40,827
Derivative financial instruments	-	-	-	380	-	-	380
Other liabilities	-	-	-	-	-	1,861	1,861
Reserves	-	-	-	-	-	35,364	35,364
Total Liabilities	169,975	124,817	34,997	116,474	1,611	37,225	485,099
Net Liquidity Gap	(95,529)	(115,624)	(16,971)	(62,139)	324,787	(34,524)	-

NOTES TO THE ACCOUNTS (CONTINUED)

The table below sets out the maturity analysis for financial liabilities. It 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 2023	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	130,448	128,091	78,331	65,814	2,705	405,389
Amounts owed to credit institutions	696	-	20,890	41,141	-	62,727
Amounts owed to other customers	17,172	10,452	7,655	1,163	-	36,442
Derivative financial instruments	-	(41)	(662)	(1,991)	(28)	(2,722)
Total Financial Liabilities	**148,316**	**138,502**	**106,214**	**106,127**	**2,677**	**501,836**

YEAR END 2022	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	147,577	109,160	22,269	58,430	2,111	339,547
Amounts owed to credit institutions	2,858	3,032	5,091	65,312	-	76,293
Amounts owed to other customers	19,639	13,362	8,029	-	-	41,030
Derivative financial instruments	-	(23)	(483)	18	190	(298)
Total Financial Liabilities	170,074	125,531	34,906	123,760	2,301	456,572

30 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

	2023		2022	
	200bp parallel increase £000	200bp parallel decrease £000	200bp parallel increase £000	200bp parallel decrease £000
As at 31 December	(448)	448	(118)	118
Average for the year	(237)	237	(556)	556
Maximum for the year	(448)	448	(875)	875
Minimum for the year	(24)	24	(118)	118

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, its fixed rate savings 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 on page 65.

NOTES TO THE ACCOUNTS (CONTINUED)

31 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 2023, the Society made contributions of £533,645 (2022: £419,862), which are included in the Statement of Comprehensive Income and shown in Note 6 within staff costs. At 31 December 2023, 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. A professional qualified actuary carries out an actuarial valuation every three years. The latest valuation of the Scheme was undertaken as at 1 March 2022 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 FRS 102, 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	
	2023	2022
Price inflation	2.95%	3.05%
Discount rate	4.80%	5.00%
Pension increase (RPI)	2.85%	2.91%

In valuing the liabilities of the Scheme at 31 December 2023, assumptions have been made as indicated above. If the discount rate were to decrease by 0.50%, the value of the reported liabilities would have increased by approximately £0.30m (2022: £0.31m) before adjustment for deferred taxation. Similarly, if the life expectancies shown below increased by one year an increase of £0.14m (2022: £0.12m) would be seen in liabilities, and if the inflation rate shown were to increase by 0.25%, then an increase of £0.08m (2022: £0.11m) 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.

	As at 31 December	
Assumed Life Expectancies on Retirement at Age 65	2023	2022
Male retiring immediately	20.6 years	21.3 years
Female retiring immediately	22.5 years	23.1 years

Amounts Recognised in the Balance Sheet:	2023 £000	2022 £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	2023 £000	2022 £000
Fair value of plan assets	8,752	8,408
Present value of defined benefit obligation	(4,771)	(4,865)
Surplus in plan	3,981	3,543
Unrecognised surplus	(3,981)	(3,543)
Deferred tax	-	-
Net Defined Benefit Asset to be Recognised[1]	-	-

(1) Under FRS 102, where a scheme is in surplus according to FRS 102 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. The surplus is not deemed to be available to the Society as the Trustees have the ultimate right to apply the Scheme's assets to settle the scheme's liabilities in respect of pension and other benefits.

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

	As at 31 December	
	2023 £000	2022 £000
Defined benefit obligation at start of period	4,865	7,600
Expenses	-	-
Interest expense	237	135
Actuarial losses	(88)	(2,627)
Benefits paid and expenses	(243)	(243)
Losses due to benefit changes	-	-
Defined Benefit Obligation at End of Period	**4,771**	4,865

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

	As at 31 December	
	2023 £000	2022 £000
Fair value of plan assets at start of period	8,408	8,638
Interest income	414	153
Actuarial gains / (losses)	172	(142)
Contributions by the Society	8	8
Administrative expenses	(7)	(6)
Benefits paid and expenses	(243)	(243)
Fair Value of Plan Assets at End of Period	**8,752**	8,408

The actual return on the plan assets over the period ended 31 December 2023 was a gain of £586,000 (2022: a gain of £11,000).

NOTES TO THE ACCOUNTS (CONTINUED)

	As at 31 December 2023 £000	2022 £000
Defined benefit costs recognised in profit or loss		
Expenses	8	8
Net interest cost	-	-
Losses due to benefit changes	-	-
Defined Benefit Costs Recognised in Profit and Loss Account	**8**	8

Over the year to 31 December 2023, contributions by the Society of £8,050 were made to the Scheme (Year to 31 December 2022: £7,500).

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is £nil (2022: £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 2023 £000	2022 £000
Defined Benefit Costs Recognised in Other Comprehensive Income:		
Return on plan assets (excluding amounts included in net interest cost) – loss / gain	(172)	142
Experience losses and gains arising on the plan liabilities – gain	(78)	295
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – (loss)	(10)	(2,922)
Effects of changes in the amount of surplus that is not recoverable – gain	260	2,485
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.

	As at 31 December 2023 Fair value £000	2022 Fair value £000
Components		
Equities	2,770	3,249
Bonds	4,246	4,040
Property	807	776
Cash	649	28
Other	280	315
Total	**8,752**	8,408

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. Pension assets are valued by a third-party based on their surrender value.

32 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. Rules implemented by world banking authorities, for example the Capital Requirements Directive IV (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 Internal Capital Adequacy Assessment Process (ICAAP). 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'.

	2023 £000	2022 £000
COMMON EQUITY TIER 1 CAPITAL		
General reserve	37,179	35,364
Intangible assets	(215)	(271)
TOTAL COMMON EQUITY TIER 1 CAPITAL	**36,964**	35,093
TIER 2 CAPITAL		
Collective provision	726	601
TOTAL REGULATORY CAPITAL	**37,690**	35,694

33 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 2023:

- the Society's principal activities are mortgage lending and the provision of savings accounts;
- the Society's turnover (defined as net interest receivable) was £13.2m (2022: £10.6m) and profit before tax was £2.41m (2022: £2.35m), all of which arose from UK based activity;
- the average number of Society full-time equivalent employees was 112 (2022: 99), all of whom were employed in the UK;
- corporation tax of £563k (2022: £630k) 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 2023

1 STATUTORY PERCENTAGES

	As at 31 December 2023 %	Statutory Limit %
Proportion of business assets other than in the form of loans fully secured on residential property – 'Lending limit'	3.12	25.00
Proportion of shares and borrowings other than in the form of shares held by individuals – 'Funding limit'	18.18	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	
	2023 %	2022 %
As a percentage of shares and borrowings:		
Gross capital	7.66	7.90
Free capital	7.38	7.57
Liquid assets	21.03	18.72
Profit after taxation as a percentage of mean total assets	0.36	0.41
Management expenses as a percentage of mean total assets	1.98	1.64

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 2023 and 2022 total assets.

'Liquid assets' represent the total of cash in hand, treasury bills and debt securities and loans and advances to credit institutions and other liquid assets 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 2023 (CONTINUED)

3 INFORMATION RELATING TO THE DIRECTORS AT 31 DECEMBER 2023

NON-EXECUTIVE DIRECTORS

NAME	YEAR OF BIRTH	DATE OF APPOINTMENT AS DIRECTOR	BUSINESS OCCUPATION	OTHER DIRECTORSHIPS
Alison Chmiel FCMA *Board Chair*	1964	21.02.2013	Building Society Director	The Alexander Workshop Ltd The Two Counties Trust
Nick Baxter DipMan (Open), DipM	1956	23.01.2017	Business Consultant	Rockstead Ltd Rockstead Group Ltd
Colin Bradley ACA, ACIB	1952	28.05.2015	Building Society Director	-
Rachel Haworth FCIM	1972	16.12.2021	Building Society Director	Phoenix Group
Lucy McClements FCCA	1976	30.07.2020	Consultant	Finwell Coaching & Consulting Ltd Isle of Man Financial Services Authority (Board Member)
Keith McLeod FCA	1963	16.12.2021	Building Society Director	Lymphoma Action Newlon Housing Trust

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	Trustee of The Mansfield Building Society Charitable Trust Corporation Board Member – Vision West Notts College
Daniel Jones FCA	1975	30.04.2020	Building Society Finance Director	Trustee of The Mansfield Building Society 1978 Retirement & Death Benefit Scheme

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.

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 12 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 12 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 2023 (CONTINUED)

Board Chair
Alison Chmiel, FCMA

Senior Independent Director and Vice Chair
Nick Baxter, DipMan (Open) DipM

Non-Executive Directors
Colin Bradley, ACA, ACIB
Rachel Haworth, FCIM
Lucy McClements, FCCA
Keith McLeod, FCA

Chief Executive
Paul Wheeler, FCA

Finance Director and Secretary
Daniel Jones, FCA

Risk and Compliance Executive and Money Laundering Reporting Officer
Jim Stevens

Customer Service Executive
Dave Newby

Commercial Development Executive
Richard Crisp, DipFSM

IT Executive
Iain Lister

Head of Products and Marketing
Mike Taylor, LLB, ACIB

Head of HR
Vickie Preston

Head of Specialist Lending
Linda Herbert

Head of Savings Operations
Danie Mayne

Auditor
Mazars 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 676350

KIRKBY IN ASHFIELD

48 Station Street,
Kirkby-in-Ashfield, Nottinghamshire
NG17 7AS
t: 01623 676350

CHESTERFIELD

91 New Square
Chesterfield, Derbyshire
S40 1AH
t: 01623 676350

MANSFIELD
BUILDING SOCIETY

For you | With you | Always

MANSFIELD
BUILDING SOCIETY

For you | With you | Always