

# **Welcome to our Directors' Report, Accounts and Annual Business Statement**

*For the year ended 31st December 2024*

Society Information	3
Chair's Statement	4
Chief Executive's Review	6
Your Board of Directors	8
Directors' Report	11
Corporate Governance Report	21
Directors' Remuneration Report	33
Directors' Responsibilities	35
Independent Auditor's Report	36
Statement of Comprehensive Income	37
Statement of Financial Position	38
Statement of Change in Members' Interests	39
Cash Flow Statement	40
Notes to the Accounts	41
Annual Business Statement	70

## Our Branches

Harpenden branch, Aberdeen House, 14 Station Road, Harpenden, Hertfordshire, AL5 4SE

Leighton Buzzard branch, 22 Market Square, Leighton Buzzard, Bedfordshire, LU7 1HE

Radlett branch, 341 Watling Street, Radlett, Hertfordshire, WD7 7LB

Tring branch, 38 High Street, Tring, Hertfordshire, HP23 5AA

## Society information

Established and incorporated: 1953  
Firm Reference Number: 157260  
Member of the Building Society Association  
Member of UK Finance

Head Office  
Mardall House  
Harpenden  
Hertfordshire  
AL5 4HU

### Board of Directors

Nigel Boothroyd	Chair
Lesley Beecher	
David Green	
Tina Kokkinos	
Tracie Pearce	(appointed 01 May 2024)
Mark Williams	
Mark Willis	
Stephen Richardson	(retired 30 April 2024)
Richard Doe	(retired 31 May 2024)
Trevor Barratt	(appointed 02 January 2025)

### Executive Committee

Mike Cutler	Commercial Director
Gemma Fient	Director of Operations
Ian Jones	Chief Risk Officer
Gavin Mullen	Society Secretary
Tracie Pearce	Chief Executive Officer (appointed 01 May 2024)
Gary Richardson	Director of IT & Transformation
Mark Williams	Finance Director

### Bankers

HSBC Bank plc  
1 Centenary Square  
Birmingham  
B1 1HQ

### Auditor

Forvis Mazars LLP  
30 Old Bailey  
London  
EC4M 7AU

## Chair's Statement



In my first year as Chair of Harpenden Building Society, I am delighted to present our annual report and accounts.

First and foremost, I would like to extend my heartfelt gratitude to outgoing Chair, Stephen Richardson, for his dedicated service to our Society and the Board. Stephen stepped down at the last AGM and his significant contributions over his ten-year tenure have been invaluable. We are enormously grateful for his leadership and commitment.

I would also like to acknowledge the contribution of Richard Doe, who retired as our CEO in May 2024. Richard successfully led initiatives to enhance the Society's business performance and, along with his team, established a strong foundation for our current success.

We are pleased to welcome Tracie Pearce as our new CEO, who joined us in May 2024. Tracie brings a wealth of experience and a proven track record from her previous roles at Santander, HSBC, and Nationwide Building Society. We are excited about the vision and leadership she will bring to our Society in the coming years.

### Society's performance in 2024

Your Society has continued to perform strongly, thanks to an unwavering focus on our mutual values and core purpose that prioritise you - our members. The commitment, enthusiasm, and dedication of our colleagues has been instrumental in delivering a very good performance for all our stakeholders.

I am delighted to be able to report that the whole team at the Society has delivered a very strong performance in 2024. The mortgage book has grown by 17.5% and profit before

taxation of £0.9m has been delivered. The Society holds significant surplus capital and liquidity, which affords it the capacity and time to continue developing a stronger, larger and more sustainable business.

### Outlook for 2025 and Building a Sustainable Society

We entered 2025 with a strong service proposition and a robust pipeline of mortgage business. This positions us well to achieve further mortgage growth in the coming year. While we remain mindful of the potential impact of falling interest rates on the Society's interest margins, we anticipate another year of solid profitability.

### Board Changes

As part of my transition as Society Chair and Chair of the Nominations Committee, David Green assumed the role of Vice Chair and Senior Independent Director while Lesley Beecher took over from me as Chair of the Remuneration Committee.

I am also pleased to announce that we welcomed Trevor Barratt to our Board as a non-executive director this January. Trevor brings with him a wealth of non-executive and sector experience and I believe he is well placed to add significant value as we move forward with developing and growing our business.

### Governance

The Board plays a vital role in ensuring the long-term sustainability of the Society, with a commitment to protecting our culture and values while upholding the highest standards of governance. It is our responsibility to make strategic decisions not only for the benefit of current members but also for future

generations of members. Through effective governance, we strive to uphold the integrity of our Society and promote a culture of trust, collaboration and excellence.

## **Colleagues**

Colleagues play a crucial role in the success of the Society. Our commitment to personal service distinguishes us from many competitors and is an essential part of our identity. We strive to cultivate a positive environment that empowers our team to grow both professionally and personally, while ensuring alignment with the behaviours, skills and capabilities necessary for the Society's future progress. In a competitive market, we remain committed to our people strategy, prioritising colleague attraction, retention and development. By investing in our staff and fostering a culture of continuous improvement, we enhance individual potential and strengthen our collective capabilities as your building society.

I would like to record my thanks to the Board, the management team and all colleagues at the Society for their continued efforts and support in ensuring the ongoing success of our Society. I would also like to say thank you to you, our members, and our professional partners for their past and continued support.

**Nigel Boothroyd**

Chair

18 March 2025



## Chief Executive's Review



I am delighted to present our Annual Report and Accounts for 2024 in my first year as Chief Executive. Returning to the building society sector has been a wonderful experience, and I am thrilled to join the Society at such an exciting time. It has been a privilege to lead the Society through a year of financial progress, strategic achievements, and cultural transformation. Despite ongoing economic challenges, we have continued to strengthen our position, delivering value to our members while upholding our core principles of trust, responsibility, and community engagement.

I am particularly looking forward to working closely with Nigel and the board, whose dedication and vision have been instrumental in our success. Together, I am confident we will continue to build on our achievements and drive the Society forward.

The UK economy in 2024 continued to be shaped by high inflation and elevated interest rates. The Bank of England's base rate peaked at 5.25% before falling to 4.75% in December. In February 2025 the rate was cut to 4.50%, with further rate cuts expected during 2025 as inflation gradually eases from its 2023 peak.

Higher interest rates challenged mortgage borrowers but benefited savers, creating a more dynamic market. We balanced the needs of both by offering competitive products while maintaining strong branch services alongside growing online account management.

Mortgage rates eased from 2023 highs, with sub-4% products reappearing in the market. However, affordability remains stretched due to higher rates and living costs. The remortgage market was active, house prices showed resilience, and employment levels and housing shortages provided market support, though transaction volumes remain below pre-pandemic levels.

The savings market remained highly competitive, with institutions competing for deposits. Although best-buy rates moderated, they continued offering strong returns. Inflation gradually declined but remains persistent, influencing monetary policy and consumer behaviour.

Against that backdrop, I am pleased to report that 2024 has been a year of significant financial achievement, with profit before tax reaching £900k. We delivered 17.5% net mortgage growth, increasing our total mortgage book to £322.5m, supported by a strong pipeline of £87.1m. Our balance sheet grew by 24.9% to £423.3m, and while a decline in the Net Interest Margin (NIM) was anticipated due to falling base rates and the growth of the savings book to support mortgage lending. This growth has been driven by an expanding loan book, disciplined cost management, and enhanced operational efficiency, all of which will continue to strengthen our capital position and long-term sustainability.

For 2024, our Net Interest Margin stood at 2.46%, and our Cost/Income Ratio was 91.4%, while the liquid assets ratio increased to 24.2%. Mortgage arrears and forbearance have continued to be low and stable, and the average loan-to-value across our mortgage book stands at just 40%. Our overall provision for bad debts reduced to £302k. We have maintained a prudent approach to mortgage lending by avoiding high loan-to-value lending and upholding our traditional strengths in responsible underwriting.

I am proud of the strategic milestones we achieved in 2024, notably the successful submission of our matched approach application, and subsequent regulatory approval to offer fixed-rate mortgages. We also completed the disposal on investment of

our shareholding in Mutual Vision, our core system provider, delivering a strong financial return while securing future services for our members.

These actions reflect our proactive approach to improving operational efficiency and ensuring the long-term sustainability of your Society. Additionally, we have made strong progress in product development and capital utilisation, setting a solid foundation for future growth.

A strong and engaged workforce remains at the heart of our success. In 2024, we placed a significant focus on workplace culture and employee engagement. Regular communications have helped to improve transparency and team cohesion. Our employee engagement scores through Best Companies rose year on year, earning us a "Very Good to Work For" rating once again.

Risk management continues to be a fundamental pillar of our strategy. In 2024, we effectively implemented Consumer Duty regulations and strengthened our regulatory controls, carefully managing our risk appetite to support our strategic goals.

I am delighted to report that we have also maintained a strong commitment to our local communities. Over the course of the year, we raised more than £5,000 for Mind, contributed over 350 volunteer hours, and provided more than £19,000 in grants to local organisations. Alongside these community efforts, we have remained dedicated to delivering excellent service to our members, whether through branches, telephone, or online channels, and I am proud to say that this commitment was reflected in member feedback, with a Smart Money People rating of 4.64 out of 5. We were also honoured to be recognised as the Best Local Building Society at the What Mortgage Awards for the tenth consecutive year, demonstrating the strength of our relationships with members and the broader community.

In conclusion, 2024 has been a year of strong financial performance, strategic progress, and cultural transformation. These achievements provide a robust foundation for the future, ensuring we are well-positioned for continued success in the years ahead.

**Tracie Pearce**

Chief Executive Officer

18 March 2025

## Your Board of Directors (as at 31 December 2024)<sup>1</sup>



### Nigel Boothroyd

#### Chair

Nigel joined the Society as a non-executive director in March 2019 and was appointed Chair in April 2024. He is Chair of the Nominations Committee and a member of the Remuneration Committee. Nigel has significant executive-level experience within financial services, having spent c.38 years at HSBC Group. He has carried out a number of senior roles, with experience of corporate and commercial banking; credit risk; operational risk; retail banking and wealth management. Nigel has served on a number of Executive and Risk Committees within the UK, Europe and North America. He was also the National Head of Corporate Banking with HSBC Canada between 2012 and 2015.

Nigel is an experienced non-executive director and, in addition to his role at the Society, is currently a non-executive director at British Arab Commercial Bank plc where he is also the Chair of the Remuneration and Nominations Committees.



### Lesley Beecher

#### Non-Executive Director

Lesley joined the Society as a non-executive director in July 2021 and is Chair of the Remuneration Committee and a member of the Audit and Nominations Committees. Lesley has worked in financial services for over 25 years. She is a technology specialist and was a retail banking CIO in her previous role. In parallel, for the last 7 years Lesley was a non-executive director for a company offering services to the credit union sector. In addition to her role at the Society, Lesley is also a non-executive director at Gatehouse Bank Plc.

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<sup>1</sup> Since the year-end, Trevor Barratt has joined the Society as a Non-Executive Director and a member of the Risk & Compliance Committee.





## David Green

### Non-Executive Director

David joined the Society as a non-executive director in October 2020 and was appointed Senior Independent Director in April 2024 and Vice Chair in June 2024. He also chairs the Society's Audit Committee and is a member of the Risk & Compliance Committee. He is a chartered accountant with around 40 years' experience in retail financial services and joined from a leading private bank following his retirement as CEO. He also served as an independent non-executive director for 7 years at a challenger bank. In addition to his role at the Society, David is also a trustee of Leonard Cheshire Disability.



## Tina Kokkinos

### Non-Executive Director

Tina joined the Society as a non-executive director in May 2023 and is a member of the Nominations and Remuneration Committees. Tina is a CIMA qualified accountant and a former Chief Operating Officer (COO)/Senior Business Manager, starting her career in commerce before moving to financial services. Her experience includes various roles at JP Morgan, HSBC, and Coca-Cola and most recently COO of a FX FinTech start-up.

Tina is an experienced non-executive director and, in addition to her role at the Society, she is also a non-executive director at Redwood Bank Limited, British Rowing Limited (National Governing Body), and Onward Group Limited (one of the largest housing associations in the North-West).



## Tracie Pearce

### Chief Executive Officer

Tracie joined the Society as Chief Executive Officer in May 2024 and is a member of the Board and Chair of the Executive Committee.

Tracie has over 29 years' experience in retail banking across three major financial institutions, Nationwide Building Society, HSBC and most recently Santander, where she was the Chief Customer Officer, Homes at Santander UK. At HSBC she started as Head of Mortgages before becoming the Director of Retail Banking for HSBC UK. Tracie started her career at Portman Building Society before moving to Nationwide Building Society following the merger of the two societies; in her 19 years in the mutual sector, she ran the prime and specialist mortgage portfolios and savings book.



## Mark Williams

### Finance Director

Mark joined the Society as Finance Director in November 2023 and is a member of the Board and the Executive Committee. He also chairs the Assets & Liabilities Committee.

Mark is a qualified chartered accountant, with nearly 30 years' experience within Financial Services. After qualifying, he spent many years within Investment Banking working at Standard Bank, Lehman Brothers and Deutsche Bank. More recently Mark has worked at various retail and commercial banks including Lloyds Bank, the Co-operative Bank and Jordan International Bank where Mark was CFO and Acting CEO as well as a Board member. He has extensive experience across Finance, Treasury and Risk roles.



## Mark Willis

### Non-Executive Director

Mark joined the Society as a non-executive director in April 2019 and is currently chair of the Risk & Compliance Committee and a member of the Audit Committee.

Mark has spent his career in financial services, most recently as Chief Risk Officer at National Counties Building Society which he joined in 2013. Previously, he served in a number of operational and oversight roles in financial risk management at Nationwide Building Society (including Head of Market Risk) and with Nationwide Pension Fund as trustee.

He is a Chartered Accountant and Corporate Treasurer and holds the PMI Award in Pension Trusteeship.

## Directors' Report

The Directors have pleasure in presenting their 72<sup>nd</sup> Annual Report and Accounts for the year ended 31 December 2024.

### Strategic Business Review

The Chair and Chief Executive have both commented on the Society's performance for 2024 and the steps taken to grow the mortgage book. During 2024, there has been a very healthy net growth in the mortgage book of 17.5% and this despite the impact of 2 reductions in Bank Base Rate (BBR) in the year and a reduction in the Society's Standard Variable Rate on the mortgage book, has resulted in a £5.1m increase in interest receivable for the year. There was also a significant increase in liquid asset income by £1.3m as increasing yields, representing the BBR rises in the first nine months of the year, were implemented. The income growth was offset by interest payable of £5.8m as the savings book grew at a greater amount than the mortgage book. This has resulted in an overall decrease of £0.7m in net interest income year on year.

Administrative expenses, which are made up of staff costs and management expenses have decreased by £0.2m year on year. Management expenses decreased by £0.4m while staff costs increased by £0.2m.

The decrease in management expenses is mainly due to a decrease in IT, legal & professional services and consultancy costs.

The increase in staff costs is mainly due to staff turnover in the year and increased salaries reflecting the high inflation experienced. The Society in its recruitment of new staff continued to strengthen in key functions of the society including in Human Resources, Treasury and Prudential Risk.

The Society's credit risk profile continues to remain strong and has proved to be resilient to the continuing impact of the 'Cost of Living' crisis throughout the UK. Overall LTV's for the mortgage book remain very low and this results in minimal exposure to losses resulting from any future material reduction in house prices and/or increases in loan defaults. Even with the growth in the mortgage loan book during the year the Society has decreased its provisions by £0.1m. This is mainly due to the increased house prices in the year.

Despite the above, following further investment in our systems to support growth, we recorded a small decline in net operating profit before tax (before any adjustment for revaluations) has decreased from a profit of £1.2m in 2023 to a profit of £0.9m in 2024.

Total comprehensive income for the year was £0.7m (2023 profit £0.9m). The revaluation for 2024 was a gain of £12k and £50k (2023 £3k and £28k) for investment and operational property, respectively

The Directors set out their assessment of the principal risks and uncertainties facing the Society on pages 16-19. It is recognised that there are risks and uncertainties associated with the potential adverse effects of geopolitical instability with a continuing war in Ukraine, tensions in the Middle East and with the recent introduction of tariffs by the USA. Any consequent economic downturn, disruption to financial markets or political instability could have an impact on the Society's business model. The impact of an Economic downturn has been stress tested against the Business Plan during the year to ensure that it has appropriate management control processes and sufficient capital and liquidity to withstand such impacts.

Throughout 2024 the Society continued to focus on its core objective, namely, to provide a competitive mortgage range funded predominantly by retail savings, although the Society has received some funds from corporate accounts in the year. The Society continued to increase its share of retail savings through online savings accounts.

As noted above, the mortgage book grew by 17.5% in 2024 to £322.5m, with the overall balance sheet increasing by £84.4m to £423.2m. The Society continued to grow its funding by £84m year on year, an increase of 27.3%. The levels of liquidity increased by £36.1m to assist with the funding of the strong mortgage growth in the year.

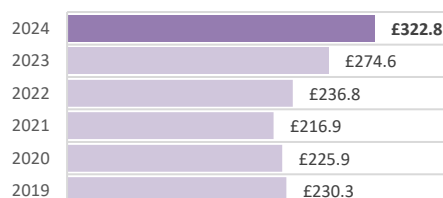
An Operational Asset Liability Committee convenes as a minimum fortnightly to discuss pricing and ensure sufficient attention is focused on both new product development and the pricing decisions taken. This includes the assessment of various factors when considering rate changes, one of which is the Bank Base Rate, but other factors include competitive pressure, funding requirements, liquidity position, growth expectations and balancing the competing needs of both mortgage and savings customers.

The Society strives to provide fair interest rates for both mortgage and savings customers, in the context of the reshaping of the funding base. From a savings perspective we consider the rates to be competitive in the marketplace.

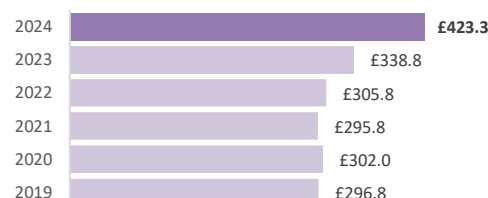
## Key Performance Indicators

The Board and Executive monitor all aspects of the Society's financial performance on an ongoing basis. The key performance indicators (KPIs) used as measures are set out below and disclosed in more detail:

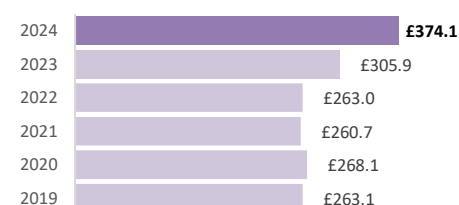
Mortgage Asset Balances (£m)



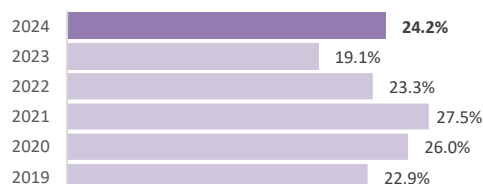
Total Assets (£m)



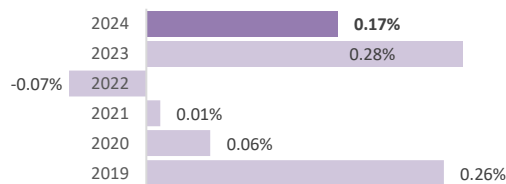
Share Balances (£m)



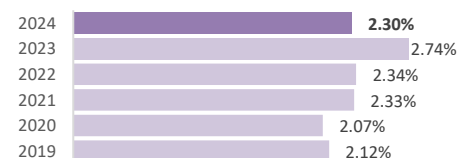
Liquid Assets as a Percentage of Shares and Borrowings (%)



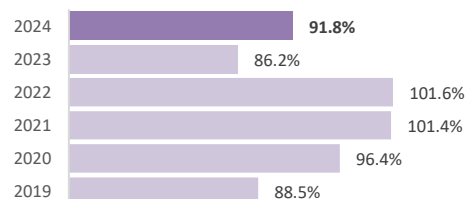
Profit After Tax as a Percentage of Mean Total Assets (%)



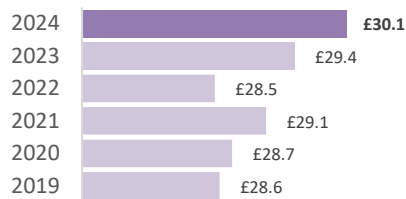
Management Expenses as a Percentage of Mean Total Assets (%)



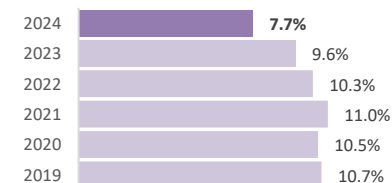
Cost to Income Ratio (%)



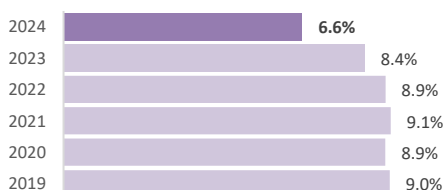
Capital (£m)



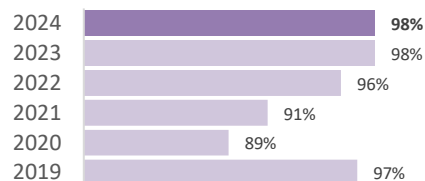
Gross Capital as percentage of Shares and Borrowings (%)



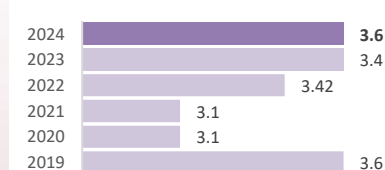
Free Capital as percentage of Shares and Borrowings (%)



Customer Satisfaction score



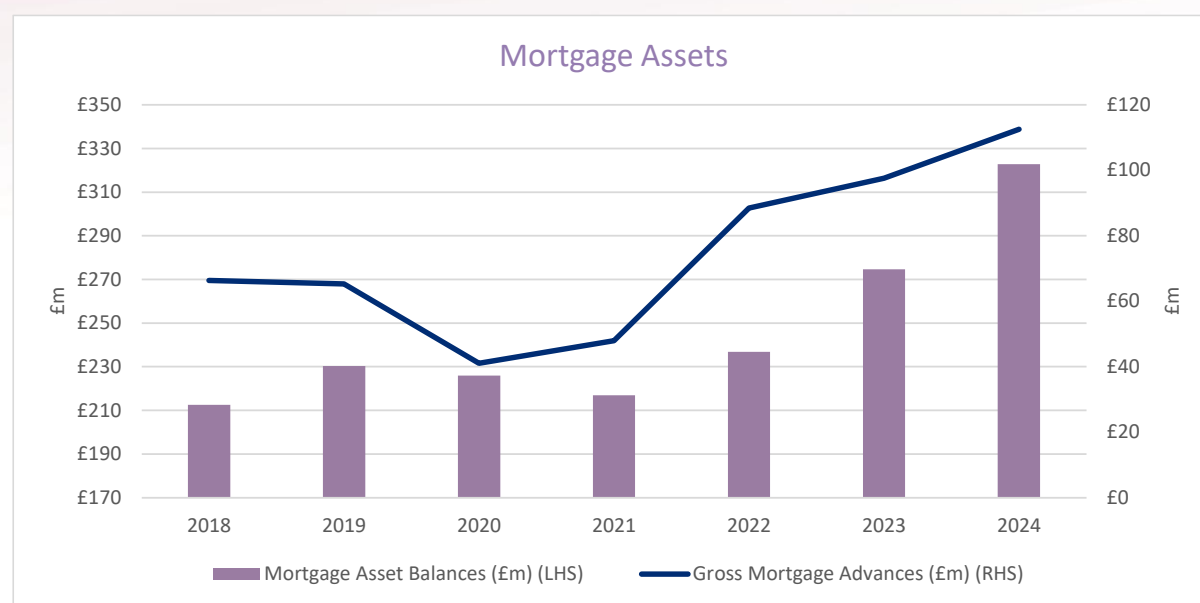
Employee Satisfaction score (Out of 5)



## Mortgage Asset Balances

The provision of mortgage finance for the purchase of owner-occupied residential property is the key objective of the Society. The Society continues to offer pragmatic solutions to meet the lending needs of its consumers and has built a reputation for expertise and service in this specialist part of the market. We continue to offer an individual approach to underwriting and take the time to understand borrower's circumstances and assess the affordability of each mortgage in a prudent and sensible manner.

During the year, there was an increase in new advances of £112.5m against £97.6m in 2023. Redemption levels were higher than in 2023, nevertheless the Society managed strong net growth in the mortgage book of £47.8m, or 17.5%, to £322.5m (2023: £274.7m).



As at 31 December 2024, there was one mortgage account that was 12 months or more in arrears (2023: one) with an outstanding loan balance of £375k (2023: £70k) and an arrears balance of £58k (2023: £13k). The Society had mortgage arrears balances greater than 3 months old at 31 December 2024 of 0.79% (2023: 0.65%).

As at 31 December 2024 the Society had one property in possession (2023: none).

The Society may consider offering forbearance to mortgage borrowers who experience temporary payment difficulties because of serious illness, a change in employment circumstances or a significant life event.

Arrangements considered include payment holidays, change in payment basis from repayment to interest only or amendment of mortgage term. All arrangements are temporary and are regularly reviewed. At 31 December 2024, the Society offered such forbearance to 12 borrowers (2023: 11), representing a total mortgage balance of £3.93m (2023: £2.29m). 8 of these cases were in arrears (2023: 3). These loans are considered within the Society's individual and collective mortgage provisioning modelling as described below.

## Impairment Provisions

Individual provisions are made for loans and advances on a case-by-case basis to cover anticipated losses in respect of all accounts that have been identified as impaired. Anticipated losses on such accounts are calculated as the difference between the estimated current achievable market value of the security and the outstanding loan balance, after making appropriate allowance for costs.

A collective mortgage provision is made against mortgage advances which have not been specifically identified as impaired but where general experience and market conditions may indicate that losses may ultimately be incurred.



In aggregate, the impairment provisions have decreased by £106k to £302k, largely reflecting the increase in house prices during 2024. At a more granular level, there was no individual specific impairment provision at year end with the net decrease due to a movement in the collective provision. This decrease is based on a review of the underlying assumptions and reflects the low LTV's of the mortgage book. This provides significant debt cover across the book and the relatively low levels of arrears, defaults and possessions. The Society has not suffered any credit losses on its residential mortgage book for more than 10 years.

### Total Assets

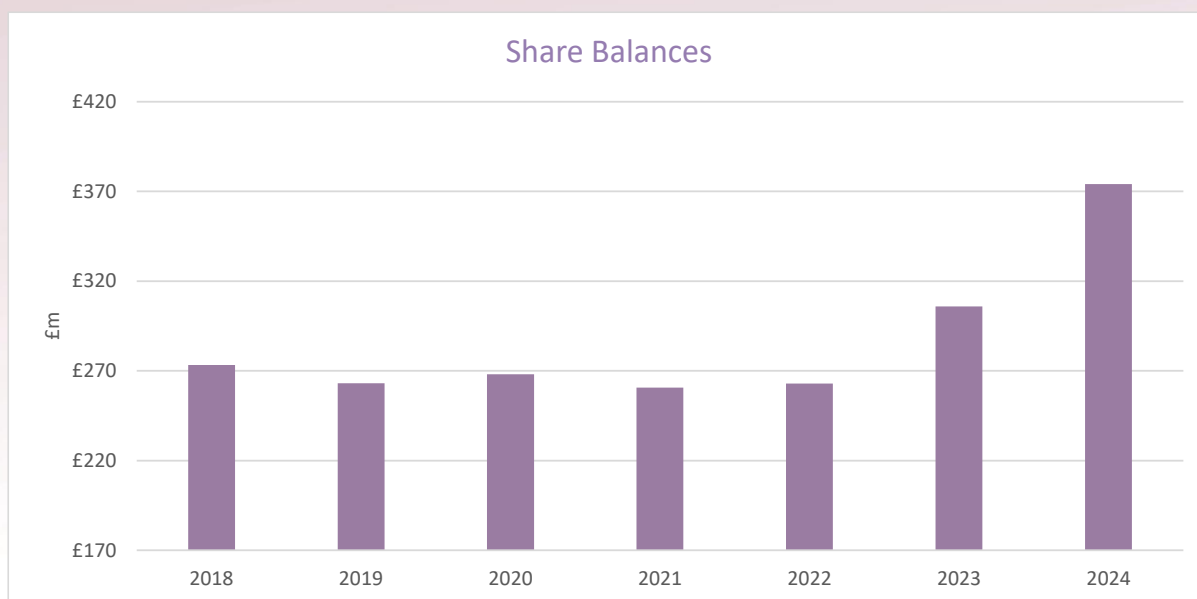
The Board considers that long term balance sheet growth, underpinned by increasing capital reserves improves the Society's financial strength and long-term stability. In line with these long-term goals the Society has grown the balance sheet by c£84.5m to £423.2m (2023: £338.9m). This is the highest balance sheet amount in the last six years.



### Share Balances

The Society strived to provide competitive interest rates during the year even when base rates started to decrease in 2024. The Society maintained a stable and sustainable funding base that met its lending requirements through the provision of straight forward products that were and are consistently priced for all members. The Society continued to attract online savings products in the year which continued to be a very effective way of raising retail deposits.

Share balances increased by £68.2m or by 22.3% to stand at c£374.1m at 31 December 2024 (2023: £305.9m), with the high levels of liquidity being used to fund the mortgage book growth in 2024. This is the first time that the Society has share balances of more than £350m.



### Liquid Assets as a Percentage of Shares and Borrowings

Liquidity ratios are monitored to ensure that they remain within Board approved limits and that adequate cash is held to meet liabilities as they fall due. In 2024, liquid assets increased by c£36.1m to £95m (2023: £58.9m) with the liquid asset ratio increasing to 24.2% (2023: 19.1%).

The increase in liquidity and the liquidity ratio is driven by the higher growth in the shares balance compared to the growth in the mortgage book. During 2022 the Society set up a liquidity draw down facility with the Bank of England, which allows it to draw down against a pool of prepositioned mortgages held as collateral with the Bank of England. In January 2024 the Society increased its available pool of prepositioned mortgages held as collateral at the Bank of England by circa £55m. The society did not make any drawdowns in 2024.

### Profit After Tax as a Percentage of Mean Total Assets

Accumulated profit after tax is the key source of additional capital for the Society and sufficient profit must be made to ensure its ongoing financial strength. The Society's overall margin and operating profitability are strong and ensures that future growth in lending can be supported. The profit after tax as a % of mean total assets at 0.17% (2023: 0.28%)

### Management Expenses as a Percentage of Mean Total Assets

This ratio measures how productively the resources of the Society are used. The ratio has decreased slightly year on year to stand at 2.3% (2023: 2.7%).

### Cost: Income Ratio

The cost income ratio compares the operating costs within the business with the income that it generates and therefore it is a measure of how efficiently the Society utilises its resources. This metric has increased slightly to 91.8% from 86.5% in 2023 and is largely driven by the decreased net interest income due to decreasing base rates in the year as administrative expenses fell year on year.

### Capital

The Society generates capital to protect against risk and provide long-term security for members and the Gross and Free Capital ratios are monitored accordingly. These ratios are defined in the Annual Business Statement on page 74.

Gross capital ratio for 2024 of 7.7% has reduced since 2023 where the ratio was 9.6% predominantly due to the strong mortgage growth in the year.

As shown in the chart below, the Society's capital remains strong.



### Customer Satisfaction

We actively seek direct feedback from both our borrowers and savers and undertake monitoring of our performance as well as a review of specific comments to continue to improve our service. The customer satisfaction score is a weighted average of our performance based on the percentage of all feedback from both borrowers and savers that rate our overall service as “good” or better. In 2024, the satisfaction score improved on last year.

### Employee Satisfaction

We conduct an annual Society wide survey for all colleagues to feedback their views on a wide range of areas. Following the decision by Financial Services Culture Board (FSCB) to close, we partnered with Best Companies for the second time in 2024 to facilitate our annual colleague survey. We are pleased to report that we achieved a 1-star accreditation rating (Very Good to Work For) and improved our overall score compared to last year. We are very pleased and consider the results as evidence of continued positive progress towards our vision to be a great place to work. We scored particularly well in the areas of fair deal and wellbeing.

### Financial Risk Management Objectives and Policies

The Society has a formal structure for managing risk including establishing risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Board. Details of the Society's approach to financial risk management and the key risks faced are given in note 25.

### Principal Risks and Uncertainties

The Society has a formal risk management structure underpinned by an Enterprise Risk Management Framework (ERMF) and supported by a Risk Appetite Statement. The risk management structure also includes its Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), policy statements, exposure limits, mandates and reporting lines together with an active and regular risk review process to mitigate risks.

The principal risks and uncertainties arising from the Society's activities, and the Board approved policies and procedures put in place to manage them, are described below.

## Strategic Risk

The Society has been investing in infrastructure and people in recent years and during 2024, mortgage book growth combined with slightly reduced costs has enabled the Society to make a profit before taxation of £0.9m. Although market conditions for mortgage loan growth are considered to still be challenging in the current economic environment, the Society has set clear plans to achieve growth & profitability and to ensure that its capital strength is maintained.

## Economic Risk

The 'cost of living' crisis coupled with continued high inflation, the Ukraine War and more recently the geopolitical instability in the Middle East have continued to impact the UK economy. GDP growth has stalled and at present is close to flat.

During 2024 inflation had started to reduce although it is still above the 2% Bank of England target rate. The expectation at the time of writing is that inflation should continue to generally reduce with interest rates having peaked and will continue to reduce throughout 2025.

However, despite this the Society considers that it is well placed to manage any potential downturn. The results of its stress testing regime support the Board's view that the Society has sufficient capital to withstand a range of severe stress scenarios.

## Credit Risk

The Society is exposed to credit risk in respect of either mortgage customers or treasury counterparties being unable to meet their obligations as they fall due. All loan applications are assessed with reference to the Society's lending policy and lending mandates are strictly controlled. The Lending Policy is reviewed by Credit Committee and approved by the Risk & Compliance Committee. The Society does not take a 'tick-box' approach to lending, rather, the Society ensures that the unique position and inherent risks of each application received are understood and assessed.

In addition, the Financial Risk Management Policy includes limits on credit exposures to wholesale and groups of counterparties driven by credit ratings and an internal due diligence process. Whilst credit ratings can provide an indication of the creditworthiness of a counterparty, the Society supplements this information with market knowledge to generate a more complete view of its counterparties.

## Liquidity Risk

Liquidity risk is the risk of being unable to meet demands and commitments to provide funds to customers and other third parties. The Society's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Society can cover all fluctuations in funding, retain full public confidence in the solvency of the Society and to enable the Society to meet its financial obligations. This is achieved through maintaining a prudent level and sensible mix of liquid assets and through control of the growth of the business to provide flexibility in the management of liquidity. Stress tests are carried out regularly to confirm that the Society can withstand normal and severe cash outflows. The Liquidity & Funding Policy is regularly reviewed and approved by the Risk & Compliance Committee.

## Interest Rate Risk and Basis Risk

This is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates. This also assesses the basis on which interest is payable and receivable, impacting on profitability and the value of the Society's assets and liabilities.

The Society manages this exposure by matching the repricing dates of assets and liabilities in line with its Financial Risk Management Policy, which is regularly reviewed by ALCO and approved by the Risk & Compliance Committee. A detailed analysis of the Society's interest rate sensitivity at both 31 December 2024 and 2023 can be found in note 25.

## Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. The Society has controls in place which are designed to mitigate these risks. The Risk & Compliance Committee is responsible for assessing the effectiveness of the risk management processes and the system of inspection and control.

The Operational Resilience Framework identifies all critical business functions and has determined associated impact tolerances and recovery times. This forms the implementation of key controls set by the Society following the new regulatory requirements that come into force from March 2022.

## Cyber Risk

This is the risk that a cyber-attack results in financial loss, loss of data, business disruption or damage to the reputation of the Society due to the failure of its information technology systems.

Cyber risk is a key component of operational resilience and the Society has a Operational Risk Compliance Committee which is responsible for managing the threat of these risks and ensuring the resilience of the Society. The Society has employed specialist resources to monitor, test, maintain and continuously improve the effectiveness of the Society's cyber defences and operational resilience.

## Conduct Risk

This is the risk arising from the Society's conduct in its direct relationship with retail customers such that the customer may be treated unfairly or that the Society may deliver an inappropriate outcome. Customer service and outcomes have always been at the heart of decision making and product design at the Society. The Society continues to develop its approach to ensure that products and services provide good customer outcomes, represent fair value, avoid foreseeable harm and operate as customers and members would expect to support their financial objectives.

## Environmental and Climate Change Risk

The risks from Climate Change manifest themselves via Physical Risk and Transition Risk.

Physical Risk: can arise from climate and weather-related events, such as floods, heatwave, storms and sea level rise. It can manifest itself in two forms:

Credit Risk - if modelling indicates that properties within the mortgage book are subject to, for example, flood risk. This could impair asset value and ultimately the security of the asset from the Society's perspective.

Operational Risk - could be increased as severe weather changes affect the Society's ability to operate requiring in extreme circumstances in the business continuity plan being invoked.

Transition Risk: can arise from the process of adjustment towards a low-carbon economy. Changes in policy, technology could lead to a reassessment of the value of a large range of assets and affect credit exposures as costs and opportunities become apparent. Climate related risks will lead to some increases in credit and operational risks. This may also lead to a changing regulatory expectation in relation to the way the Society is expected to run its own business, including who it uses as suppliers.

The Society utilises risk management techniques to help mitigate the impacts of climate change on the Society's business model.

The Society has performed an initial assessment of its risks and exposures to the various aspects of environmental and climate risks and has undertaken modelling analysis based on independent data provided that focuses on these risks. This modelling has indicated that the Society's exposure is low to physical risk.

However, the Society also recognises the opportunities that the move towards a 'zero carbon footprint' brings and the products and services that can be provided to support this agenda.



The Chief Executive has responsibility for monitoring climate change risk, with oversight provided by the Risk & Compliance Committee.

### **Regulatory Risk**

This is the risk that the volume and complexity of regulatory issues may impact the Society's ability to compete or the Society breaches a regulatory requirement. The Society has policies and procedures in place to ensure compliance with the regulations and the Board monitors regulatory changes to ensure the Society continues to meet all of its regulatory requirements.

### **Directors**

The following persons were Directors of the Society during 2024:

S. Richardson (Chair – retired 19 April 2024)

N. Boothroyd (Chair from 19 April 2024)

L. Beecher

R. Doe (retired 31 May 2024)

D. Green

T. Kokkinos

T. Pearce (appointed 1 May 2024)

M. Williams

M. Willis

### **Other Matters**

#### **Creditor Payment Policy**

The Society's policy concerning the payment of its trade creditors is to pay in accordance with agreed terms where invoices are submitted for products or services which have conformed to requirements specified by the Society. Amounts due to the relevant creditors of the Society are paid on average within 14 days of receipt of invoice (2023: 14 days).

#### **Charitable and Political Donations**

Charitable donations during the year amounted to £25k (2023: £46k). The Society continues to hold an endowment fund with the Hertfordshire Community Foundation (HCF) with annual grants awarded to local charities. The balance in this fund at 31 December 2024 was £420k (2023: £406k). Total grants paid in 2024 was £19k.

The incentive of charitable contribution of £2 for each member vote at the Annual General Meeting in April 2024 produced £2,262 (2023: £1,165) which was donated to Mind.

The Directors confirm that no activities have been carried on during the year, which are outside the powers of the Society. No political donations have been made during 2024 (2023: nil) which require disclosure under the Act.

#### **Land and Buildings**

The Directors consider that the overall recoverable amount of the land and buildings held by the Society is in excess of the book value recognised within the Society's balance sheet.

#### **Events since Year End**

There have been no post Balance Sheet events that would have a material effect on the financial position of the Society.

#### **Going Concern**

The Directors have prepared forecasts of the Society's capital, financial and liquidity position for the period ending 12 months from the date of approval of these financial statements. The Directors have also prepared forecasts to consider the effect on the Society's business and financial position (reflecting

the impact of the current state of the UK economy). This includes the impact on capital, liquidity and credit risk of operating under stressed, but plausible, operating conditions. The Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual accounts.

### **Auditor**

Forvis Mazars LLP has expressed its willingness to continue in office and, in accordance with Section 77 of the Building Societies Act 1986, a resolution for its reappointment will be proposed at the Annual General Meeting.

### **Country-by-country reporting**

The country-by-country CRDIV reporting requirements can be found in note 29 on page 74. The purpose of this reporting is to provide clarity on the source of the Society's income and the location of its operations.

### **Acknowledgements**

The Directors wish to record their appreciation to all our colleagues, as well as all our members, customers and professional partners for their continued support, particularly through what has been another challenging and difficult year for everyone.

On behalf of the Board of Directors

### **Tracie Pearce**

Director and Chief Executive  
18 March 2025

## Corporate Governance Report

The UK Corporate Governance Code 2018\* (the “Code”)<sup>2</sup> contains a set of principles (the “Principles”) that emphasise the value of good corporate governance to long-term sustainable success. The Code is addressed to companies with a premium listing. However, the PRA expects building societies to “have regard to” the Code in considering their own corporate governance arrangements. The Directors are committed to best practice in corporate governance and have therefore considered the Principles in their own arrangements. This report explains to customers our approach to corporate governance and how we have had regard to the Principles in so far as they are relevant to us.

### Board Leadership and Company Purpose

#### The Board

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

Board comment:

The Board is responsible for its governance and setting a clear strategy and direction. Its role is one of stewardship, running the Society not only for the benefit of current members but also for future generations of members, thereby promoting the long-term success of the Society. In addition, the Board has the following general responsibilities:

- providing overall leadership of the Society, including setting and monitoring its culture and values
- determining the Society’s strategy, ensuring that the business model remains appropriate with a sustainability dashboard in place to review trends and take a longer-term view of the business
- ensuring that necessary resources are in place to meet the Society’s objectives, and that performance is subsequently monitored and measured
- determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives
- monitoring the key risks in the business model through appropriate management information
- overseeing governance and delegating responsibility to Board Committees, as it sees fit
- maintaining proper accounting records which are established, documented and audited.

The Board meets regularly to review performance against its strategic and operational objectives.

The Board has put in place a corporate plan that sets out the strategy, direction, intentions and ambitions of the Society for the next few years. The plan is reviewed formally by the Board on an annual basis to ensure that it remains relevant to the prevailing external market conditions and the Society’s own performance, risks and opportunities as they materialise.

*Code Principle: 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.*

Board comment:

The Board establishes and monitors the high-level principles and strategic aims of the Society and takes decisions on specific matters such as setting the culture, risk appetite operating parameters, major investment decisions and capital purchases.

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<sup>1</sup> The Financial Reporting Council updated the Code in January 2024. As the new Code applies to financial years beginning on or after 1 January 2025, this report reflects the 2018 Corporate Governance Code.

The Society has a Vision, Mission and Purpose Statement. All three statements are central to the Society's corporate plan and strategy. The Purpose Statement describes the Society's service proposition, its local communities and members, and its competitive advantage. The vision for the Society is to be the best small building society while its mission is to make the complex easy for its members. It aims to be experts in complex cases, offering a bespoke, quick and reactive service while putting brokers and customers at the heart of the process.

The Board is responsible for the overall leadership, culture and conduct of the Society and seeks to measure engagement of its colleagues through a combination of a culture survey (facilitated by Best Companies) and internal surveys, a culture dashboard, meetings with colleagues, and feedback from board performance reviews. The results of the surveys, culture dashboard and board performance reviews are analysed to develop further a workplace environment for our people to thrive and succeed aligned with the strategy. The Board recognises that the higher the employee engagement the greater the impact on success.

The Society's approach to compensation reinforces its strategy and values by rewarding the right behaviours and outcomes for members and the Society, focussing on long-term sustainable growth and discouraging unnecessary risk taking in line with the FCA's Remuneration Code. The Society's remuneration principles are designed to guide decision making when considering the total reward for all employees across the Society. These principles include the need to attract and retain employees of the required calibre by offering a fair and competitive total reward benchmarked within the market. The Society focuses on total reward; keeping rewards simple and fair; and rewarding employees based on Society performance.

Where the Board identifies any practices or behaviour within the Society that are not aligned with the Society's purpose, values and strategy, it seeks assurance from management that corrective action has been taken.

The Non-Executive Directors have the opportunity to meet without Executive Directors present. Led by the Senior Independent Director, the Non-Executive Directors meet without the Chair present at least once a year to appraise the Chair's performance. All Non-Executive Directors endeavour to meet employees, both formally and informally, throughout the year and will continue to do so in 2025 to ensure that it is able to take account of their interests.

The Board is effective because of its focus on strategy and risk management in an environment where constructive challenge is encouraged. All Board members have the benefit of appropriate liability insurance at the Society's expense and have access to independent legal and other appropriate professional advice, if required.

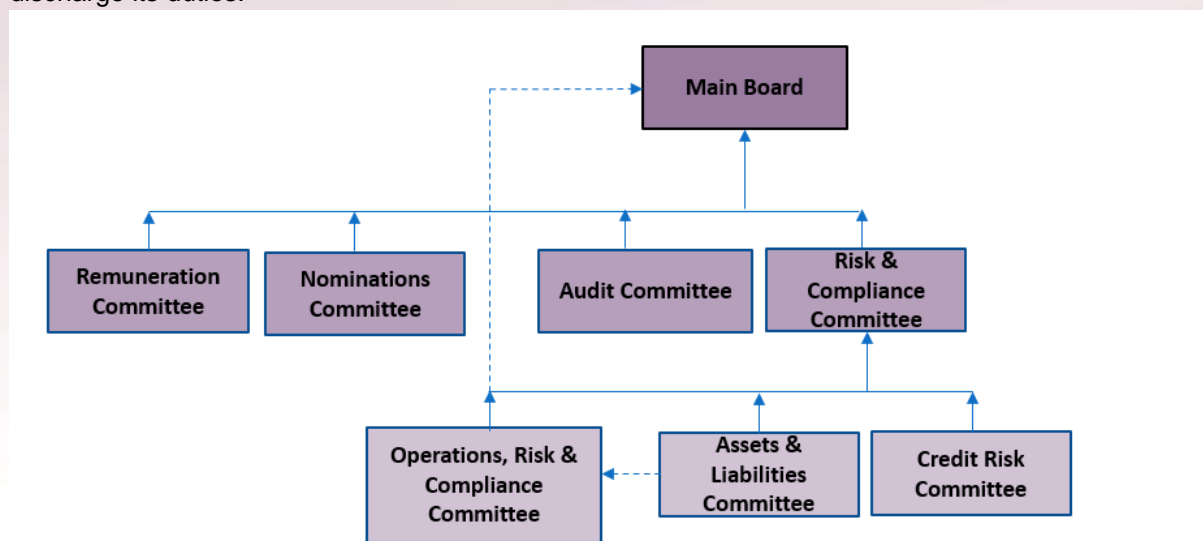
### Board Committees

*Code Principle: 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.*

#### Board comment:

The Board and its committees are provided with information sufficient to enable them to monitor the execution of the Society's strategy, oversee the performance of the business and ensure the maintenance of a sound system of internal controls and risk management. The Board is ultimately responsible for determining strategies for risk management and control of the Society although the Risk & Compliance Committee assesses the adequacy of the risk management process on behalf of the Board while the Audit Committee reviews and monitors the integrity of the Society's internal controls system. Both committees escalate significant matters to the Board with the Chair of each committee providing an assurance report to the Board at each Board meeting. Further details of the responsibilities of the Risk & Compliance Committee and Audit Committee are set out below.

The Board has four committees (Risk & Compliance, Audit, Remuneration and Nominations) to help it discharge its duties.



The Operations, Risk & Compliance, Credit Risk, and Assets & Liabilities Committees are executive committees and report to the Risk & Compliance Committee with specific reports provided to the Board as necessary.

The Board determines the responsibilities and composition of its committees, which are authorised to make decisions within agreed parameters and/or make recommendations to the Board as appropriate. The terms of reference for each committee are available on the Society's website.

### **Risk & Compliance Committee**

This committee is responsible for reviewing and monitoring the Society's risk management framework, risk appetite and internal control systems and carrying out a review of their effectiveness. It ensures that appropriate risk policies are in place and reviews the adequacy of the Society's risk reporting, including the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

The committee comprises three Non-Executive Directors and meets at least quarterly. The Chief Executive Officer, Finance Director and Chief Risk Officer are invited to attend all, or part, of the meetings, but they are not members of the committee.

### **Remuneration Committee**

This committee is responsible for making recommendations to the Board on the Remuneration Policy of the Society. The committee determines the policy for Executive Director remuneration and for setting the remuneration for the Chair, all Executive Directors and the Executive Team in line with the Remuneration Code and the Code.

Directors' remuneration is benchmarked annually against peers both within and outside the building society sector and the local area, taking Society performance into account. No member is involved in setting their own remuneration.

The Committee comprises three Non-Executive Directors and meets as required but at least twice a year. The Chief Executive Officer and the Director of People and Culture are invited to attend, but they are not members of the committee.

The Directors' Remuneration Report is included on page 32.



### Nominations Committee

This committee is responsible for leading the process for Board and Board Committee appointments, re-appointments, removals, succession planning of the Board and Board performance reviews. This ensures that the Board and its committees have the right balance of skills, knowledge, experience, independence and diversity to enable them to discharge their duties and responsibilities effectively.

The committee comprises three Non-Executive Directors and meets as required but at least four times a year. The Chief Executive Officer and the Director of People and Culture are normally invited to attend, but they are not members of the committee.

### Audit Committee

This committee is responsible for reviewing and monitoring the integrity of the Society's financial statements, internal and external audit functions, and internal controls system.

The committee comprises three Non-Executive Directors and meets as required but at least four times a year. The Chief Executive, the Finance Director and the Chief Risk Officer are invited to attend, but they are not members of the committee. The Society's Internal and External Auditors are also invited to attend.

### Attendance at Board and Board Committee Meetings

All Directors make the necessary time to prepare for and attend the scheduled Board and Board Committee meetings. The table below shows the number of meetings each Director attended and the total number of meetings the Director was eligible to attend.

Board and Committee Attendance					
Name	Board	Risk & Compliance	Remuneration	Nominations	Audit
S. Richardson (retired)	1 of 1	-	1 of 1	1 of 1	-
N. Boothroyd	7 of 8*		2 of 2	4 of 4*	-
L. Beecher	7 of 8	-	2 of 2*	4 of 4	5 of 5
R. Doe (retired)	1 of 1	-	-	-	-
D. Green	8 of 8	4 of 4	-	-	5 of 5*
T. Kokkinos	8 of 8	4 of 4	2 of 2	4 of 4	-
T. Pearce	6 of 6	-	-	-	-
M. Williams	8 of 8	-	-	-	-
M. Willis	7 of 8	4 of 4*	-	-	5 of 5

\* Indicates Chair of Board/Committee as at the reporting date

### Relations with members and stakeholders

*Code Principle: 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.*

Board comment:

As a mutual organisation, the Society's membership consists of individuals who are also the Society's customers. The Society is committed to open communication with customers and actively encourages feedback at its branches and by email. To gather member insights, the Society conducts customer satisfaction surveys, including through Smart Money People (SMP), the UK's dedicated financial

services review site. This process is designed to collect feedback on the customer experience and ensure ongoing improvement in service for both current and future members. The current SMP score is high at 92.8%, giving an overall star rating of 4.64 out of 5 for 2024. The Society aims to maintain this strong performance, ensuring that it continues to deliver exceptional service and remain a trusted provider for its members.

The Society's member communication strategy focuses on delivering relevant and meaningful engagement, with a particular emphasis on a new quarterly e-magazine launched in 2024. The magazine provides updates on Society news, practical savings tips, and insights into its community charitable work.

Each year the Society sends details of the AGM to all members who are eligible to vote. Members are sent voting forms and are encouraged to vote online, by post, by proxy or in person at the AGM.

All proxy votes are counted under independent scrutiny. A poll is called in relation to each resolution at the AGM and all valid proxy votes cast (excluding abstentions) are included in the published results of voting.

All members of the Board are present at the AGM each year (unless their absence is unavoidable) and the Chairs of the Audit, Risk & Compliance, Remuneration and Nominations Committees are therefore available to answer questions.

The Board recognises the role that employees play in making the Society a success. The Board is open to employee engagement and keen to continue their dialogue with employees in 2025. When circumstances permit, Board members spend time in the business listening to employees and taking into account their feedback on a range of matters such as the Society's culture and opportunities for improvement. This is conducted through employee lunches, meetings and attending training sessions with teams from the Society. The size of the Society allows the Board members to meet both new and existing employees, often in an informal unplanned setting where they are able to have more of an open and honest conversation. Tina Kokkinos has been appointed the Employee Designated Non-Executive Director with responsibility for ensuring an appropriate level of focus on employee engagement at Board meetings, aimed at improving the employee proposition.

Each year employees select a charity to support and raise funds through various initiatives. The Society also works with the Hertfordshire Community Foundation to provide assistance to local charities and in 2024 it allocated funds to several charities. In addition, employees support their local communities through a range of volunteering activities. The Society also actively engages with the Building Societies Association and UK Finance in support of the broader building society sector and its customers.

### **Workplace Policies and Practices**

*Code Principle: 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.*

Board comment:

Workplace policies, procedures and practices are regularly reviewed to ensure that they remain consistent with the Society's values. They set out detailed expectations and behaviours around how to make the right decisions for the Society's customers and other employees.

Employee safety and wellbeing is important to the Society and a number of resources are available to employees to support their needs. These include access to a confidential employee assistance programme, health advice and education, and mental health first aid provision. The Society also provides resources and links for employees to explore and understand their own mental health better.

A whistleblowing policy with associated procedures and contacts are in place to allow employees the opportunity to raise any concerns they may have. The Senior Independent Director is the nominated whistleblowing champion for the Society. The whistleblowing champion has responsibility for

overseeing the integrity, independence and effectiveness of the Society's whistleblowing policies and procedures including those intended to protect whistleblowers from being victimised. In addition, all employees undertake annual training on the Society's whistleblowing arrangements and how to raise concerns confidentially, both internally and externally via a whistleblowing service provider and to the regulator.

## **Divisions of Responsibilities**

### **Chair**

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

#### **Board Comment:**

The Chair and Vice Chair are elected by the Board annually. The Chair sets the direction of the Board and promotes a culture of openness and debate by facilitating effective contribution from all Directors. The Chair ensures that constructive relations are maintained between Executive and Non-Executive Directors and that Directors receive accurate, timely and clear advice and information.

### **Board Composition**

*Code Principle: 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.*

#### **Board Comment:**

The Board is comprised of two Executives and six Non-Executive Directors, providing a balance of skills and experience appropriate for the requirements of the business. All Non-Executive Directors are considered to be independent in character and judgement and free of any relationship or circumstance which are likely to affect, or could appear to affect, their judgement.

The Board culture is collaborative in nature and the Non-Executive Directors bring sound judgement and good challenge to Board discussions. The Chair ensures that no one individual or small group of individuals dominates the Board's decision making.

The offices of the Chair and the Chief Executive Officer are distinct and held by different people. The role of each is set out in their letter of appointment or service agreement and job description. The Chair is responsible for leading the Board, setting its agenda and ensuring its effectiveness. The Chief Executive Officer is responsible for managing the Society's business within the parameters set by the Board.

The Vice Chair has been appointed as the Senior Independent Director and as such acts as a confidential sounding board for the Society's Non-Executive Directors and executive management. The Senior Independent Director also leads the annual review of the Chair's performance.

### **Non-Executive Directors**

*Code Principle: 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.*

#### **Board comment:**

The Nominations Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment. The formal appraisal process carried out by the Chair each year also assesses

whether Directors have demonstrated this ability during the year. The attendance record of Directors at Board and committee meetings during 2024 is set out on page 24.

Directors must notify the Board prior to accepting any external appointments. This enables the Board to evaluate the time commitment involved and assess any potential conflict of interest.

The Non-Executive role at the Society requires an understanding of the risks in the business; commercial leadership within a framework of prudent and effective risk management controls; providing an independent perspective, monitoring performance and resources; and developing, scrutinising, and constructively challenging strategic proposals and holding management to account for the Society's performance against its plans, whilst supporting senior management.

### Information and Support

*Code Principle: 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.*

Board comment:

The Chair ensures that the Board receives accurate, clear and timely information sufficient to enable it to discharge its responsibilities. The Board can access Board and committee packs, minutes, policies and other relevant information through the online Board portal or training portal.

All new Directors undergo a formal and tailored induction prior to joining the Board. The training and development needs of each Director are reviewed annually as part of the performance review process. The Secretary provides support on corporate governance matters and the Board has access to independent advice if required.

### Composition, Succession and Evaluation

#### Appointments to the Board

*Code Principle: 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.*

Board comment:

The Nominations Committee ensures that the Board and its committees have the right balance of skills, knowledge, experience, independence and diversity to enable them to discharge their duties and responsibilities effectively. The Board firmly believes in the importance of a diverse Board, in its broadest sense and promotes an inclusive culture across the Society. The Board believes the diversity of skills, knowledge, experience, backgrounds, opinions and other distinctions, including gender, age, race, disability and neurodiversity strengthens the capability of the Board and, therefore, the effectiveness of its independence, judgement and decision making. Its equality, diversity and inclusion policy recognises an effective and diverse board has the foundations to be able to support stakeholders' views, challenge management and achieve the Society's overall strategic aims by having a wider range of perspectives represented at Board level. The Board has set itself a target of ensuring that one third of its directors are women or non-binary and currently comprises 37.5% while the Executive Team comprises 25% women and their direct reports 50%. The hire of a new female Chief Executive Officer during the year helped the Board to exceed its gender diversity target. The Board will keep its gender target under review, particularly when appointing new directors in the future.

Following an evaluation of the role and capabilities required for a particular appointment, new appointees to the Board are made on merit and against objective criteria. Candidates for Non-Executive Director roles are identified in a variety of ways, including inviting applications from members, through professional search, press and online advertisements. An executive search and selection firm, Lomond Consulting, was engaged to assist the Society in recruiting Tracie Pearce as its new Chief



Executive Officer. Warren Partners was also engaged more recently to assist the Society in recruiting a new Non-Executive Director, Trevor Barratt.

The Society is a small firm with succession planning considered from both an internal and external appointment perspective. The Nominations Committee is responsible for succession planning at both the Board and senior management level and assesses its options to deal with both short-term temporary requirements and longer-term permanent appointments. This includes an assessment of the key skills and requirements of each role to ensure the Board and senior management continues to meet the needs of the business. Any external recruitment is predicated on encouraging a diversity of potential applicants.

Eligible members of the Society have the right under the Society's Rules to apply for election to the Board. All Directors must meet the regulatory fitness and propriety standards. The Nominations Committee leads the recruitment process and recommends a candidate to the Board to determine whether to appoint the candidate.

Each Director responsible for a senior manager function must be approved by the PRA, with consent from the FCA, in order to be appointed to their role.

### **Board and Committee Membership**

*Code Principle: 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.*

Board comment:

The Board currently comprises eight Directors (two Executive and six Non-Executive), who together provide a balance of skills and experience appropriate for the requirements of the business. Details of each Director is contained on pages 8 to 10 and highlights the range of skills on the Board. Committee membership is limited to the Non-Executive Directors with appropriate expertise allocated to each committee. Membership is reviewed on an annual basis to ensure that there is a balance of skills on each committee to discharge their responsibilities in accordance with their terms of reference.

The Rules of the Society require all Directors to be submitted for election at the Annual General Meeting (AGM) following their first appointment to the Board and thereafter for re-election at least every three years after first being elected. Notwithstanding this and in line with the Code, the Board has agreed that all directors should submit themselves for re-election on an annual basis. Accordingly, all of the Society's Directors (with the exception of Trevor Barratt who was appointed after the year-end) will be retiring at this year's AGM and submitting themselves for election/re-election. This includes Tracie Pearce who will stand for election having been appointed to the Board in May. Ordinarily, Non-Executive Directors serve up to a maximum of nine years from the date of their first appointment.

### **Evaluation**

*Code Principle: 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.*

Board comment:

The performance and effectiveness of the Board and its committees are evaluated annually and overseen by the Nominations Committee. The assessment usually takes the form of either an interview-based assessment or an online questionnaire with the results being discussed at the Board or relevant committee and an action plan formulated to address any findings. The 2024 assessment took the form of an online questionnaire with a number of findings identified, which are currently being addressed. This year the Board and its Committees will undergo an externally facilitated performance review conducted by Clare Chalmers Ltd.

In addition, there is a formal process in place to assess the performance and effectiveness of the



Board members. Each Director has an annual performance appraisal carried out by the Chair (or in the case of the Finance Director, the Chief Executive Officer) who takes into account the views of the other directors and key stakeholders. The Chair's performance is separately evaluated by the full Board and facilitated by the Senior Independent Director.

The re-election of Non-Executive Directors is reviewed by the Nominations Committee based on their performance and ongoing contribution to the Society's strategy. All re-elections are approved by the Board before being put to the membership.

## **Audit, Risk and Internal Control**

### **Audit Committee and Auditors**

*Code Principle: 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.*

Board comment:

The Audit Committee comprises three Non-Executive Directors and is chaired by David Green. Other Non-Executive Directors and members of senior management, as well as representatives from the Internal and External Auditors may attend meetings by invitation. The Board is satisfied that all members of the committee have recent and relevant financial experience, specifically David Green and Mark Willis.

The Audit Committee meets four times a year and reviews the financial statements, the effectiveness of internal controls and the performance of both the Internal and External Auditors. At least annually, it meets separately with the External and Internal Auditors without the presence of the Executive Directors. Minutes of the Committee meetings are available to all Board members and the Chair of the Committee provides an assurance report to the Board at each subsequent meeting.

As part of its duties, the Audit Committee is responsible for reviewing the independence, objectivity and effectiveness of the internal audit function and satisfying itself that it is adequately resourced by staff with the appropriate skill set. The Audit Committee is satisfied that the internal audit function is suitably resourced to continue to service the Society well. It also assures itself that the External Auditor remains independent and that the external audit process remains effective. Save for the provision of reports relating to the Summary Financial Statement and the statement under S68(1) of the Building Societies Act 1986, the External Auditor does not provide any non-audit services. As these two reports remain closely aligned to the statutory audit work, the Audit Committee considers the threat to the External Auditor's continuing independence and objectivity to be insignificant.

The Audit Committee also considers the tenure of the existing audit and manages the process for a change in External Auditor for recommendation to the Board. The last tender was undertaken in 2019, which resulted in a change being proposed and carried at the 2020 Annual General Meeting for Forvis Mazars LLP to be appointed as the Society's External Auditor.

The Audit Committee considers a wide range of issues in relation to the financial statements. During the year, the Audit Committee considered significant areas where management judgement and estimates were required during the preparation of these financial statements. These areas are considered below.

### **Stress Tests**

The additional impact of the war in Ukraine coupled with the recent geopolitical instability in the Middle East, together with other adverse economic impacts on mortgage affordability, are amongst the various stress scenarios that have been considered by the Committee in the context of its review of Going Concern. The Committee reviewed the extent to which these extreme economic stresses could impact business activity, operational resilience and credit risk (loan loss provisioning). It has also considered the impact of these stresses on liquidity and capital by assessing the Society's

financial strength. The Committee is comfortable that the impact of its internal scenario and stress testing indicates that there were no stressed impact scenarios that could undermine the business model or the going concern assertion.

### Loan loss provisioning

The Society estimates the level of mortgage loss provision required based on external data sourced from Fitch and historic default and loss experience. There remains uncertainty in the current economic climate and the Society therefore continues to monitor and reassess credit risk and its impact on loan loss provisions. The underlying assumptions have been challenged and considered in the light of macro conditions as well as translating this to the specific impacts the Society has experienced. This has included an assessment against external loss data, sensitivity analysis to changing house price and default assumptions and comparison to alternative stress scenarios conducted by the Society as part of its capital assessment (ICAAP).

The Audit Committee has examined and challenged the assumptions included within the Society's provisioning model during the year and is satisfied with the approach and level of provisions made. It is recognised that there has been a decrease in loan loss provisions in 2024, however, this is primarily because of increasing house prices in the year, continuing low LTVs both existing book and new lending and with a continuation of no loss experience. This protection to adverse movements in economic factors results in a resilient loan book from a credit risk perspective.

### Property valuations

The Society has determined that it does not have the required in-house expertise to value its commercial property assets. Consequently, the Committee agreed to engage the services of a specialist valuer to carry out this activity on behalf of the Society. The values were considered by the Committee with reference to the 2024 valuations, together with their locale, selling prices of alternative properties, sensitivity to change, the current economic conditions and with due regard to the change in bases of valuation.

### Financial and Business Reporting

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

Board comment:

The responsibilities of the Directors in relation to the preparation of the Society's accounts and a statement that the Society's business is a going concern are included within the Directors' Report on pages 11 to 20.

### Risk Management and Internal Control

*Code Principle: 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.*

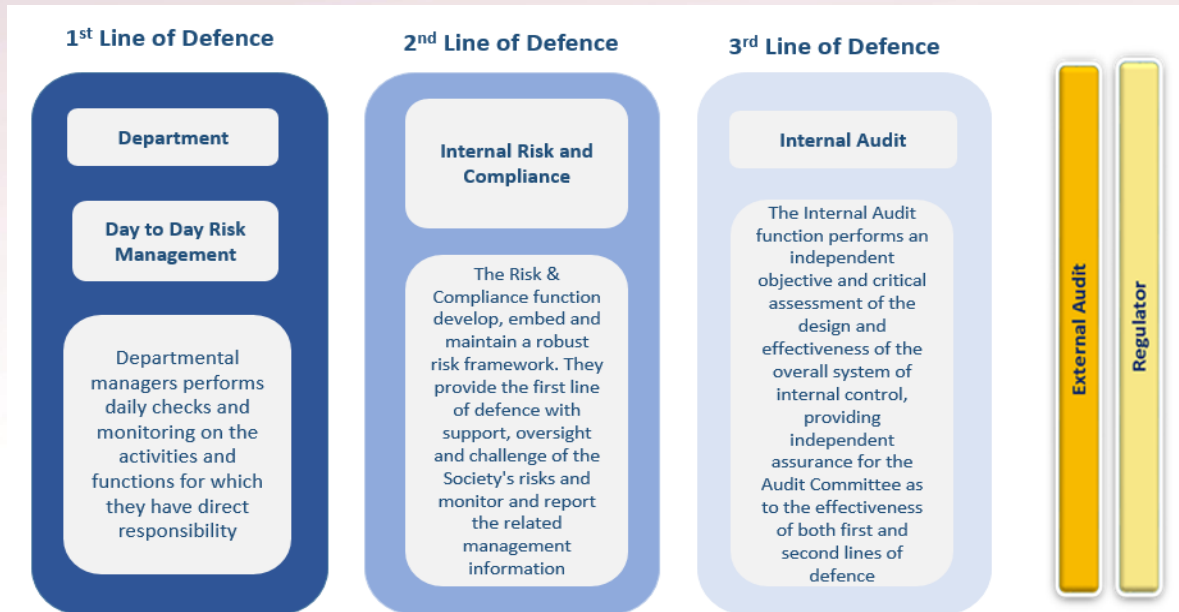
Board comment:

The Board is responsible for determining strategies for risk management and control of the Society. The Executive Team is responsible for designing, operating and monitoring risk management systems and controls. The emerging and principal risks faced by the Society are set out in the Directors' Report. The Board, its committees and the executive committees are responsible for the risks and controls within their remit.

The Risk & Compliance Committee assesses the adequacy of this process on behalf of the Board. The Internal Auditor provides independent assurance to the Board on the effectiveness of the system of internal control through the Audit Committee. The Board has reviewed its Enterprise Risk Management Framework and concluded that the Society has a strong risk management and compliance culture and that the current framework is effective and appropriate for the size and complexity of the business.

## Three Lines of Defence Model

The Society operates a three lines of defence model to manage risk and controls across the business.



### 1) First Line of Defence

The first line is operated by the Society's Executive Team which, through the implementation of the Risk Management Framework, identifies, assesses, mitigates and monitors those risks to which the Society is exposed. The Society's Executive Team has day-to-day responsibility for the management and control of risk.

### 2) Second Line of Defence

The second line of defence is achieved through the Society's risk and compliance activities. These activities are undertaken by the Risk and Compliance Team. The second line provides the policies, frameworks and support to enable risk and compliance to be managed in the first line, conducts monitoring to judge how effectively they are undertaking it and helps ensure consistency of the measurement of risk.

### 3) Third Line of Defence

The third line of defence is provided by Internal Audit. The Society's Internal Audit function is outsourced under specific terms of business and provides independent objective assurance that these control processes and systems are appropriate and applied effectively.

Sitting outside the risk management processes of the first two lines of defence, Internal Audit's main roles are to ensure that the first two lines are operating effectively and to advise on how they could be improved. Internal Audit is directed by, and reports to, the Audit Committee. It provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal controls across the Society. It can also give assurance to the Society's regulators and external auditors that appropriate controls and processes are in place and are operating effectively.

## Remuneration

The Directors' Remuneration Report on pages 32 to 33 explains how the Society complies with the Principles relating to remuneration.

On behalf of the Board of Directors,

**Nigel Boothroyd**

Chair

18 March 2025 *Make a better future*

## Directors' Remuneration Report

The purpose of this report is to explain how the Society complies with the principles relating to remuneration in the UK Corporate Governance Code 2018. The Society has adopted a Remuneration Policy, which describes how the Society complies with the FCA's Remuneration Code. The remuneration of the individual Directors is detailed in note 7 on pages 53 to 54.

### The Level and Components of Remuneration

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

Board comment:

The Remuneration Committee is responsible for reviewing the Remuneration Policy and Remuneration Framework and ensuring that they align with the Society's overall strategy and long-term objectives with appropriate consideration of customer outcomes, culture, risk appetite and diversity and inclusion. In determining the Remuneration Policy and corresponding remuneration practices, the Remuneration Committee is mindful of the need for clarity, simplicity, risk management, predictability, proportionality, and alignment to culture. It recommends the Remuneration Policy to the Board having regard to all applicable legal and regulatory requirements.

In determining Executive Director and Executive Team remuneration, it first reviews all workforce remuneration and the alignment of incentives and rewards with the Society's culture, risk appetite and strategy. The Remuneration Committee has delegated responsibility to determine the policy for Executive Director remuneration and setting remuneration for the Executive Directors and the Executive Team.

The Remuneration Policy outlines the overall approach and principles the Society adopts towards managing remuneration for all employees and non-executive directors. The Society has a simple approach to compensation which reinforces its strategy and values by rewarding the right behaviours and outcomes for members and the Society, focussing on long-term sustainable growth, and discouraging unnecessary risk taking in line with the Remuneration Code. The policy is made available to all employees.

The Remuneration Policy contains a set of principles designed to guide decision making when considering the total reward for all colleagues across the Society, namely to:

1. Attract and retain colleagues of the required calibre by offering a fair and competitive total reward benchmarked within the market.
2. Focus on total reward; recognise that reward is more than just pay, enabling employees to make the choices that work for them at different stages in their life.
3. Keep reward simple and fair with consistent approaches to total reward.
4. Reward colleagues based on Society performance and how they behave and deliver; both as part of the team and as an individual.

Every colleague's compensation package comprises four key components: fixed remuneration (base pay), variable remuneration (annual bonus), retirement benefits (pension) and benefits.

In 2024, colleagues (including the Chief Executive and members of the Executive Team) received an average pay increase of 4.31%.

### Executive Director Emoluments

The total remuneration of Executive Directors reflects their responsibilities and roles within the Society and covers the four components identified below. The Remuneration Committee reviews each Executive Director's remuneration package annually and approves that of any new Executive Director prior to appointment.

**A) Fixed Remuneration - Base Pay.** This takes into account role and experience, comparison to the local external market and benchmark data. It reflects the need to attract and retain the required calibre of Executive Director by offering a fair and competitive reward.

**b) Variable Remuneration – Annual Bonus.** The discretionary performance-related bonus scheme has a direct link to the success of the Society, motivating delivery of core business metrics in line with the Society values. It is linked to both individual performance and the achievement of Society corporate targets, namely customer experience, profitability, mortgage book growth, risk management and employee engagement. The bonus metrics are reviewed by the Remuneration Committee annually to ensure the measures are appropriate. The bonus payment is not pensionable, and the scheme is designed to deliver an on-target bonus of 15% of basic salary with a maximum award of 30% of basic salary for leading performance which achieves stretch targets. Payments may be reduced or withdrawn if the Board considers there is an item or event of material importance or relevance to have a significant influence on the regulatory status, financial performance, or financial statements of the Society. The Society does not operate a long-term incentive scheme. The 2024 discretionary performance-related bonus scheme paid 18.75% to Tracie Pearce and 18.75% to Mark Williams.

**c) Retirement Benefits – Pension.** The pension is in line with the Society's business strategy, objectives, values and long-term interests. The Executive Directors have defined contribution pension plans, to which the Society and employee both contribute. The pension contribution to Executive Directors aligns with that of the workforce and is set at 10% of basic salary.

**d) Employee Benefits.** The Executive Directors are entitled to a car allowance, private medical insurance ('self' and partner/family), group income protection and life assurance.

**e) Contractual Terms** – The Executive Directors are employed under a service contract terminable by the Society or by the individual on six months' notice.

#### **Non-Executive Director Emoluments**

The Remuneration Committee reviews Non-Executive Director fees annually based on comparable data from similar financial service organisations and specialist recruitment consultants. Remuneration comprises a basic fee with a supplementary payment for the Chairman, Vice Chair and Committee Chairs to reflect the time commitment and responsibilities of each role. Non-Executive Directors do not qualify for a pension or a bonus. Historical service agreements have a provision for life assurance at the rate of three times annual fees. Non-Executive Directors are also reimbursed for reasonable and proper expenses incurred in the performance of their role.

In 2024, there was an increase in Non-Executive Directors' fees of 4% in line with the Society wide pay increase. The increase was based on the continued need to attract Non-Executive Directors and to keep pace with the Society's aspirational peer group.



## 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, Annual Business Statement, Directors' Report and the annual accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare annual accounts for each financial year. Under that law they have elected to prepare the society 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
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

In addition to the annual accounts the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, 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 accounting records that disclose with reasonable accuracy at any time the financial position of the society, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the society and to prevent and detect fraud and other irregularities.

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

## Independent Auditor's Report to the Members of Harpenden Building Society

### Opinion

We have audited the annual accounts of Harpenden Building Society (the 'Society') for the year ended 31 December 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests, the Statement of Cash Flow 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 2024 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

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

## Independent Auditor's Report to the Members of Harpenden Building Society

- Performing sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position 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 matter

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

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

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

Key Audit Matter	How our scope addressed this matter
<p><b>Credit Risk - Allowance for impairment losses on loans and advances to customers</b></p> <p><i>Refer to Note 1.5 and 1.13 for the accounting policy and note 12 and 13 of the annual accounts disclosures.</i></p> <p>The Society holds £323m (2023: £275m) of loans and advances to customers against which a impairment provision of £302k (2023: £408k) is held at the year end.</p> <p>Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation in arriving at the year-end provisions. FRS 102 requires a</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation and testing the operating effectiveness of the key controls in relation to the credit process (loans origination and approval, loan redemptions and forbearance approval);</li> <li>• Critically assessing how management has performed the accounting estimate, including the reasonableness of external and internal data used, and considering whether this is consistent</li> </ul>

<p>collective provision for losses incurred but not yet identified by the Society.</p> <p>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.</p> <p>The collective impairment is derived from a model that uses a combination of the Society's historical experience and, due to the Society's limited loss experience, external data, adjusted for current conditions. There is a risk that the external assumptions used by management, in particular the probability of default ('PD') and loss given default ('LGD'), are not consistent with the credit risk profile of the Society.</p> <p>The collective impairment assessment is most sensitive to movement in the forced sale discounts against collateral which are the key inputs in calculation of LGD.</p>	<p>with our understanding of the Society's portfolio;</p> <ul style="list-style-type: none"> <li>• Testing the accuracy of the collateral valuations to external data sources to ensure collateral valuations are appropriately adjusted to reflect the House Price Index (HPI) movements;</li> <li>• Developing an auditor's range estimate of the collective provision using internal and external data such as PD and LGD relevant to the Society's loan portfolio;</li> <li>• Performing a stand-back assessment of the resulting collective impairment estimates to assess their appropriateness taking into consideration the overall credit risk profile of the portfolio including collateralisation; and</li> <li>• Assessing the adequacy of the disclosures relating to provisions for impairment losses on loans and advances to customers.</li> </ul> <p><b>Our observations</b></p> <p>Based on the procedures performed, we found that the allowance for impairment losses on loans and advances to customers is not materially misstated as at 31 December 2024 and is calculated in accordance with the requirements of FRS 102.</p>
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### 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	£301,000 (2023: £294,000)
How we determined it	1% of net assets (2023: 1% of net assets)
Rationale for benchmark applied	<p>We consider that net assets are the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation.</p> <p>Further, net assets as a benchmark are supported by the fact that regulatory capital is a key benchmark for management</p>

	and regulators, where net reserves are an approximation of regulatory capital resources.
Performance materiality	<p>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.</p> <p>Performance materiality of £210,700 (2023: £205,800) was applied in the audit based on 70% (2023: 70%) of overall materiality.</p> <p>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 upper end of our normal range was appropriate.</p>
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £9,000 (2023: £8,800) 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 Directors' Report, Accounts and Annual Business Statement, 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.



## Independent Auditor's Report to the Members of Harpenden Building Society

### 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 34, 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.

## Independent Auditor's Report to the Members of Harpenden Building Society

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 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 bilateral meeting with the PRA;
- Reviewing minutes of directors' meetings in the year and up to the signing date of annual report and accounts;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the directors, from inspection of the Society's regulatory and legal correspondence and review of minutes of the Board of Directors, Risk Committee and Audit Committee during the year and up to the signing date of annual report and accounts.

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and 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, in particular in relation to revenue recognition – effective interest rate (which we pinpointed to the accuracy), 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; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to effective interest rate.

## Independent Auditor's Report to the Members of Harpenden Building Society

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 matter" within this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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 appointed by the directors on 23 April 2020 to audit the annual accounts for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2020 to 31 December 2024.

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

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

Greg Simpson (Senior Statutory Auditor)  
for and on behalf of Forvis Mazars LLP  
Chartered Accountants and Statutory Auditor  
30 Old Bailey  
London  
EC4M 7AU

18th March 2025

## Statement of Comprehensive Income

for the year ended 31 December 2024

	Note	2024 £000	2023 £000
Interest receivable and similar income	2	23,117	17,992
Interest payable and similar charges	3	(13,724)	(7,916)
<b>Net interest income</b>		<b>9,393</b>	10,076
Fees and commissions receivable		273	207
Fees and commissions payable		(279)	(221)
Other operating income	4	171	153
<b>Total net income</b>		<b>9,558</b>	10,215
Administrative expenses	5	(8,465)	(8,643)
Depreciation and amortisation	15, 16	(311)	(195)
Fair values gains on investment property	17	12	3
<b>Operating profit before impairments and provisions</b>		<b>794</b>	1,380
Release/(charge) on loan loss impairment	13	106	(166)
<b>Profit before taxation</b>		<b>900</b>	1,214
Tax expense	8	(264)	(325)
<b>Profit for the financial year</b>		<b>636</b>	889
<b>Other comprehensive income</b>			
Revaluation of tangible fixed assets	16	50	28
Movement in related deferred tax	23	(13)	(7)
<b>Total comprehensive income for the financial year</b>		<b>673</b>	910

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 to these Accounts can be found on pages 46 to 73

## Statement of Financial Position

for the year ended 31 December 2024

	Note	2024 £000	2023 £000
<b>Assets</b>			
Liquid assets			
Cash in hand and balances at the Bank of England	9	41,837	43,689
Treasury bills and similar securities	10	39,441	9,790
Loans and advances to credit institutions	11	13,694	5,422
Loans and advances to customers			
Loans fully secured on residential property	12	320,287	271,432
Other loans	12	2,470	3,199
Participating interests	14	-	163
Intangible assets	15	224	156
Tangible fixed assets	16	2,699	2,423
Investment property	17	1,704	1,692
Other debtors	18	908	850
<b>Total assets</b>		<b>423,264</b>	338,816
<b>Liabilities</b>			
Shares	19	374,119	305,876
Amounts owed to credit institutions	20	6	6
Amounts owed to other customers	21	17,766	1,988
Other liabilities	22	961	1,338
Deferred tax liability	23	311	180
<b>Total liabilities</b>		<b>393,163</b>	309,388
General reserve	24	29,033	28,397
Revaluation reserve	24	1,068	1,031
<b>Total reserves attributable to members of the Society</b>		<b>30,101</b>	29,428
<b>Total reserves and liabilities</b>		<b>423,264</b>	338,816

The accounting policies and notes to these Accounts can be found on pages 46 to 73

These accounts were approved by the Board of Directors on 18th March 2025 and signed on it's behalf:

**Nigel Boothroyd**  
Chair

**Tracie Pearce**  
Chief Executive

**Mark Williams**  
Finance Director



## Statement of Changes in Members' Interests

for the year ended 31 December 2024

	General reserve 2024 £000	Revaluation reserve 2024 £000	Total 2024 £000
Balance at 1 January 2024	28,397	1,031	29,428
<b>Total comprehensive income for the year</b>			
Profit for the financial year	636	-	636
Revaluation of tangible fixed assets (net of tax)	-	37	37
Total comprehensive loss for the year	636	37	673
<b>Balance at 31 December 2024</b>	<b>29,033</b>	<b>1,068</b>	<b>30,101</b>

	General reserve 2023 £000	Revaluation reserve 2023 £000	Total 2023 £000
Balance at 1 January 2023	27,508	1,010	28,518
Total comprehensive income for the year			
Loss for the financial year	889	-	889
Revaluation of tangible fixed assets (net of tax)	-	21	21
Total comprehensive loss for the year	889	21	910
Balance at 31 December 2023	28,397	1,031	29,428

## Cash Flow Statement

for the year ended 31 December 2024

	Notes	2024 £000	2023 £000
<b>Cash flows from operating activities</b>			
Profit before taxation		900	1,214
<i>Adjustments for</i>			
Impairment on loans and advances	13	(106)	166
Effective Interest Rate		150	(136)
Depreciation and amortisation	15, 16	311	195
Fair value gains on investment property	17	(12)	(3)
<b>Total</b>		<b>1,243</b>	<b>1,436</b>
<b>Changes in operating assets and liabilities</b>			
Increase in prepayments, accrued income and other assets		(617)	(475)
Increase in accruals, deferred income, other liabilities and provisions		1,285	992
Increase in loans and advances to customers		(48,170)	(37,832)
Increase in member shares		66,606	42,509
Increase/(decrease) in amounts owed to other credit institutions and other customers		15,778	(1,552)
Taxation paid		(173)	(136)
<b>Net Cash generated by operating activities</b>		<b>34,709</b>	<b>3,506</b>
<b>Cash flows from investing activities</b>			
Purchase of financial securities		(79,324)	(9,741)
Proceeds from financial securities		38,987	12,500
Purchase of tangible fixed assets		(430)	(190)
Purchase of intangible fixed assets		(175)	(128)
Proceeds from sale of participating interest		163	-
<b>Net cash (used in)/generated by investing activities</b>		<b>(40,780)</b>	<b>2,441</b>
<b>Cash flows from financing activities</b>			
Repayment of ILTR		-	(10,000)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(10,000)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,827)</b>	<b>(2,616)</b>
Cash and cash equivalents at 1 January		48,998	51,615
<b>Cash and cash equivalents at 31 December</b>		<b>44,171</b>	<b>48,998</b>

### Reconciliation of cash balances:

	2023 £000	Movement £000	2024 £000
Loans and advances to credit institutions repayable on demand	5,309	(2,975)	2,334
Cash in hand and balances at the Bank of England	43,689	(1,852)	41,837
<b>Total cash</b>	<b>48,998</b>	<b>(4,827)</b>	<b>44,171</b>

The notes to these Accounts can be found on pages 46 to 73

## Notes to the Accounts

(forming part of the annual accounts)

### 1. Accounting policies

For the year ended 31 December 2024 Harpenden Building Society (the "Society") has prepared these annual accounts under the historical cost convention as modified by the revaluation of freehold and investment property. The accounts are prepared on a going concern basis. This reflects the Directors' consideration and assessment of the Society's state of affairs, as summarised below. The annual accounts are prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.

The Directors have prepared forecasts of the Society's capital, financial and liquidity position for the period ending 12 months from the date of approval of these financial statements. The Directors have also prepared forecasts to consider the effect on the Society's business and financial position (reflecting the impact of the current state of the UK economy). This includes the impact on capital, liquidity and credit risk of operating under stressed, but plausible, operating conditions. The Directors are satisfied that the Society has adequate resources to continue in business for the twelve months from the date of approval of these Financial Statements. For this reason they continue to adopt the going concern basis in preparing the annual accounts.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year are discussed in note 1.13.

#### 1.1. Liquid Assets

Loans and advances to credit institutions are stated at cost to the Society adjusted for interest accrued at the date of purchase. Treasury bills and debt securities are intended for use on a continuing basis and are classified as financial fixed assets and are stated at cost, adjusted for accrued interest at the date of purchase, where applicable. Any premium or discount on purchase is amortised on an effective interest rate basis over the period to maturity. Where there is a permanent diminution in value of a financial fixed asset a provision is made to write down the cost of the security to its recoverable amount.

#### 1.2 Interest

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

The calculation of the effective interest rate includes transaction costs, fee income and commission expense that are paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of a financial asset.

Interest income and expense presented in the income statement and other comprehensive income include interest on financial assets measured at amortised cost calculated on an effective interest basis. Fees and commissions associated with a mortgage that are directly incremental are recognised using the effective interest rate. All other fees are recognised as incurred.

## 1.3 Expenses

### Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

### Notes to the Accounts (continued)

## 1.4 Taxation

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

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## 1.5 Financial instruments

### Financial assets

The Society initially recognises loans and advances, deposits and debt securities on the date on which they originated. All other financial instruments are recognised on the trade date, being the date on which the Society becomes a party to the contractual provision of the instrument.

### Loans and receivables

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

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

The initial value may, if applicable, include certain fees such as arrangement and booking fees, which are recognised over the average life of mortgage assets, as noted above.

Throughout the year and at each year end, the mortgage life assumptions for each scheme are reviewed for appropriateness. Any changes to the expected life assumptions of the mortgage assets are recognised through interest receivable and similar income and reflected in the carrying value of the mortgage assets.

## Debt instruments

Debt instruments are non-derivative assets with fixed or determinable payments and fixed maturity that the Society has the positive intent and ability to hold to maturity, and which are not designated at fair value through the income statement.

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

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

## Notes to the Accounts (continued)

### Financial liabilities

The Society classifies its financial liabilities as measured at amortised cost.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

### Identification and measurement of impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets measured at amortised cost are impaired. Impairment losses are recognised in profit and loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through statement of comprehensive income.

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

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer.
- default or delinquency by a borrower.
- the restructuring of a loan or advance by the Society on terms that the Society would not otherwise consider.
- indications that a borrower or issuer will enter bankruptcy.
- the disappearance of an active market for a security, or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Society considers evidence of impairment for assets carried at amortised cost at both an individual asset and a collective level. All individually significant assets are assessed for individual impairment. Those found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment, the Society uses statistical modelling of external information to assess the probability of default, and the amount of loss likely to be incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater than



the model suggests. Default and loss rates are reviewed against actual experience and internal sensitivity assessments to ensure that they remain appropriate.

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

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

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

## **Notes to the Accounts (continued)**

### **Forbearance strategies and renegotiated loans**

A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include:

- Temporary switch from a repayment loan to an interest only loan, and
- Reduced monthly payments.

Customers requesting a forbearance option will need to provide information to support the request which is likely to include a budget planner, statement of assets and liabilities, bank/credit card statements, payslips, etc. in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our policy and procedures. At the appropriate time the forbearance option that has been implemented is cancelled and the customer's normal contractual payment is restored.

Loans that are subject to restructuring may only be classified as restructured and up to date once a specified number and/or amount of qualifying payments have been received. These qualifying payments are set at a level appropriate to the nature of the loan and the customer's ability to make the repayment going forward. Loans that have been restructured and would otherwise have been past due or impaired are classified as renegotiated.

## **1.6 Cash and cash equivalents**

For the purposes of the Cash Flow Statement, cash comprises cash in hand and unrestricted loans and advances to credit institutions and the Bank of England repayable on demand. Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

The Statement of Cash Flows has been prepared using the indirect method.

## **1.7. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold property assets are stated at fair value less subsequent accumulated depreciation.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Depreciation is charged to the profit and loss account on either a straight-line or reducing balance basis over the assets estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold premises - over fifty years on a straight-line basis
- Lease hold premises - ten years on a straight-line basis
- Computer equipment - over three years on a straight-line basis; and

- Office equipment - 15% a year on a reducing balance basis

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

### **Revaluation gains/losses**

Freehold property assets are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains or losses on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve.

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

## **1.8 Investment property**

Investment property relates to the element of the Society's freehold under a commercial lease arrangement with a third party. These are subject to an annual revaluation with any gain or loss changed against operating profit.

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

## **1.9 Participation interest in Mutual Vision**

The participation interest in Mutual Vision was accounted for on the basis of cost less impairment at 31 December 2023. During 2024 the Society's participation interest in Mutual Vision was sold.

## **1.10 Intangible assets**

Intangible assets that are acquired by the Society are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the profit and loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software - 3 years
- Projects – 5 years

The Society reviews the amortisation period and method of amortisation when events and circumstances indicate that the useful life may have changed since the last reporting date.

## **1.11. Employee benefits**

### **Defined contribution plans and other long term employee benefits**

The Society offers its employees a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which the Society pays fixed contributions into a separate Society and will have no legal or constructive obligation to pay further amounts. These payments into the plan are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### **Termination benefits**

Termination benefits are recognised as an expense when the Society is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

## **1.12 Provisions**

A provision is recognised in the balance sheet when the Society has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow

of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

### **1.13. Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2024 are set out below in relation to the impairment of financial instruments.

#### **Owned Freehold Land & Building Valuations**

The Society's owned properties are revalued annually, as required, given the bifurcation of the properties between 'owner occupied' and 'investment' property. All properties were valued by a professional valuer with suitable experience based in the local area. Valuations were based on a combination of income yield (which is considered appropriate for commercial properties) and comparable properties sold in the surrounding/nearby area. The valuation is however, subject to a degree of estimation. The sensitivity of the valuation to a 10% rise or fall in commercial values would result in a £362k gain/loss, respectively.

#### **Impairment losses on loans and advances**

The Society holds provisions for impairment losses against loans on an individual and collective basis. The level of impairment requires a significant degree of judgement and estimation. Provisions are calculated using the historic loss experience of the Society as well as external indicators, however a number of assumptions are required such as realisable values and customer behaviours.

The most critical estimation is of the level of house prices where a reduction of 10% impacts the provision by £454k. Other sensitivities include a forced sale discount increase of 10% which equates to £568k, and the emergence period (i.e. the average time from the point at which a 'loss event' occurs to the point at which it is confirmed), where an increase of six months equates to £40k.

The carrying value of loans and advances to customers at 31 December 2024 is £322.8m.

#### **Effective interest rate**

The calculation of an effective interest rate requires the Society to make assumptions about the expected average lives of mortgages. The expected average life has been determined based on a review of the behavioural life of the various portfolios with the Society's loan book. Interest income is amortised over the expected average life, so if the average life of the mortgage book increased by 6 months then the carrying value of mortgages would change by £23k with a corresponding change to income.

## Notes to the Accounts (continued)

### 2. Interest receivable and similar income

	2024 £000	2023 £000
On loans fully secured on residential property	18,851	15,057
On other loans	286	279
On debt securities	288	115
On other liquid assets	3,692	2,541
	<b>23,117</b>	<b>17,992</b>

### 3. Interest payable and similar charges

	2024 £000	2023 £000
On shares held by individuals	13,702	7,774
On deposits and other borrowings	22	142
	<b>13,724</b>	<b>7,916</b>

### 4. Other operating income

	2024 £000	2023 £000
Rents receivable	162	149
Other operating income	9	4
	<b>171</b>	<b>153</b>

### 5. Administrative expenses

	2024 £000	2023 £000
Wages and salaries	4,166	4,018
Social security costs	449	421
Contributions to defined contribution plans	513	428
	<b>5,128</b>	<b>4,867</b>
Other administrative expenses	3,337	3,776
	<b>8,465</b>	<b>8,643</b>

The remuneration of the External Auditor, which is included with other administrative expenses above, is set out below (excluding VAT):

	2024 £000	2023 £000
Other administrative expenses		
Auditor's remuneration		
Audit of these annual accounts	145	151
Fees for audit related services	2	-
	<b>147</b>	<b>151</b>

## Notes to the Accounts (continued)

### 6. Employee numbers

The average number of persons employed by the Society during the year, analysed by category, was as follows:

	2024 Full-time	2024 Part-time	2023 Full-time	2023 Part-time
Head Office	49	18	45	18
Branch Offices	6	9	9	9
	<b>55</b>	<b>27</b>	<b>54</b>	<b>27</b>

The aggregate costs of these persons are shown in note 5.

### 7. Directors' remuneration

Total Directors' emoluments for the year amounted to £821,315 (2023: £489,586).

2024	Salaries £000	Bonus £000	Benefits £000	Pension Contributions £000	Total £000
R. Doe (Chief Executive - retired 31 May 2024)	137	-	1	-	138
T. Pearce (Chief Executive - appointed 01 May 2024)	167	31	7	9	214
M. Williams (Finance Director)	204	38	12	20	275
	<b>508</b>	<b>70</b>	<b>20</b>	<b>29</b>	<b>627</b>

2023	Salaries £000	Bonus £000	Benefits £000	Pension Contributions £000	Total
R. Doe (Chief Executive)	200	50	3	-	253
G. McGrady (Finance Director - resigned 31 January 2023.)	17	-	1	2	20
M. Williams (Finance Director - appointed 30 November 2023)	17	-	1	-	18
	<b>234</b>	<b>50</b>	<b>5</b>	<b>2</b>	<b>291</b>

T. Pearce joined the society as Chief Executive on 01 May 2024 and was appointed onto the board of directors on 01 May 2024.



## Notes to the Accounts (continued)

### Non-Executive Director Emoluments (comprising fees only):

	<b>2024</b>	2023
	<b>£000</b>	£000
S. Richardson (Retired 30 April 2024)	<b>16</b>	48
N. Boothroyd	<b>46</b>	34
M. Willis	<b>36</b>	34
D. Green	<b>36</b>	34
L. Beecher	<b>31</b>	28
T. Kokkinos	<b>29</b>	21
	<b>194</b>	199

As at 31 December 2024, there were no outstanding mortgage loans granted in the ordinary course of business to Directors and connected persons (2023: Nil) representing loans to nil (2023: Nil) persons.

A register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and connected persons. A statement for the current financial year of the appropriate details contained in the register will be available for inspection at the Head Office for a period of 15 days up to, and including the date of the Annual General Meeting.

An individual is required to hold at least £500 with the society to be eligible to be a director (under society rule 13(1)(d)). The total amount of deposits held by directors of the society as at 31 December 2024 was £8,424 (2023: £4,613). Amounts deposited by directors earn interest at the same rates offered to the public.

## Notes to the Accounts (continued)

### 8. Taxation

	2024 £000	2023 £000
Current tax		
Current tax on income for the period	146	272
Adjustments in respect of prior periods	-	-
<b>Total current tax</b>	<b>146</b>	<b>272</b>
Deferred tax (see note 23)		
Origination and reversal of timing differences	118	53
<b>Total deferred tax</b>	<b>118</b>	<b>53</b>
<b>Total tax</b>	<b>264</b>	<b>325</b>
Reconciliation of effective tax rate	2024 £000	2023 £000
Profit for the year	636	889
Total tax expense	264	325
Profit excluding taxation	900	1,214
Tax using the UK corporation tax rate of 25.00% (2023: 23.52%)	225	286
Fixed asset differences	44	28
Income not taxable for tax purposes	(8)	-
Expenses not deductible for tax purposes	-	8
Remeasurement of deferred tax for changes in tax rates	-	3
Temporary differences not recognised in the computation	3	-
Total tax expense included in profit or loss	264	325

The deferred tax liability at 31 December 2024 has been calculated based on a 25% (2023: 25%) rate.

## Notes to the Accounts (continued)

### 9. Cash and cash equivalents

	2024 £000	2023 £000
Cash in hand and balances at the Bank of England	41,837	43,689
As at 31 December	41,837	43,689

### 10. Treasury bills and similar securities

Treasury bills have remaining maturities as follows:

	2024 £000	2023 £000
Accrued interest	362	50
In not more than three months	14,650	-
In more than three months but not more than one year	24,429	9,740
	39,441	9,790

### 11. Loans and advances to credit institutions

	2024 £000	2023 £000
Accrued interest	360	113
Repayable on demand	2,334	5,309
Other loans and advances by residual maturity repayable:		
In not more than three months	-	-
In more than three months but not more than one year	11,000	-
Total loans and advances to credit institutions	13,694	5,422

## Notes to the Accounts (continued)

### 12. Loans and advances to customers

	2024 £000	2023 £000
Loans fully secured on residential property	<b>320,036</b>	271,484
Unamortised fees	<b>527</b>	340
Impairment allowance	<b>(276)</b>	(392)
Loans fully secured on residential property	<b>320,287</b>	271,432
Loans fully secured on land	<b>2,496</b>	3,215
Impairment allowance	<b>(26)</b>	(16)
Loans fully secured on land	<b>2,470</b>	3,199
	<b>322,757</b>	274,631

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

On call and at short notice	<b>2,296</b>	2,290
In not more than 3 months	<b>7,175</b>	4,224
In more than 3 months but not more than 1 year	<b>11,237</b>	20,800
In more than 1 year but not more than 5 years	<b>56,775</b>	50,313
In more than 5 years	<b>245,049</b>	197,072
	<b>322,532</b>	274,699
Less: allowance for impairment (note 13)	<b>(302)</b>	(408)
Unamortised fees	<b>527</b>	340
	<b>322,757</b>	274,631

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

## Notes to the Accounts (continued)

### 13. Allowance for impairment

	Loans fully secured on residential property	Other loans fully secured on land	Total
	£000	£000	£000
At 1 January 2024			
Individual impairment	-	-	-
Collective impairment	<b>392</b>	<b>16</b>	<b>408</b>
	<b>392</b>	<b>16</b>	<b>408</b>
Income statement			
(Release)/charge for the year			
Individual impairment	-	-	-
Collective impairment	<b>(116)</b>	<b>10</b>	<b>(106)</b>
	<b>(116)</b>	<b>10</b>	<b>(106)</b>
At 31 December 2024			
Individual impairment	-	-	-
Collective impairment	<b>276</b>	<b>26</b>	<b>302</b>
	<b>276</b>	<b>26</b>	<b>302</b>

Management has considered the impairment on the investment assets and assessed that recoverable value is more than carrying balance.

	Loans fully secured on residential property	Other loans fully secured on land	Total
	£000	£000	£000
At 1 January 2023			
Individual impairment	-	-	-
Collective impairment	<b>239</b>	<b>3</b>	<b>242</b>
	<b>239</b>	<b>3</b>	<b>242</b>
Income statement			
Charge for the year			
Individual impairment	-	-	-
Collective impairment	<b>153</b>	<b>13</b>	<b>166</b>
	<b>153</b>	<b>13</b>	<b>166</b>
At 31 December 2023			
Individual impairment	-	-	-
Collective impairment	<b>392</b>	<b>16</b>	<b>408</b>
	<b>392</b>	<b>16</b>	<b>408</b>



## Notes to the Accounts (continued)

### 14. Participating interest

The Society held interest in Mutual Vision Technologies Limited a company registered in England and operating in the United Kingdom, originally formed by a consortium of Building Societies to acquire the trade of their existing computer software supplier. In 2024, the Society's interest was sold. On 31 December, the Society's investment, which is a participating interest, was represented by:

	<b>2024</b>	2023
	<b>£000</b>	£000
Shares in participating interest	<b>0</b>	163
<b>At 31 December</b>	<b>0</b>	163

### 15. Intangible assets

	<b>2024</b>	2023
	<b>£000</b>	£000
<b>Cost</b>		
Balance at 1 January	<b>512</b>	384
Additions	<b>175</b>	128
Balance at 31 December	<b>687</b>	512
<b>Amortisation and impairment</b>		
Balance at 1 January	<b>356</b>	319
Amortisation charge for the year	<b>107</b>	37
Balance at 31 December	<b>463</b>	356
<b>Net book value</b>		
At 1 January	<b>156</b>	65
At 31 December	<b>224</b>	156

## Notes to the Accounts (continued)

### 16. Tangible fixed assets

	Freehold land and buildings	Short leasehold buildings	Office & computer equipment	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
Balance at 1 January 2024	1,902	120	1,227	3,249
Additions	-	-	430	430
Revaluation	50	-	-	50
Balance at 31 December 2024	1,952	120	1,657	3,729
<b>Depreciation</b>				
Balance at 1 January 2024	-	97	729	826
Depreciation charge for the year	46	2	156	204
Balance at 31 December 2024	46	99	885	1,030
<b>Net book value</b>				
At 1 January 2024	1,902	23	498	2,423
<b>At 31 December 2024</b>	<b>1,906</b>	<b>21</b>	<b>772</b>	<b>2,699</b>

Annual valuations as at 31 December 2023 and 2024 were performed by an independent valuer, Flack Property Consultants Ltd, who holds a recognised and relevant professional qualification and has recent experience in the location and class of investment property being valued. The impact of the revaluation has been included for tangible fixed assets and investment property.

The original cost of Freehold land and buildings recorded in the accounts was £3.1m. Depreciation would have been £1.1m giving a net book value of £2.0m. The total value is split into Investment property and freehold land and buildings.

## Notes to the Accounts (continued)

### 16. Tangible fixed assets (continued)

	Freehold land and buildings	Short leasehold buildings	Office & computer equipment	Total
	£000	£000	£000	£000
Cost or valuation				
Balance at 1 January 2023	1,920	120	1,037	3,077
Additions	-	-	190	190
Disposals	-	-	-	-
Revaluation	28	-	-	28
Balance at 31 December 2023	1,948	120	1,227	3,295
Depreciation				
Balance at 1 January 2023	-	89	625	714
Depreciation charge for the year	46	8	104	158
Balance at 31 December 2023	46	97	729	872
Net book value				
At 1 January 2023	1,920	31	412	2,363
At 31 December 2023	1,902	23	498	2,423

### 17. Investment property

	Mardall House £000	Aberdeen House £000	Total £000
Valuation			
Balance at 1 January 2024	908	784	1,692
Fair value gain	12	-	12
Balance at 31 December 2024	920	784	1,704

	Mardall House £000	Aberdeen House £000	Total £000
Valuation			
Balance at 1 January 2023	910	779	1,689
Fair value (loss)/gain	(2)	5	3
Balance at 31 December 2023	908	784	1,692

Investment property consists of the proportion of the Society's freehold property that has been let out as office or residential units.

The fair value of the property has been determined on the basis of either floor area and/or rental income from each unit.

## Notes to the Accounts (continued)

### 18. Other debtors

	2024 £000	2023 £000
Prepayments and accrued income	908	850
	<b>908</b>	<b>850</b>

There are no prepayments that are due after more than one year (2023: £nil).

### 19. Shares

	2024 £000	2023 £000
Held by individuals	<b>374,119</b>	305,876

Shares are repayable with remaining maturities from the balance sheet date as follows:

Accrued interest	<b>2,513</b>	898
On demand	<b>319,879</b>	289,100
In not more than three months	<b>895</b>	684
In more than three months but not more than one year	<b>10,702</b>	2,334
In more than one year but not more than five years	<b>35,059</b>	7,877
In more than five years	<b>5,071</b>	4,983
	<b>374,119</b>	<b>305,876</b>

### 20. Amounts owed to credit institutions

	2024 £000	2023 £000
Repayable on demand	<b>6</b>	6
	<b>6</b>	<b>6</b>

## Notes to the Accounts (continued)

### 21. Amounts owed to other customers

	2024 £000	2023 £000
Accrued interest	22	-
Repayable on demand	17,744	1,988
	<b>17,766</b>	<b>1,988</b>

### 22. Other liabilities

	2024 £000	2023 £000
Corporation tax	107	132
Other creditors	328	585
Accruals and deferred income	526	621
	<b>961</b>	<b>1,338</b>

### 23. Deferred tax liability

	2024 £000	2023 £000
Deferred tax charge recognised within other comprehensive income		
Fixed asset timing differences	203	203
Short term timing differences	(23)	(23)
Total deferred tax liability	<b>180</b>	<b>180</b>
Provision at start of period	180	120
Deferred tax charged in statement of comprehensive income for the period	118	53
Deferred tax charged recognised within other comprehensive income	13	7
Provision at end of period	<b>311</b>	<b>180</b>

The deferred tax liability at 31 December 2024 has been calculated based on a 25% (2023: 25%) rate.



## Notes to the Accounts (continued)

### 24. Reserves

	<b>General reserve £000</b>	<b>Revaluation reserve £000</b>	<b>Total £000</b>
At 1 January 2024	28,397	1,031	29,428
Total comprehensive income for the financial year	636	37	<b>673</b>
At 31 December 2024	<b>29,033</b>	<b>1,068</b>	<b>30,101</b>

The general reserve reflects the combination of the accumulation of profits after tax generated each year.

The revaluation reserve represents the increase in the value of freehold land and buildings against the original holding cost of the assets.

## Notes to the Accounts (continued)

### 25. Financial instruments

#### Carrying values by category 31 December 2024

##### Financial assets

Cash and balances at the Bank of England	41,837	-	-	41,837
Loans and advances to credit institutions	13,694	-	-	13,694
Treasury bills and similar securities	39,441	-	-	39,441
Loans and advances to customers	322,757	-	-	322,757

Total financial assets

417,729 - - 417,729

##### Non-financial assets

- - 5,535 5,535

##### Total assets

417,729 - 5,535 423,264

##### Financial liabilities

Shares	-	374,119	-	374,119
Amounts owed to credit institutions	-	6	-	6
Amounts owed to other customers	-	17,766	-	17,766

Total financial liabilities

- 391,891 - 391,891

Non-financial liabilities

- - 1,272 1,272

##### Total liabilities

- 391,891 1,272 393,163

#### Carrying values by category 31 December 2023

##### Financial assets

Cash and balances at the Bank of England	43,689	-	-	43,689
Loans and advances to credit institutions	5,422	-	-	5,422
Treasury bills and similar securities	9,790	-	-	9,790
Debt securities	-	-	-	-
Loans and advances to customers	274,631	-	-	274,631

Total financial assets

333,532 - - 333,532

Non-financial assets

- - 5,284 5,284

##### Total assets

333,532 - 5,284 338,816

##### Financial liabilities

Shares	-	305,876	-	305,876
Amounts owed to credit institutions	-	6	-	6
Amounts owed to other customers	-	1,988	-	1,988

Total financial liabilities

- 307,870 - 307,870

Non-financial liabilities

- - 1,518 1,518

##### Total liabilities

- 307,870 1,518 309,388

## Notes to the Accounts (continued)

### 25. Financial instruments (continued)

#### Financial assets pledged as collateral

As at 31 December 2024 £73.1m of assets had been pledged as collateral (2023: £46.8m).

#### Credit risk

'Credit risk' is the risk that a financial loss will arise from a borrower or counterparty failing to meet their obligations. This risk arises from the Society's lending and treasury management activities.

The Society has a formal structure for managing risk, including formal risk policies, risk limits, reporting structures, mandates and other control procedures. This structure is reviewed regularly by the Board of Directors.

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

#### Credit risk

	<b>2024</b>	2023
	<b>£000</b>	£000
Cash and balances at the Bank of England	<b>41,837</b>	43,689
Loans and advances to credit institutions	<b>13,694</b>	5,422
Treasury bills and similar securities	<b>39,441</b>	9,790
Loans and advances to customers	<b>322,532</b>	274,699
Total statement of financial position exposure	<b>417,504</b>	333,600
Off-balance sheet exposure - mortgage commitments	<b>44,851</b>	46,858
	<b>462,355</b>	380,458

Details on collateral held as security that mitigate the Society's exposure to credit risk are provided on page 66. The Society does not use credit derivatives, or similar instruments, to manage its credit risk.

The Society offers a range of mortgage products tailored to the needs and demands of our customers.

The concentration of loans and advances to customers is detailed in the table below:

	<b>2024</b>	2023
	<b>£000</b>	£000
Prime owner-occupied	<b>232,226</b>	196,257
Buy to let	<b>74,901</b>	61,552
Land	<b>2,495</b>	3,216
Other loans and advances to customers	<b>12,910</b>	13,674
Total loans and advances to customers	<b>322,532</b>	274,699

## Notes to the Accounts (continued)

### 25. Financial instruments (continued)

#### Credit risk (continued)

#### Credit quality analysis of loans and advances to customers

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Society against those assets.

	2024	2024	2024	2023	2023	2023
	Loans fully secured on residential property	Loans fully secured on land	Total	Loans fully secured on residential property	Loans fully secured on land	Total
	£000	£000	£000	£000	£000	£000
<b>Neither past due nor impaired</b>	<b>315,735</b>	<b>2,259</b>	<b>317,994</b>	<b>268,261</b>	<b>3,106</b>	<b>271,367</b>
<b>Past due but not impaired</b>						
30 - 60 days	1,375	127	1,502	947	-	947
60 - 90 days	912	110	1,022	945	-	945
90 - 180 days	628	-	628	830	-	830
180 days+	1,913	-	1,913	841	109	950
	<b>4,828</b>	<b>237</b>	<b>5,065</b>	<b>3,563</b>	<b>109</b>	<b>3,672</b>
<b>Allowance for impairment</b>						
Individual	-	-	-	-	-	-
Collective	(276)	(26)	(302)	(392)	(16)	(408)
Total allowance for impairment	<b>(276)</b>	<b>(26)</b>	<b>(302)</b>	<b>(392)</b>	<b>(16)</b>	<b>(408)</b>
<b>Total loans &amp; advances to customers including impairment</b>	<b>320,287</b>	<b>2,470</b>	<b>322,757</b>	<b>271,432</b>	<b>3,199</b>	<b>274,631</b>

## Notes to the Accounts (continued)

### 25. Financial instruments (continued)

#### Credit risk (continued)

#### Credit quality analysis of loans and advances to customers (continued)

#### Collateral held and other credit enhancements

The Society holds collateral to reduce credit exposures.

The table below sets out the principal types of collateral held.

	2024	2023	Principal type of collateral held.
Percentage of exposure that is subject to collateral requirements	%	%	
Loans and advances to customers	100	100	Secured against residential and commercial properties.

Individual assessments are made on all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession. Further consideration is given in note 1.5 to the accounts.

The Society's policy is to pursue timely realisation of the collateral in an orderly manner. The Society does not use the non-cash collateral for its own operations.

#### Loan-to-value ratios of mortgage book loans and advances to customers

The table below details credit exposures from mortgage loans and advances to customers by loan-to-value (LTV) ratios. LTV is calculated as the ratio of the gross amount of the loan to the value of the asset (collateral).

The valuation of the collateral excludes any adjustments for obtaining and selling the asset and also excludes any impairment allowance and EIR adjustments. The collateral value is based on the original value of the asset when the loan was issued and is subsequently indexed using the Nationwide House Price Index.

	2024 £000	2023 £000
<b>LTV ratio</b>		
Less than 50%	141,405	125,264
51 - 70%	137,962	102,197
71 - 90%	42,465	46,542
91 - 100%	106	696
More than 100%	594	0
	<b>322,532</b>	<b>274,699</b>

#### Forbearance

A range of forbearance options are available to support customers who are in financial difficulty. For further information on forbearance please refer to note 1.5. The table below analyses the number of mortgage borrowers with renegotiated terms at the year-end date:

	2024 Number of cases	2023 Number of cases
<b>Forbearance</b>		
Short-term reduced monthly repayment plan	12	11

There are no individual impairment provisions held in respect of these mortgages as at 31 December 2024 (2023: £nil).



## Notes to the Accounts (continued)

### 25. Financial instruments (continued)

#### Concentration by credit grading

	2024 £000	2023 £000
AA+ to AA-	83,593	55,397
A+ to A-	11,288	3,422
Other	91	82
	<b>94,972</b>	<b>58,901</b>

#### Concentration by sector

	2024 £000	2023 £000
Financial institutions	13,717	5,398
Sovereign	81,255	53,503
	<b>94,972</b>	<b>58,901</b>

#### Concentration by region

	2024 £000	2023 £000
UK	94,972	58,901
	<b>94,972</b>	<b>58,901</b>

#### Liquidity risk

##### Interest rate risk

This is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates. The Society manages this exposure continually by matching the repricing dates of assets and liabilities in line with its Financial Risk Management Policy.

##### Maturity analysis for financial assets and financial liabilities

The tables below set out the remaining contractual maturities of the Society's financial liabilities and financial assets. In practice, contractual maturities are not always reflected in actual experience. For example loans and advances to customers tend to repay ahead of contractual maturity and customer deposits (for example shares) are likely to be repaid later than on the earliest date on which repayment can be required.

## Notes to the Accounts (continued)

### 25. Financial instruments (continued)

As at 31 December 2024

	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	Total
	£000	£000	£000	£000	£000	£000
<b>Financial assets</b>						
Cash and balances at the Bank of England	41,837	-	-	-	-	41,837
Loans and advances to credit institutions	2,334	-	11,000	-	-	13,334
Treasury bills and similar securities	-	14,650	24,429	-	-	39,079
Loans and advances to customers	2,296	7,175	11,237	56,775	245,049	322,532
<b>Total financial assets</b>	<b>46,467</b>	<b>21,825</b>	<b>46,666</b>	<b>56,775</b>	<b>245,049</b>	<b>416,782</b>

#### Financial liabilities

Shares	319,879	895	10,702	35,059	5,071	371,606
Amounts owed to credit institutions	6	-	-	-	-	6
Amounts owed to other customers	17,744	-	-	-	-	17,744
<b>Total financial liabilities</b>	<b>337,629</b>	<b>895</b>	<b>10,702</b>	<b>35,059</b>	<b>5,071</b>	<b>389,356</b>

As at 31 December 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	Total
	£000	£000	£000	£000	£000	£000
<b>Financial assets</b>						
Cash and balances at the Bank of England	43,689	-	-	-	-	43,689
Loans and advances to credit institutions	5,309	-	-	-	-	5,309
Treasury bills and similar securities	-	-	9,740	-	-	9,740
Loans and advances to customers	2,290	4,224	20,800	50,313	197,072	274,699
<b>Total financial assets</b>	<b>51,288</b>	<b>4,224</b>	<b>30,540</b>	<b>50,313</b>	<b>197,072</b>	<b>333,437</b>
<b>Financial liabilities</b>						
Shares	289,100	684	2,334	7,877	4,983	304,978
Amounts owed to credit institutions	6	-	-	-	-	6
Amounts owed to other customers	1,988	-	-	-	-	1,988
<b>Total financial liabilities</b>	<b>291,094</b>	<b>684</b>	<b>2,334</b>	<b>7,877</b>	<b>4,983</b>	<b>306,972</b>

## Notes to the Accounts (continued)

### 25. Financial instruments (continued)

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

#### As at 31 December 2024

	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	Total
	£000	£000	£000	£000	£000	£000
<b>Financial liabilities</b>						
Shares	319,879	895	10,718	36,310	8,417	376,219
Amounts owed to credit institutions	6	-	-	-	-	6
Amounts owed to other customers	17,744	-	-	-	-	17,744
<b>Total financial liabilities</b>	<b>337,629</b>	<b>895</b>	<b>10,718</b>	<b>36,310</b>	<b>8,417</b>	<b>393,969</b>

#### As at 31 December 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	Total
	£000	£000	£000	£000	£000	£000
<b>Financial liabilities</b>						
Shares	289,100	684	2,338	8,206	8,995	309,323
Amounts owed to credit institutions	6	-	-	-	-	6
Amounts owed to other customers	1,988	-	-	-	-	1,988
<b>Total financial liabilities</b>	<b>291,094</b>	<b>684</b>	<b>2,338</b>	<b>8,206</b>	<b>8,995</b>	<b>311,317</b>

#### Market risk

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk; currency risk, interest rate risk and The Society is not directly subject to currency risk as all products are sterling denominated.

The Society's products are also only interest orientated products so are not exposed to other pricing risks.

Interest rate risk is managed through policies and procedures the Society has in place. The Assets & Liabilities Committee is responsible for overseeing and setting the counterparty credit, market, liquidity and interest rate risk.

The Society's treasury function manages interest rate risk on a daily basis and ensures the Society is required to hold appropriate liquid assets and spread of maturities over time buckets to effectively manage risk.

## Notes to the Accounts (continued)

### 25. Financial instruments (continued)

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 interest rate scenarios. The following is an analysis of the sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

<b>As at 31 December</b>	<b>2024 200bp increase</b>	<b>2024 200bp decrease</b>	<b>2023 200bp increase</b>	<b>2023 200bp decrease</b>
<b>Sensitivity of projected net interest income</b>				
At 31 December	<b>(238)</b>	<b>254</b>	(51)	53
Average for the period	<b>(216)</b>	<b>226</b>	(48)	49
Maximum for the period	<b>(322)</b>	<b>334</b>	(69)	72
Minimum for the period	<b>(116)</b>	<b>120</b>	(22)	22

The minimum during 2024 was at 31 March and the maximum at 30 June.

The Society only deals with products in sterling so is not directly affected by currency risk.

The Society's products are also only interest orientated products so are not exposed to other pricing risks.

#### Capital management

The purpose of the Society's capital is to protect members from any losses that may arise from lending activities of the Society. The Board sets the internal level of capital with the aim of ensuring Society capital always exceeds the minimum regulatory requirements.

As part of the Society's formal risk management framework, capital management is covered by the Internal Capital Adequacy Assessment Process (ICAAP). This is used to assess the Society's capital adequacy and to determine the levels of capital required to support current and future risks.

The below table sets out the Society's capital.

#### Common Equity Tier 1 capital

	<b>2024 £000</b>	<b>2023 £000</b>
General reserve	<b>29,033</b>	<b>28,397</b>
Revaluation reserve	<b>1,068</b>	<b>1,031</b>
Intangible assets	<b>(224)</b>	<b>(156)</b>
Common Equity Tier 1 capital	<b>29,877</b>	<b>29,272</b>
<b>Tier 2 capital</b>		
Collective provision	<b>302</b>	<b>408</b>
<b>Total capital</b>	<b>30,179</b>	<b>29,680</b>

## Notes to the Accounts (continued)

### 26. Operating leases

As at 31 December, the Society had commitments in respect of operating leases for land and buildings held as a lessee as follows:

	<b>2024</b>	2023
	<b>£000</b>	£000
Not later than one year	<b>52</b>	52
Later than one year and not later than five years	<b>133</b>	185
Later than five years	<b>-</b>	-
	<b>185</b>	237

As at 31 December, the Society had proceeds from land and buildings held as a lessor as follows:

	<b>2024</b>	2023
	<b>£000</b>	£000
Not later than one year	<b>139</b>	141
Later than one year and not later than five years	<b>331</b>	345
Later than five years	<b>309</b>	392
	<b>779</b>	878

### 27. Related party transactions

#### Mutual Vision Technologies Limited ('MV')

The Society was a shareholder of MV, the Society's computer software provider, as detailed in note 14.

During the year, a total of £865,694 (2023: £1,221,025) was paid to MVT in respect of software maintenance services. Of the £865,694 paid in 2024, £541,799 is sitting in prepayments at 31 December 2024.

As at 31 December 2024 there were no related party liabilities (2023: nil).

#### Transactions with key management personnel

The Society considers its key management personnel to be its directors.

The transactions with key management personnel, which includes salaries, are disclosed in note 7.

Mortgage loans made to key management personnel are granted in the ordinary course of business and are subject to repayment under normal lending terms. The maximum outstanding balance during the year was £Nil (2023: £Nil).

Key management personnel hold £8,424 in share accounts with the Society (2023: £4,613). Amounts deposited by key management personnel earn interest at the same rates offered to the public.

### 28. Post Balance Sheet events

There are no subsequent events to the balance sheet date.

### 29. Country by country reporting

Article 89 of CRD IV requires the Society to disclose the following information for the year ended 31 December 2024.

Name: Harpenden Building Society	Total Net Income: £9.6m
Type of entity: Building Society	Profit before tax: £900k
Nature of activity: Secured lending and deposit taking	Tax payment: £173k
Location: United Kingdom	Number of employees: 80 FTE



## Annual Business Statement

for the year ended 31 December 2024

### 1. Statutory percentages

	31.12.2024	Statutory Limit
Proportion of business assets not in the form of loans fully secured on residential property ("The Lending Limit")	1.20%	25%
Proportion of shares and borrowings not in the form of shares held by individuals ("The Funding Limit")	4.53%	50%

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

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

X = business assets, being the total assets of the Society plus loan impairment provision less liquid assets and tangible fixed assets as shown in the Society's Accounts.

Y = the principal of, and interest accrued on, loans owed to the Society which are fully secured on residential property as at 31 December 2024.

The Funding Limit measures the proportion of shares and borrowings not in the form of shares held by individuals and is calculated as  $(X - Y) / X$  where:

X = shares and borrowings, being the aggregate of

- i) the principal value of, and interest accrued on, shares in the Society;
- ii) the principal value of, and interest accrued on, sums deposited with the Society; and
- iii) the principal value of, and interest accrued under, bills of exchange, instruments or agreements creating or acknowledging indebtedness and accepted, made, issued or entered into by the Society less any amounts qualifying as own funds.

Y = the principal value of, and interest accrued on, shares in the Society held by individuals otherwise than as bare trustees (or in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate as at 31 December 2024.

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

## Annual Business Statement (continued)

### 2. Profit for the financial year

	2024	2023
<b>As a percentage of shares and borrowings:</b>		
Gross capital	7.66%	9.56%
Free capital	6.62%	8.35%
Liquid assets	24.23%	19.13%

	2024	2023
<b>As a percentage of mean total assets:</b>		
Profit for the financial year	0.17%	0.27%
Management expenses	2.30%	2.73%

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

- 'Shares and borrowings' represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.
- 'Gross capital' represents the aggregate of general reserves and revaluation reserve.
- 'Free capital' represents the aggregate of gross capital and Collective loan impairment less tangible fixed assets and investment property.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Liquid assets' represent the total of cash and balances at The Bank of England, loans and advances to credit institutions, treasury bills and debt securities.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

## Annual Business Statement (continued)

### 3. Information relating to the Directors at 31 December 2024

Name	Date of Appointment and Committee Membership	Business Occupation	Other Directorships
L. Beecher	9 July 2021 Audit, Remuneration and Nominations Committees	Non-Executive Director	Gatehouse Bank Plc
N. Boothroyd	14 March 2019 Remuneration and Nominations Committees	Non-Executive Director	British Arab Commercial Bank Plc Fuerza Limited (resigned 28 May 2024) Carders Croft Management Company Ltd
D. Green	26 October 2020 Audit and Risk & Compliance Committees	Non-Executive Director	Leonard Cheshire Disability
T Kokkinos	11 May 2023 Remuneration and Nominations Committees	Non-Executive Director	British Rowing Events Limited The Amateur Rowing Association Limited GB Rowing Limited British Rowing Limited Onward Group Limited The Red Advisory Company Limited Broomdales Limited Redwood Bank Limited
T Pearce	1 May 2024	Executive Director	-
M Williams	30 November 2023	Executive Director	103/105 Alderney Street Limited Azincourt Consultancy Limited
M. Willis	25 April 2019 Risk & Compliance and Audit Committees	Non-Executive Director	-

Documents may be served on the above-named Directors: Ref. "Harpenden Building Society", c/o, Forvis Mazars LLP at 30 Old Bailey, London EC4M 7AU.

Mr. N Boothroyd entered a service contract dated 2 January 2019 upon his appointment.

Mr. M. Willis entered a service contract dated 2 January 2019 upon his appointment.

Mr. D. Green entered a service contract dated 28 February 2020 upon his appointment.

Mrs. L. Beecher entered a service contract on or about 28 April 2021 upon her appointment.

Ms. T. Kokkinos entered a service contract dated 14 March 2023 upon her appointment.

The contracts are terminable by the Society or by the individual on three months' notice, pursuant to the Society's rules.

Mrs. T Pearce is employed under an employment contract dated 1 February 2024, terminable by the Society or by the individual on six months' notice.

Mr. M Williams is employed under an employment contract dated 1 November 2023, terminable by the Society or by the individual on six months' notice.



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the journey,  
please share  
your feedback.**

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