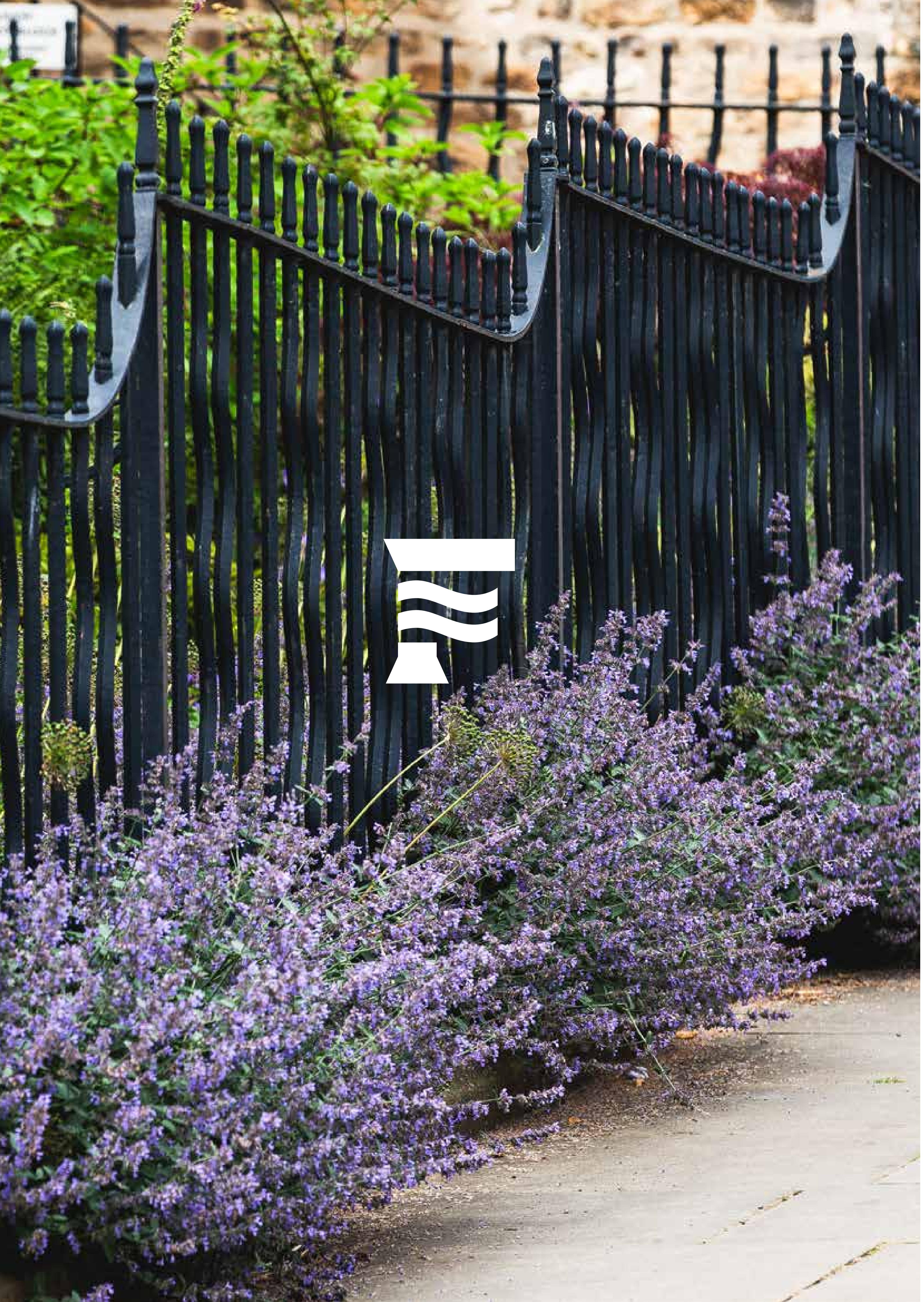
Annual Report & Accounts 2024

Furness
Building Society



Annual Report & Accounts 2024

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Strategic Report

Strategic Report: From our Chief Executive, Chris Harrison

Our capability and relevance continue to grow nationally whilst our commitment to our region is stronger than ever.

Throughout 2024, we have focused on building our brand as a regional Building Society whilst developing our national capabilities through deepening broker relationships across the UK and investment in new, excellent technology that allows Members, both existing and new, across the country to access our wide range of products. As we continue to adapt to change, we have remained true to the values that underpin our Society: supporting our Members, strengthening our communities, and laying a solid foundation for sustainable growth.

It is vital we continue to invest in new technology and our people to allow us to provide a range of products and services to deliver across a range of channels that best suit your needs. The new layout of our branches has been designed to allow our colleagues to engage in more meaningful discussions with both new and existing Members so we can serve you and your family through the good times, as well as those more difficult times.

Our commitment to the region, our communities and the surrounding areas is stronger than ever. Whether it's through supporting local businesses, prioritising local Members for mortgage applications, or renovating our branches to be welcoming spaces where you can always feel at home, we are here to stay, rooted in the communities we love. Our colleagues continue to go above and beyond, dedicating their time and energy to causes that make a tangible difference, from volunteering at local charities to raising funds for those in need.

Continued Financial Strength

The financial performance in the year reflects our considered approach, delivering growth in both mortgage and savings balances, and achieving sufficient levels of profit to continue that growth and to invest for the longer term. We enter 2025 in a strong position, with levels of capital substantially above our regulatory requirements, low levels of arrears and a high level of liquidity compared to our needs. This financial strength will enable us to continue supporting our current and future Members in saving and in home ownership for many years to come.

Members Matter - Balancing the needs of our Savers and Borrowers

As in previous years, we remain committed to contributing to our Members' personal prosperity by facilitating property ownership and offering a competitive savings return. We're here to help people get on or move along the property ladder or even build their dream home as well as help them with their savings aspirations, providing long-term value and security. The strong outlook for our region will only help us further our commitment to supporting our local communities by protecting local housing stock, providing affordable mortgage products and lending to regional house builders to build a prosperous and thriving local economy.

Investing in our future

2024 marked an exciting milestone for the Society with the launch of our new savings app which revolutionises how we support and communicate with our Members, existing and new. Through the app our Members can take control of their finances, be that through opening accounts, making payments or keeping track of their savings anytime and anywhere.

During the year, we proudly opened our new Preston branch in a new city-centre location, making it even easier to serve our Members where they need us. We also completed the refurbishment of our Barrow, Ulverston and Kendal branches. These refreshed spaces reflect our commitment to combining personal service with modern conveniences and our recognition that the high street is the heart of any community and therefore remains at the heart of our Society.

Community First

We are proud of our local community and are committed to making a positive difference where we can. As such, we support numerous initiatives to make our community a better place for all concerned. This year, we have spent time volunteering, attended local climate day events, made cash donations to invaluable causes and contributed to charities and organisations close to our homes and our hearts via our community savings accounts.

A People Business

We exist because of the commitment and dedication of our people, who we will continue to invest in through enhanced benefits, study support and flexible working. I would like to thank all our people for their hard work, support and resilience during the past year.

Looking Forward

From personal mortgage lending to funding local developments, we aim to balance community support with a strong financial return for our savings Members. Together, we are shaping a future filled with promise and possibility – both for our Society and the region we are lucky enough to call home. I thank you, our Members, for your continued loyalty and commitment to our Society through yet another challenging year.

We continue to be stronger together and I wish to thank all my colleagues, past and present, for their hard work and support over the last eight years. As I prepare to step aside, I reflect with pride on how far the Society has come and look forward with confidence to what lies ahead under the leadership of our next Chief Executive, Simon Broadley.

Chris Harrison
Chief Executive
14 March 2025

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Directors' Report

Business Review: Sustainability for the Long Term

Throughout the year we have continued to prioritise long-term sustainability over short-term profitability, developing the capabilities to enable our current and future Members to engage with the Society in the way that they choose. This will ensure the Society remains relevant to all, continuing to provide the valued face to face service in local communities through a modernised branch network whilst ensuring a rich digital offering for Members who wish to engage through technology.

Our key performance indicators are detailed below.

Key Performance Indicators		Group 2024	Group 2023
Balance Sheet	Assets	£1,397m	£1,303m
	Loans and advances to customers	£1,092m	£1,072m
	Shares and deposits	£1,303m	£1,209m
Operating Performance	Management expenses (% of mean assets)	1.42%	1.42%
	Net Interest Margin (% of mean assets)	1.62%	1.76%
	Total balances on mortgage accounts in arrears (>3months)	£3.0m	£3.4m
	Profit after tax	£2.8m	£3.2m
Financial strength	Regulatory capital	£86.3m	£84.3m
	Total capital ratio	17.4%	17.7%
	Liquid assets (% of shares and borrowings)	22.1%	17.8%

Overview of income statement	Group 2024 £000	Group 2023 £000
Net interest income	21,927	22,290
Other income and charges	1,135	98
Administrative expenses	(18,577)	(17,418)
Depreciation and amortisation	(537)	(651)
Impairment charges	(277)	(102)
Profit before tax	**3,671**	**4,217**
Taxation	(889)	(1,018)
Profit after tax	**2,782**	**3,199**

Net Interest Margin

The Group's interest margin reduced during the year from 1.76% to 1.62%. This has been driven by the reductions in bank base rate in the year, with the Society's liquidity and interest rate swaps repricing downwards immediately and in full, whilst changes to administered rate funding and lending rates take time to implement. The Society has balanced the needs of savings and mortgage Members, reflecting both current market conditions and the proportionate pass-through of interest rate increases since 2022. Decisions must also be taken with regard to the long-term stability of the Society, particularly in an environment of increased digital investment requirements and the impact of inflation on administrative costs.

Other income and charges

This comprises fees and charges not accounted for within Net Interest Margin such as payments to Community Accounts and fair value losses or gains on interest rate swaps and hedged items. We use interest rate swaps solely for risk management purposes to hedge exposure to interest rate changes on our portfolio of fixed rate mortgage and savings products.

The increase in other income is largely due to gains on instruments held at fair value through profit and loss, which increased to £779k in the year (£101k: 2023). Net proceeds from the sale of the Society's premises in Duke Street, Barrow-in-Furness were £288k with the Barrow branch moving to more modern premises in the heart of the town.

Administrative expenses and depreciation

The Group's management expenses include staff costs and all other operating costs necessary for the business to function including any overheads, depreciation and amortisation.

Our Board and Executive recognise the need to balance cost control with investment and the high calibre people required to run the business effectively for its Members in order to continue providing excellent products and services.

Management expenses were 1.42% of mean assets in 2024 (1.42%: 2023), meaning costs per pound of assets has remained broadly consistent year on year. The absolute increase in management expenses is due to investment in the development of an online savings platform, together with inflation-driven increases in both staff costs and third-party supplies. Management of costs whilst making the right long-term investment decisions for the Society will remain a key focus for the Board through 2025.

Impairment charges

Impairment charges for the year were £277k (£102k: 2023), resulting in an increase in total loan loss provisions from £899k to £1,168k at 31 December 2024. This increase primarily reflects changes of circumstance in individual cases rather than a widespread increase in levels of arrears.

The number of mortgages in arrears (over 3 months) at 31 December 2024 was 19 (26: 2023), with total arrears outstanding at the year-end on these cases of £181k (£150k: 2023) and an aggregate balance of £3.0m (£3.4m: 2023). There were 7 accounts in arrears over 12 months with an aggregate arrears balance of £49,792.

We extend forbearance to borrowers where appropriate, and at the year end, there were 19 (16: 2023) cases on which forbearance was being applied.

Whilst arrears remain low, the Society recognises the importance of identifying borrower financial distress at an early stage and supporting Members to reach the right outcome in their individual circumstances.

Profit

The Group's profit before tax reduced from £4.2m in 2023 to £3.7m in 2024. The reduction in profit was driven by the lower Net Interest Margin and increase in administrative expenses, partially offset by the sale of the Society's premises in Duke Street together with increased net fair value gains in the year.

Performance in 2024 has demonstrated the Society's resilience in difficult trading conditions whilst absorbing the impact of necessary investment for the future. Looking ahead, the growth enabled by the Society's investment together with careful cost control will support profitability and ensure the Society can meet the challenges of the future from a position of strength.

Balance Sheet

The Society achieved gross mortgage lending of £216m (£216m: 2023) during the year despite mortgage market volatility and challenges in the housing market. As a result, mortgage assets grew by 1.9% (4.6%: 2023) in the year to £1,092m (£1,072m: 2023) and we plan to maintain a strong pipeline of new business into 2025.

We continue to serve our customers and provide the Mortage products they need to help them achieve their aspirations. We are proud to have been able to consistently reach new customers and grow our mortgage portfolio. We continue to offer a full range of products and our manual underwriting helps us to understand and assist in more complex circumstances. We are confident in our steady growth plans and product development areas for 2025.

As a mutual, it is our intention to provide residential home loans, where appropriate returns for risk are available, in markets such as first-time buyers and self-build. Helping Members in our communities to purchase a home is our core purpose and we will continue to develop our products and propositions to facilitate that within our risk appetite. We also support local and national residential housing developers as part of our diversified loan portfolio. This type of loan accounted for £9.5m of balances at the end of December 2024.

We aim to attract and retain retail savings, which provide the majority of the funding required for our lending, and we've strived to ensure our savings products remain attractive to Members. We continue to make use of our ability to access non-retail sources of funding (including wholesale markets), where the diversification of funding helps to manage our risks and where it is commercially beneficial to do so.

Capital

Increasing our capital base in absolute terms enables us to grow the Society to ensure long-term sustainability whilst remaining a safe home for our Members' savings. Our Common Equity Tier 1 (CET1) ratio remains strong at 17.3% (17.6%: 2023) and substantially higher than the minimum required by our Regulator. Gross capital as a percentage of shares and borrowings was 6.76% (7.05%: 2023) and our total capital ratio 17.4% (17.7%: 2023). Our capital strength protects the Society against its principal risks and continues to support the demands associated with the development and investment in the business which will support our future success.

We have invested capital in our digital proposition, our people and the branch network. Our capital requirements have increased due to mortgage book growth, increased profitability over a three-year average which increases operational risk capital requirements, and in holding a more diverse range of liquid assets having been granted permission to operate under the extended approach to treasury risk management. We have been able to do this because our overall capital position remains strong and well above regulatory minimums. The CET1 ratio is comfortably above our own internal risk appetites, which are more prudent than regulatory minimums. It therefore provides strength and security for our Members and continues to support the demands associated with the development of the business which will support our future success.

Liquidity

The Society's liquid assets comprise cash and other assets that are easily converted to cash, which are shown in the statement of financial position. We ensure liquidity is optimised and of appropriate quality to meet our financial obligations as they fall due, under both normal and stressed scenarios.

During 2024 the Society's liquidity increased as retail funding was sourced to prepare for the repayment of the Term Funding Scheme with additional incentives for SMEs (TFSME). During the year the Society repaid £60m of TFSME, however this has been more than offset by increased retail funding, resulting in our liquid asset ratio increasing from 17.8% of Share & Deposit Liabilities (SDL) in 2023 to 22.13% in 2024. Looking ahead, the Society is closely monitoring its liquidity to ensure appropriate liquidity is held for the types and sources of funding attracted given its digital capabilities and the evolving profile of savings Members.

A key regulatory measure of liquidity is the Liquidity Coverage Ratio (LCR) which was 227.4% as at 31 December 2024 (160.7%: 2023), considerably above the regulatory requirement of 100%.

Going concern and long-term viability

We've considered the potential implications of economic and geopolitical uncertainty on our current and future obligations and the Society's prospects over the five-year Corporate Plan period.

We expect economic growth and public debt levels to continue to challenge the government domestically, and further geopolitical instability internationally. Housing affordability has improved since 2021 but remains at a high level compared to historical data. Economists have forecast modest house price increases in 2025, but there remains the possibility that levels of arrears and forbearance may increase as mortgage holders come to the end of longer-term fixed rate products.

We expect interest rates to reduce, but the timing and magnitude of reductions remain uncertain. Reductions will however put pressure on our margins, as we endeavor to ensure a fair cost and return to our Members whilst safeguarding our future.

The latest profitability, liquidity and capital forecasts in the Plan together with capital adequacy in severe-but-plausible stress scenarios have been considered through the Internal Capital Adequacy Assessment Process (ICAAP), and the Board is satisfied that severe stress scenarios are survivable. We continue to forecast long-term viability with moderate growth and continued capital surplus.

The Board considers the Society to be well positioned for the future, with sufficient levels of capital and liquidity to withstand stress events. The financial statements are therefore prepared on a going concern basis.

Post year-end events

The outlook for the UK economy remains uncertain. The medium-term impact on UK growth of the tax raising measures announced in the 2024 budget remains to be seen. Market predictions of the future path of interest rates remain volatile, leading to frequent repricing in the mortgage market. The reaction of the savings market to future changes in bank base rate cannot be determined with certainty, particularly in an environment where central bank support through TFSME is being withdrawn. The risk of stubborn inflation remains, particularly in a geopolitical environment of rising tariffs and continued conflict in Eastern Europe and the Middle East.

Whilst these factors require careful ongoing management, it is not considered that they have a material impact on the Society's current financial position or on its ability to continue as a going concern.

Supplier payment policy

Our policy continues to be to discharge supplier invoices within the agreed payment terms. We know how important this is in the current economic climate, particularly to small businesses. Average settlement time in 2024 was 30 days (30 days: 2023).

Donations

During the year, we made donations to a number of charities and community causes totalling £32k (£41k: 2023). This is in addition to Community Account contributions of £96k (£121k: 2023). Our Community Accounts support clubs and charities, with an annual donation being made to each by the Society based on the balances of all the savings accounts related to the affinity group.

We also allow our people time to support charitable causes and a number of charities were assisted in this way in 2024.

No political gifts or donations were made during the year (£Nil: 2023).

Directors

Directors who served during 2024 are listed within the Annual Business Statement on page 87. None of the Directors had an interest in the shares or debentures of any associated body of the Society at any time during the financial year.

Section 172(1) of the Companies Act 2006 sets out the duties of any company Director. This does not apply to our Directors here at Furness as we are a Building Society. However, the UK Corporate Governance Code expects Board members to set out how Section 172(1) matters are considered in its decision making.

The Board continues to seek engagement from its stakeholders, including Members, employees and suppliers, to ensure fair and balanced decisions are made which take their opinions and considerations into account whilst honouring its duty to promote the long-term success and sustainability of the Society.

Our Board confirms it has acted in good faith and in a way that would be most likely to promote the success of the Society and the best interests of its Members.

The Board continues to track progress against its refreshed Environmental, Social and Governance (ESG) Strategy which looks to ensure the business conducts itself in a more eco-conscious manner. We have reviewed our Scope 1 and Scope 2 emissions and are currently building a roadmap to reduce these. Our principles are aligned with the UN Sustainability Goals.

Key achievements made thus far include:

- Supporting our Members to purchase energy efficient homes, with discounts provided for properties with a better Energy Performance Certificate (EPC) rating
- Establishing our Scope 1 and 2 carbon emissions to allow us to track and set goals to actively reduce our carbon footprint
- Ensuring our branch footprint is kinder to the environment through using local and recycled materials and improving our layout to better support both colleagues and Members
- Reducing our paper usage by improving internal processes to allow our Members and colleagues to communicate and transact digitally
- Launching our 'Doshi' Member benefit app to encourage and reward financial education and help our colleagues and Members build robust money management skills.
- Launching a Cycle to Work Scheme and Electric Vehicle Salary Sacrifice Scheme for our colleagues to reduce the carbon emissions generated through work-related travel
- Investing in the communities we serve through donations managed through our Branch managers and colleagues who best understand the needs of their local community

More details on our ESG strategy can be found on our website and in our Members Review document.

We are proud to say we are a Real Living Wage, Disability Confident and Women in Finance accredited employer and as such, we are committed to fostering an inclusive environment that values diverse perspectives and enables everyone to unlock their full potential. You can find out more about our Diversity, Equity & Inclusion (DE&I) principles and read our DE&I statement on our website.

Disclosure of information to the Auditor

At the date of approval of this report, each of our Directors confirms that:

- So far as they are aware, there is no relevant audit information of which the Group's Auditor is unaware.
- All necessary steps have been taken in order identify any relevant audit information and establish that the Group's auditor is aware of that information

Appointment of the Auditor

Forvis Mazars LLP have been appointed as the Society's external Auditors for the financial year 2024 and will be put to vote via ordinary resolution at the 2025 AGM.

Risk Review: Managing & Mitigating Risk

The Society operates in a business environment that contains a broad range of financial and non-financial risks. We have a formal risk management framework, including a detailed Board Statement of Risk Appetite which is reviewed at least annually.

The Board is responsible for the effective management of risks within the scope of its risk appetite and it delegates oversight of the implementation of the risk management framework, including policies, to the Board Risk Committee. Key risk and performance indicators are monitored by the Board at each of its meetings.

Our three lines of defence model ensures clear separation between the ownership and management of risk and controls (first line), oversight, support and advice (second line) and internal audit assurance (third line). More details on this model can be found in the Corporate Governance Report on page 25.

The Society's risks cover a wide range of areas (for example Model Risk, Credit Risk, and Prudential Risk) and the information below highlights the key risks to the Society in 2024:

Strategic Risk

Strategic risk is the risk resulting from our strategic decisions which have the potential to impact our Members, the Corporate Plan and forecast results or performance over the planning period. A crystallisation of strategic risk could affect the overall strength of the Society or impact the business model. The Board regularly discusses strategic issues and challenges the Corporate Plan proposed by Executives. It ensures strong levels of capital and liquidity are maintained to provide resilience against external factors which may cause stress to the business.

The Society's strategy is reviewed at least annually by the Board and Management to ensure it remains appropriate, deliverable and sustainable with external assistance sought when required to validate conclusions. The ongoing management of strategic risk is supported by the business performance and risk reporting data provided to the Board and Risk Committees.

The current economic environment and competitor pressures on both sides of the balance sheet continues to put pressure on the Net Interest Margin and this has been addressed through our strategy development. Consideration has also been given to the potential ramifications of geopolitical uncertainty on our current and future obligations and the Society's prospects over the Corporate Plan period.

In 2024 the Society continued to invest in technology, capability, product propositions and distribution to ensure we are in the best position to meet Member expectations and secure a sustainable future for the Society.

Credit Risk

Credit risk is the risk that borrowers or counterparties to whom the Society has lent money may default on their obligation to repay the Society. The Society holds security on Member mortgages in the form of property and land. A reduction in the House Prices Index (HPI) impacts the value of these and may increase the loss in the event of default. Furthermore, property and land also becomes harder to sell during an economic downturn and therefore increases the discount on the sale price of the property (forced sale discount), further increasing the Society's credit risk.

The Society manages the risk associated with mortgage borrowing by means of a prudent Lending policy that includes both a thorough assessment of the creditworthiness of the borrower and the value of the proposed security. Mortgages are monitored closely and on an ongoing basis, with timely action being taken for those mortgages that fall into arrears.

The Society continues to monitor the credit risk inherent in the mortgage book via a combination of indexed valuations and surveyor led property valuations. Fluctuations in house prices can impact potential credit losses. Average UK house price annual inflation was 3.4% in the 12 months to October 2024*.

The Credit Risk Committee meets regularly to consider the risks associated with this lending and to review current and potential accounts in default. The Society has continued to improve its analytical capabilities and management information to understand and manage its credit risk exposures effectively. The Society utilises manual underwriting procedures which enables bespoke risk assessment of complex cases.

In the case of liquid asset investments, the credit risk associated with lending to financial institutions is addressed by the Society's Assets and Liabilities Committee (ALCO) which ensures that investments are restricted principally to cash held with the Bank of England, UK Government issued debt instruments, liquid regulatory compliant AAA rated debt securities, term deposits with regulated entities and Local Authorities, and operational call accounts with large UK based clearing banks with investment-grade credit ratings.

The Society keeps abreast of developments affecting financial sector firms and takes appropriate action to safeguard the Society's investments.

Liquidity and Funding Risk

Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, resulting in the inability to support normal business functions and activity. There is also a risk of breaching regulatory requirements.

The nature of the Society's business involves 'maturity transformation' whereby the Society borrows for relatively short terms and lends on mortgages for much longer periods. This mismatch creates liquidity risk whereby the Society could be unable to meet its financial obligations as they fall due.

Funding risk is the inability to access funding markets or needing to do so at excessive cost. In order to minimise funding risk the Society ensures there is no over reliance on a single source of funds.

In 2024, the Society continued to make early repayments to the Bank of England as part of the Term Funding Scheme (TFSME), with £20m remaining at the year-end (out of a total of £90m drawn) to repay in Q1 2025. This is expected to be funded by retail deposits, supported by the use of the digital distribution channel and the tactical use of deposit aggregators.

On a day-to-day basis the Group's liquidity position is managed by the Treasury function which is responsible for the liquid asset portfolio and contingency arrangements. Liquidity and funding risk is monitored by the ALCO which meets on a frequent basis and receives a variety of Management Information reports. These reports enable it to monitor the amount and composition of the liquid asset portfolio and ensure Group compliance with the regulations covering liquidity, as well as the Board Statement of Risk Appetite. This is supported by the Treasury Function Risk Management Policy (TFRMP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) to ensure that financial obligations can be satisfied as they fall due under both normal conditions and defined stress scenarios. This liquidity adequacy is also tested through the Liquidity Contingency Plan (LCP) and Recovery Plan (RP) to ensure a wide range of stresses are considered, of varying severity, and that available mitigating actions are assessed from both capacity and practicability perspectives.

A significant proportion of the Society's liquid assets are held in a Bank of England reserve account, UK Bank call accounts and short-term deposits, to provide instant access to funds if and when required. In addition the Society holds a portfolio of treasury instruments where there is an active secondary market enabling liquidation if required under a stress scenario. These treasury instruments are all eligible for use as collateral in the Discount Window Facility with the Bank of England and inclusion in the Society's Liquid Asset Buffer.

Interest Rate Risk in the Banking Book (IRRBB) including Basis Risk

IRRBB reflects the current or prospective risk to both the earnings and economic value of an institution arising from adverse movements in interest rates that affect interest rate sensitive instruments, including gap (repricing) risk, basis risk and option risk.

The Society is exposed to interest rate and basis risk arising within the banking book, which result from different interest rate features, repricing dates and maturities of assets (mortgages and treasury investments) and liabilities (retail savings and wholesale funding).

The Society's ALCO monitors and manages this exposure. The following activities are affected by interest rate risk:

- fixed rate mortgage lending and fixed rate treasury investments
- fixed rate savings products and fixed rate wholesale treasury funding
- management of the investment of reserves and other non-interest bearing liabilities.

To manage fixed rate risk, the Society uses a combination of natural hedging (matching on balance sheet assets and liabilities with similar maturity dates) reserves hedging and interest rate swaps, reviewed at least weekly by the Treasury function.

*Land Registry Data - UK House Price Index, October 2024

Basis risk is the risk of divergence between several interest bases, such as SONIA (Sterling Overnight Index Average), which reflects the average interest rates that banks pay to borrow sterling overnight, and the Bank of England Base Rate. The Society manages its basis rate risk exposure mainly by setting limits against the relative exposures and carefully monitoring the positions.

The Society's interest rate related risk appetite is measured against:

- the economic impact of a variety of linear and non-linear interest rate scenarios over the life of the balance sheet
- the impact on annualised Net Interest Income (NII) of a 100bps interest rate shock on a static balance sheet over a 36m period and a 250bps shock over a 12m period.

Margin Risk

Margin risk is the risk of erosion between the interest rates charged to our mortgage borrowers and the interest rates paid to our savings account holders. The volatility in the current and future interest rate environment and the intensely competitive nature of the mortgage and savings markets have created margin pressures in 2024, which are expected to continue through 2025. This risk is managed closely by the Society, to ensure products meet Member expectations and quickly respond to market and pricing changes.

The Board considers the strategic risk of failing to generate sufficient margin and sets margin objectives within the Corporate Plan to mitigate this risk. The performance against these objectives is monitored closely by the Executive Committee and ALCO.

In 2024, the Society invested in technology, capability, product propositions and distribution. The enhanced capabilities created through this investment will ensure we are in the best position to meet Member expectations and secure a sustainable future for the Society in 2025 and beyond.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. Operational risk can arise across the whole business, with higher likelihood in periods of transformational change or other large projects.

The Society has a robust risk management framework with documented policies and Committees providing appropriate review and challenge. There are systems and controls in place to mitigate operational risks, the impact on operational resilience and the potential loss from incidents including data loss, fraud and cyber events.

The Society has a Management Risk Committee (MRC) which is chaired by the Chief Risk & Compliance Officer and comprises representatives of the Society's Leadership Team and members of the Risk and Compliance function. This Committee provides oversight to all the Society's operational risks. The Board is responsible for deciding whether it accepts any residual risk that exists after the application of these controls.

The Society has made further progress in 2024 in the identification and management of third party and outsourcing risks, in particular to assess and understand the impact on its operational resilience. Work will continue across operational risk subcategories in 2025 to consider evolving industry best practice. A calendar of Disaster Recovery (DR) tests and simulations is planned to support the operational resilience of the firm through 2025.

The Society developed an enhanced digital proposition in 2024 to improve the overall product offering and customer service levels. Work has been undertaken to consider the impact on the operational risk profile, including process mapping, business impact assessments and new risk & control registers, ensuring the new processes are appropriately controlled and resilient.

Process Risk

Process Risk is the risk of loss as a result of employees not adhering to appropriate procedures or processes due to errors and mistakes, a lack of training or unclear documentation. The Society has set up systems, controls and processes to ensure that any mistakes are identified and corrected to prevent a significant loss to the Society.

The Society recognises that inefficient or legacy processes present an elevated level of Process Risk. In order to address this, the Society has implemented an efficiency initiative called 'The Power of 200'.

Colleague engagement with this initiative has been high throughout 2024, with a steady influx of new ideas being submitted. As a result of the implementation of the ideas provided through the initiative, approximately 1600 hours and £70,000 have been saved across the Society, with ideas improving colleague and Member journeys, and resolving both historic and current errors.

Recognising the current challenging economic environment, communications have been provided to Members to advise them to contact the Society if they require additional support or if their circumstances change.

Legal and Regulatory Risk

This is the risk of fines, public censure, limitations on business or restitution costs arising from failure to understand or correctly interpret the law or regulatory rules. The legal and regulatory landscape is constantly evolving, and the Society has invested time and resource to ensure we meet the expectations of our regulators and build compliant processes to protect and support our Members. To further protect our Members' money when it is being transferred in and out of the Society, we have been involved with two new regulatory initiatives that will improve our Members' financial journey: Confirmation of Payee (COP) and the Authorised Pushed Payment (APP) Reimbursement Regime. Both of these initiatives provide extra rights and controls for Members to ensure money is being transferred to the intended destination.

In line with the Financial Conduct Authority's (FCA) Consumer Duty regulation, the Society is committed to delivering good outcomes for all Members. This regulation sets higher standards of consumer protection across financial services and requires firms to put their customers' needs first. The Society has proactively integrated these standards into our processes, ensuring that we act in good faith towards our Members, avoid causing foreseeable harm, and support our Members in pursuing their financial objectives.

Adherence to regulation is continually monitored by the Compliance team and our internal auditors, with results reported monthly to the Executive and Board Risk Committees. This includes ongoing assessments to ensure compliance with the Consumer Duty regulation, fostering a culture of continuous improvement and accountability.

Conduct Risk

Conduct risk is the risk of developing systems, behaviours and attitudes within the business which may lead to Member detriment or unfair Member outcomes. A poor culture also risks creating an environment in which employee behaviour is not open and honest, which can result in reputational loss.

The ongoing challenging economic environment has heightened conduct risk through challenging trading and operating conditions and increased Member vulnerability. We have addressed these risks by focusing on ensuring fair outcomes are achieved for Members (including those in financial difficulty), increasing governance with more regular management meetings and Management Information, improving our operational resilience and increasing our fraud prevention monitoring.

Our commitment to fair Member treatment is demonstrated through our Conduct Risk Policy and adherence to Consumer Duty Requirements, and is monitored through our Conduct Risk Management Information which is regularly reviewed by the Executive and Management Risk Committees. The Society has also voluntarily signed up to, and adheres to the requirements of, the Mortgage Charter.

Cyber Security Risk

Cyber Security risk is the risk of damage or loss to the Society, its Members or employees, arising from cyber based attacks, including phishing, malware, ransomware and web based attacks.

The Society has implemented intrusion detection, protection and a distributed denial of service platform to protect its perimeter, as well as hardware and software firewalls, email monitoring, web filtering and system-wide monitoring to alert teams to any threats. All infrastructure is in a Tier III data centre.

The Society has significantly increased the number of colleagues working from home in recent years under a hybrid model, and underlying infrastructure and security measures are in place to support this. The Society undertakes annual penetration simulations provided by a third-party cyber consultancy partner. In an ever-changing IT environment, investment will continue in infrastructure controls, processes and cyber toolsets to ensure we can demonstrate to our Members we take the security of their data and finances seriously.

Pension Liabilities

The Group operates a Defined Benefit (DB) Pension Scheme which uses assumptions, based on the current and expected future economic environment, for the valuation of the Scheme's assets and liabilities. There is a risk the Group may see a deterioration in the scheme funding position and a reduction in capital if actual experience differs from assumptions made about future market and economic conditions. A deterioration in the Scheme's funding position could require an increase to cash contributions and may erode capital resources.

This Scheme provides pension benefits for a small number of pensioners and employees. It was closed to new entrants in 2000 and closed to future accrual in January 2017 - in common with many other schemes of this nature.

At the end of the year, the Scheme was in a surplus position based on the accounting valuation measure of £2.50m (2023: £1.57m surplus). The Society monitors possible future pension risk as part of the ICAAP process and ensures sufficient capital is held for any potential deterioration in the Scheme's funding position as a result of a stress.

Market Environment Risk

We anticipate that 2025 may continue to be a challenging marketplace for mortgages, retail savings and wholesale funding, due in part to fluctuations in interest rates, inflation and house prices. Added to strong competition and market demand for funding to repay TFSME in 2025, this may put additional pressure on our ability to manage Net Interest Margin. We are also ensuring we are prepared for the prospect of any further changes to the Bank of England base rate, whether upward or downward.

At present the geopolitical environment has had a limited direct impact on our business. However, it has added to the macro-economic challenges which may result in more Members facing financial hardship in future years.

Climate Change Risk

The Society is aware of the important global issue of climate change, and the impact it is having around the world. Given that around 20% of the UK's carbon emissions come from homes, we understand that our Society, along with the rest of the industry and the Government, has an important role to play in reducing these emissions.

The Society introduced the Climate Risk Management Framework in 2021 which is used to govern the Society's exposures to climate risk and establishes the process for understanding, managing and disclosing climate induced risks.

In 2022, we improved the data relating to flooding, on both our mortgaged properties and the Society's own estate, through assessing Representative Concentration Pathway (RCP) scenarios. This data is useful to analyse properties where the Society has accepted through the underwriting assessment that some flood risk exists, but where this risk may increase in severity in future due to climate change, potentially moving such risks outside of risk appetite. In addition to reviewing the risk on our mortgaged properties, we also assess the flood risk of our Head Office and branches.

In 2023, the Society launched its refreshed Environmental, Social and Governance (ESG) Strategy with an associated governing Committee to ensure we adopt environmentally sustainable practices to mitigate any negative environmental impacts. This strategy supports the orderly transition to a greener, net zero economy by 2050 or sooner and represents a commitment as to how we will operate in the future.

Throughout 2024, the Society has made further progress towards our ESG ambitions, including:

- Continuing to commit investment into 'Green' Heartland Projects
- Creating 'Green' Products which support our Members to improve the efficiencies of their homes
- Supporting Members to purchase energy efficient homes – our mortgage application process now includes a property's Energy Performance Certificate (EPC) rating in affordability assessments, making energy efficient new builds an attractive option for homebuyers
- Establishing our Scope 1 & 2 emissions to allow the Board to consider targets for improving our environmental impact
- Ensuring our new Branch footprint is kinder to the environment through using local and recycled materials and considering both our colleagues and Members during their design and implementation
- Launch of Cycle to Work and Electric Vehicle Salary Sacrifice Scheme, providing colleagues with alternative 'greener' travel options
- Continuing to make donations to our Heartland, delegating decision making to Branch Managers who better understand their local communities

Our Society premises all create carbon emissions, and we are committed to reducing our footprint across our premises and operations.

The Society has established our carbon footprint over Scope 1 and 2 emissions, with a benchmark for 2023 now set across Scope 1 and 2. This will allow us to set targets to improve our environmental impact, while supporting the development of our medium to long-term climate roadmap.

Reported emissions encompass the Green House Gases (GHGs) defined under the Kyoto protocol and are segmented into three main categories:

Category	Control	Source	Description
Operational Emissions			
Scope 1	Direct	Our Assets	Direct GHG emissions that originate from assets that the society owns or control e.g. emissions from the combustion of gas in the heat branches of diesel consumption to run our company vehicles
Scope 2	Indirect	Purchased Electricity	Emissions from the generation of purchased electricity based on the average emissions intensity on the grids upon which consumption occurs, such as using UK Government grid-average emission factors.
Value Chain Emissions			
Scope 3	Indirect	Upstream and Downstream activities	All the emissions associated, not with our Society, but the organisation it is indirectly responsible for i.e. from activities linked to the provision of products and services (predominantly from the third-party goods and services that we purchased).

The Society's recent baseline emissions based on 2023 data are summarised opposite:

This baseline will allow the Board to consider targets surrounding our Scope 1 and 2 emission reduction.

2023 Baseline Emissions	Consumption	(t/CO2e)
Scope 1		
Diesel (litres)	815	2.1
Gas (kWh)	341,736	62.9
Scope 2		
Electricity (kWh)	383,340	74.1
Net Carbon Outurn		139.1

Conclusions

- Modelling of climate change impacts continues to be complex and uncertain. This is due to the longer-term time horizons over which the risks are expected to materialise and uncertainties around the timings and impacts of government climate policies.
- The Society continues to have limited potential exposure to physical risk under a high emissions pathway modelled over the next 30 years.
- More significant potential impacts have been observed through transition risks, particularly where properties are rated D or lower on their EPC and are therefore more exposed to potential changes in government policy for minimum energy ratings. The Society continues to consider what support it can offer Members to improve the EPC ratings of their homes.
- The Society undertakes climate related stress testing as part of the ICAAP to assess the impact from selected transitional and physical risks to the Society's lending portfolio. The 2024 analysis highlighted that there were no significant material capital add-ons required from the scenarios in question.

We are closely monitoring exposure to climate risks and factoring this into strategic decision making and policies where appropriate. We will continue to refine and enhance our scenario testing capabilities in future years as additional data becomes available and further industry good practice emerges.

Our People and Members

Recruiting and retaining high calibre people to help drive our business forward is critical to our long-term success.

It's equally important we continue to foster a nurturing and motivational environment that allows our people to succeed in their roles. We're continuing to invest in our people, and we've felt the benefits of this throughout the year in the commitment of our staff to our performance and our Members' needs.

We continue to operate a hybrid working model, and have reviewed and refreshed our core values and behaviours as part of our people strategy and brand redevelopment.

Community groups and charities that have been adversely affected by the cost of living crisis have been identified and in 2024, we awarded £32k in charitable and community donations as well as supporting Barrow Foodbank and running our Furness Community Awards Scheme.

Our collegues are allowed two days each year in addition to their holiday entitlements to spend with local good causes and charities. To mark Climate Day 2024, a team of twenty braved the elements and took part in a beach clean at Biggar Bank Beach, Walney Island, Barrow where numerous bags of waste were collected to restore the area back to its natural beauty. You can find out more about our charity and community efforts in our digital Members' Review booklet.

The Year Ahead

Since 1865, we've remained an independent and mutual Building Society, committed to our vision of meeting the needs of our Members. We are proud of our heritage and our purpose and remain dedicated to our heartland and local communities.

The past few years have presented many challenges. We've had to adapt quickly and adjust frequently but we've demonstrated a solid performance for our Members.

With the direction and support from our Board, the strength of our leadership team and the resilience of our entire workforce, we are focused on ensuring a firm future for our Members and our people, with significant investment in our digitisation, distribution network and Member proposition planned for 2024 and beyond.

- We'll continue to help Members own their own homes through quality mortgage products and our bespoke approach to lending through intermediary channels.
- We'll develop and deliver quality savings solutions and seek to provide a fair return on savings deposits, developing our savings proposition so that it remains relevant for current and future Members.
- We'll invest in continued improvements to our IT infrastructure, digitisation and the development of new channels of communication, internal and external.
- We'll strive to achieve sustainable and profitable growth as part of our revised Corporate Plan.
- We'll continue to invest in our distribution network for the benefit of our Members and our people.
- We'll ensure our brand values and Membership benefits are modernised and fit for our bright future.

We are safe, secure and well positioned to support our Members, as well as future generations of savers and homebuyers, just as we always have.

A Final Note from the Chair of the Board Graham Berville

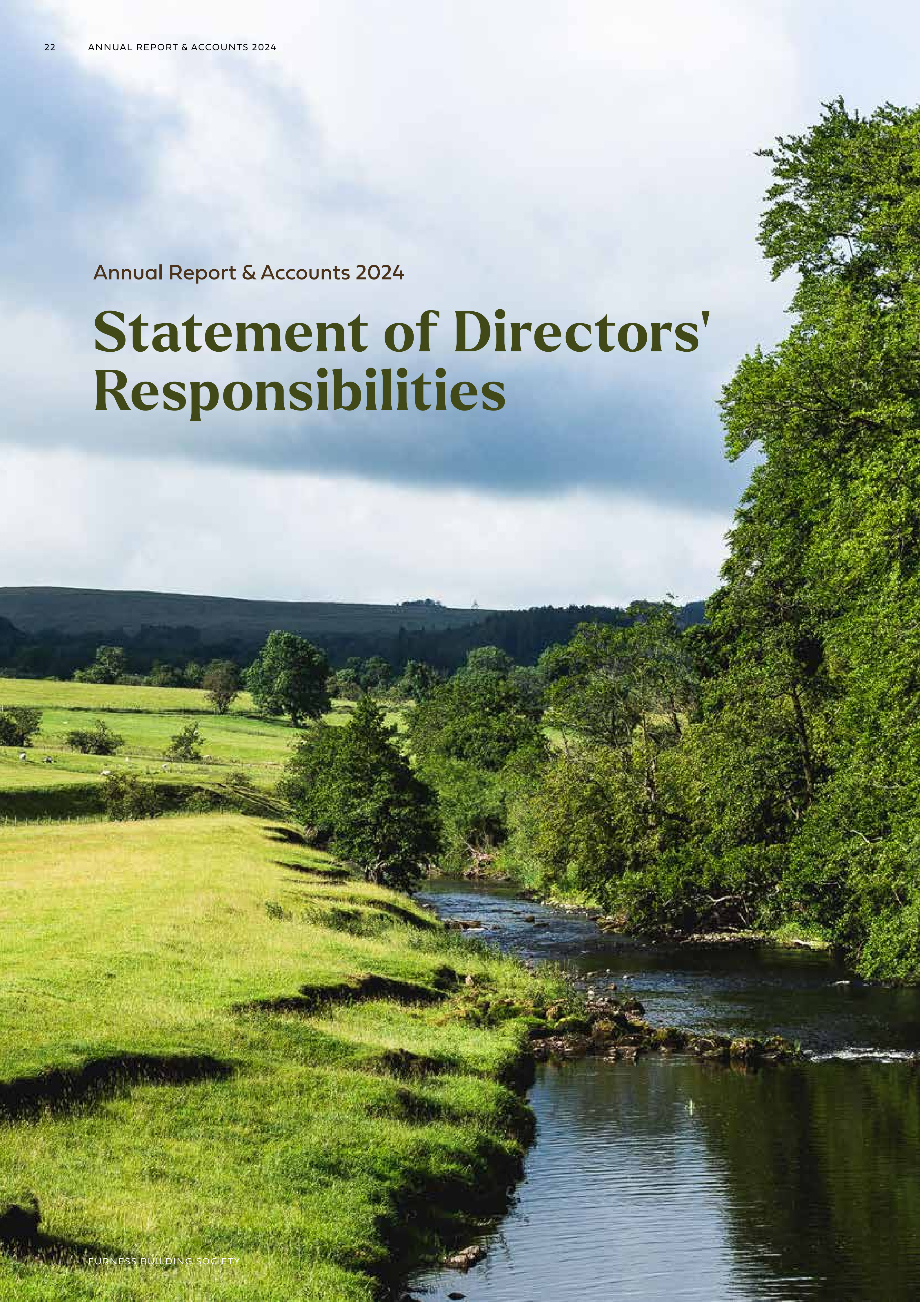
This Directors' Report tells of the progress of your Society in 2024. I am very proud of what has been accomplished during what has been a challenging year. The Society has continued to grow whilst remaining profitable as is discussed elsewhere in this report. Of particular note is the investment we have made in our branches and our digital proposition.

As a mutual organisation, owned by you, our Members, our aim is to pay a fair return to our saving Members and charge a fair price to our borrowing Members. We retain a surplus to keep our Members' money safe and to invest to improve services for our Members and the local communities where they live and work. We aim to increase the number of Members we can support, providing both financial resilience and help to buy or build homes.

During the year, your Directors have spent considerable time looking to the future and putting a new five year business strategy in place to continue to support our long-term ambitions. This will involve investment in our systems, branches and gaining a much better understanding of our Members. We continue to consider how we can play our part in the journey to net zero and this too is built into our plans.

I am proud to remain Chair of the Board and to serve the Society. As a Board, we will continue to focus on delivering benefits to you, our Members, and to our local communities as we move forward through 2025 and beyond.

Approved by the Board of Directors on 14 March 2024.



Annual Report & Accounts 2024

Statement of Directors' Responsibilities

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts.

The Directors are responsible for preparing the Annual Report, 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 Group and Society Annual Accounts for each financial year. Under that law they have elected to prepare the Group and Society Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

In preparing the Group and Society 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 Group and 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 Group.

Directors' responsibilities for Accounting Records and Internal Controls.

The Directors are responsible for ensuring that the Group:

- Keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and 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 Group 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.

Annual Report & Accounts 2024

Corporate Governance Report

Our approach is based on the principles and provisions of the UK Corporate Governance Code as published by the Financial Reporting Council (FRC) in July 2018. Although we are not required to comply with the Code, we pay due regard to its contents as instructed by the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA).

The FRC published the 2024 UK Corporate Governance Code on 22 January 2024. The updated Code takes a targeted approach, focusing on a limited number of changes to ensure the right balance is struck between UK competitiveness and positive outcomes for companies and their stakeholders.

Although the Society is not required to adhere to the Code, it recognises the importance of the practices within and the assurance these bring to our stakeholders. As such, our Compliance team and Company Secretary have conducted a review of the latest Code to ensure all relevant updates are brought into practice.

Please visit www.frc.co.uk for a copy of the Code.

Leadership

The leadership of our Society has continued to meet the increasing complexities of the regulatory landscape and competitive business environments, which have both changed at pace in recent years.

Our finances, operations and risks are managed by our Executive Committee (ExCo), led by our Chief Executive. This Committee is also responsible for the delivery of all strategic corporate objectives approved by the Board.

Progress in these areas is subsequently reported into the Board and Board Committees by members of ExCo.

Our Board is committed to delivering the strategy through good governance including effective and informed decision making. This is supported by quality reporting together with robust risk management and compliance, ensuring we meet regulatory requirements.

Board Role

Our long-term sustainability and success is determined by our Board which challenges, evaluates and approves our business strategy.

We draw on the experience and strategic insight of our Board members to ensure we continue to safeguard the interests of our Members. This has been particularly valuable as we have responded to the fluctuating circumstances of the past few years.

Our Board also values the regular reports received from across the business and regularly invites colleagues and external consultants to attend and present to the Board or committees. This ensures input from a variety of stakeholders is considered in decision-making.

Specific Board responsibilities include:

- Setting strategic aims and objectives
- Strategically directing maintenance of a sustainable business model and oversight of our operations
- Continuous development of our culture and values
- Determining our appetite for risk
- Ensuring adequate resources to achieve corporate goals
- Reviewing the effectiveness of financial and operational risk management policies
- Reviewing and overseeing of the control environment and compliance
- Reviewing and overseeing of the performance of the senior management team

Whilst some management activities and decisions are delegated to Committees, the Board keeps certain matters for its own approval. These are set out in the Schedule of Matters Reserved for the Board and Delegated Mandates which is reviewed at least annually.

Board Composition

Our Board remains independent and comprises six Non-Executive Directors and two Executive Directors. Its structure ensures that no individual or group is able to dominate the decision-making process and there is no undue reliance placed on any one person.

In October 2024, Chris Harrison announced his intention to retire as Chief Executive Officer of the Society. Following a short tender period, the Nominations Committee engaged with specialist Recruitment Agency, Warren Partners, to conduct the search for a replacement. The Nominations Committee were pleased with the diverse range of candidates identified from a number of sectors and backgrounds. Following a number of interviews and completion of various assessments, the Society was pleased to announce that its next Chief Executive would be an internal candidate, Simon Broadley, current Chief Commercial Officer. The appointment is subject to Regulatory approval which is currently pending (at the time of preparing the Accounts).

During the year, Laura Hamp stepped down as Finance Director as she welcomed a new addition to her family. The Nominations Committee conducted a succinct and successful recruitment process to appoint an experienced Interim Finance Director to manage the Finance and Treasury functions.

Tom Leach was appointed as Interim Finance Director by the Society and co-opted to the Board in October 2024. Tom is standing for appointment at our 2025 AGM but will step down from this role later in the year once Laura Hamp has returned from maternity leave. Subject to passing the relevant fitness and propriety assessment and regulatory approval, the Board will co-opt Laura to the position of Finance Director before being put up for formal appointment as Finance Director at the 2026 AGM.

The fitness, propriety and wider commitments of all members are assessed regularly by our Board Chair and Company Secretary, whilst the performance of the Board as a whole is reviewed by our Nominations Committee.

The time commitment requirement for all Non-Executive Directors is clear at appointment and reviewed in year within the annual performance reviews. Our annual training plan ensures they are kept up to date with regulatory changes and other knowledge and skill requirements identified.

In accordance with regulatory requirements, a number of our Non-Executive Directors and Executives have been allocated Prescribed Responsibilities as part of the Senior Management and Certification Regime and have been approved to perform these functions by the Regulatory authorities.

All Directors submit themselves for re-election by Members on an annual basis at our Annual General Meeting (AGM). New Directors are co-opted to the Board when vacancies occur and they are subject to election at the subsequent AGM.

We're pleased to report that our Board and its members continue to perform effectively and impartially, providing the high level of skills and experience required to navigate the challenges ahead as demonstrated throughout this Annual Report.

Board Evaluation

We're committed to providing our Members and employees with the best possible leadership to preserve the long-term future of our organisation.

We have conducted an annual examination of our Board's performance, alongside a separate review of the Chair's performance and that of individual Non-Executive Directors.

Whilst reviews of the Board and Committee effectiveness are undertaken on an annual basis, in line with best practice, periodically an independent review of the Board is undertaken. Deloitte LLP completed an independent Board evaluation exercise in June 2021, and the agreed action plan completed. Following the on-boarding of its new Board members in 2024, and the appointment of a new Chief Executive in early 2025, the Society will look to conduct its next external evaluation in 2026.

Board Meetings

Our Board meets on both a scheduled and on-demand basis throughout the year, reflecting the ongoing requirements of the business and the need for strategic input and guidance from our Board members.

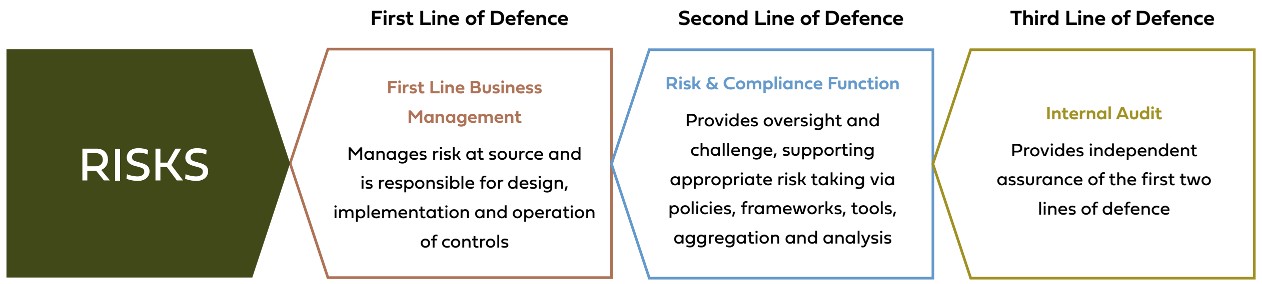
Scheduled meetings took place as usual and we held a total of 11 meetings in 2024. All meetings were quorate and fully documented.

In the rare occurrence a Director cannot attend a meeting, they will receive the papers and provide feedback to the Chair in advance. Occasionally when an urgent decision is needed, the Board may take a decision in writing which is ratified at the next full meeting.

Risk Management

Our Board is responsible for ensuring an effective system of internal control is in place for the management of risk.

We utilise the industry standard three lines of defence model (as illustrated below) which is designed to identify, understand and monitor business risks and manage them appropriately.

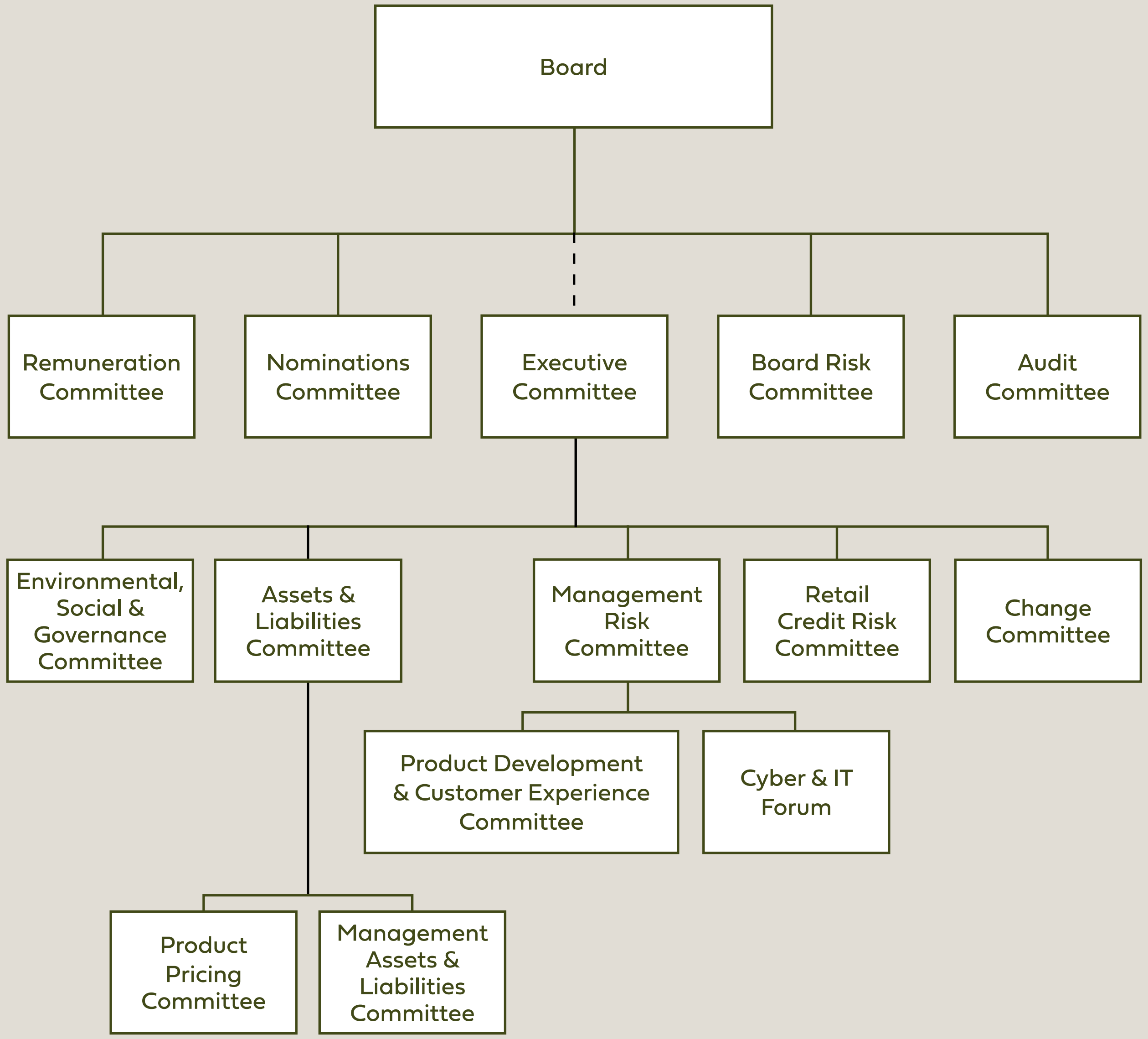


Board Review

The Board has reviewed the adequacy and effectiveness of the risk and control framework in place throughout 2024 and is satisfied that the framework of internal controls meets the business' requirements.

The review considers:

- Regular reports from the Chairs of Audit, Board Risk, Nominations and Remuneration Committees following each Committee meeting
- Reviews of all minutes from the Board's Sub-Committees
- Feedback from the annual visit from the Prudential Regulation Authority
- Detailed audit and compliance activities
- Reviews from the Internal Auditors
- Monthly financial reports covering balance sheet, income statement and treasury risks
- Monthly reports from Chief Executive, Chief Risk and Compliance Officer and Finance Director.



Our Board and Management Committees

Management Committees

Executive Committee (ExCo)

ExCo's role is to manage all aspects of the Society with delegated authority from the Board. All the Chief Officers and Executive Team are members and the Chief Executive is Chair of the Committee.

Assets & Liability Committee (ALCO)

ALCO's role is to optimise the balance sheet and manage the risks contained within it to enable the business to deliver the Member benefits within agreed risk parameters. The Chief Executive is Chair of the Committee.

Retail Credit Risk Committee (RCRC)

Chaired by the Chief Risk and Compliance Officer, the Committee meets regularly to consider the risks associated with retail lending and to review large exposures, arrears rates and potential accounts in default.

Management Risk Committee (MRC)

The MRC meets regularly and comprises representatives of the Society's Leadership Team and the Operational Risk Manager. This Committee provides oversight to all the Society's operational risks. The Committee is chaired by the Chief Risk and Compliance Officer.

Change Committee (CC)

Chaired by the Director of Operations and Member Experience, the Committee meets regularly to manage the portfolio of Change across the business.

Environmental, Social & Governance Committee (ESGC)

The ESG Committee was formed to provide oversight and manage delivery of the associated action plan. The Committee is chaired by the Director of Operations and Member Experience with support from the Company Secretary.

Annual Self-Assessment

All Board and Sub Board Committees complete an annual self-assessment to ensure duties and responsibilities mandated by the Board have been effectively undertaken.

Board Committees

Audit Committee

Comprising only Non-Executive Directors, our Audit Committee maintains independence in order to assess the work of management and the assurance provided by Internal and External audit functions. The committee invites Executive Directors together with representatives from the Internal and External Auditors to attend meetings and also regularly meets in private with the Internal and External Auditor and our Chief Risk and Compliance Officer and Head of Compliance.

Specific responsibilities include:

- Monitoring the integrity of the business' external financial reporting including reviewing the appropriateness of significant financial reporting judgments
- Reviewing the effectiveness of internal controls and risk management systems
- Ensuring satisfactory whistleblowing arrangements are in place and arrangements for investigation of any concerns
- Providing advice to the Board on whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess our position, performance, business model and strategy
- Reviewing the activities and performance of the Internal and External Auditors and the Compliance function

Audit Committee activity in 2024

External Audit:

Tracking and monitoring completion of actions resulting from the Mazars Audit Management Letter recommendations following the 2023 year-end Audit sign off.

Internal Audit:

The Committee considered and agreed an annual plan and reviewed the individual reports and recommendations. Actions were tracked to closure. Focus was maintained to ensure actions were completed in a timely manner.

Reporting:

Receiving regular reports in respect of the Internal Audit Reviews and Compliance monitoring which provided assurance regarding the control environment. In addition, receiving regular, detailed reports from the Money Laundering Reporting Officer (MLRO) regarding Anti-Money Laundering (AML) and fraud monitoring.

Key Financial Reporting Judgements in 2024

Credit Risk – Impairment of Loans and Advances

Provisioning for loan impairment involves modelling and assumptions, together with assessment of impairment drivers which may not be fully captured by the models and therefore require adjustment outside of the modelling process (Post Model Adjustments or PMAs). Impairment models were updated in 2024 to take account of updated ONS UK house price data and customer behavioural data, and a comprehensive assessment of potential PMAs was performed by Finance and reviewed by the Committee. No PMAs were judged to be necessary in the current economic circumstances.

Revenue Recognition - Effective Interest Rate (EIR) Accounting

EIR accounting necessarily involves estimates and judgements. The EIR policy and expected mortgage lives assumptions have been reviewed by the Committee, considering the latest customer behavioural data and expected future market environment, and have been maintained at one month beyond product term.

Defined Benefit Pension Scheme

The Defined Benefit Scheme valuation involves significant estimation judgements and assumptions which are based on professional actuarial advice. The Committee has reviewed the data and is satisfied with the approach adopted. The Society has again recognised a surplus for the year ended 31 December 2024.

Going Concern Basis of Preparation for the 2024 Annual Report and Accounts

The Audit Committee reviews and challenges reports and forecasts of business performance, including key indicators such as profitability, capital and liquidity. The assessments are subjected to stress scenarios and consideration of external factors. The Committee concluded the use of the going concern basis remains appropriate.

Fair, Balanced and Understandable

The Audit Committee provided advice to the Board which concluded the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess our position, performance, business model and strategy.

Assurance Framework

The Audit Committee reviewed the assurance framework and monitored the completion of audit and compliance plans. The Committee also considered the Society's financial reporting in accordance with the responsibilities set out in the Committee's Terms of Reference.

Key Areas of Focus for 2025

Control effectiveness reporting will be enhanced with the continued development of assurance maps, as well as overseeing the findings of second and third line reviews and subsequent deliverables.

Board Risk Committee

The Board Risk Committee comprises a majority of Non-Executive Directors including the Chair of Audit Committee, as well as our Finance Director and Chief Risk and Compliance Officer and advises our Board on risk appetite, risk exposure and future risk strategy.

Specific responsibilities include:

- Recommending to the Board the amount of risk the business is willing to take in pursuit of strategic objectives
- Assessing the principal risks we face as a business
- Monitoring the effectiveness of the risk framework
- Ensuring the risk function is adequately resourced
- Providing technical reviews of key policies and documents
- Oversight of the ICAAP capital and ILAAP liquidity position and forecasts

Board Risk Committee Activity in 2024

Health and Safety:

The Committee were satisfied that our risks were well managed and the level of oversight appropriate. The risks to the health and wellbeing of our Members and people were and continue to be of paramount importance.

Operational Risk Management:

The Committee received regular reports regarding operational risks and business change. Regulatory change remained a significant risk in 2024 due to a number of key changes becoming effective during the period. Resource and specialist knowledge was required to ensure the changes were delivered.

New Prudential Regulation:

The Committee considered the potential impact on the Society of entering the PRA's 'Small Domestic Deposit Taker' (SDDT) Regime. This provides material changes across capital, liquidity and disclosure requirements, aimed at simplifying regulation, allowing eligible firms to take a more proportionate approach to prudential regulation. The Society has been actively involved in industry working groups and has begun its transition to this regime.

Risk Appetite:

A detailed annual review of the Society's Risk Appetite is driven by the Second Line and owned by the Board. This calculates the potential stressed losses across all material risk types and informs Risk Appetite Statements and defined Risk Appetite Metrics to ensure that the Society operates in a controlled manner. Early Warning Indicators (EWIs) and Management Triggers are also used to ensure early escalation and remediation where risks are trending towards a breach, with monthly Management Information provided to the Board.

Credit Risk:

The Committee was engaged in and monitored the levels of Members in financial difficulty, resulting from the rise in interest rates. Members who witnessed significant rises in monthly payment amounts were closely monitored.

Key areas of focus for 2025

In 2025 we will continue to monitor the credit risk position as the Society grows its lending book to help more people own a home. The Committee will review the liquidity profile and associated risks as the Society develops new distribution channels to allow Members to access savings in ways most convenient to them. We will remain vigilant to the ever changing regulatory landscape and ensure that the Society is prepared for new and emerging risks, especially in the technology space and the threats from advancing cyber security issues. Finally, we will spend time horizon scanning as we prepare the Society for the changes in Member behaviours as well as the need to remain safe but relevant in the light of increased market competition.

Nominations Committee

Our Nominations Committee comprises a majority of Non-Executive Directors as well as our Chief Executive. The Head of HR also attends. The Committee oversees the selection process and succession planning of Board members, Executive appointments and Senior Management Team members as well as the allocation of Senior Management Functions.

Specific responsibilities include:

- Considering the structure, size and composition of the Board and the orderly succession plan
- Recommending the appointment and removal of Executive and Non-Executive Directors to the Board
- Overseeing the performance appraisal of Executive and Non-Executive personnel

Nominations Committee Activity in 2024

Board Succession Planning:

Reviewing the requirements for Director retirements and appointments over the next five years to align with our latest five-year business strategy.

CEO and Interim Finance Director recruitment:

Appointing a suitable search agency to manage the CEO recruitment programme and consulting the Society's networking groups to appoint a suitable Interim Finance Director.

Annual reviews:

Conducting annual reviews of performance, effectiveness, management responsibilities, governance requirements, Director training and Committee membership.

Review and reallocation of Committee Chairs and membership:

Reviewing the structure and composition of each sub-Board Committee as well as the skills of our Board members to agree a succession plan for our Committees to ensure membership remained appropriate, diverse and balanced to promote good decision making and support the long-term success of the business

Key areas of focus for 2025

In 2025, we'll be continuing to focus on succession planning and ensuring the new and existing members of the Board and leadership team receive the appropriate training and support to effectively carry out their duties. The Committee will also focus on the on-boarding and induction of the Society's new Chief Executive.

Remuneration Committee

The Remuneration Committee is comprised solely of Non-Executive Directors and determines our overall remuneration policy as well as the remuneration packages for Executives. The Chief Executive and Chief Risk and Compliance Officer are invited to attend all meetings, with the exception of those in which their remuneration is due to be discussed.

Specific responsibilities include:

- Determining the terms, conditions and remuneration of our Chair and Executive Directors
- Approving the terms, conditions and remuneration of Board appointed roles and the Senior Management Team on the recommendation of the Chief Executive
- Approving the terms, conditions and remuneration of the Chief Executive on recommendation of the Chair.

Remuneration Committee Activity in 2024

Remuneration Packages:

Approving remuneration packages for Executive and Senior Management appointments and benchmarking our packages to ensure they remain relevant. Approving the increase to the Board Chair fee based on external benchmarking data.

We also made a small number of salary awards to key staff as required to keep in line with the external market and to recognise the achievement of professional qualifications and increased responsibilities. We continued our commitment to maintain the minimum wage threshold to more than the Real Living Wage Foundation Scheme.

Bonus schemes:

Approving Bonus scheme rules for 2025 and payments for 2024 performance, including an all-colleague award paid in December 2024.

Compliance with Regulation:

Ensuring the business remains compliant regarding regulatory policy and guidance which impacts on remuneration structures.

Key Areas of Focus for 2025

We will continue to ensure we operate fair and appropriate reward instruments to support our ongoing need to employ the right skills to successfully deliver our five-year strategic plan.

We will continue to keep abreast of the changing regulatory landscape and make the necessary adjustments to our internal remuneration policy and processes when required.

A detailed report on Directors' remuneration can be found on page 37

The detailed responsibilities of all our Board Committees are set in their respective Terms of Reference and are available on our website.

Membership and meeting information, including the attendance of Directors, is set out in the table below.

Board and Sub-Board Committee Membership Attendance in 2024

Director	Board	Audit	Risk	Nominations	Remuneration
G M Berville	11			5	
K L Rebecchi	4 (4)*	3 (3)*		1 (1)*	2 (2)*
N J Gower	4 (4)*	3 (3)*	2 (2)*	2 (2)*	
P A McLelland	9	6	7	3 (3)***	2 (2)***
A P Haywood	10		7		5
P D Rogerson	11	3 (3)***	7		5
K Ingham	6 (7)**		4 (5)**	3 (3)**	
D J Hosie	7 (7)**	3 (3)**			3 (3)**
C M Harrison	11			5	
L S Hamp	8 (8)***		4 (5)***		
T E Leach	3 (3)**		2 (2)**		
Total number of formal meetings held	**11**	**6**	**7**	**5**	**5**

*indicates full attendance whilst the Director was contracted for services at the Society.

**indicates attendance for the period of which the directorship was held.

***indicates attendance when a member of the relevant Committee.

Annual Report & Accounts 2024

Directors' Remuneration Report

Directors' Remuneration Report

Our Remuneration Policy:

Attracting, retaining and remunerating talent.

The aim of our remuneration policy is to ensure our approach is suitably balanced. Its key principles are to:

Align to our Corporate Plan objectives for our overall growth and security.

Set total remuneration at a competitive level which rewards strong performance.

Provide a clear link to effective risk management consistent with risk appetite.

Meet regulatory standards and good corporate governance.

Attracting, retaining and motivating talented individuals whose performance contributes to the success and stability of our business is critical.

We also recognise our responsibility to protect Members' interests by spending money wisely and not paying more than necessary to attract candidates with the appropriate level of skills and experience.

Executive Director and Non-Executive Director remuneration

Executive remuneration consists of basic salary, variable bonus, pension contributions and other benefits. The Remuneration Committee reviews this annually on recommendation of the Chief Executive - and in the case of the Chief Executive, on recommendation of the Chair of the Board.

Summaries of the 2024 remuneration elements and packages are shown on page 41.

Element	Link to Strategy	Operation	Performance Measures	Minimum and Maximum Payable
Basic Salary	Reflects level of accountability. Provides ability to attract and retain individuals through competitive but affordable rates of pay	Once set, future increases are linked to personal performance and peer group benchmarking.	Personal performance against the requirements of the role and the delivery of business and personal objectives.	Individuals developing in a role may be paid below market rate until they are fully performing. Adjustments may be made if a role changes significantly or moves out of line with the market.
Bonus	Linked to the delivery of annual business plan targets including shared strategic objectives.	Challenging, but achievable objectives are aligned with the Corporate Plan. The Chief Risk & Compliance Officer provides assurance that the scheme design does not incentivise inappropriate behaviours.	Corporate measures for 2024 are: · Profit, · Cost Management, · Balance Sheet Growth · Risk & Control · Culture · People · Member engagement · Shared Strategic Objectives. Personal objectives are set by the Chief Executive and reviewed by the Remuneration Committee.	The bonus amount varies between 0% and 40% depending on performance against a number of specific measures, agreed by the Remuneration Committee. Payment of 50% of the award is deferred for three years. Deferred bonus payments may be withdrawn or adjusted in the following circumstances: a) participated in or was responsible for conduct which resulted in significant losses or regulatory consequences for the Society or relevant business unit or there is reasonable evidence of fraud, serious dishonesty or other wrongdoing on the part of the Bonus Recipient which would have resulted in the bonus not being paid had the Society known about it at the time the relevant award was declared; or b) failed to meet appropriate standards of fitness and propriety and/or engaged in any financial and/or non-financial misconduct Or where the Society has: c) suffered a material failure of risk management; or d) been required to restate its accounts to a material extent. If, as at the Initial Payment Date or the Deferred Payment Date, the Bonus Recipient is no longer employed by the Society, or either the Bonus Recipient or the Society have given notice to terminate the Bonus Recipient's employment, or the Bonus Recipient has taken a long-term career break there shall be no right to a bonus unless the leaver reason is by means of retirement or other leaver reasons such as death and redundancy.
Pension	Provides market competitive remuneration.	Pension contributions are on membership of the Society's Defined Contribution Scheme. Cash equivalent may be offered if requested.	Not applicable.	Matched contributions up to 10% of basic salary.
Benefits	To align Executive total remuneration broadly with the market.	The principal benefits are: · Life assurance, · Private medical insurance, · Company car allowance, · 6 month notice period, · Other benefits e.g. relocation assistance may be provided based on individual circumstances.	Not applicable.	Not applicable.

Non-Executive Directors are paid a fixed fee and there is an additional payment for the Chair of the Board and Committee Chairs. The level of the fee is based on external market data. The time commitment required in order to deliver their responsibilities within a regulated business environment is also considered. No bonus or variable pay is paid to the Non-Executive Directors.

Executive and Senior Leadership Bonus Scheme for 2024

Serving as an incentive to the achievement of corporate goals, our senior managers' bonus scheme is aligned to the business strategy. There are 9 key components and measures including 'financials', 'risk and control environment', 'broker and Member', 'people and culture' and 'delivery of key strategic projects'.

The specific financial measures contained in the bonus structure are:

- Profit
- Cost Management
- Balance Sheet Growth

Consulting our Members

We consider it best practice to hold an advisory vote on the recommendations contained within the Directors' Remuneration Report, although we are not required to do so. An appropriate resolution of this year's report will therefore be put to Members at our Annual General Meeting.

In 2024, 3901 (2023: 3978) Members voted, of which 3350 did so in favour of the Directors' Remuneration Report.

Summary of Directors' Remuneration 2024

Executive Directors' Fees – 2024

2024	Salary	Discretionary Staff Award / Bonus	Taxable Benefits	Sub Total	Defined Contribution Scheme [2]	Total
	£	£	£	£	£	£
C. M. Harrison	263,901	95,004	30,178	389,083	-	389,083
T. E. Leach [1]	41,212	-	4,875	46,087	3,884	49,971
L. S. Hamp	138,075	48,963	18,014	205,052	26,614	231,666
Total	**443,188**	**143,967**	**53,067**	**640,222**	**30,498**	**670,720**

[1] During the year, Tom Leach was appointed by the Society as Interim Finance Director and co-opted to the Board in October 2024. Tom will stand for appointment in our 2025 AGM but will step down from this role during 2025 once Laura Hamp has returned from maternity leave.

[2] Following the introduction of a salary sacrifice pension scheme in 2024, pension costs have increased due to changes in accounting treatment. Defined Contribution Scheme costs now include the total amount of salary sacrificed by the directors, which the Society subsequently contributes to the colleagues' pension.

Executive Directors' Fees – 2023

2023	Salary	Discretionary Staff Award / Bonus	Taxable Benefits	Sub Total	Defined Contribution Scheme	Total
	£	£	£	£	£	£
C. M. Harrison	249,552	89,839	30,033	369,424	-	369,424
L. S. Hamp	152,708	55,800	17,810	226,318	11,383	237,701
Total	**402,260**	**145,639**	**47,843**	**595,742**	**11,383**	**607,125**

Directors are reimbursed for the costs of travel and other out of pocket expenses incurred whilst discharging their roles.

Non-Executive Directors' Fees

	2024	2023
	£	£
G. M. Berville	58,734	53,608
A. P. Haywood	39,906	34,967
P. A. McLelland	39,414	36,034
P. D. Rogerson	37,940	31,194
K. Ingham	26,434	-
D. J. Hosie	21,727	-
K. L. Rebecchi	13,289	37,941
N. J. Gower	11,610	35,121
Total	**249,054**	**228,865**

During the year Nic Gower and Kim Rebecchi both stepped down from the Board and were replaced by Karen Ingham and Diane Hosie.

Non-Executive Directors' fees include taxable travel expenses paid to attend the Society's Head Office, but do not include any reimbursement of other out of pocket expenses incurred whilst conducting the Society's business.

A. P. Haywood
Chair of the Remuneration Committee

14 March 2025

Annual Report & Accounts 2024

Independent Auditor's Report

Independent Auditor's Report

Independent auditor's report to the members of Furness Building Society

Opinion

We have audited the annual accounts of Furness of Building Society (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the Group and Society Statement of Comprehensive Income and Other Comprehensive Income, Group and Society Statement of Changes in Equity, Group and Society Statement of Financial Position, Group Cash Flow Statement, and Notes to the Accounts, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

- give a true and fair view of the state of the Group's and Society's affairs as at 31 December 2024 and of the Group's and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and Society's ability to continue as a going concern;
- Making enquiries of the directors' to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group's and Society's future financial performance;
- Assessing the reasonableness of the Group's and Society's twelve months forecast and ensuring consistency with the 5-year Corporate Plan, Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process documentation, which include management's stress testing, and form the base of their going concern assessment;
- Critically assessing the reasonableness of the sensitivity analysis performed by management and the various stress scenarios including reverse stress testing on the capital and liquidity position of the Group and Society;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

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

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

Key audit matters

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

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

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

Key Audit Matter	How our scope addressed this matter
Impairment losses on loans and advances to customers **Group and Society £1,168k (2023: £899k)** *Refer to note 1.12 for the associated accounting policy, note 1.23 for management's critical judgements and estimates in applying the accounting policy, and note 14 of the annual accounts.* Credit risk and the calculation of the associated impairment provision is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation. The total impairment provision of the Group and Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio. The collective impairment is derived by management from a model that uses a combination of the Group's and Society's historical experience and, due to the limited volume of historical loss cases external data, adjusted for current conditions and resultant management estimates. The impairment assessment is most sensitive to movements in the house price index ('HPI'), the estimates of forced sale discounts ('FSD') applied to collateral values and the probability of default ('PD') of the loans. Management judgement is applied in estimating the individual provisions. In particular, estimates of the probability of default to reflect the risk associated with loans in arrears by at least three months, or estimates of the collateral value following repossession.	**Our audit procedures included, but were not limited to:** – Evaluating the design and implementation and testing the operating effectiveness of the key controls operating at the Group and Society in relation to the credit processes (loan origination and approval, loan redemptions, arrears monitoring) We also sought to identify the related fraud detection controls and assessing the design and implementation of those controls; – Critically assessing how management has undertaken its accounting estimate, including reviewing the reasonableness and appropriateness of external and internal data used. This included testing of input data (e.g. House Price Index, Probability of Default) used in the model; – Assessing the relevance of external data used in the provisioning model based on our understanding of the Group's and Society's portfolio; – Comparing the Group's and Society's key assumptions (PD, HPI and FSD) with similar lenders or other market participants and loan portfolios with similar characteristics and considered whether the assumptions were consistent with industry benchmarks; – Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Group's and Society's portfolio; – Engaging our Quantitative Solutions experts to review the SAS code against incurred loss model requirements. This included reviewing the reasonableness and appropriateness of the external data used in the PD model and testing input data (e.g. Credit scores) used in the model. – Engaging our internal property valuation experts to challenge the reasonableness of valuations for a selection of properties held as collateral against loans; – Performing a stand back assessment of the resulting individual and collective impairment estimates to assess their appropriateness; and – Assessing the adequacy of Group's and Society's disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers in the annual accounts. **Our observations** Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 31 December 2024 to be reasonable and in compliance with the requirements of IAS 39.

Our application of materiality and an overview of the scope of our audit

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

Overall materiality	Group: £882,000 (2023: £852,000) Society: £878,000 (2023: £826,000)
How we determined it	1% net assets
Rationale for benchmark applied	We consider that net assets are the most appropriate benchmark to use for the Group and Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation. Further, net assets as a benchmark are supported by the fact that regulatory capital is a key benchmark for management and regulators, where net assets is an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole. Performance materiality for the group £617,000 (2023: £596,000) and society £615,000 (2023: £578,000) was applied in the audit based on 70% (2023: 70%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount towards the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above group £26,000 (2023: £43,000) and society £26,000 (2023: £43,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Our Group audit scope included an audit of the Group's and the Society's annual accounts. Based on our risk assessment, the group audit team undertook a full scope audit of the Group and Society and its two trading subsidiaries.

	2024	2023
Number of reporting entities subject to full audit scope	3	3
% of group net interest income	100%	100%
% of group profit before tax	100%	100%
% of group total assets	100%	100%

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

Other information

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

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 22, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Annual Accounts

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

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

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

Based on our understanding of the Group and 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 Group and Society, the industry in which they operate and the structure of the Group, and considering the risk of acts by the Group and Society which were contrary to the applicable laws and regulations including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Group and Society are in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA, during the year and up until the date of the approval of the financial statements;
- Attending a bilateral meeting with the PRA;
- Reviewing minutes of meetings of directors' held during the year and up until the date of approval of the financial statements;
- 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 Chief Risk Officer, from inspection of the Group and Society's regulatory and legal correspondence and review of minutes of the Board of Directors and Audit Committee during the period.

We also considered those other laws and regulations that have a direct impact on the preparation of annual accounts, such as the Building Societies Act 1986 and UK tax and pension 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 provision for impairment losses on loans and advances and effective interest rate. .

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

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

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

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 9 September 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 Group or Society and we remain independent of the Group and Society in conducting our audit.

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

Use of the audit report

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

Tim Hudson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

14 March 2025

Annual Report & Accounts 2024

Furness Building Society Annual Accounts

Furness Building Society Annual Accounts

Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Interest receivable and similar income	2	66,795	66,631	56,505	56,349
Interest payable and similar charges	3	(44,868)	(44,868)	(34,215)	(34,215)
Net interest income		**21,927**	**21,763**	**22,290**	**22,134**
Fee and commissions receivable		46	46	47	47
Fees and commissions payable		(151)	(151)	(255)	(255)
Other operating income		457	457	219	219
Net gain from financial instruments at fair value through profit and loss	4	779	779	101	101
Total net income		**23,058**	**22,894**	**22,402**	**22,246**
Administrative expenses	5	(18,577)	(18,550)	(17,418)	(17,391)
Depreciation and amortisation	16/17	(537)	(537)	(651)	(651)
Operating profit before impairment losses and provisions		**3,944**	**3,807**	**4,333**	**4,204**
Provisions for liabilities	24	4	4	(14)	(14)
Impairment charge on loans and advances	14	(277)	(277)	(102)	(102)
Profit before tax		**3,671**	**3,534**	**4,217**	**4,088**
Tax expense	8	(889)	(852)	(1,018)	(986)
Profit for the financial year		**2,782**	**2,682**	**3,199**	**3,102**

Other Comprehensive Income

	Notes	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Profit for the financial year		2,782	2,682	3,199	3,102
Changes in fair value of debt securities and treasury bills - valuation (losses)/gains taken to equity		(297)	(297)	501	501
Actuarial gain/(loss) recognised on the pension scheme	28	464	464	(1,078)	(1,078)
Taxation (charge)/credit on Other Comprehensive Income	8	(116)	(116)	155	155
Total Comprehensive Income for the year		**2,833**	**2,733**	**2,777**	**2,680**

The Notes on pages 57 to 82 form an integral part of these Accounts.

Statement of Changes in Equity

Group 2023

	Notes	General reserves £000	Available-for-sale reserves £000	Total £000
Balance as at 1 January 2023		**82,617**	**(200)**	**82,417**
Profit for the year		**3,199**	**-**	**3,199**
Other Comprehensive Income for the year:				
Actuarial gain recognised on the Pension Scheme	28	(1,087)	-	(1,087)
Movement in deferred tax relating to the Pension Scheme		155	-	155
Changes in fair value of debt securities:				
Taken through Other Comprehensive Income		-	501	501
Other Comprehensive Income for the year		**(923)**	**501**	**(422)**
Total Comprehensive Income for the year		**2,276**	**501**	**2,777**
Balance as at 31 December 2023		**84,893**	**301**	**85,194**

Group 2024

	Notes	General reserves £000	Available-for-sale reserves £000	Total £000
Balance as at 1 January 2024		**84,893**	**301**	**85,194**
Profit for the year		**2,782**	**-**	**2,782**
Other Comprehensive Income for the year:				
Actuarial gain recognised on the Pension Scheme	28	464	-	464
Movement in deferred tax relating to the Pension Scheme		(116)	-	(116)
Changes in fair value of debt securities:				
Taken through Other Comprehensive Income		-	(297)	(297)
Other Comprehensive Income for the year		**348**	**(297)**	**51**
Total Comprehensive Income for the year		**3,130**	**(297)**	**2,833**
Balance as at 31 December 2024		**88,023**	**4**	**88,027**

The Notes on pages 57 to 82 form an integral part of these Accounts.

Statement of Changes in Equity (continued)

Society 2023

	Notes	General reserves £000	Available-for-sale reserves £000	Total £000
Balance as at 1 January 2023		**80,167**	**(200)**	**79,967**
Profit for the year		**3,102**	**-**	**3,102**
Other Comprehensive Income for the year:				
Actuarial gain recognised on the Pension Scheme	28	(1,078)	-	(1,078)
Movement in deferred tax relating to the Pension Scheme		155	-	155
Changes in fair value of debt securities:				
Taken through Other Comprehensive Income		-	501	501
Other Comprehensive Income for the year		**(923)**	**501**	**(422)**
Total Comprehensive Income for the year		**2,179**	**501**	**2,680**
Balance as at 31 December 2023		**82,346**	**301**	**82,647**

Society 2024

	Notes	General reserves £000	Available-for-sale reserves £000	Total £000
Balance as at 1 January 2024		**82,346**	**301**	**82,647**
Profit for the year		**2,682**	**-**	**2,682**
Other Comprehensive Income for the year:				
Actuarial gain recognised on the Pension Scheme	28	464	-	464
Movement in deferred tax relating to the Pension Scheme		(116)	-	(116)
Changes in fair value of debt securities:				
Taken through Other Comprehensive Income		-	(297)	(297)
Other Comprehensive Income for the year		**348**	**(297)**	**51**
Total Comprehensive Income for the year		**3,030**	**(297)**	**2,733**
Balance as at 31 December 2024		**85,376**	**4**	**85,380**

The Notes on pages 57 to 82 form an integral part of these Accounts.

Statement of Financial Position

For the year ended 31 December 2024

Assets	Notes	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Liquid assets:					
Cash in hand and balances with the Bank of England	10	127,998	127,998	56,080	56,080
Treasury bills & gilts	9	32,444	32,444	40,154	40,154
Loans and advances to credit institutions	10	46,572	45,781	68,429	68,160
Debt securities	11	81,259	81,259	50,337	50,337
Derivative financial instrument assets	12	6,928	6,928	10,564	10,564
Loans and advances to customers:					
Loans fully secured on residential property	13	1,090,841	1,089,014	1,069,672	1,067,392
Loans fully secured on land	13	1,641	1,641	2,384	2,384
Investments in subsidiary undertakings	15	-	4	-	4
Other assets	18	283	209	101	43
Intangible fixed assets	16	324	324	529	529
Tangible fixed assets	17	2,191	2,191	1,437	1,437
Prepayments and accrued income	19	4,301	4,301	1,891	1,901
Net retirement benefit asset	28	2,498	2,498	1,570	1,570
Total assets		**1,397,280**	**1,394,592**	**1,303,148**	**1,300,555**
Liabilities					
Shares	20	1,121,350	1,121,350	1,032,863	1,032,863
Amounts owed to credit institutions		13,744	13,744	14,630	14,630
Amounts owed to other customers	21	167,601	167,601	161,108	161,108
Derivative financial instrument liabilities	12	1,749	1,749	4,981	4,981
Other liabilities	22	2,649	2,618	2,382	2,353
Accruals and deferred income	23	1,950	1,940	1,796	1,779
Provisions for liabilities	24	210	210	194	194
Total liabilities		**1,309,253**	**1,309,212**	**1,217,954**	**1,217,908**
Reserves					
General reserves		88,023	85,376	84,893	82,346
Available-for-sale reserves		4	4	301	301
Total reserves attributable to Members of the Society		**88,027**	**85,380**	**85,194**	**82,647**
Total reserves and liabilities		**1,397,280**	**1,394,592**	**1,303,148**	**1,300,555**

The Notes on pages 57 to 82 form an integral part of these Accounts.

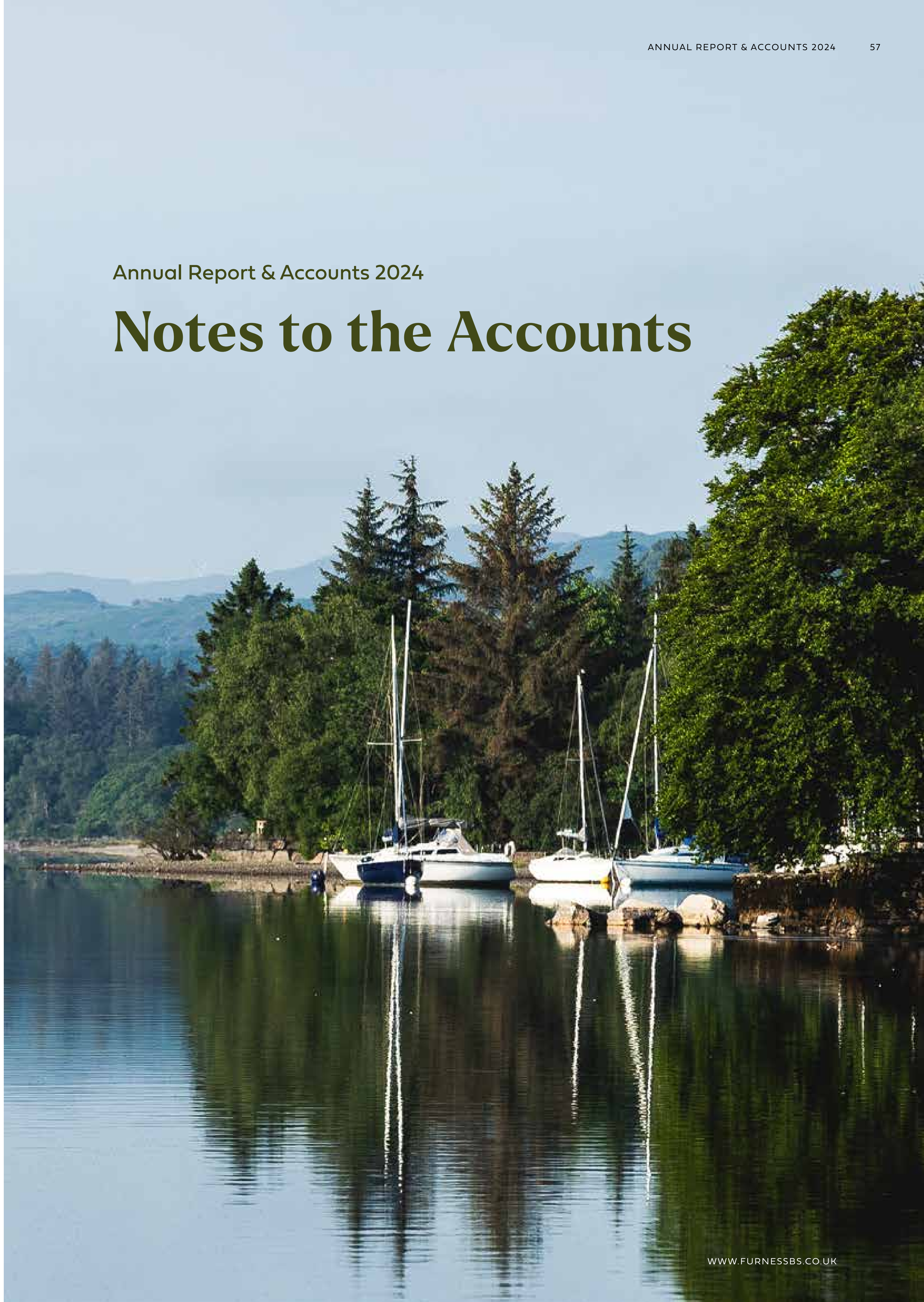
The Accounts were approved by the Board of Directors on 14 March 2025 and were signed on its behalf by:

G. M. Berville
Chair

Group Cash Flow Statement

Cash flows from operating activities	Notes	Group 2024 £000	Group 2023 £000
Profit before tax		3,671	4,217
Adjustments for:			
Depreciation and amortisation	16/17	537	651
(Profit)/Loss on disposal of tangible fixed assets	17	(255)	651
Increase in impairment of loans and advances	14	277	102
Movement in premium and accrued interest on debt securities and treasury bills		(2,020)	(1,793)
Total		**2,210**	**3,177**
Changes in operating assets and liabilities			
Increase in prepayments, accrued income and other assets		(2,599)	(683)
Increase in accruals, deferred income and other liabilities		140	822
Increase in loans and advances to customers		(20,299)	(36,126)
Increase in shares		88,487	76,987
Increase/(Decrease) in amounts owed to credit institutions and other customers		5,607	(17,902)
Decrease/(Increase) in loans and advances to credit institutions		11,900	(49,016)
Decrease in retirement benefit obligation		(464)	(1,540)
Taxation paid		(708)	(645)
Net cash generated by/(used in) operating activities		**82,064**	**(28,103)**
Cash flows from investing activities			
Purchase of debt securities and treasury bills	9/11	(114,107)	(97,439)
Disposal of debt securities and treasury bills	9/11	92,624	71,289
Purchase of tangible fixed assets		(1,119)	(886)
Disposal of tangible fixed assets		288	-
Purchase of intangible assets		-	(37)
Net cash used in investing activities		**(22,314)**	**(27,073)**
Net increase/(decrease) in cash and cash equivalents		**61,960**	**(51,999)**
Cash and cash equivalents at 1 January		66,557	118,556
Cash and cash equivalents at 31 December	10.1	**128,517**	**66,557**

The Notes on pages 57 to 82 form an integral part of these Accounts.



Annual Report & Accounts 2024

Notes to the Accounts

01. Principal Accounting Policies

1.1 General information

Furness Building Society is incorporated in the United Kingdom under the Building Societies Act 1986. The address of its registered office is Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria LA14 5PQ.

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

1.2 Basis of preparation

Annual Accounts have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Northern Ireland' (FRS 102), and in accordance with the Building Societies Act 1986 and the Building Societies (Accounts and Related Provisions) Regulations 1998. The Society has also chosen to apply the recognition and measurement provisions of IAS 39, 'Financial Instruments: Recognition and Measurement'.

The Society is included in the consolidated Annual Accounts, and is considered to be a qualifying entity under FRS 102 paragraphs 1.9 to 1.13. The following exemptions available under FRS 102 in respect of certain disclosures for the parent Society Annual Accounts have been applied:

- No separate Society Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included.

Annual Accounts have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss (FVTPL) or available for-sale.

Reclassification of prior year presentation

When presentation or classification is changed comparative amounts shall be reclassified unless impracticable. When amounts are reclassified the entity shall disclose (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification. If reclassification is impracticable the entity shall disclose the reason why.

1.3 Going concern

Annual Accounts have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.

The Board has considered a number of stress scenarios, with the macroeconomic factors being based as a minimum on the Bank of England Annual Cyclical scenario variables, and the impact they would have on the Society's liquidity, capital and operational resilience. The Board have concluded the assumptions in the assessment are relevant and the Society has sufficient capital and liquidity to continue as a going concern.

1.4 Basis of consolidation

The accounting policies below and the Statement of Comprehensive Income and Statement of Financial Position incorporate the Society and its subsidiary undertakings (collectively referred to as the Group) all of which have year-ends of 31 December. Uniform accounting policies are used throughout the Group and are consistent with the prior year. Investments in subsidiary undertakings are stated at cost less any provision for impairment.

1.5 Interest

Interest income and expense are recognised in profit or loss using the effective interest rate (EIR) method. The EIR 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 Group 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 and fees, including Early Redemption Charges (ERCs), which are an integral part of the Effective Interest Rate (EIR). Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The EIR policy remains consistent with prior years. An annual review of the assumptions has taken place and management have elected to maintain principle assumptions in-line with the previous year.

1.6 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.5).

Other fees receivable are recognised on the accruals basis when all contractual obligations have been fulfilled. Other fees payable are recognised on an accruals basis when the service has been provided or on the completion of an act to which the fee relates, and are inclusive of VAT where applicable.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income.

Current taxation

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 Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. Corporation tax is charged on the profit on ordinary activities for the year as adjusted for taxation purposes.

Deferred taxation

Provision for deferred tax is made on a non-discounted basis in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date. Timing differences represent differences between gains and losses recognised for tax purposes in periods different from those in which they are recognised in Annual Accounts. No deferred tax is recognised on permanent differences between the Group's taxable gains and losses and its results as stated in the Annual Accounts. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

1.8 Financial assets

At initial recognition the Group classifies non-derivative financial assets either as loans and receivables or as available-for-sale assets. No assets have been classified as held to maturity.

a) Loans and receivables

'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method. The Group's cash in hand and balances with the Bank of England, as well as loans and advances to credit institutions and customers are classified as loans and receivables.

b) Available-for-sale financial assets

'Available-for-sale' investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise treasury bills, gilts and debt securities. All available-for sale investments are measured at fair value after initial recognition. Gains or losses on available-for sale financial assets are recognised in other comprehensive income, except for impairment losses, until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss.

Interest income is recognised in profit or loss using the effective interest rate method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Impairment losses are recognised in profit or loss.

c) Financial assets at fair value through profit or loss

The Group uses derivative financial instruments only for risk management purposes, and not for trading purposes. Derivatives are recognised at fair value in the Statement of Financial Position with the gain or loss on remeasurement recognised immediately in profit or loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

These hedging relationships are discussed in d) below.

d) Fair Value Hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the Statement of Comprehensive Income. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the Statement of Comprehensive Income. If hedge accounting is discontinued and the hedged financial asset has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss on a straight-line basis over the remaining life of the previously hedged item.

The Group enters into credit support agreements, which protect against counterparty default in respect of hedging instruments by means of collateral transactions. Collateral balances are included within 'liquid assets' or 'amounts owed to credit institutions' as appropriate and interest receivable or payable reflected in the Statement of Comprehensive Income within 'net interest income'.

1.9 Term Funding Scheme (TFS), Term Funding Scheme with additional incentives for SMEs (TFSME) and Sterling Monetary Framework (SMF)

Loans and advances over which the Group transfers its rights to the collateral thereon to the Bank of England under the TFSME/SMF are not derecognised from the Statement of Financial Position, as the Group retains substantially all the risks and rewards of ownership, including all cash flows arising from the loans and advances and exposure to credit risk. TFSME/SMF borrowings are recognised in 'Amounts owed to other customers'.

1.10 Financial liabilities

All financial liabilities are initially recognised at cost plus directly attributable transaction costs. Subsequent measurement of financial liabilities is at amortised cost using the effective interest rate method, except for those financial liabilities measured at fair value through Profit or Loss.

1.11 Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the net consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in profit and loss.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability extinguished, or transferred to another party, and the consideration paid shall be recognised in the profit and loss.

1.12 Impairment of financial assets

a) Assets carried at amortised cost

Individual assessments are made of all loans and advances against properties and land which are in possession, greater than 3 months in arrears, are subject to forbearance activities or other significant cases of concern. Individual impairment allowances are made against those loans and advances where there is objective evidence of impairment, which may include:

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

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

In addition the Group assesses at least quarterly whether there is objective evidence to suggest a financial asset or group of financial assets is likely to be impaired. Where a collective assessment is made, each category or class of financial asset is split into groups of assets with similar credit risk characteristics. The Group measures the amount of impairment loss by applying estimated loss factors based on the Group's experience of default, loss emergence periods, the effect of movements in house prices and any adjustment for the expected forced sales value. Where certain impairment characteristics are considered significant but not adequately assessed as part of the impairment model calculation, then management may elect to apply an overlay to the impairment allowance.

The amount of impairment loss is recognised immediately through the Statement of Comprehensive Income and a corresponding reduction in the value of the financial asset is recognised.

b) Available-for-sale assets

The Group assesses at each Statement of Financial Position date whether there is objective evidence that an available-for-sale asset or group of available-for-sale assets is impaired.

Available-for-sale assets are impaired and impairment losses incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of those assets. Loss events may include default of a counterparty or disappearance of an active market for the assets.

b) Available-for-sale assets (continued)

Where objective evidence exists, that the asset has been impaired, the cumulative loss that had been recognised in Other Comprehensive Income shall be reclassified from equity to profit or loss. Impairment is measured as the difference between the current amortised cost and the current fair value, less any impairment loss on that asset previously recognised.

1.13 Offsetting

Financial assets and liabilities are offset and the net amounts presented in the Annual Accounts only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and balances with the Bank of England. Cash pledged with credit institutions as collateral in respect of derivative contracts is not included in these balances.

1.15 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset, the costs attributable to bringing the asset to working condition for its intended use, and any dilapidation costs.

The Group capitalises the cost of additions and major alterations to office premises and equipment. In the case of leasehold premises with a term remaining in excess of 50 years, depreciation of the original cost of these is charged to the Statement of Comprehensive Income over the lower of 50 years and their estimated useful life.

The cost of other fixed assets is written off on a straight line basis over the estimated useful lives as follows:

- Equipment, fixtures, fittings and vehicles are written off over periods between 2 and 10 years
- Leasehold premises are written off over the lower of 50 years and the unexpired period of the lease
- Freehold property is written off over the lower of 50 years and their estimated useful life.

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

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income and included in 'Other operating income/(charge)'.

1.16 Intangible assets

Intangible assets consists of externally acquired and internally developed computer software. Internally developed computer software is capitalised as an intangible asset where the software is an identifiable asset controlled by the Group which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over the estimated useful lives of the software, which are between 3 and 5 years.

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

Costs associated with maintaining computer software are recognised as an expense as incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1.17 Software-as-a-Service (SaaS) costs

Where the Society has access to a supplier's software which runs on that supplier's cloud based network infrastructure, this is considered to be a SaaS arrangement. The Society does not have control and direction over the software in a SaaS arrangement, meaning it cannot be recognised as an Intangible Asset and the costs of licensing and hosting such software are expensed as incurred.

1.18 Leasing

The leases entered into by the Group are operating leases. All payments under operating lease contracts are charged to the Statement of Comprehensive Income on a straight line basis over the life of the lease.

1.19 Liquid assets

Debt securities are initially measured at fair value, which is normally the transaction price to the Group. Such assets are subsequently carried at fair value and the changes in fair value are recognised through the available-for-sale reserve. Provision is made for any potential impairment in value if necessary. Where there is a permanent impairment of a liquid asset, provision is made to write down the carrying value of the asset to its recoverable amount.

1.20 Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

a) Short-term benefits

Short-term benefits, including holiday pay and other similar nonmonetary benefits, are recognised as an expense in the period in which the service is received.

b) Pension costs

i. Defined Benefit Pension Plan

The Group operates a defined benefit pension scheme and the assets are held in a separate trustee administered fund. Included within the Statement of Financial Position is the Group's net surplus calculated as the present value of the defined benefit obligation less the fair value of plan assets.

The Society has implemented Section 28 of FRS 102 'Employee Benefits' which covers the accounting and disclosure requirements for employee pensions. In the absence of clear guidance under FRS102, IFRIC14 has been followed regarding the recognition of the defined benefit pension surplus. The Society has determined that recognition of the surplus is acceptable under IFRIC14.

Any remeasurement of the net pension surplus is recognised in the Statement of Comprehensive Income. Actuarial gains or losses are recognised in Other Comprehensive Income.

Any past service costs or interest costs, which reflect the increase in the defined obligation which arises as benefits are one period closer to settlement, are recognised in operating profit.

See Note 29 for further information regarding the Defined Benefit Pension Plan.

ii. Defined Contribution Scheme

The Group also operates a contributory defined contribution pension scheme, the assets of which are held separately from those of the Group. For this scheme, the cost is charged to the Statement of Comprehensive Income as contributions become due. The amount charged represents the contributions payable to the scheme in respect of the accounting period.

1.21 Provisions

A provision is recognised in the Statement of Financial Position when the entity 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.

1.22 Dividends

On occasions the Society's wholly owned subsidiaries may make dividend payments to their parent. Such dividends are decided at the discretion of the subsidiaries' Boards of Directors and are reflected in the Annual Accounts of the respective entities when this occurs. Dividends are only recognised by the Society when approved and paid.

1.23 Critical accounting judgements and key sources of estimation

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

a) Impairment losses on loans and advances to customers

The Group reviews its mortgage advances portfolio at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, the Group is required to exercise a degree of judgement. Impairment allowances are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows. Estimates are applied to determine prevailing market conditions (e.g. interest rates, house prices and forced sale discount), customer behaviour (for example, default rates) and the length of time expected to complete the sale of properties in possession. Impairment allowances are therefore affected by changes to these assumptions.

A key assumption is the expected level of defaults in each category of impairment – the probability of default. The Group has calculated collective default rates from its experience over recent years. During that period the Group has had a low number of possessions, and in addition the default rates may have been depressed by the Group's forbearance policy. As a result management has applied an uplift to the actual default rates experienced in its collective impairment assumptions.

The Group has applied a sensitivity analysis to its key assumptions. A movement to the Society's existing probability of default assumption of 0.1 percentage points would change the collective impairment provision on loans and advances to customers by +/- £0.02m. A movement to the existing forced sale discount of 1.0 percentage points would result in a change to the total provision requirement of +/- £0.04m.

b) Effective Interest Rate (EIR)

The calculation of an Effective Interest Rate (EIR) requires the Society to undertake an assessment of the expected lives of mortgages and mortgage related fees to be spread over the lives of products. The EIR policy remains consistent with the prior year.

i. Expected Mortgage Lives

In determining the average expected lives of mortgage assets, the Group uses historical and forecast redemption and product switch data as well as management judgement. The expected lives of mortgage assets are periodically reassessed for reasonableness as any variation in the average expected lives will change the Effective Interest Rate (EIR) carrying value in the Statement of Financial Position and the timing of the recognition of interest income.

A movement of 0.25 months to the average expected life of mortgages would change the EIR carrying value by +/- £0.30m.

ii. Mortgage Related Fee

The methodology for calculating the movement in EIR during the year for both interest, mortgage fees and early repayment charges remains unchanged. Further detail is set out in Note 1.5.

c) Defined Benefit Pension Scheme Valuation

The Group operates a defined benefit pension scheme and recognise any surplus as described in 1.20. Significant judgements have to be exercised in estimating the value of the liabilities of the scheme, and hence of its surplus. The assumptions are outlined in Note 29.

Of these assumptions, changes in the discount rate and inflation have the most material impact on the net pension obligation. A movement in the discount rate of +0.50% increases the pension surplus by £1.4m. A movement in the inflation rate of +0.50% decreases the pension surplus by £0.7m.

d) Fair value of derivatives and financial assets

The Group makes the following considerations in determining the fair value of its derivatives and financial assets:

- Derivative financial instruments – calculated by discounted cash flow models using yield curves that are based on observable market data. Cash flows for swap derivatives are calculated taking into consideration known characteristics of the swap (maturity date, nominal value, and interest rates for fixed and variable rate). Cash flows are subsequently discounted using the swaps designated interest rate SONIA. Variable leg cash flows are calculated using the latest yield curve data.

02. Interest Receivable and Similar Income

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
On loans fully secured on residential property net of income/expense on derivatives	54,981	54,817	47,063	46,897
On other loans				
Fully secured on land	141	141	174	174
To subsidiary undertakings	-	-	-	10
On debt securities				
Interest and other income	3,142	3,142	1,941	1,941
On treasury bills and gilts				
Interest and other income	1,898	1,898	1,747	1,747
On other liquid assets				
Interest and other income	6,633	6,633	5,580	5,580
Total	**66,795**	**66,631**	**56,505**	**56,349**

03. Interest Payable and Similar Charges

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
On shares held by individuals	37,827	37,827	26,689	26,689
On other shares	15	15	12	12
On deposits and other borrowings	7,026	7,026	7,514	7,514
Total	**44,868**	**44,868**	**34,215**	**34,215**

04. Net gain from other Financial Instruments at Fair Value Through Profit and Loss

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Derivatives in designated fair value hedge relationships	1,776	1,776	(12,871)	(12,871)
Adjustments to hedged items in fair value hedge accounting relationships	(1,014)	(1,014)	12,942	12,942
Derivatives not in designated fair value hedge relationships	17	17	30	30
Total	**779**	**779**	**101**	**101**

05. Administrative Expenses

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Staff costs (Note 6)	11,153	11,153	10,594	10,594
Other expenses	7,424	7,396	6,824	6,797
Total	**18,577**	**18,550**	**17,418**	**17,391**
Other expenses include				
Fees payable to the Group's auditor for statuary auditors services (excluding VAT)	210	194	195	168
Fees payable to the Group's auditor for other assurance services (excluding VAT)	9	9	-	-
Amounts payable under operating leases	263	263	204	204

06. Staff Numbers and Costs

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

Full Time	Group 2024	Society 2024	Group 2023	Society 2023
Principal office and administration centre	114	114	113	113
Branch offices	40	40	40	40
Total	**154**	**154**	**153**	**153**
Part Time				
Principal office and administration centre	32	32	32	32
Branch offices	14	14	16	16
Total	**46**	**46**	**48**	**48**

The aggregated costs of these persons were as follows	£000	£000	£000	£000
Wages and salaries	8,878	8,878	8,849	8,849
Social security costs	898	898	1,009	1,009
Other pension costs*	1,377	1,377	736	736
Total	**11,153**	**11,153**	**10,594**	**10,594**

* Following the introduction of a salary sacrifice pension scheme in 2024, pension costs have increased due to changes in accounting treatment. Defined Contribution Scheme costs now include the total amount of salary sacrificed, which the Society subsequently contributes to the colleagues' pension.

Total employer contributions to the pension Defined Contribution Scheme (including amounts sacrificed from salary) total £1,035k (£503k: 2023).

07. Emoluments of and Transactions with Directors

Total Directors' emoluments amounted to £920k (£836k: 2023). Full details are given in the Directors' Remuneration Report on pages 37 to 41.

Under the Society rules, all Directors are required to hold a savings balance of at least £1,000. Savings balances were £184k as at 31 December 2024 (£121k: 2023 restated) and are held on normal commercial terms. Balances as at 31 December 2023 have been restated to correct an error in the prior year disclosure.

At 31 December 2024 there were no (no: 2023) outstanding loans granted in the ordinary course of business to Directors. A register is maintained at the Head Office of the Society which shows details of all loans, transactions and arrangements with 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 day of the Annual General Meeting. The Directors of the Society are considered to be the only key management personnel, as defined by FRS 102.

08. Tax on profit on ordinary activities

Current Tax	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Current tax on income for the period	762	725	748	716
Adjustments in respect of prior periods	(26)	(26)	(30)	(30)
Total current tax	**736**	**699**	**718**	**686**

Deferred tax

Origination of timing differences	243	243	125	125
Adjustment in respect of previous years	26	26	(5)	(5)
Effect of changes in tax rates	-	-	25	25
Total deferred tax	**269**	**269**	**145**	**145**
Total Tax	**1,005**	**968**	**863**	**831**

8.1 Tax recognised in Statement of Comprehensive Income

	2024			2023		
Group	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Recognised in Profit and Loss	736	153	889	603	415	1,018
Recognised in Other Comprehensive Income	-	116	116	115	(270)	(155)
Total tax	**736**	**269**	**1,005**	**718**	**145**	**863**
Society						
Recognised in Profit and Loss	699	153	852	571	415	986
Recognised in Other Comprehensive Income	-	116	116	115	(270)	(155)
Total tax	**699**	**269**	**968**	**686**	**145**	**831**

8.2 Factors affecting tax charge for the year

The tax assessed for the year differs to the standard rate of Corporation tax in the UK of 25.00% (23.52%: 2023).

Total tax reconciliation	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Profit on ordinary activities before tax	3,671	3,534	4,217	4,088
Corporation tax at 25.00% (23.52%*: 2023)	918	884	994	961
Effects of:				
Adjustment to tax charge in respect of previous periods	-	-	(35)	(35)
Tax rate changes	-	-	26	26
Profit on disposal in excess of capital gain	(67)	(67)	-	-
Expenses not deductible	8	8	35	35
Other	30	27	(2)	(1)
Tax Recognised in Profit & Loss	**889**	**852**	**1,018**	**986**

The Group expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

* The Corporation Tax rate for the year ended 31 December 2023 is a blended rate of 25% from 1 April 2023, 19% prior to this date.
The movements in deferred taxation are disclosed in Note 25.

09. Treasury Bills and Gilts

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Gilts	32,444	32,444	17,270	17,270
Treasury Bills	-	-	22,884	22,884
Total	**32,444**	**32,444**	**40,154**	**40,154**

Movements during the year of debt are analysed as follows:

At 1 January	40,154	40,154	29,138	29,138
Additions	68,914	68,914	80,087	80,087
Disposals and maturities	(78,124)	(78,124)	(71,289)	(71,289)
Movement in premium and accrued interest	1,748	1,748	1,748	1,748
Net (loss)/gain from changes in fair value recognised in Other Comprehensive Income	(248)	(248)	470	470
Total At 31 December	**32,444**	**32,444**	**40,154**	**40,154**

10. Loans and Advances to Credit Institutions

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Repayable on demand	519	(271)	10,477	10,208
Cash pledged as collateral against derivative contracts	3,789	3,789	5,712	5,712
Other loans and advances	42,264	42,263	52,240	52,240
Total	**46,572**	**45,781**	**68,429**	**68,160**

10.1 Cash and cash equivalents

The totals for cash and cash equivalents included in the cash flow statements for each year comprise the following balances:

	Group 2024 £000	Group 2023 £000
Cash in hand and balances with the Bank of England	127,998	56,080
Loans and advances to credit institutions:		
Repayable on demand	519	10,477
Total	**128,517**	**66,557**

11. Debt Securities

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Issued by UK banks and building societies	53,502	53,502	26,963	26,963
Issued by multilateral development banks	27,757	27,757	23,374	23,374
Total	**81,259**	**81,259**	**50,337**	**50,337**

Transferable Debt Securities Comprise

Listed on a recognised investment exchange	81,259	81,259	50,337	50,337
Transferable securities held as financial fixed assets at fair value	**81,259**	**81,259**	**50,337**	**50,337**

11.1 Movements during the year of debt securities

Movements during the year of debt securities held as financial fixed assets are analysed as follows:	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
At 1 January	50,337	50,337	32,917	32,917
Additions	45,193	45,193	17,352	17,352
Disposals and maturities	(14,500)	(14,500)	-	-
Movement in premium and accrued interest	272	272	45	45
Net (loss)/gain from changes in fair value recognised in Other Comprehensive Income	(43)	(43)	23	23
At 31 December	**81,259**	**81,259**	**50,337**	**50,337**

12. Derivative Financial Instruments
Group and Society

At 31 December 2024	Contractual amount £M	Fair value assets £000	Fair value liabilities £000
Unmatched derivatives - interest rate swaps	14	44	(1)
Derivatives designated as fair value hedges – interest rate swaps	344	6,884	(1,748)
Total	**358**	**6,928**	**(1,749)**

At 31 December 2023

Unmatched derivatives - interest rate swaps	-	-	-
Derivatives designated as fair value hedges – interest rate swaps	443	10,564	(4,981)
Total	**443**	**10,564**	**(4,981)**

13. Loans & Advances to Customers

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Loans fully secured on residential property	1,090,841	1,089,014	1,069,672	1,067,392
Loans fully secured on land	1,641	1,641	2,384	2,384
Total loans	**1,092,482**	**1,090,655**	**1,072,056**	**1,069,776**

Total loans before adjustments	1,094,389	1,092,560	1,073,041	1,070,759
Effective interest rate adjustment	3,186	3,186	2,824	2,824
Provision for impairment losses on loans and advances	(1,168)	(1,166)	(899)	(897)
Fair value adjustment for hedged risk	(3,925)	(3,925)	(2,910)	(2,910)
Total loans	**1,092,482**	**1,090,655**	**1,072,056**	**1,069,776**

The Society has pledged as collateral £193.6m (£252.6m: 2023) of mortgages to the Bank of England under the Term Funding Scheme with additional incentives for SMEs

14. Allowance for Impairment

Movements during 2024	Loans fully secured on residential property		Loans fully secured on land		Sub-total		
Group	Individual £000	Collective £000	Individual £000	Collective £000	Individual £000	Collective £000	Total £000
At 1 January 2024	243	610	46	-	289	610	899
Net write-offs and recoveries	(8)	-	-	-	(8)	-	(8)
Balance	**235**	**610**	**46**	**-**	**281**	**610**	**891**
Impairment allowance	402	(131)	6	-	408	(131)	277
At 31 December 2024	**637**	**479**	**52**	**-**	**689**	**479**	**1,168**
Society							
At 1 January 2024	242	609	46	-	288	609	897
Net write-offs and recoveries	(8)	-	-	-	(8)	-	(8)
Balance	**234**	**609**	**46**	**-**	**280**	**609**	**889**
Impairment allowance	402	(131)	6	-	408	(131)	277
At 31 December 2024	**636**	**478**	**52**	**-**	**688**	**478**	**1,166**

Movements during 2023	Loans fully secured on residential property		Loans fully secured on land		Sub-total		
Group	Individual £000	Collective £000	Individual £000	Collective £000	Individual £000	Collective £000	Total £000
At 1 January 2023	288	474	53	-	341	474	815
Net write-offs and recoveries	(6)	(12)	-	-	(6)	(12)	(18)
Balance	**282**	**462**	**53**	**-**	**335**	**462**	**797**
Impairment allowance	(39)	148	(7)	-	(46)	148	102
At 31 December 2023	**243**	**610**	**46**	**-**	**289**	**610**	**899**
Society							
At 1 January 2023	287	473	53	-	340	473	813
Net write-offs and recoveries	(6)	(12)	-	-	(6)	(12)	(18)
Balance	**281**	**461**	**53**	**-**	**334**	**461**	**795**
Impairment allowance	(39)	148	(7)	-	(46)	148	102
At 31 December 2023	**242**	**609**	**46**	**-**	**288**	**609**	**897**

These provisions have been deducted from the appropriate loans in the Statement of Financial Position.

15. Investment In Subsidiary Undertakings

	Society 2024 £000	Society 2023 £000
Loan to subsidiary undertaking	4	4

Movements at cost in the above loan during the year are as follows:

	Society 2024 £000	Society 2023 £000
At 1 January	4	497
Repayments	-	(493)
Total at 31 December	**4**	**4**

The loan to subsidiary undertaking is entirely to Furness Financial Advisers.

The Society has the following subsidiary undertakings in which it directly holds all of the issued shares at a total cost of £6. Each is a company within the meaning of the Companies Act 2006 and is incorporated in the United Kingdom.

15.1 Subsidiary Undertakings

Company name Shares	Class of Share Held	Society's Interest	Cost
Furness Mortgage Services Limited	Ordinary	100%	£1
Furness Independent Financial Advisers Limited	Ordinary	100%	£1
Furness Authorised Financial Advisers Limited	Ordinary	100%	£1
Furness Financial Advisers Limited	Ordinary	100%	£1
Furness Financial Services Limited	Ordinary	100%	£1
Ultimate Mortgages Limited	Ordinary	100%	£1

With the exception of Furness Mortgage Services Limited, none of the subsidiary undertakings carried on business during the year.
The principal activity of Furness Mortgage Services Limited is management of secondary mortgage portfolios in the United Kingdom.
All of the Society's subsidiary companies share the same registered address as the Society.

16. Intangible Assets – Group and Society

Cost	Software £000
At 1 January 2024	5,178
Additions	-
Total at 31 December 2024	**5,178**

Depreciation

	Software £000
At 1 January 2024	4,649
Charges in year	205
Total at 31 December 2024	**4,854**

Net book value

	Software £000
Total at 31 December 2024	**324**
Total at 31 December 2023	**529**

17. Tangible Fixed Assets – Group and Society

Cost	Land £000	Buildings £000	Equipment, fixtures & fittings £000	Total £000
At 1 January 2024	59	1,368	8,236	9,663
Additions	-	-	1,119	1,119
Disposals	-	-	(243)	(243)
Total at 31 December 2024	**59**	**1,368**	**9,112**	**10,539**

Depreciation

	Land £000	Buildings £000	Equipment, fixtures & fittings £000	Total £000
At 1 January 2024	-	1,270	6,956	8,226
Charges in year	-	6	326	332
Disposals	-	-	(210)	(210)
Total at 31 December 2024	**-**	**1,276**	**7,072**	**8,348**

Net Book Value

	Land £000	Buildings £000	Equipment, fixtures & fittings £000	Total £000
Total at 31 December 2024	**59**	**92**	**2,040**	**2,191**
Total at 31 December 2023	**59**	**98**	**1,280**	**1,437**

During the year, the Society disposed of its previous branch and head office on Duke Street, Barrow-in-Furness. The net proceeds after associated costs were £288k, however the property was fully depreciated and so had zero net book value for the purposes of the above tables.

17.1 Net book value of land and buildings comprises:

	Group 2024 £000	Group 2023 £000
Freehold	92	98

All freehold land and buildings are being used by the Society for its own activities. The balance of freehold land and buildings being used by the Society for its own activities as at 31 December 2023 has been restated to £98k to correct a prior period error (this figure constitutes all of the Society's freehold land held as at 31 December 2023).

18. Other Assets

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Due within one year	283	209	101	43
Total	**283**	**209**	**101**	**43**

19. Prepayments and Accrued Income

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Rent and rates paid in advance	64	64	62	62
Fees and subscriptions paid in advance	323	323	213	213
IT & software costs paid in advance	3,789	3,789	689	689
Other	125	125	927	937
Total	**4,301**	**4,301**	**1891**	**1901**

20. Shares Held

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Held by individuals	1,120,950	1,120,950	1,032,445	1,032,445
Other shares	400	400	418	418
Total	**1,121,350**	**1,121,350**	**1,032,863**	**1,032,863**

21. Amounts Owed to Other Customers

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Amounts owed to other customers	**167,601**	**167,601**	**161,108**	**161,108**

Included in the amounts above for 2024 is £20m (£80m: 2023) borrowed from the Bank of England under the Term Funding Scheme with additional incentives for SMEs (TFSME). The remaining contractual repayment date is March 2025.

22. Other Liabilities

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Creditors	**2,649**	**2,618**	**2,382**	**2,353**

Of which tax related:

Corporation tax	385	352	357	325
Deferred tax liability (Note 25)	505	505	236	236

23. Accruals and Deferred Income

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Staff related costs	1,359	1,359	1,189	1,189
Other administrative and operating costs	521	511	539	522
Other	70	70	68	68
Total	**1,950**	**1,940**	**1,796**	**1,779**

24. Provisions For Liabilities – Group and Society

	Regulatory £000	Dilapidations £000	Total £000
At 1 January 2024	44	150	194
Amounts charged in the year	(4)	20	16
At 31 December 2024	**40**	**170**	**210**

Regulatory

This provision relates to compensation that may be payable as a result of previous business activity.

Dilapidations

The Society has obligations under certain lease contracts for dilapidation costs.

25. Deferred Taxation Liability

The elements of deferred taxation are as follows:	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Difference between accumulated depreciation and amortisation and capital allowances	(14)	(14)	(21)	(21)
Deferred tax asset relating to FRS 102 transition[1]	-	-	49	49
Deferred tax liability relating to payroll and pension asset	(491)	(491)	(264)	(264)
At 31 December	**(505)**	**(505)**	**(236)**	**(236)**

25.1 Deferred taxation movement in the year

The elements of deferred taxation are as follows:	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
At 1 January	(236)	(236)	(91)	(91)
Amount released to Statement of Comprehensive Income[2]	(269)	(269)	(145)	(145)
At 31 December	**(505)**	**(505)**	**(236)**	**(236)**

The deferred tax liability as at 31 December 2024 has been calculated using the rates substantively enacted for the expected periods of utilisation of 25.00% (25.52%: 2023).
[1] In the transition to FRS102 the Group has made measurement and recognition adjustments. The adjustments have been spread over 10 years.
[2] See Note 8.1 for further details.

26. Financial Commitments

Future minimum lease payments under non-cancellable operating leases	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Amounts payable within 1 year	210	210	272	272
Amounts payable within 1 to 5 years	781	781	104	104
Total	**991**	**991**	**376**	**376**

27. Financial Instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Group is a retailer of financial instruments in the form of mortgages and savings. The Group also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and to manage the risks arising from its operations.

The Group has a formal structure for managing risk, including establishing risk limits, reporting lines, mandates and other control procedures. The structure is reviewed regularly by the Society's Assets and Liabilities Committee, which is charged with the responsibility for managing the Group's balance sheet exposure and the use of financial instruments for risk management purposes.

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

27.1 Derivatives

Derivatives used by the Group are exclusively interest rate swaps used to hedge Group balance sheet exposures arising from fixed rate mortgage lending and savings products. The Board of Directors has authorised the use of derivatives in accordance with the Building Societies Act 1986. Derivatives are not used in trading activity or for speculative purposes and all derivatives are therefore designated as hedging instruments. The Accounting Policies for hedging contracts are described in the accounting policies in Note 1. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swap is generally short to medium term and their maturity profile reflects the nature of the exposures arising from the underlying business activities.

The recognition and measurement of financial instruments is set out in the Accounting Policies (Note 1). The table below shows the assets and liabilities of the Group assigned to the categories by which they are recognised and measured. The differences between Group and Society are immaterial.

At 31 December 2024	Measured at amortised cost		Measured at fair value			Total
Financial assets	Loans and receivables £000	Assets and liabilities at amortised cost £000	Available for sale £000	Derivatives designated as FVTPL hedges £000	Unmatched derivatives £000	£000
Cash in hand	-	127,998	-	-	-	127,998
Treasury bills and gilts	-	-	32,444	-	-	32,444
Loans and advances to credit institutions	46,572	-	-	-	-	46,572
Debt securities	-	-	81,259	-	-	81,259
Derivative financial instruments	-	-	-	6,884	44	6,928
Loans and advances to customers	1,092,482	-	-	-	-	1,092,482
Total financial assets	**1,139,054**	**127,998**	**113,703**	**6,884**	**44**	**1,387,683**
Non-financial assets						9,597
Total assets	**1,139,054**	**127,998**	**113,703**	**6,884**	**44**	**1,397,280**
Financial liabilities						
Shares	-	1,121,350	-	-	-	1,121,350
Amounts owed to credit institutions	-	13,744	-	-	-	13,744
Amounts owed to other customers	-	167,601	-	-	-	167,601
Derivative financial instruments	-	-	-	1,748	1	1,749
Total financial liabilities	**-**	**1,302,695**	**-**	**1,748**	**1**	**1,304,444**
Non-financial liabilities						4,809
Total liabilities	**-**	**1,302,695**	**-**	**1,748**	**1**	**1,309,253**

At 31 December 2023	Measured at amortised cost		Measured at fair value			Total
Financial assets	Loans and receivables £000	Assets and liabilities at amortised cost £000	Available for sale £000	Derivatives designated as FVTPL hedges £000	Unmatched derivatives £000	£000
Cash in hand	-	56,080	-	-	-	56,080
Treasury bills and gilts	-	-	40,154	-	-	40,154
Loans and advances to credit institutions	68,429	-	-	-	-	68,429
Debt securities	-	-	50,337	-	-	50,337
Derivative financial instruments	-	-	-	10,564	-	10,564
Loans and advances to customers	1,072,056	-	-	-	-	1,072,056
Total financial assets	**1,140,485**	**56,080**	**90,491**	**10,564**	**-**	**1,297,620**
Non-financial assets						5,528
Total assets	**1,140,485**	**56,080**	**90,491**	**10,564**	**-**	**1,303,148**
Financial liabilities						
Shares	-	1,032,863	-	-	-	1,032,863
Amounts owed to credit institutions	-	14,630	-	-	-	14,630
Amounts owed to other customers	-	161,108	-	-	-	161,108
Derivative financial instruments	-	-	-	4,981	-	4,981
Total financial liabilities	**-**	**1,208,601**	**-**	**4,981**	**-**	**1,213,582**
Non-financial liabilities						4,372
Total liabilities	**-**	**1,208,601**	**-**	**4,981**	**-**	**1,217,954**

27.2 Valuation of financial instruments carried at fair value

The Group holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy as outlined below. Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1

The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Group's Level 1 portfolio consists principally of debt securities and treasury bills for which traded prices are readily available.

Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. We have evaluated these using estimated credit losses, interest rates and discount rates. The Group's Level 2 portfolio consists of interest rate swaps for which traded prices are readily available.

Level 3

These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models.
We have no assets or liabilities of this type.

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

At 31 December 2024 Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available-for-sale				
Debt securities	81,259	-	-	81,259
Treasury bills & gilts	32,444	-	-	32,444
Fair value through profit and loss				
Derivative financial instrument assets	-	6,928	-	6,928
Total	**113,703**	**6,928**	**-**	**120,631**
Financial liabilities				
Fair value through profit and loss				
Derivative financial instrument liabilities	-	1,749	-	1,749
Total	**-**	**1,749**	**-**	**1,749**

At 31 December 2023 Financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available-for-sale				
Debt securities	50,337	-	-	50,337
Treasury bills & gilts	40,154	-	-	40,154
Fair value through profit and loss				
Derivative financial instrument assets	-	10,564	-	10,564
Total	**90,491**	**10,564**	**-**	**101,055**
Financial liabilities				
Fair value through profit and loss				
Derivative financial instrument liabilities	-	4,981	-	4,981
Total	**-**	**4,981**	**-**	**4,981**

27.3 Financial assets pledged as collateral

The total financial assets recognised in the Statement of Financial Position that had been pledged as collateral for liabilities at 31 December 2024 and 2023 is shown in the following table.

	Group 2024 £000	Group 2023 £000
Loans and advances to credit institutions	3,789	5,712
Loans and advances to customers	193,611	252,574
Total	**197,400**	**258,286**

Financial assets are pledged as collateral to the Bank of England to support both Term Funding Scheme with additional incentives for SMEs borrowings and to support contingent liquidity drawdowns if required. Mortgage loans of £193.6m were pledged to the Bank of England as at 31 December 2024. In addition the Society places collateral with a central clearing provider to support initial margin and mark to market movements under derivative contracts used to manage interest rate risk.

27.4 Credit risk

'Credit risk' is the risk that a borrower or counterparty of the Group will cause a financial loss to the Group by failing to discharge an obligation.

All loan applications are assessed with reference to the Group's Lending policy. Changes to policy are approved by the Board and the approval of loan applications is mandated. The Board is responsible for approving treasury counterparties.

The Group enters into credit support agreements, which protect against counterparty default in respect to hedging instruments by means of collateral transactions. Collateral balances are included within 'liquid assets' or 'amounts owed to credit institutions' as appropriate and interest receivable or payable reflected in the Statement of Comprehensive Income within 'net interest receivable'.

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

	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Cash in hand and balances with Bank of England	127,998	127,998	56,080	56,080
Treasury bills and gilts	32,444	32,444	40,154	40,154
Loans and advances to credit institutions	46,572	45,781	68,429	68,160
Debt securities	81,259	81,259	50,337	50,337
Derivative financial instruments	6,928	6,928	10,564	10,564
Loans and advances to customers	1,092,482	1,090,655	1,072,056	1,069,776
Loans to subsidiaries	-	4	-	4
Total Statement of Financial Position exposure	**1,387,683**	**1,385,069**	**1,297,620**	**1,295,075**
Off balance sheet exposure – mortgage commitments	102,475	102,475	77,549	77,549
Total	**1,490,158**	**1,487,544**	**1,375,169**	**1,372,624**

27.5 Credit quality analysis of loans and advances to customers

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

	2024		2023	
	Loans fully secured on residential property £000	Loans fully secured on land £000	Loans fully secured on residential property £000	Loans fully secured on land £000
Neither past due nor impaired	1,060,923	545	1,040,194	1,012
Past due but not impaired				
0-60 days	8,854	-	7,060	272
60-90 days	1,551	-	557	-
90-180 days	337	-	1,620	7
180 days+	975	-	921	-
Impaired				
Not past due	15,155	818	16,331	819
0-60 days	2,752	-	3,133	274
60-90 days	499	278	-	-
90-180 days	725	-	717	-
180 days+	725	-	60	-
Possession	252	-	64	-
Total	**1,092,748**	**1,641**	**1,070,657**	**2,384**
Allowance for impairment				
Individual	637	52	243	46
Collective	479	-	610	-
Total allowance for impairment	**1,116**	**52**	**853**	**46**

The status 'past due but not impaired' includes any asset where a payment due is received late or missed but no individual impairment has been made against that asset. The amount included is the entire loan amount and not just the overdue amount.

27.6 Assets obtained by taking possession of collateral

There were 2 (1: 2023) financial assets obtained during the year by taking possession of collateral held as security against loans and advances and held at year-end. This represents a total mortgage balance of £252k (£64k: 2023).

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

27.7 Collateral held and other credit enhancements

Average loan to value of loans and advances to customers:

Group 2024	Society 2024	Group 2023	Society 2023	Principal type of collateral held
43.0%	43.0%	41.6%	41.7%	Property

The Group and Society holds security against its mortgage loans and advances in the form of property collateral in order to mitigate credit risk.

The table opposite analyses the average loan to value of underlying collateral for our loans and advances to customers, based on the indexed valuation. The Society uses the HM Land Registry to revalue property collateral held against individual mortgage loans in order to calculate indexed valuations.

LTV ratio	Group 2024 £000	Society 2024 £000	Group 2023 £000	Society 2023 £000
Less than 50%	396,401	394,572	411,657	409,374
50-70%	341,244	341,244	365,641	365,641
71-90%	316,532	316,532	256,491	256,491
91-100%	36,127	36,127	37,364	37,364
More than 100%	4,085	4,085	1,889	1,889
Total	**1,094,389**	**1,092,560**	**1,073,042**	**1,070,759**

The tables opposite further stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the indexed valuation.

27.8 Forbearance

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 Group include reduced monthly payment, an arrangement to clear outstanding arrears, capitalisation of arrears or extension of the mortgage term.

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

	Group 2024 Number	Group 2023 Number
Arrangement	2	2
Interest Only	13	-
Extension of Term	-	8
Others	4	6
Total	**19**	**16**

The cases above represent total mortgage balances of £6.8m (£1.9m: 2023).

Impairment provisions of £96k (£0k: 2023) are held in respect of these mortgages.

27.9 Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient financial resources available to meet its obligations as they fall due under either normal business conditions or a stressed environment.

It is the Group's policy that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

1. meet day-to-day business needs;
2. meet any unexpected cash needs;
3. maintain public confidence; and
4. ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Group's prudent policy framework, is performed daily. Compliance with these policies is reported regularly to the Board Risk Committee. The Group's Liquidity policy is designed to ensure the Group has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests has been developed as part of the Individual Liquidity Adequacy Assessment (ILAA) process. They include scenarios that fulfil the specific requirements of the Prudential Regulation Authority (PRA) and scenarios identified by the Group which are specific to its business model. The stress tests are performed monthly to confirm that liquidity policy remains appropriate.

27.10 Maturity analysis for financial assets and financial liabilities

The tables below set out the remaining contractual maturities of the Group'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.

Group at 31 December 2024

Financial assets	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Cash in hand & balances with Bank of England	127,998	-	-	-	-	127,998
Treasury bills and gilts	-	4,988	27,456	-	-	32,444
Loans and advances to credit institutions	519	-	42,264	3,789	-	46,572
Debt securities	-	12,079	9,591	59,589	-	81,259
Derivative financial instruments	-	-	114	6,784	30	6,928
Loans and advances to customers	-	1,767	18,848	75,420	996,447	1,092,482
Total financial assets	**128,517**	**18,834**	**98,273**	**145,582**	**996,477**	**1,387,683**

Financial liabilities

Shares	969,211	13,821	79,846	55,129	3,343	1,121,350
Amounts owed to credit institutions	-	7,575	1,012	5,157	-	13,744
Amounts owed to other customers	54,809	42,008	33,153	37,631	-	167,601
Derivative financial instruments	-	114	535	1,100	-	1,749
Off balance sheet exposure	102,475	-	-	-	-	102,475
Total financial liabilities	**1,126,495**	**63,518**	**114,546**	**99,017**	**3,343**	**1,406,919**

Group at 31 December 2023

Financial assets	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Cash in hand & balances with Bank of England	56,080	-	-	-	-	56,080
Treasury bills and gilts	-	-	22,974	17,180	-	40,154
Loans and advances to credit institutions	10,477	27,642	23,042	5,712	1,556	68,429
Debt securities	-	-	-	50,337	-	50,337
Derivative financial instruments	-	1,021	1,116	8,427	-	10,564
Loans and advances to customers	-	1,856	9,599	77,923	982,678	1,072,056
Total financial assets	**66,557**	**30,519**	**56,731**	**159,579**	**984,234**	**1,297,620**

Financial liabilities

Shares	886,000	18,899	47,071	78,053	2,840	1,032,863
Amounts owed to credit institutions	-	9,730	-	4,900	-	14,630
Amounts owed to other customers	27,921	32,386	42,413	58,388	-	161,108
Derivative financial instruments	-	259	178	4,544	-	4,981
Off balance sheet exposure	77,549	-	-	-	-	77,549
Total financial liabilities	**991,470**	**61,274**	**89,662**	**145,885**	**2,840**	**1,291,131**

Off balance sheet exposures pertain to amounts payable on demand for undrawn loan commitments and have been included accordingly.

The tables below set 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.

Group at 31 December 2024

Financial liabilities	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Shares	969,211	13,880	81,550	60,777	3,685	1,129,103
Amounts owed to credit institutions	-	7,575	1,011	5,157	-	13,743
Amounts owed to other customers	85,534	22,122	34,012	41,515	-	183,183
Derivative financial instruments	-	114	535	1,100	-	1,749
Total financial liabilities	**1,054,745**	**43,691**	**117,108**	**108,549**	**3,685**	**1,327,778**
Other liabilities						4,809
Total liabilities	**1,054,745**	**43,691**	**117,108**	**108,549**	**3,685**	**1,332,587**

Group at 31 December 2023

Financial liabilities	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Shares	886,000	18,977	48,047	85,824	3,123	1,041,971
Amounts owed to credit institutions	-	9,730	-	4,900	-	14,630
Amounts owed to other customers	29,586	32,535	7,583	52,811	-	122,515
Subordinated debt	-	-	-	-	-	-
Derivative financial instruments	-	259	178	4,544	-	4,981
Total financial liabilities	**915,586**	**61,501**	**55,808**	**148,079**	**3,123**	**1,184,097**
Other liabilities						4,372
Total liabilities	**915,586**	**61,501**	**55,808**	**148,079**	**3,123**	**1,188,469**

27.11 Market risk

Market risk is the risk of changes to the Group's financial condition caused by market interest rates. The Group is exposed to market risk in the form of changes (or potential changes) in the general level of interest rates, changes in the relationship between short and long-term interest rates and interest rates for different balance sheet elements (basis risk).

The management of interest rate risk is based on a full Statement of Financial Position gap analysis. In addition management review interest rate basis risk. Both sets of results are measured against the risk appetite for market risk. These are in turn reviewed monthly and reported to the Board Risk Committee.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. The key scenario that is considered on a monthly basis is that of a 200 basis point (bps) parallel fall or rise in the SONIA yield curve.

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

Market Risk Group 31 December 2024	200bps parallel increase £000	200bps parallel decrease £000
Sensitivity to profit and reserves	(2,458)	2,671
31 December 2023		
Sensitivity to profit and reserves	(1,013)	1,094

27.12 Capital

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above its regulatory capital requirements. The Board manages the Society's capital and risk exposures to maintain capital in line with regulatory requirements which also includes monitoring of:

Lending and business decisions

The Society does not use an application scorecard and all cases are individually underwritten using credit reference data and a number of sources of evidence regarding the status of the borrower. A detailed Lending policy sets out the Society's lending criteria for different types of lending supported by ongoing monitoring within the business to ensure the loans are affordable and all lending is responsible. The Credit Risk Committee meets regularly to monitor and control the risks associated with the mortgage lending portfolio and to ensure activity remains within policy and approved limits.

Concentration risk

The Society is exposed to concentration risk principally because its activities are highly concentrated in residential lending and/or associated products and services funded predominantly by retail deposits. Concentration risk is concerned with the risk that in extreme scenarios, the lack of diversification may mean the losses resulting from such concentrations may be sufficient to impact the solvency of the Group. The following types of concentration risk are monitored to ensure that lending is not more than is appropriate for the Group in relation to its position/size; Geographic, Funding, Large Exposures and Product Type. The Society's concentration risk is monitored by the Retail Credit Risk Committee and Assets and Liabilities Committee (ALCO).

Counterparty risk

The Society is exposed to the risk that market counterparties will fail to meet their obligations as they fall due and subsequently default resulting in losses. Counterparty risk principally arises from the Society investing in liquid assets as part of its Treasury operations. The Society controls the risk arising from liquid assets via a Board approved policy which restricts investments principally to cash held with the Bank of England, UK Government issued debt instruments and liquid regulatory compliant AAA rated debt securities. The Society's liquid asset investments are monitored by the Society's ALCO to ensure activity remains within policy and approved limits.

Pricing risk

Product pricing models are utilised for both new mortgage product launches and to assess ongoing pricing changes to the existing product portfolio in order to manage acceptable levels of net interest income margin and returns to support planned profitability and capital levels. All pricing decisions are reviewed and approved through the Product Pricing Committee.

28. Society Pensions

The Society previously operated a Defined Benefit Pension Scheme, now closed to new entrants and further accrual, on which it recognises gains and losses in each period in the Statement of Comprehensive Income. The Defined Benefit Pension Accounting policy is set out in Note 1.19 and the accounting policies applied for employee pensions is described by Note 1.20.

The Society's Defined Benefit Pension Scheme was closed to new entrants in September 2000 and to further accrual in January 2017. Under current arrangements eligible employees can join a defined contribution pension arrangement known as Group Personal Pension Scheme, under which the Society assists with contributions. In 2024, the Society contributed £507k to this scheme (£503k: 2023).

The Defined Benefit pension scheme is funded by the Society. Funding of the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions below. The last actuarial valuation of the scheme was undertaken as at 6 April 2023. The Society's cash contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The scheme is currently fully funded in relation to pension liabilities, with assets sufficient to meet the obligations to its pension scheme members, and so no additional contributions towards scheme liabilities are deemed necessary at this time. Pension contributions in 2024 were £753k (includes £369k scheme administration expenses).

The fair value of the Defined Benefit Pension Scheme assets was £21.94m at 31 December 2024 (£22.96m: 2023). The Scheme's assets include no assets from the Society's own financial instruments and do not include any property occupied by, or other assets used by, the Society.

Disclosures under FRS102 may be volatile from year-to-year. This is because the liabilities are measured by reference to corporate bond yields whereas the majority of the Society's assets are invested across a variety of asset classes that may not move in the same direction.

The post retirement mortality assumptions are based on the mortality table known as S3PXA with reference to members' years of birth. Allowances have been made for improvements in mortality in the recent past and currently expected in the future.

The assumptions are equivalent to expecting a 62-year old to live for a number of years as follows:

- Current pensioner aged 62: 23.8 years male, 26.5 years female.
- Future retiree upon reaching 62: 24.9 years male, 27.7 years female.

28.1 Pension breakdown

Net pension surplus	2024 £000	2023 £000
Defined benefit obligation	(19,443)	(21,390)
Plan assets	21,941	22,960
Surplus in the Scheme	**2,498**	**1,570**

Movement in surplus during the Year

Surplus in the Scheme at beginning of year	1,570	1,212
Interest credit	80	88
Actuarial gain/(loss)	464	(1,078)
Employer contributions paid (gross of charges)	384	1,348
Surplus in the Scheme at end of year	**2,498**	**1,570**

The fair value of the Scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are shown in the following tables:

Changes in the fair value of scheme assets:	2024 £000	2023 £000
Opening fair value of Scheme assets	22,960	22,173
Interest on assets	1,019	1,049
Loss on asset return	(1,377)	(562)
Contributions by employer	384	1,348
Benefits paid	(1,045)	(1,048)
Closing fair value of Scheme assets	**21,941**	**22,960**

Changes in the present value of the defined benefit obligation

Opening defined benefit obligation	21,390	20,961
Interest cost	939	961
(Gain)/loss on changes in assumptions/ from experience	(1,841)	516
Benefits paid	(1,045)	(1,048)
Closing defined benefit obligation	**19,443**	**21,390**

The pension costs for the Defined Benefit Pension Scheme in 2024 were as follows:

Analysis of other pension costs charged in arriving at operating profit:	2024 £000	2023 £000
Interest on Pension Scheme liabilities	80	88
Net credit to operating profit	**80**	**88**
Analysis of amount credited through other comprehensive Income:		
Loss on assets	(1,377)	(562)
Changes in assumptions	1,841	(516)
Net credit/(charge) through Other Comprehensive Income	**464**	**(1,078)**

Principal actuarial assumptions
(expressed as weighted averages) at the year-end:

	2024	2023
Discount rate	5.35%	4.5%
Inflation - RPI	3.40%	3.2%
Inflation - CPI	2.90%	2.7%

The loss on the scheme's invested assets over the year was 6.0%, equivalent to £1.377m in monetary terms.

The total actuarial gain recognised in Other Comprehensive Income in 2024 was £0.464m (£1.078m loss: 2023).

The fair value of the plan assets were as follows:

	2024 Fair Value £000	2023 Fair Value £000
Bonds	12,617	12,554
Other*	9,324	10,406
Total	**21,941**	**22,960**

*Includes £2.178m in diversified growth fund that allocates funds across a broad range of asset classes including equities.

Following the High Court ruling on 26 October 2018 regarding the equalisation of Guaranteed Minimum Pension ('GMP') benefit within the Lloyds pension scheme, the Society included an allowance for the impact of GMP equalisation within its 2018 accounting figures, where an uplift of 0.3% was applied to the FRS102 liabilities. The liabilities as at 31 December 2024 are based on these figures and therefore allow for this adjustment. However, this remains an estimated figure with no further adjustment to this estimate to date. Once detailed calculations have been undertaken by the Scheme Trustee, the difference between this estimate and the actual cost of equalisation will be treated as an actuarial gain/loss in the Other Comprehensive Income.

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds bank GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The Society has estimated the impact of this ruling to be immaterial and has therefore excluded the impact from its 2024 accounting figures.

In June 2023, the High Court handed down a decision in the case of Virgin Media Ltd versus NTL Pension Trustees II Ltd. This judgement considered the implications of Section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme cannot be altered, in relation to post April 1997 service, unless the actuary confirmed that the scheme would continue to satisfy the statutory standards.

The High Court found that, where the required actuarial confirmation was not supplied, the effect of Section 37 was to render void the relevant amendment to any contracted-out right. This decision was appealed by Virgin Media Ltd to the Court of Appeal and, in July 2024, the Court of Appeal upheld the decision of the High Court.

The Group is monitoring the position in conjunction with the Trustee and pension advisors, and will consider the possible implications for the scheme. At the date of signing the financial statements it is not possible to estimate the potential impact, if any, on the scheme.

29. Related Party Transactions

The Group has taken exemption as provided in section 33.1A of FRS 102 and does not disclose transactions with members of the same Group that are wholly owned. The Group would disclose transactions with related parties which are not wholly owned with the same Group; however, during the year under consideration, there have been no such related party transaction which needs to be disclosed.

See Note 7 for disclosure of Directors' emoluments and details of transactions with Directors.

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Annual Business Statement

For the year ended 31 December 2024

Statutory Percentages

Statutory Percentages	At 31.12.2024	At 31.12.2023	Statutory limit
Proportion of business assets not in the form of loans fully secured on residential property (the 'lending limit')	1.42%	1.52%	25%
Proportion of shares and borrowings not in the form of shares held by individuals (the 'funding limit')	13.95%	14.58%	50%

The above percentages have been prepared from the Group's Annual Accounts.

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986.

Business assets are the total assets of the Group as shown in the Statement of Financial Position plus impairment allowance on loans and advances to customers, less fixed assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the Statement of Financial Position plus impairment allowance on loans and advances to customers.

Other Percentages

Summary of Key Financial Ratios	2024 (%)	2023 (%)
Gross capital as a percentage of shares and borrowings	6.76	7.05
Free capital as a percentage of shares and borrowings	6.60	6.94
Liquid assets as a percentage of shares and borrowings	22.13	17.79
Profit for the year as a percentage of mean total assets	0.21	0.25
Management expenses as a percentage of mean total assets	1.42	1.42

The above percentages have been prepared from the Group's Annual Accounts.

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

'Gross capital' represents aggregated reserves and subordinated liabilities as shown in the Group Statement of Financial Position.

'Free capital' is gross capital plus collective impairment on loans and advances less tangible and intangible fixed assets in the Group Statement of Financial Position.

'Mean total assets' represent the average of total assets at the beginning and end of the financial year for the Group.

'Liquid assets' represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, debt securities and treasury bills.

'Management expenses' are the aggregate of administrative expenses and depreciation and amortisation taken from the Group Statement of Comprehensive Income.

Directors as at 31 December 2024

Name	Age	Date of Appointment	Business Occupation	Other Directorships
Mr P McLelland	58	26/10/2016	Company Director Senior Risk Advisor	Calisen Impact Charitable Trust Gatehouse Bank Pure Retirement
Mr A Haywood	61	25/04/20 18	Company Director Chief Modernisation Officer	Yorkshire Water
Mr G M Berville	68	31/10/2018	Company Director	
Mr P D Rogerson	60	29/10/2019	Company Director	
Mr C M Harrison	63	06/04/2017	Chief Executive	FBS Subsidiaries
Mr T E Leach	43	01/10/2024 Interim Finance Director: 01/10/2024	Interim Finance Director (from October 2024)	FBS Subsidiaries (from October 2024)
Mrs K Ingham	59	23/04/2024	Company Director	Manhealth CIC Ramsdens Financial Limited
Mrs D J Hosie	59	23/04/2024	Company Director	Chair of Legal & General Unit Trust Managers Morgan Stanley Fund Management (Ireland) Limited Morgan Stanley sponsored Investment Funds

Documents may be served on the above named Directors at the following address:
Furness Building Society, Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria LA14 5PQ.

Other Directors Who Served In 2024

Name	Age	Date of Appointment	Business Occupation	Other Directorships
Mr N J Gower	65	20/05/2014 (retired at 2024 AGM)	Company Director	Manchester University NHS Foundation Trust
Ms K L Rebecchi	58	05/01/2016 (retired at 2024 AGM)	Company Director	Redmayne-Bentley Stockbrokers LLP Cynergy Bank Ltd
Mrs L S Hamp	38	11/09/2019 Finance Director: 25/01/2023	Finance Director (until October 2024)	FBS Subsidiaries (until October 2024) Sparrowhawk Leisure Limited

Particulars of Directors' Remuneration and Expenses

Details of Directors' remuneration and expenses can be found in the Directors' Remuneration Report on pages 37 to 41.

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For more information talk to us on 0800 781 4311 or visit furnessbs.co.uk