

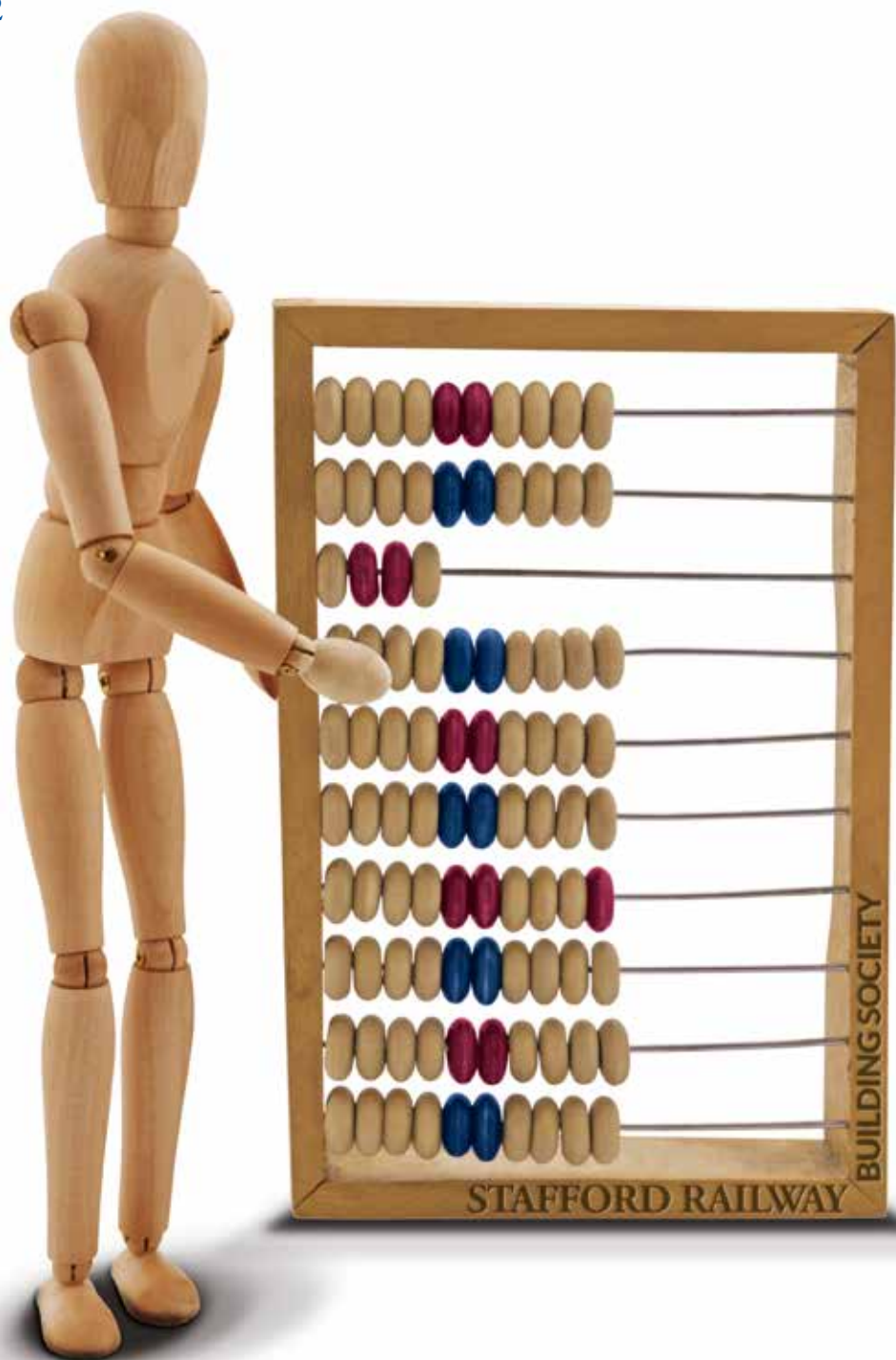


Annual Review

Incorporating Summary Financial Statement



STAFFORD RAILWAY
BUILDING SOCIETY



Summary Financial Statement For The Year Ended 31 October 2020

Foreword

The Directors have pleasure in presenting the Summary Financial Statement of the Society for the year ended 31 October 2020 being the one hundred and forty third Annual Report. This Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to Members and Depositors free of charge on demand from the Society from 26 January 2021.

Approved and signed on its behalf by the Board of Directors on 5 January 2021.

Colin C Lloyd

(Chairman)

Michael R Smith

(Chief Executive)

Steven Jones

(Deputy Chief Executive
and Finance Director)



**STAFFORD RAILWAY
BUILDING SOCIETY**

Chief Executive's Business Review

The 2020 calendar year has been dominated by the impact of the Covid-19 global pandemic. The impact on your Society has been a financial year of two halves.

The first six months saw continued progress in line with our three year transitional period of development and investment in the business. I am pleased to report that whilst in the second six months the impact of the pandemic and its accompanying restrictions have recalibrated our ambitions and priorities, we have continued to make good progress across the Society. This is reflected in both improvements in operational efficiencies and in attaining our desired balanced performance of considered growth, with appropriate profitability to fuel continued investment in delivering the annual results. Building a sustainable Society remains our goal and we can confirm the core elements of growth in mortgages, growth in savings, growth in total assets and growth in capital retained were all achieved.

The balanced performance across the business I believe endorses our ethos of developing a sustainable Society for the longer term.



Covid-19 Impact

I am proud to state that, as an essential business, your Society remained open throughout the necessary lockdown periods. We supported our mortgage Members with unprecedented levels of Temporary Payment Holiday requests in line with Governmental guidelines, and have continued to provide the tailored and understanding response of a relationship-led local building society. To ensure we have adequate financial buffers in the current uncertain times, we have fully appraised our mortgage book and are satisfied with the levels of our impairment provisions.

Building on the strong and financially stable position, the Society has made good progress in the following areas:

Membership

A key aim is to stimulate an increase in membership. This has been achieved. The launching of new products - Regular Saver and Notice accounts - has proved attractive. Saving membership has increased by opening 23% more accounts in the year (2020: 1,125 and 2019: 917). We remain very keen to develop an integrated on-line savings proposition. Covid-19 has seen this develop as an absolute priority and you can anticipate development in this area in the near future.

Mortgage Origination

I am pleased to report continued growth in the mortgage book. Our expert led, manual approach to our underwriting standards ensures we understand the personal circumstances behind each mortgage application. Growth during the initial lockdown tapered, as time to achieve completion lengthened and as we applied appropriate caution to the developing economics. In the final quarter, the mortgage pipeline has been reinvigorated and we are well positioned to see continued growth moving forward. Gross mortgage lending of £37.56m (H1: £22.79m & H2: £14.77m) (2019: £47.62m) represents a good performance. Particularly pleasing has been our levels of retention which have continued to reflect the strength of our relationship driven model. This has contributed to our mortgage book increasing to £197.70m (2019: £187.61m). The growth in business has primarily been driven by our relationships with the intermediary network, which was in line with our expectations. We have also developed key products to service the local Members, particularly during the pandemic, most notable being a 90% loan to value ('LTV') for Heartland¹ Members. We anticipate further growth in 2021.

Products

Our ability to deliver new mortgage and savings products ensured they are contemporised and meet the needs of our Members. We remain committed to developing our retention products (where during the year we have achieved an 80% retention rate) together with an expansion into inter-generational products, as we seek to embrace a younger demographic.

¹Heartland consists of the ST14 to ST21 and certain WS postcodes.

Information Technology ('IT')

We have continued to invest significant time and money into improving our IT infrastructure. When the pandemic began, almost overnight we were able to continue to operate with 75% of staff homeworking. This, coupled with improved electronic payment and card payment capability, ensured we could continue to service our Members. The pandemic has further increased the pace of change amongst our Members. From the onset of the lockdown during the spring season, we and our Members advanced five to ten years in our digital behaviour - across all groups and all ages - necessity once again proving to be the mother of invention. Six months into the pandemic, hardly anyone feels intimidated making on-line purchases or performing their financial transactions over their laptop or mobile phone. In conjunction with the relaunched website we shall be seeking to adapt to the digital demands. On-line Savings is the priority.

Staff and Working Environment

We have not participated in the Government Furlough Scheme, ensuring all our staff remained on full pay. The Society continues to invest in staff, particularly in the Mortgage Team, and this is designed to ensure we are a business capable of sustainable growth. We are pleased to report that the staff survey, taken in Quarter 3, evidenced continued high levels of staff satisfaction, understanding of the transitional activities your Society is undertaking and challenges of the pandemic. This, coupled with the very high Member satisfaction scores, provides great confidence for continued future growth.

We shall continue to monitor our Covid-19 risk assessment to ensure we protect our staff and Members to the highest practical standard.

Community

We remain committed to supporting the local community, by means of donations, sponsorship and our Affinity programme with local organisations. Planned activities, by necessity have had to be deferred and we shall seek to recommence our active involvement as soon as it is safe to do so.

We have continued our sponsorship of both the Stafford 10k and Stafford Half Marathon, for which we are sponsors until 2021, maintaining our support of local events within Stafford town centre.

We are delighted to be a party to the Military Covenant supporting the local Beacon Barracks.

The Future

The last six months, in both a macro and micro environment have been dramatic to say the least. Only as far back as mid-February, few of us could have imagined what we have experienced over the last six months.

As a non-systemic building society, we in the Society are never going to be the cause of any economic turmoil, but it is a key strength of the Society to remain financially strong, supportive of our staff, members and community led, demonstrated as follows:



- Our mortgage impairments are adequate to cover current mortgage credit risk defaults;
- Our cost income ratio remains in line with expectation;
- Our capital position has continued to strengthen;
- Our funding has also remained strong as depositors have remained loyal and reinforced their trust in our brand; and
- Our considered inward investment in the continuous improvement and sustainability of your Society.

There are no doubts of the forward uncertainty of the economic situation. However, I remain confident in our ability to withstand the turbulence ahead. I also remain very aware that Members expectations have changed. It is truer than ever that standing still means rapidly moving backwards. We must ensure the changes we embrace are good and positive change. We must caution against change for changes sake!

We shall remain true to our key values of Simplicity, Service and Security, which have contributed to the success the Society has enjoyed and continues to enjoy. This will not change.

To achieve this in the year ahead, I have confidence that our staff will continue with their committed approach to the business of the Society, motivated by the achievements of the past year. In 2020 more than any year I consider the commitment of our staff to have been exceptional for which they deserve special thanks.

I would like to reiterate my thanks to our Members, for the trust you have in the Society. Our future priority will be to match, or indeed exceed, your expectations, continuing our vision of a people-led business that embraces new technologies, whilst maintaining traditional individual service for our Members. I would also like to express my thanks to Colin Lloyd for his support as Chairman and I wish him well in his retirement.

Although the economic environment is uncertain, may I reassure you that your Society remains with careful management, well positioned not only to withstand the current turbulence but to continue to develop and grow in the years ahead.

Michael R Smith

Chief Executive
5 January 2021

Summary Directors' Report

The Board is satisfied with the Society's positive performance during the year. This is demonstrated by the 5.38% growth in mortgages (2019: 8.93%), 3.74% in total assets (2019: 2.18%), solely funded by the 3.70% (2019: 2.01%) growth in retail funding. The reported retained profit for the year of £0.85m (2019: £0.86m), has further strengthened the Society's overall capital reserves which have grown by 3.92% (2019: 4.31%). This positive performance is all the more creditable given the ongoing challenges and impact of the Covid-19 pandemic together with uncertainty regarding Brexit negotiations and potential contraction of UK economic growth.

Key Performance Indicators

The Board use a number of key performance indicators to monitor the actual and future performance and position of the Society. These are included to allow Members a greater insight and understanding of the Society's performance.

	2020	2019	2018
Net interest margin (% of mean total assets)	1.68%	1.73%	1.63%
Management expenses (% of mean total assets)	1.28%	1.32%	1.24%
Cost income ratio	76.20%	75.69%	76.66%
Profit after taxation	£0.85m	£0.86m	£0.80m
Profit after taxation (% of mean total assets)	0.32%	0.34%	0.31%
Total assets growth	3.74%	2.18%	(3.44)%
Gross mortgage advances	£37.56m	£47.62m	£34.70m
Mortgage assets growth	5.38%	8.93%	0.96%
Liquid assets (% of shares and amounts owed to other customers)	28.76%	29.95%	34.83%
Shares and amounts owed to other customers growth	3.70%	2.01%	(3.96)%
Capital growth	3.92%	4.31%	3.98%
Gross capital (% of shares and amounts owed to other customers)	9.25%	9.23%	9.03%
Total reserves	£22.76m	£21.90m	£20.99m



The Society seeks to make sufficient profits in order to invest in and grow the business for the benefit of its current and future Members. Profits after tax for the year of £0.85m (2019: £0.86m) was transferred to reserves, further enhancing the Society's capital strength. Profit after tax of £0.85m expressed as a percentage of the average of total assets at the beginning and end of the financial year was 0.32% (2019: 0.34%).

The Board is satisfied with the reported level of profitability, given the unprecedented social and economic environment that beset the UK during the year.

Total net income

Total net income of £4.43m (2019: £4.47m) represents total interest receivable from mortgages and liquid assets less total interest payable on retail savings and fees and other operating income. The net interest margin of 1.68% (2019: 1.73%) expresses net interest income as a percentage of the average of total assets at the beginning and end of the financial year.

Both net interest income and margin have reduced during the year, predominantly as a result of the cumulative 0.65% fall in the Bank of England's Base Rate, which at 31 October 2020 stood at 0.10%. In response to the reductions in Base Rate the Society continued to manage the margin by balancing the risks, rewards and value both to borrowing and retail Members.

Management expenses and depreciation

Management expenses and depreciation of £3.38m (2019: £3.39m) represent the Society's administrative expenses and represent the costs of running the organisation. The £0.01m reduction was a result of ensuring the Society achieved demonstrable value for all areas of expenditure. The management expenses ratio of 1.28% (2019: 1.32%) represents the total of these expenses as a percentage of the average of total assets at the beginning and end of the financial year.

The Board consider the cost income ratio, which represents the aggregate of administration expenses and depreciation expressed as a percentage of total income less other operating charges, to be a key measure in its assessment of returning 'value for money' which is a key ongoing financial objective. During the year the reported cost income ratio at 76.20% has increased on the 75.69% reported in the prior year indicating that total income has decreased to a greater extent than the Society's cost base.

Loan and advances to customers

The Board is particularly pleased to report that given the subdued housing market since the pandemic outbreak mortgage balances have increased by £10.09m to £197.70m (2019: £187.61m). Total mortgage advances in the year of £37.56m were £10.06m below that achieved during 2019 of £47.62m. This equated to 5.38% mortgage assets growth in the year (2019: 8.93%). Similarly mortgage redemptions of £18.29m were £4.45m below the £22.74m reported for 2019.

The Society is mindful to ensure that the strong mortgage growth is delivered in a controlled and measured way, and continues to closely monitor all lending decisions, adopting a common-sense and responsible approach to new lending in order to maintain a high quality loan book. All mortgage cases are fully assessed by the internal Underwriting Team in preference to automated credit scoring. This personalised approach enables each case to be individually assessed on its own merits which includes the assessment that borrowers have adequate repayment affordability, allowing for the impact of potential future interest rate increases.

Key market segments for mortgage lending include Residential house purchase and re-mortgages, First Time Buyer, Buy to Let, Self-Build and Lending into Retirement. Looking forward the Society will continue to widen the product portfolio to meet demand, whilst monitoring internal limit exposures to ensure no over-reliance on a particular segment.

Overall arrears levels have remained at low levels despite the difficulties some Members may have experienced from the onset of the pandemic. This reflects the Society's robust underwriting approach which stress-tests future borrower affordability. As at 31 October 2020, the Society had 2 (2019: nil) mortgage accounts 12 months or more in arrears. There were 3 additional mortgage accounts over 3 months in arrears (2019: 10).

The Society proactively contacts all borrowers whose mortgage accounts have gone into arrears to enable a mutually acceptable action-plan to return the account to a fully performing status. Despite the Society's best efforts to help borrowers in such circumstances there are occasions when properties are repossessed. As at 31 October 2020 the Society had no properties in possession (2019: nil).

In support of the Government's Temporary Payment Holiday Scheme the Society dedicated internal staffing resource to support borrowers who, experiencing financial difficulty as a direct result of the pandemic, applied for assistance. As at 31 October 2020 there were 3 cases under a Temporary Payment Holiday.

In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty, for example, agreeing a temporary transfer to interest only payment in order to reduce the borrower's financial pressures. At all times an individual assessment is made to ensure forbearance is in the best interests of both the borrower and the Society. It is expected that the borrowers will resume normal payments once they are able. The Society's Credit Committee, chaired by the Chief Executive, assesses the impact of forbearance and monitors whether there is a possibility of loss, in which case an impairment provision is made in accordance with the Society's policies. As at 31 October 2020, there were 28 (2019: 17) accounts under forbearance measures. A total of 3 (2019: nil) individual impairment provisions were required in those cases where the Society's model indicated a potential shortfall in collateral compared to the outstanding balance.



Liquidity

The Society has continued to maintain liquidity in a range of assets which are highly liquid or realisable, with counterparties whose external credit rating meets the Society's Board Risk Appetite. This is a key indicator that a counterparty can meet its financial obligations as they fall due under normal and stressed scenarios. The Society has no exposure to any counterparty outside of the United Kingdom.

Total liquid assets as at 31 October 2020 amounted to £70.73m (2019: £71.03m), representing 28.76% (2019: 29.95%) of total shares and amounts owed to other customers. Total liquid assets include £51.40m deposited in the Bank of England Reserve Account, which is classed as a high quality liquid asset and qualifies for the Society's liquidity buffer.

Shares and other investors

Shares and amounts due to other customers' balances at 31 October 2020 were £245.91m (2019: £237.12m), an increase of £8.79m or 3.70% (2019: 2.01%) on the previous year.

The Society aims to attract a level of savings balances that enable funding of both mortgage advances and liquidity requirements.

The reported 3.70% increase in the overall savings balances was due to the proactive promotion of the Society's existing product range, together with the introduction of new retail products, including a Regular Saver and a range of Notice accounts, which were favourably received by both existing and new customers.

Looking forward it is the Board's intention to further widen the retail product portfolio thereby offering a greater choice of products to existing and new Members.

The strengthening of the retail base during the year was achieved at a time when interest rates were at historically low levels. In line with its strategy the Society focuses on operating fairly, with simple product design, attractive terms and conditions and delivering long-term Member value. Current interest rates are benchmarked to the marketplace to monitor trends, and most importantly, ensure our Members remain at the heart of any decisions that we make.

Capital

The Common Equity Tier 1 ('CET1') ratio expresses tier 1 capital as a percentage of risk weighted assets. The leverage ratio expresses tier 1 capital as a percentage of total assets plus mortgage impairments plus a proportion of mortgage pipeline commitments.

As at 31 October 2020 the CET1 ratio was 26.21% (2019: 26.40%) and the leverage ratio was 8.35% (2019: 8.30%). Tier 1 capital was £22.76m (2019: £21.90m) and tier 2 capital £0.08m (2019: £0.17m), providing total Capital Resources of £22.84m (2019: £22.07m).

The Board complies with the Basel IV Capital Requirements Directive which requires the Society to assess the adequacy of its capital strength through an Internal Capital Adequacy Assessment Process ('ICAAP'). Through the ICAAP the Board is satisfied that the Society holds a level of capital more than sufficient to satisfy the Capital Requirements Directive's Pillar 1 minimum capital requirements and additional Pillar 2 capital to mitigate the principal risks to which the Society is exposed. The Board approves the ICAAP on an annual basis, and it is reviewed by the Society's Regulator in setting the Society's Total Capital Requirement ('TCR').

Further details of the Society's approach to risk management can be found in the Society's Pillar 3 disclosures, required by the Capital Requirements Directive, on the Society's website, www.srbs.co.uk.

The principal risks and uncertainties faced by the Society are included on page 15 of the Annual Report and Accounts.

Charitable and Political Donations

During the year the Society made donations of £13,121 (2019: £14,335) to charities. No contributions were made for political purposes. The Society sponsors, and its staff commit their time to, a range of local charitable and community causes.

Staff

The Directors are extremely appreciative of the contribution made by the staff to the Society's successful performance. The Society obtains feedback from both borrowers and investing Members throughout the year in order to monitor our performance and make improvements where appropriate. The feedback we have received indicates a high level of satisfaction with the service provided by our staff.

The Society in the Community

The Society remains firmly committed to conducting all its affairs in an ethical and socially responsible manner. In particular, it is recognised that the major part of the Society's business and membership is drawn from the local community in which it operates. Consequently, the Society actively endeavours to identify with and support the community. The Society actively sources purchases and services locally if possible, and provides support in terms of both finance and practical assistance to local charities, worthwhile causes and community-based organisations.

The Society actively pursues environmentally friendly initiatives with the aim of mitigating the environmental impact of the business it undertakes. Members can play their part by registering to receive future Annual General Meeting packs online.



Directors

The following persons were Directors of the Society during the year and up to the date of signing the Annual Accounts:

Non-Executive Directors

Colin C Lloyd, ACIB
(Chairman)

Karen E McCormick, ACIS PIIA
(Vice Chairman)

James W Dean, FCA
(Senior Independent Director)

Gary C D Crowe,
FCIM CAifs ACIB MCIBS

David J Grant,
MBA FCIB FISMM FRSA

Nicholas H J Sandy, MRICS
(retired on 26 February 2020)

Mary A Kerr, MA Oxon MBA DipM MIOD
(appointed 24 March 2020)

Executive Directors

Michael R Smith, ACIB
(Chief Executive)

Steven Jones, BSc MBA FCA
(Deputy Chief Executive and Finance Director)

Having regard to the United Kingdom Corporate Governance Code 2018 ('the Code'), all Directors will retire and being eligible will seek re-election at the Annual General Meeting.

Colin C Lloyd
Chairman
5 January 2021

“The Society remains firmly committed to conducting all its affairs in an ethical and socially responsible manner.”

“The balanced performance endorses our ethos of development for the longer term.”

Michael R Smith
Chief Executive

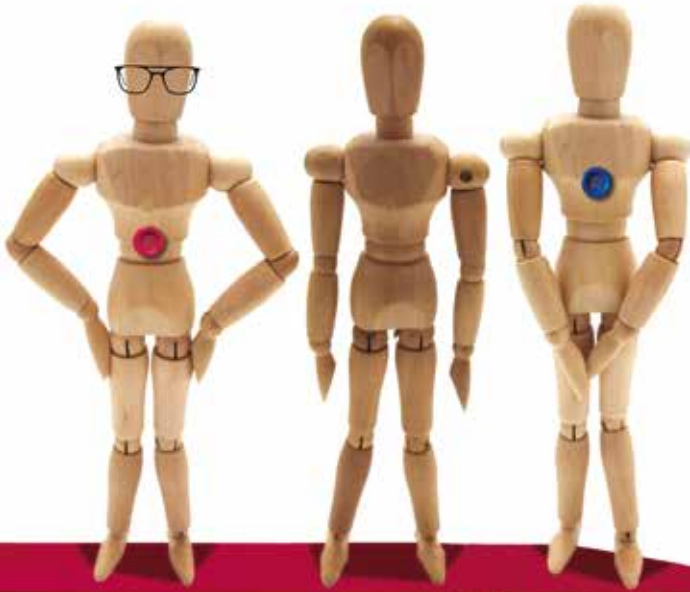


STAFFORD RAILWAY



STAFFORD RAILWAY
BUILDING SOCIETY

*across the business I believe
developing a sustainable Society*



BUILDING SOCIETY

Summary Directors' Remuneration Report

The purpose of this Report is to inform Members about the current policy on the remuneration of Executive and Non-Executive Directors. The Report provides details of the different elements of the Executive Directors' remuneration and explains the process for determining them. The Society has adopted a Remuneration Policy which describes how the Society has complied with the requirements of both the supervisory statements issued by the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') relating to remuneration and the Code. The Board is committed to best practice in corporate governance and will ask Members to vote, on an advisory basis, on the Directors' Remuneration Report at the forthcoming Annual General Meeting.



The Remuneration Committee

This Committee comprises all the Non-Executive Directors under the chairmanship of Karen McCormick and is responsible for setting remuneration for the Board Chairman, Executive Directors and other members of the Leadership Team. The Chief Executive attends by invitation only and takes no part in the discussion relating to his remuneration. The remuneration of the Chairman is set at a meeting of the Board where the Chairman is not present. The remuneration of all other Non-Executive Directors is set by the Chief Executive and Chairman.

The over-arching purpose of the Committee is to set remuneration policies to ensure that they are in line with the Society's business strategy, risk appetite and long-term objectives. This includes designing and implementing the reward structure of the Society and ensures that effective risk management is a key component of remuneration and incentive structures. The basis of remuneration is consistent with sound and effective risk management and does not encourage excessive risk taking.

The Committee takes account of the Code, as far as it is relevant and appropriate to an organisation of our size.

The Committee meets at least twice a year to consider the remuneration and other terms of service of the Executive Directors.

Policy for Executive Directors

The Society's policy is to set remuneration levels which will attract and retain Executive Directors with appropriately high levels of skill and expertise and to reward the achievement of stretching objectives in line with the Society's Corporate Plan. It comprises:

Basic Salary

This takes into account the role and position of individuals including professional experience, responsibilities, complexity of the role and market conditions. Basic salary is reviewed annually and includes external benchmarking against data from within the building society sector.

Incentives

A bonus scheme is determined by the Remuneration Committee and based on a range of financial and non-financial corporate performance objectives including appropriate risk management objectives. Bonus payments are payable annually and set at a maximum of 20% for the Chief Executive and 15% for the Deputy Chief Executive and Finance Director.

Pensions

The Society contributes to the personal pension arrangements of its Executive Directors. The Society does not have a Defined Benefit / Final Salary Pension Scheme. The Chief Executive has opted out of the defined contribution pension scheme.

Benefits

Executive Directors receive other benefits as afforded to staff including private medical insurance, death-in-service and income protection. The Society does not provide concessionary home loans to Directors.

Contractual Terms

The Executive Directors are employed on open-ended service contracts. Notice period for the Chief Executive is twelve months, to be given by both the Society and the individual. The notice period for the Deputy Chief Executive and Finance Director is six months to be given by both Society and the individual.

As at 31 October 2020 no notices had been served by any of the parties.

Policy for Non-Executive Directors

The remuneration of all Non-Executive Directors is reviewed annually. There are no bonus schemes for Non-Executive Directors and they do not qualify for pension entitlement or other benefits. Non-Executive Directors do not have service contracts but are entitled to claim reimbursement of expenses incurred on behalf of the Society.

Total emoluments of the Society's Directors are listed below (excluding national insurance):

	2020 £'000	2019 £'000
Non-Executive Directors' fees	148.2	148.2
Executive Directors' remuneration	369.0	355.1
	517.2	503.3

Non-Executive Directors

	2020 £'000 Fees	2019 £'000 Fees
Colin C Lloyd (Chairman)	31.6	28.9
Karen E McCormick (Vice Chairman)	25.1	23.3
James W Dean (Senior Independent Director)	20.6	25.2
Gary C D Crowe	25.1	25.0
David J Grant	25.1	23.3
Nicholas H J Sandy (to 26 February 2020)	6.9	22.5
Mary A Kerr (from 24 March 2020)	13.8	-
	148.2	148.2



Executive Directors

31 October 2020	Salary	Annual Bonus	Pension	Total
	£'000	£'000	£'000	£'000
Michael R Smith	172.0	30.9	-	202.9
Steven Jones	133.2	17.6	15.3	166.1
	305.2	48.5	15.3	369.0

31 October 2019	Salary	Annual Bonus	Pension	Total
	£'000	£'000	£'000	£'000
Michael R Smith	172.0	25.0	-	197.0
Steven Jones	129.6	15.0	13.5	158.1
	301.6	40.0	13.5	355.1

Karen E McCormick

Chair of Remuneration Committee
5 January 2021

Summary Financial Statement

A summary review of the events and business of the Society during the year and commentary on the financial position at the end of the year can be found on pages 8 to 21.

Results for the year ended 31 October

	2020 £'000	2019 £'000
Net interest receivable	4,432	4,454
Other income and charges	(3)	18
Administrative expenses	(3,375)	(3,385)
Impairment losses on loans and advances	-	(22)
Other provisions	-	-
Profit for the year before taxation	1,054	1,065
Taxation	(209)	(204)
Profit for the year	845	861

Financial position at 31 October

	2020 £'000	2019 £'000
Assets		
Liquid assets	70,728	71,026
Mortgages	197,695	187,609
Fixed and other assets	889	979
Total assets	269,312	259,614
Liabilities		
Shares	233,354	224,701
Borrowings	12,553	12,421
Other liabilities	650	596
Reserves	22,755	21,896
Total liabilities	269,312	259,614

The Society's financial statements have been prepared in accordance with FRS 102 and IAS 39.



Summary of Key Financial Ratios

	2020	2019
Management expenses as a % of mean total assets	1.28%	1.32%
Profit for the year as a % of mean total assets	0.32%	0.34%
Gross capital as a % of shares and borrowings	9.25%	9.23%
Liquid assets as a % of shares and borrowings	28.76%	29.95%

Gross capital as a percentage of shares and borrowings

The gross capital ratio measures the proportion that the Society's capital bears to the Society's liabilities to holders of shares, depositors and other providers of funds (investors). The Society's capital consists of the profits accumulated over many years in the form of general reserves. Capital provides a financial cushion against difficulties that might arise in the Society's business and therefore protects investors.

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio measures how the proportion that the Society's assets held in the form of cash and short term deposits and marketable securities bear to the Society's liabilities to Members and other investors. Liquid assets are readily realisable, enabling the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

Profit for the year as a percentage of mean total assets

The profit to mean total assets ratio measures the proportion which the profit after taxation for the year bears to the average of total assets at the start and end of the year. The Society needs to make a level of profit each year which maintains its capital ratio at a suitable level to protect investors.

Management expenses as a percentage of mean total assets

The management expenses to mean total assets ratio measures the proportion which the Society's administrative expenses (including depreciation) bears to the average of the Society's total assets at the start and end of the year.

Independent Auditor's Statement

to the members of The Stafford Railway Building Society

We have examined the Summary Financial Statement of The Stafford Railway Building Society (the 'Society') set out on pages 20 to 21, which comprises the results for the year ended 31 October 2020, the financial position at 31 October 2020 and the summary of key financial ratios.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the chief executive's business review, summary directors' report and summary directors' remuneration report.

This statement, including the opinion, has been prepared for and only for the Society's members as a body in accordance with Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those Annual Report and Accounts, the Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Report and Accounts, the Annual Business Statement and the Directors' Report of The Stafford Railway Building Society for the year ended 31 October 2020 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Manchester
5 January 2021



“In our opinion the Summary Financial Statement is consistent with the full Annual Report and Accounts, the Annual Business Statement and the Directors’ Report of The Stafford Railway Building Society.”



Protected

Stafford Railway Building Society is covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service.

The Stafford Railway Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Registered no 206063).



STAFFORD RAILWAY BUILDING SOCIETY

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**Calls from landlines are charged at the standard rate. Calls from mobiles may vary.*