Annual Report and Accounts

31 October 2023

STAFFORD RAILWAY BUILDING SOCIETY Savings & Mortgages


STAFFORD RAILWAY
BUILDING SOCIETY

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Chair's Statement

Dear Members of the Stafford Railway Building Society, I am delighted to present the Chair's Statement for the Stafford Railway Building Society for the last financial year. It is with great pride and gratitude that I report on another year of excellent achievement and growth. In the face of continuing economic challenges and uncertainty, our Building Society has not only weathered the storm but thrived. Our unwavering commitment to our Members and the communities we serve has been the cornerstone of our success.

Financial Performance

I am pleased to announce that we have continued to exhibit robust financial performance. Our prudent management and risk control strategies have resulted in steady growth of our assets and an increase in Member savings and deposits. We have not only maintained a strong capital position but have also consistently delivered competitive returns to our Members. Our total assets now stand at £307.99m (2022: £291.54m). Our mortgage lending was a record £57.09m (2022: £43.40m) and our membership has also risen by some 278 new Members. We have also been able to make a profit of £1.60m (2022: £1.17m) to enable our continued investment in the future of your Society.

Community Engagement

As a regional Building Society, we remain deeply committed to our core values of community engagement and support. We take pride in our role as a responsible corporate citizen, providing support to a number of local initiatives and charities, thereby contributing to the well-being and development of our local communities.

Technology and Innovation

We recognise the importance of staying abreast of technological advancements. Over the past year, we have continued to invest in digital infrastructure, enhancing our online banking services to better serve our Members. As we turn to the new year, for example, we are re-launching our website to make it much more user friendly. Our commitment to innovation ensures that we remain adaptable and competitive in an ever-evolving financial landscape.

Customer-Centric Approach

Our success would not be possible without the trust and loyalty of our valued Members. We continue to focus on a customer-centric approach, delivering personalised services that meet the diverse needs of our Members. We have expanded our product offerings both for lenders and borrowers and continue to ensure our services are as accessible as possible and of course, we have spent considerable time this year working on our consumer duty obligations.

Outlook

Looking ahead, we remain committed to the principles that have guided our success thus far. The challenges that lie ahead will undoubtedly test our resilience, but I have no doubt that we will emerge stronger, more adaptable, and better equipped to serve our Members and communities.

In conclusion, I extend my heartfelt thanks to our Members, colleagues, and the dedicated board of directors for their unwavering support and hard work. It has been a stable year for the board Membership, the new Executive Team of Steve and Chris is serving us all well. I am delighted that, from the 1st of November 2023, our Chief Operating Officer, Rob Hassall, has also joined the board as an Executive Director. Together, we have built a thriving and sustainable small regional Building Society that continues to make a positive impact. I look forward to another year of growth and success and I am confident that our collective efforts will ensure a prosperous future for our organisation.

Joanne Hindle, Chair

19 December 2023

Chief Executive's Report

I am pleased to report on yet another successful year for your Society, which continues to grow and thrive for the benefit of its Members. Our financial achievements are particularly noteworthy considering the prevailing economic conditions throughout the year and underscore our unwavering commitment to fulfilling our purpose of being 'a community and service led Society, helping to make saving and home ownership a reality.'

I wish to extend my heartfelt thanks for the trust and support you continue to place in us. Our financial performance achieved during the year would not have been possible without the sustained patronage and loyalty that you, our Members, have bestowed upon the Society.

Financial Review

Throughout the year, our Society has exhibited a robust financial performance, notably marked by the 5.64% growth in total assets, which have exceeded £300m for the first time in our history. Similarly, our growth in mortgage and retail savings have outperformed our budgeted expectations, achieved despite the challenging market backdrop.

Mortgage Balances

At £223.21m, our mortgage balances have grown by 10.36% during the year, fuelled by record gross advances of £57.09m. This was achieved through our bespoke product range and the appeal of a personalised underwriting approach that recognises the individual needs and circumstances of borrowers whilst ensuring all lending observes our credit risk appetites. This personalised service continues to appeal to those existing borrowers who, on the maturity of their existing product, have preferred to remain with the Society.

During the year we have not experienced any significant uplift in arrears, although we remain constantly alert to the challenges faced by borrowers, particularly the inflationary pressures on household income, and continue to support any borrower experiencing financial difficulty with a personalised approach offering a range of forbearance measures.

Retail Savings

At £280.68m, our overall retail savings balances grew by 5.59% - achieved predominantly through the continued expansion of our retail savings range. This has provided our Members with a choice to suit their personal circumstances.

Profitability and Capital

Retained profit is the Society's sole source of capital, and at £1.60m has been achieved through the prudent management of net interest margin and overall operating costs. During our financial year the Bank of England Base Rate continued its upward trend, with seven individual increases, from 2.25% to 5.25%. Our response has been unwavering, balancing the competing needs of our savers and borrowers alike. To support our borrowers, we have delayed any rise in mortgage interest rates for as long as possible.

Capital of £26.46m is held to ensure the Society has the financial resilience to weather any unforeseen future challenges, faced by all firms, and to allow the ongoing re-investment in your Society. A good example of this is colleague recruitment, technology, and infrastructure. Our capital ratios as at 31 October continue to demonstrate our financial strength, with significant headroom over both regulatory and internal appetite limits.

Member Engagement

I am delighted to report growth in membership numbers over the past year, a significant indicator of both confidence in your Society and the alignment of our products and services with your requirements. The importance of Member feedback cannot be overstated, serving not only to validate the positive outcomes we strive to deliver but also to identify areas for improvement in our service proposition, product range, and the preferences governing your interaction with the Society.

During the year, we initiated a number of independently facilitated forums to solicit feedback on how your Society is perceived by both existing and prospective Members, evaluating the extent to which we meet their expectations as a local Society. The outcome from the sessions provided invaluable feedback in terms of understanding how we can continue to enhance our product and service proposition. It was very gratifying to receive the independent assessors view that '*It's hard to imagine a financial organisation being more popular, even loved, amongst its Members than Stafford Railway Building Society.*'

We take every opportunity to capture our Members feedback. For example, our feedback terminal sited in the branch which, since its introduction, has reported an average satisfaction of 96%. We continue to capture Consumer Duty insights to ensure positive Member outcomes.

To reach out to those Members who do not regularly visit the branch we issue a simple questionnaire, which has proved inciteful, with responses well received, and I would encourage all Members to participate.

Community Engagement

In addition to making donations to several locally recognised charities in our community, we actively encourage and support colleagues in providing volunteering assistance. This dual approach reflects our commitment to making a meaningful difference in our community.

Environmental Climate Change

Climate change is an ever-increasing challenge facing us all. We are aware of our current carbon footprint and continue to take practical steps in reducing our exposure. Most certainly flexible home working continues to benefit not just colleagues, but in reducing emissions in travelling to work. Other simple steps taken include, but not limited to, ensuring IT hardware automatically shuts down when not in use, introduction of smart heating controls, switching from traditional to LED lighting and trialling the use of refurbished IT hardware, instead of always using newly manufactured.

We leverage independently sourced data on various environmental metrics to evaluate the impact on our mortgage portfolio. This approach not only allows us to assess the long-term capital implications associated with identified environmental risks but also provides valuable insights into practical ways we can assist both existing and new borrowers in understanding and enhancing the energy efficiency of their homes.

Colleague Engagement

Throughout the year, we have continued to invest in our colleagues, welcoming new members to enhance the strength of our collective Society. Maintaining high levels of staff engagement is a paramount focus, and we are committed to consistently ensuring that their voices are heard. A noteworthy illustration of this commitment is our internal Environmental, Social and Governance ('ESG') forum, which not only sponsored our adoption of the United Nations Sustainability Framework but also played a pivotal role in shaping our robust commitment to Equality, Diversity and Inclusion ('EDI'). Additionally, the forum provided a practical response to our environmental initiatives and actively supported the well-being of our fellow colleagues.

Our colleagues are the heart of your Society, and I wish to extend my appreciation for their dedicated hard work and unwavering commitment that has led to the achievements during the year. I acknowledge their talent, resilience, and dedication, and eagerly anticipate another year of collaborative accomplishments as we persistently work together for the benefit of our Members.

Economic Outlook

Following the incremental increases in Bank Base Rate during 2023, and the ongoing inflationary impact on household incomes, the outlook for the UK economy remains uncertain, with a period of low growth expected.

Competition for mortgages and retail savings is likely to continue, which will put pressure on interest margin, a factor we acknowledge in our growth objectives for 2024. Despite these challenges, your Society is well-placed to navigate these obstacles with resilience.

AGM

I look forward to welcoming you to our AGM on 20th February 2024, where I, alongside fellow Directors, and colleagues, would value the opportunity to discuss our performance and any other feedback you may have.

Steven Jones, Chief Executive
19 December 2023

Strategic Report

The Directors are pleased to present their Annual Report, together with the Society's Accounts and Annual Business Statement for the year ended 31 October 2023

Business Strategy and Objectives

The principal business objective of the Society is to provide a safe and secure home for Members' savings whilst offering secured lending on residential properties in order to support home ownership. Mortgage activity is funded by offering traditional retail savings products which are competitive, easy to understand and designed to attract savings from individuals and businesses alike. The Vision of the Society is:

To be a modern Member and community focused Society, delivering exceptional service to engage Members, whilst remaining true to our mutual values.

The purpose statement for the Society, which underpins all of our activities, and acts as a guiding principle for all that we do as a mutual organisation, is as follows:

"We are a community and service led Society, helping to make saving and home ownership a reality."

The Corporate Plan for the forthcoming financial year retains our focus on community and engagement, with a strategy to build on the areas of financial education and enhancing our work with partners that support mental health and well-being.

Business Review and Key Performance Indicators

The Society's performance against its key performance indicators has been strong in the financial year ending 31 October 2023. The Society has met or exceeded each of its targets and has done so with a continued focus on investment and the long term strength and stability of the Society.

The brought forward mortgage pipeline meant that the Society was well placed to deliver on its lending target for the current financial year. Levels of advances were consistent throughout the year, with the total amount of £57.09m (2022: £43.40m) representing a record for the Society. Redemption levels were lower than anticipated which contributed to the overall growth in the mortgage book.

The nature of the Society's activities means there is an inherent relationship between the mortgage balances, the amount of liquidity held and the level of retail funding. In the year Mortgage Assets grew by 10.36%, (2022: 0.08%), there was a controlled reduction in liquidity of 5.07% (2022: reduction of 8.30%) and retail funding grew by 5.59% (2022: reduction of 3.33%).

The Society's total net income has increased to £6,594k (2022: £5,570k), due to a combination of additional growth and the Society's net interest margin improving to 2.19% (2022: 1.88%). Costs have been controlled in line with budgeted levels, with the cost income ratio reducing to 66.18% (2022: 69.34%) due to the growth in income.

The reported retained profit for the year of £1.60m (2022: £1.17m) further strengthens the Society's overall capital reserves which have grown by 6.72% (2022: 4.80%) to £26.46m(2022: £24.79m).

The Society enters the forthcoming financial year well positioned with regards to mortgage pipeline, with a controlled level of growth planned for the mortgage book, consistent with our current approach and risk appetite.

Key Performance Indicators

The Board use a number of key performance indicators to monitor the development, performance and position of the Society. These are included to allow Members to gain a more comprehensive understanding of the Society's performance over the last three years.

Key Performance Indicators	2023	2022	2021
Net interest margin (% of mean total assets)	2.19%	1.88%	1.60%
Management expenses (% of mean total assets)	1.46%	1.31%	1.20%
Cost / income ratio	66.18%	69.34%	74.54%
Profit for the financial year	£1.60m	£1.17m	£0.94m
Profit for the financial year (% of mean total assets)	0.53%	0.40%	0.33%
Total assets growth	5.64%	(2.63%)	11.17%
Gross mortgage advances	£57.09m	£43.40m	£40.48m
Mortgage assets growth	10.36%	0.08%	2.22%
Liquid assets (% of shares and amounts owed to other customers)	29.92%	33.28%	35.08%
Shares and amounts owed to other customers growth	5.59%	(3.33%)	11.82%
Capital growth	6.72%	4.80%	3.96%
Gross capital (% of shares and amounts owed to other customers)	9.43%	9.33%	8.60%
Total reserves	£26.46m	£24.79m	£23.66m

Key Performance Indicators: Three years to 31 October 2023

Profitability

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. Profit enhances the Society's financial strength and is necessary to meet the levels of capital required under the Capital Requirements Directive. Financial strength is imperative in protecting the Society against the principal risks and uncertainties it faces and in safeguarding Members' funds.

Profit for the financial year of £1.60m (2022: £1.17m) increased by 36.75%, which represents 0.53% (2022: 0.40%) of the average total assets at the beginning and end of the financial year. As at 31 October 2023 the Society's reserves amounted to £26.46m (2022: £24.79m) and are at a level considered by the Board to offer adequate support for the business.

A summary of the Statement of Comprehensive Income, detailed on page 48, is as follows:

Summary Statement of Comprehensive Income	2023 £'000	2022 £'000	2021 £'000
Total net income	6,594	5,570	4,560
Administrative expenses	(4,295)	(3,780)	(3,274)
Depreciation	(69)	(82)	(125)
Operating profit before impairment losses and provisions	2,230	1,708	1,161
Loan impairment provisions	(161)	(272)	17
Profit before tax	**2,069**	**1,436**	**1,178**
Taxation	(467)	(263)	(236)
Profit for the financial year	**1,602**	**1,173**	**942**

Summary Statement of Comprehensive Income: Three years to 31 October 2023

Total net income

Total net income of £6.59m (2022: £5.57m) represents net interest income (total interest receivable from mortgage and liquid assets less total interest payable on retail savings, fees and other operating income). Net interest income has increased during the year and represents an interest margin of 2.19% (2022: 1.88%) which expresses net interest income as a percentage of the average of total assets at the beginning and end of the financial year.

The Board is ever-minded that the Society manages the interest margin by balancing the risks, rewards and value both to borrowing and retail Members. In the current financial year there has been a focus on the competitiveness of retail savings accounts held on notice or fixed rate, this has included the promotion of some market leading products which has increased the proportion of retail savings accounts on notice or fixed rate to 23.79% (2022: 12.54%).

Management expenses

Management expenses of £4.36m (2022: £3.86m) comprise colleague costs and overheads necessary in the running of the Society. Together with depreciation they represent the total operating costs of the Society and, expressed as a percentage of the average of total assets at the beginning and end of the financial year, represent a management expenses ratio of 1.46% (2022: 1.31%).

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 important 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 66.18% is a reduction on the 69.34% reported in the prior year, indicating that total income has increased to a greater extent than the Society's cost base.

The cost base of the Society has been subject to inflationary increases, which have affected a number of areas including IT costs, professional services and colleague costs. The Society remains focused on developing its people to continue to meet the evolving needs of our Members and has invested in the team in the current financial year to further strengthen its capabilities and experience.

The investment in systems, infrastructure and colleagues will continue, our current Corporate plan includes the addition of further roles in the coming financial year, combined with additional IT costs and a resulting expectation that the cost / income ratio will be increased as a result.

Loan impairment provisions

The Society's mortgage impairment policy provides an estimate of losses resulting from loans that are considered to be impaired on either an individual or collective basis. The overall provision was increased by £161k in the year (2022: increase of £272k).

Statement of Financial Position at 31 October	2023 £'000	2022 £'000	2021 £'000
Liquid assets	83,968	88,457	96,468
Loans and advances to customers	223,206	202,257	202,093
Tangible fixed assets	556	606	670
Deferred tax and other debtors	258	215	168
Total assets	**307,988**	**291,535**	**299,399**
Shares and amounts owed to other customers	280,675	265,827	274,981
Other liabilities, accruals and deferred income	856	916	728
Deferred tax liability	-	-	34
Reserves attributable to Members of the Society	26,457	24,792	23,656
Total reserves and liabilities	**307,988**	**291,535**	**299,399**

Summary Statement of Financial Position: Three years to 31 October 2023

Total assets

Total assets have increased by 5.64% (2022: reduction of 2.63%) to £307.99m (2022: £291.54m). This is a combination of mortgage growth coupled with maintaining a suitable level of liquidity.

Loans and advances to customers

Mortgage balances have increased by £20.95m (2022: £0.17m) in the year to £223.21m (2022: £202.26m). Gross lending (the total value of new mortgage advances) of £57.09m is a record for the Society and £13.69m higher than the £43.40m achieved during the previous financial year. This equates to 10.36% mortgage assets growth in the year (2022: 0.08%). Mortgage redemptions during the year of £24.24m were £7.70m below the £31.94m reported for 2022.

The Society 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, Joint Borrower Sole Proprietor, Buy to Let, Self-Build and Lending into Retirement. The Society has also successfully issued a small amount of fixed rate mortgage lending during the financial year and expects to undertake further tranches in the forthcoming year. 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.

The Society is mindful of the potential impacts that the ongoing cost of living challenges may present and stands ready to engage with and support our Members. We remain in a period of global instability and economic uncertainty, with high levels of inflation, a projected period of low growth, continued pressure on household incomes and a reduction in year on year house prices.

Overall arrears levels remain at low levels, this reflects the Society's robust underwriting approach which stress-tests future borrower affordability. As at 31 October 2023, the Society had nil (2022: nil) mortgage accounts 12 months or more in arrears. There were 10 mortgage accounts over 3 months in arrears (2022: 10). The Society pro-actively 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 2023 there were no properties in possession (2022: nil).

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 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 2023, there were 7 (2022: 4) accounts under forbearance measures, with those accounts assessed individually for impairment.

Other criteria alongside forbearance are used as triggers for inclusion in individual impairment modelling, with a total of 4 (2022: 4) individual impairment provisions required. This resulted in an individual impairment total of £306k (2022: £226k) where the Society's model indicated a potential shortfall in collateral compared to the outstanding balance.

In addition to individual impairment modelling, which is subject to specific criteria being met, the Society regularly undertakes an assessment on a collective basis across its full mortgage book. There has been an increase in the level of loan impairment provisions applied using this methodology, driven predominantly by movements in the House Price Index ('HPI') with the collective provision increasing to £325k (2022: £244k).

This results in a total provision of £631k (2022: £470k) which represents a modest increase in relation to the overall ratio of provisions to the Society's gross mortgage book, increasing to 0.28% (2022: 0.23%).

Liquidity

Total liquid assets as at 31 October 2023 amounted to £83.97m (2022: £88.46m), as liquidity reduced by 5.07% (2022: 8.30%). Total liquid assets include £68.92m (2022: £68.23m) 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.

The ratio of total liquid assets to total shares and amounts owed to other customers was subject to a controlled reduction during the financial year to 29.92% (2022: 33.28%), in line with the Society's target.

The Society maintains its liquidity in a range of assets which are highly liquid and realisable at short notice, with counter-parties whose external credit rating meets the Society's Board Risk Appetite. This is a key indicator that a counter-party can meet its financial obligations as they fall due under normal and stressed scenarios. The Society has no exposure to any counter-party outside of the UK.

The Society conducts an Internal Liquidity Adequacy Assessment Process ('ILAAP') at least annually and the resulting KRIs are embedded in the Society's ongoing monitoring of its liquidity position. This enables the Board to identify and monitor the potential liquidity-related risks and risk drivers it may face under both normal and stressed conditions. The level of liquidity held at 31 October 2023 is significantly in excess of the Board's internal assessment of minimum requirements.

The Society monitors and reports its levels of liquidity in relation to measures introduced by the Prudential Regulation Authority ('PRA') under the Capital Requirements Directive IV ('CRD IV'). Specifically the:

- Liquidity Coverage Ratio ('LCR') which measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period. The LCR is reported monthly and as at 31 October 2023 was 541.37% (2022: 554.67%); and
- Net Stable Funding Ratio ('NSFR') measures the stability of the Society's funding beyond 30 days. The NSFR is reported quarterly and as at 31 October 2023 was 190.12% (2022: 192.91%).

Both the LCR and the NSFR were comfortably in excess of the minimum regulatory limit of 100%.

Shares and amounts due to other customers

The Society aims to attract a level of savings balances that enable funding of both mortgage advances and liquidity requirements, whilst offering a mix of products which meet the needs of our Members.

Our core approach remains to focus 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.

Shares and amounts due to other customers' balances at 31 October 2023, were £280.68m (2022: £265.83m), an increase of £14.85m or 5.59% (2022: reduction of 3.33%) on the previous year. This level of increase has been targeted to support the higher levels of growth in the mortgage book during the financial year and to ensure sufficient ongoing funding to support the mortgage pipeline.

It is notable that during the 2023 financial year there has been an increase in the balance of the Society's retail savings accounts held on notice and fixed rate products rather than on instant access (moving from 12.54% to 23.79%). This has been promoted by the Society and has included some market leading notice products particularly in the latter stages of the financial year.

The Society successfully offered its first 2 year fixed rate bond during the financial year and plans to offer this product again periodically in the coming year. The Society will continue to offer a broad range of savings accounts to meet the needs of Members and assess ways in which to further enhance the range of products available, ensuring a suitable ongoing level of retail growth to support mortgage advances.

Reserves

Total reserves as at 31 October 2023 amounted to £26.46m (2022: £24.79m), with a gross capital ratio of 9.43% (2022: 9.33%) and free capital ratio of 9.34% (2022: 9.19%).

Included in total reserves is the Available-For-Sale Reserve ('AFS') which represents any unrealised gains or losses on liquid assets accounted for at fair value at the balance sheet date. At 31 October 2023 the AFS reserve was (£2k) (2022: (£65k)).

Capital ('Basel III/Capital Requirements Directive IV basis') (Unaudited)

The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

Total Capital and Risk Weighted Assets	2023 £'000	2022 £'000	2021 £'000
Tier 1 capital	26,457	24,792	23,656
Tier 2 capital	325	244	90
Total capital	**26,782**	**25,036**	**23,746**
Risk weighted assets:			
Liquid assets	5,450	7,848	9,763
Loan and advances to customers	79,045	72,046	71,174
Other assets	815	1,126	995
Mortgage Commitments	1,744	1,178	1,349
Operational risk	10,453	9,100	8,413
Total	**97,507**	**91,298**	**91,694**

Total Capital and Risk Weighted Assets: Three years to 31 October 2023

Capital Ratios	2023 %	2022 %	2021 %
Common Equity Tier 1	27.13	27.16	25.80
Gross Capital ratio	9.43	9.33	8.60
Leverage ratio	8.44	8.39	7.80

Capital Ratios: Three years to 31 October 2023

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, mortgage impairments and a proportion of mortgage pipeline commitments.

As at 31 October 2023 the CET1 ratio was 27.13% (2022: 27.16%) and the leverage ratio was 8.44% (2022: 8.39%).

Tier 1 capital (Total reserves attributable to Members of the Society) was £26.46m (2022: £24.79m) and tier 2 capital (Collective impairment losses on loans and advances) £0.33m (2022: £0.24m), providing total Capital Resources of £26.79m (2022: £25.03m).

The Board complies with the Capital Requirements Directive IV (CRD IV), 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'). Monitoring of capital adequacy is embedded in the Society's regular management information and in the planning process.

This is an area of regulatory change with consultation underway for both an update to the Basel regulations (known as Basel 3.1) and a proposed 'Strong and Simple' approach being considered by the Prudential Regulation Authority for smaller building societies. The Society has undertaken an assessment of the capital impacts of Basel 3.1, based upon the current proposals, and are satisfied that should adoption be required there would not be a negative impact on the capital position. The Society also remains hopeful that the 'Strong and Simple' framework could introduce a welcome degree of simplification for organisations of our size.

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.

Risk Management Report

Risk Overview

The Board recognises that risk is inherent in the nature of being a building society. Whilst risk can never be eliminated entirely, through effective risk management risks can be mitigated to levels aligned to the Board's risk appetite. The Board has agreed a risk appetite that establishes the amount of risk acceptable to the business in pursuit of its strategy; helping the Society achieve sustainable growth and serving the best interests of delivering good outcomes for our Members. This is kept under constant review in light of changes in our operating environment.

The Board is responsible for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of primary risks the Society is willing to take in order to achieve its long-term strategic objectives, ensure operational resilience and make effective risk-based decisions. The Board meets these responsibilities by ensuring an effective risk management framework is in place, using that framework to promote a risk aware culture that ensures all material risks are identified and mitigated in the pursuit of strategic objectives. The Board reviews the Risk Management Framework ('RMF') and Risk Appetite statement ('RAS') annually.

Risk Strategy

The Society's approach to risk management supports and complements the above strategy, but also seeks to add value through challenge and independent oversight of business activities.

Through the RMF, the Society aims to deliver the following strategic risk objectives:

- Clear articulation of the level of risk the Society is willing to take in pursuit of its business objectives and strategies;
- Risk is taken into account in every decision, from day-to-day operations, to strategic resource allocation. Risk management activities are proportionate to the nature, scale, and complexity of the Society as it changes over time;
- There is a culture of compliance where regulatory requirements are followed in spirit and in letter;
- Operational incidents and failures of internal control are seen as a source of risk intelligence and an opportunity to learn and improve;
- Ensure that climate related risks and opportunities, both physical and transition, are appropriately identified, reported and managed; and
- The principles of risk management applied to the Society are extended to the wider enterprise, including key third party suppliers and fourth party impact.

Risk Culture

An appropriate risk management culture is key in supporting the effective operation of the RMF and to enable informed risk-based decision-making in the Society. The Society encourages risk taking within controlled boundaries where the expected rewards exceed the expected cost of that risk. The Board has created an environment for colleagues where integrating ownership and accountability, Member interests and respect are at the heart of the Society's objectives, values and business practices.

Risk Management Framework ('RMF')

The Society's RMF has established a formal, consistent process for the identification, prioritisation and management of risk. The Risk Function is responsible for overseeing the effective engagement of colleagues in the operation of the RMF, providing guidance, training as well as oversight and challenge. The Risk Committee establishes an appropriate tone through clear articulation of the Board's risk appetite and values linked to the Society's strategic objectives.
To ensure effective risk management principles outlined within the RMF to continue to embed and mature throughout the Society, it is intended to appoint Risk Champions, nominated within each department to liaise with the Risk Function. The Individual Risk Owners ('IROs') and Principal Risk Owners ('PROs') are allocated Society-wide risks as set out in the Society's Risk Register. The IROs are departmental Heads and play an essential role within the Society' RMF supporting the Executives' through the implementation of the RMF in their departments, the collection and reporting of risk management information and promotion of a sound risk culture.

Three Lines of Defence Model Approach

The Society's RMF is based on a 'Three Lines of Defence' model which is recognised as an industry standard for risk management. This approach ensures that colleagues are aware of their risk and control related responsibilities and that an effective segregation of duties is in place across the Society. The model is summarised below.

First Line of Defence: Individual Risk Owners	The Individual Risk Owners own and manage risks as the First Line of Defence. They are responsible for identifying, assessing, controlling and mitigating risks by implementing corrective actions to address process and control deficiencies.
Second Line of Defence: Risk & Compliance Functions	The Society's Risk & Compliance functions are the Second Line of Defence who monitors and reports on risk and compliance to their respective Board Committees. This helps to ensure the Society complies with applicable laws and regulations and that policies and procedures are contemporary and operating as intended.
Third Line of Defence: Internal Audit	Internal Audit provide the Third Line of Defence providing the Audit Committee and Board with comprehensive assurance based on a level of independence and objectivity.

Three Lines of Defence Model

Risk Governance Structure

The Board retain overall accountability and ownership of the RMF and delegate to the Risk Committee the responsibility for ensuring the ongoing development, implementation, and enhancement of the Framework. The governance structure is robust and designed to promote open and constructive challenge.

Clear reporting lines from the management risk committees to Risk Committee are defined to ensure focus remains on areas that could significantly impact the Society, whilst enabling IROs and responsible colleagues to fulfil their accountabilities and responsibilities.

In addition to the management-level Committees, the Society also operates the Risk and Compliance Committee ('RCC') which supports the Chief Executive Officer and Executive team manage the day-today business of the Society. The responsibilities of the Committee include the assessment and control of risk, with matters raised at this Committee relating to risk elevated to the relevant management level risk Committee or, if warranted, directly to Risk Committee or Board as appropriate.

Risk Committee Composition

The Committee is comprised of four independent Non-Executive Directors and the two Executive Directors. It is attended by the Head of Risk and other members of management as required.

Key Activities

The Committee considered the following key areas during the year to 31 October 2023:

- Review of the Society's risk management approach and performance, including review of the Society's risk appetite statements across all primary risks;
- Review of the Society's capital and liquidity assessment processes, including the stress testing that underpins the ICAAP, ILAAP and Recovery Plan;
- Oversight of the Society's Information Technology and cyber risks;
- Review and challenge of key risk policies including lending, operational and treasury risk (including liquidity and structural risks);
- Review of the Society's approach to change management;
- Review our approach to data protection and receive an annual report from the Data Protection Officer (DPO); and
- Review of the Society's implementation of new regulatory requirements for operational resilience and outsourcing and third-party risk management.

Principal Risks and Uncertainties

The Society's exposure to current and emerging risks is closely tracked through the formal risk governance structure. The Society keeps the risks under close observation through risk reporting and measuring of performance against key risk indicators. The Society conducts regular horizon scanning to identify any new or emerging risks which could impact delivery of the Board's strategy. The most significant risks to the Society's strategy are detailed below, together with the actions being taken to mitigate those risks.

Principal Risk	Society Approach	Risk Control and Mitigation
Strategy Risk **The risks that affect or are created by the Society's business strategy and strategic objectives. Risks arising from changes to the Society's business model and the risk of the Plan proving inappropriate due to macroeconomic, geopolitical, regulatory, or other factors.**	Maintain earnings stability over the Society's three-year planning horizon to accumulate sustainable asset growth and capital reserves.	• Business planning process. • Periodic strategic updates to Board. • Ongoing monitoring of Key Performance Indicators and Risk Appetite measures. • Investment in underlying processes, systems, and people to support new business developments. • Business planning stress testing. • Robust risk management and corporate governance frameworks.
Credit Risk **Mortgage:** **The risk that mortgagors will fail to meet their obligations as they fall due, which results in a potential loss following enforcement of the loan and realisation of the mortgage security and related additional security.** **Counter-party:** **The risk that market counter-parties will fail to meet their obligations as they fall due and subsequently default resulting in a loss.**	A prudent lending approach to mortgage Members and treasury counter-parties to avoid defaults and impact on earnings or capital whilst generating an appropriate level of return reflecting the risk. Money is only lent to customers who meet the Society's affordability requirements.	• Board approved risk appetite and risk limits. • Board approved Responsible Lending Policy. • Board approved Treasury and Treasury Counter-party Policies. • Robust underwriting criteria. • Mortgage loans are manually underwritten. • Affordability stresses. • Counter-party and exposure limits and Assets and Liabilities Committee ('ALCO') reviews. • Stress testing. • Credit Committee oversight for mortgage lending risk and financial soundness risk (including market risk). • Capital planning as part of the Society's ICAAP.
Financial Soundness Risk **The risk that insufficient funds are available to meet financial obligations as they fall due and/ or, insufficient capital resources, resulting in the inability to support business activities, as well as the inability to meet liquidity and capital regulatory requirements.**	Liquidity: Maintain sufficient liquid resources to at least meet the regulatory requirement and to meet our severe stress test minimum survival days, to enable management to put in place contingency measures as set out in the Recovery Contingency Funding Plan.	• Board approved risk appetite and risk limits. • Maintaining appropriate levels of High-Quality Liquid Assets. • Liquidity is monitored daily by the Leadership Team. • Board approved Treasury and Treasury Counter-party Policies. • Liquidity planning as part of the Society's ILAAP. • Capital planning as part of the Society's ICAAP. • Stress testing. • ALCO oversight. • Board approved Recovery Plan.

Principal Risk	Society Approach	Risk Control and Mitigation
Market Risk / Interest Rate Risk **The risk of losses or reduced profitability arising from fluctuations in values of or income from assets or in interest rates.**	Minimise potential losses on interest rate and basis risk positions from adverse movement in market rates to ensure they remain within forecast market expectations	• Board approved risk appetite and risk limits. • Specialist external treasury advisers used for investing surplus funds. • Stress testing. • ALCO oversight.
Operational Risk **The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.**	Develop robust processes and controls to optimise resources, increase resilience and reduce the impact of operational risks on the Society's performance. Financial Crime: We do not tolerate operating without the proportionate systems and controls in place designed to detect and prevent Financial Crime and will not knowingly conduct business with individuals or organisations that we either suspect or believe to be engaged in behaviour which supports financial crime. Whilst we recognise we cannot eliminate fraud, we have a zero appetite for any such failures. Cyber Security: To maintain 'best practice' cyber threat detection & prevention tools to minimise the risk of an attack & to recover quickly from any such event	• Board approved risk appetite and risk limits. • Strong and effective internal control environment. • Insurances. • Risk and Compliance Committee (RCC) oversight. • Continued investment in developing risk management frameworks, policies, systems, and processes. • Continuous improvement, learning from internal and external events and responding to findings from Second Line and Third Line reviews. • Investment in our operational resilience including cyber-crime and IT.
Conduct Risk **The risk of financial or reputational loss as a result of treating Members unfairly and delivering inappropriate outcomes that lead to Member detriment.**	We aim to deliver positive outcomes for Members, maintaining a high degree of Member and public confidence by focusing on the Society's aims and values.	• Board approved risk appetite and risk limits. • Board approved Conduct Risk Policy. • Members are placed at the heart of our decision-making, aligned to our Society values. • RCC oversight. • Strong risk management culture. • Vulnerable Customer Standard.
Legal and Regulatory Risk **The risk of fines, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with UK or EU legal and regulatory requirements.**	Maintain robust controls to ensure compliance with the intent and spirit of relevant laws and regulation.	• Board approved risk appetite and risk limits. • Regulatory horizon scanning. • Strong compliance culture. • RCC oversight. • Compliance Monitoring Plan. • Open and transparent relationship with all regulatory bodies.

Principal Risk	Society Approach	Risk Control and Mitigation
Climate Change **The social awareness of the expected to increase in the coming years as the impact on our changing climate is becoming increasingly apparent. The effects of climate change are not risks to the Society, rather, they will impact the Society's primary risk categories.** **Climate change will cause risks to materialise in two ways:** **Physical Risk The risk of the Society being impacted by climate and weather-related events, such as heat waves, droughts, floods, storms and sea level rise. These events can potentially result in large financial losses, impairing asset values and the creditworthiness of borrowers and;** **Transition Risk These arise from the process of adjustment towards a low carbon economy. Changes in policy, technology and sentiment could prompt a reassessment of the value of a large range of assets and relates to the risk of loss to the Society if another party fails to meet its obligations or fails to perform them in a timely fashion**	Ensure the Society develops robust data, processes, controls and reporting metrics to assess and manage climate change risk. The climate change elements manifest as increasing credit, market and operational risk for the Society which require effective mitigation and management.	The Society has implemented the requirements of the PRA's SS3/19 and continues to manage the risks associated with climate change as part of our broader ESG strategy. Although outside of its scope, the Society considers the recommendations made by the Task Force on Climate related Financial Disclosures (TCFD), as well as being mindful of increasing expectations on Environmental, Social and Corporate Governance arising from various sources. The potential financial impact of climate change on the Society is considered within our ICAAP. As part of the climate change project, we continue to assess the impacts and potential mitigations for credit, market and operational risks which may transpire. Board training and updates provided to Board and Risk Committee.

Emerging Risks

Emerging risks are threats or opportunities for which the impact upon the Society cannot yet be reasonably measured or assessed. Timely identification and monitoring of these emerging risks can enable the Society to take appropriate steps to begin to mitigate against the emerging threat or move to position the Society in such a way as to be ready to take advantage of an emerging opportunity.

RCC receive a summary of emerging risks relevant to their respective responsibilities which includes the current approach to either monitoring or mitigating against the emerging risk. When the risk develops to a state where it can be reliably assessed, it is transitioned into active risk management within the RMF. The Board, Risk Committee and management-level committees also discuss emerging risks and opportunities as a standing agenda item which contribute toward the regular update of the Society's Risk Register.

On behalf of the Board.

Joanne Hindle, Chair
19 December 2023

Directors' Report

For the year ended 31 October 2023

The Directors have pleasure in presenting their Annual Report, together with the audited Annual Accounts and Annual Business Statement of the Society for the year ended 31 October 2023.

Business Objectives and Activities

The Society, which was founded in 1877, is an independent building society based in Stafford, financed by and run for the benefit of its Members. The Board remains unanimous in its belief that the mutual form is the most appropriate and beneficial when the interests of all existing and potential Members are taken into account. The Directors are committed wholeheartedly to maintaining the Society's success by concentrating its efforts upon traditional building society business and offering a high standard of service to its investing and borrowing Members. Information on the business objectives of the Society are detailed within the Strategic Report on pages 9 to 20.

Business Review

The Chair's Statement on page 4, the Chief Executive's Review on pages 6 to 8 and the Strategic Report on pages 9 to 20 report on the performance of the Society, referring to key performance indicators, and its future objectives.

As a mutual organisation, we aim only to earn sufficient profits to enable us to prudently achieve our main purposes, as described above under the Strategic Report. We are pleased to report that we have achieved a profit for the financial year of £1.60m (2022: £1.17m) which contributes to a healthy level of capital and supports the financial stability of the Society.

Applying the United Kingdom Corporate Governance Code

The United Kingdom Corporate Governance Code 2018 ('the Code') applies to listed United Kingdom companies. It requires them to explain how they have applied the governance principles which are contained within the Code, to enable a company's shareholders to understand how effectively a company has complied. The Code's provisions come into effect for companies whose year-end reporting commences on or after 1st January 2019. As a mutually-owned organisation, the Society does not have the equivalent of shareholders and is not directly subject to the Code. Nevertheless, the Board has voluntarily chosen to follow most of the principles of the Code where they are considered relevant (and the Board deems them appropriate) to an organisation of this size. Further details of the Society's compliance with the Code are set out in the Corporate Governance Report on pages 24 to 32.

Compliance and Regulation

The Society is regulated by both the Financial Conduct Authority ('FCA') and the PRA. We fully support and accept the need for, and the responsibilities associated with, regulatory compliance.

The Society takes its responsibility to adhere to various laws, statutes and codes of practice seriously throughout the business and does not seek to avoid compliance with them. It is the Society's objective to not only comply with the letter of the various requirements but also the spirit and to be entirely transparent in its disclosures.

Directors

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

Non-Executive Directors

Joanne Hindle, LLB (Chair)
Gary C D Crowe, FCIM CAifs ACIB MCIBS
David J Grant, MBA FCIB FISMM FRSA (Senior Independent Director)
Mary A Kerr, MA Oxon MBA DipM MIOD
Alison Tattersall BA DipM
Ian A Craig

Executive Directors

Steven Jones, BSc DBA MBA FCA (appointed Chief Executive 1 November 2022, previously Deputy Chief Executive and Finance Director)
Christopher I Reid, ACMA CGMA (Finance Director, appointed 1 May 2022)

Tenure of Office

The tenure of office for the Board is as follows.

Directors	Non-Executives	Executives
0 - 3 years	3	1
Up to 6 years	1	1
Up to 9 years	2	-
Over 9 years	-	-

Director Tenure as at 31 October 2023

Having regard to the United Kingdom Corporate Governance Code 2018, all Directors will retire and being eligible will seek re-election at the AGM.

Equality and Diversity

The Society operates a policy on Equality and Diversity to provide opportunity for all colleagues and Directors. We always seek to appoint the most appropriate candidate. The gender breakdown is detailed in the following table.

Role	Male (Number)	Female (Number)	Total (Number)	Male (%)	Female (%)	Total (%)
Board	3	3	6	50.0	50.0	100.0
Leadership Team	5	5	10	50.0	50.0	100.0
Colleagues	7	21	28	25.0	75.0	100.0
Total	**15**	**29**	**44**	**34.1**	**65.9**	**100.0**

Gender Breakdown as at 31 October 2023

Creditor Payment Policy

The Society's continuing policy concerning the payment of its trade creditors is to pay invoices within the agreed terms of credit once suppliers have discharged their contractual obligations. Amounts due to relevant creditors of the Society are paid on average within 13 days of receipt of invoice (2022: 10 days).

Charitable and Political Donations

During the year the Society made donations of £5,348 (2022: £5,542) to charities. No contributions were made for political purposes. The Society sponsors, and its colleagues commit their time to, a range of local charitable and community causes.

Colleagues

The Directors are extremely appreciative of the contribution made by its colleagues 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 colleagues.

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 AGM packs on-line.

Events since the Year End

The Directors consider that there has been no event since the end of the financial year that has a significant effect on the position of the Society.

Going Concern

The Directors have prepared forecasts of the Society's capital position, financial position and liquidity for the period ending twelve months from the date of approval of these Annual Report and Accounts. The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions. The Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. Accordingly, the Accounts continue to be prepared on a going concern basis.

External Auditors

The Society's External Auditors, Pricewaterhouse Coopers LLP, who were re-appointed at the 2023 AGM, have expressed their willingness to continue in office and, in accordance with Section 77 of the Building Societies Act 1986, a resolution to this effect will be proposed at the 2024 AGM. Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Society's auditor is unaware; and
- The Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

Capital Adequacy

As part of the Capital Requirements Directive, the Society has assessed the adequacy of its capital resources, and the Society's Pillar 3 disclosures, which are a requirement of the Capital Requirements Directive, together with the disclosures to comply with the requirements of Article 89 of the Capital Requirements Directive, are provided on the Society's website, or are available from the Society's Secretary.

The financial statements on pages 48 to 76 were approved by the Board of directors on 19th December, 2023 and signed on its behalf by Joanne Hindle.

Joanne Hindle, Chair

19 December 2023

Corporate Governance Report

The Board believes that good governance is vital in providing effective leadership and ensuring the Society continues as a successful organisation run for the benefit of its current and future Members.

The Financial Reporting Council published the United Kingdom Corporate Governance Code ('the Code') in July 2018. The Code applies to publicly quoted companies. In the interests of transparency, the FCA and PRA also encourage each building society to explain in its Annual Report and Accounts whether, and to what extent, it adheres to the Code.

The Board is committed to having regard to the Code, to the extent that its provisions are relevant to a building society of this scale, in the continuing development of corporate governance practice at the Society. This report describes the Society's governance practices.

The Board

The principal functions of the Board, whilst always acting in the best interests of the Society's Members, are to:

- Provide leadership of the Society within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Society's strategic aims and ensures that the necessary financial and human resources are in place for the organisation to meet its statutory objectives. It also reviews management performance. The Board sets the Society's behavioural standards, and ensures the Society's obligations to its members and others are understood and met;
- Commit to complying with the best practice in corporate governance but where it believes that there is a justifiable reason to depart from the Code then it will do so and follow the 'comply and explain approach.' The Terms of Reference document Board responsibilities, authority, organisation, and composition. The Terms of Reference have been aligned to the Code, Rules of the Society and Regulatory requirements;
- Ensure sufficient human and financial resource are available to meet the objectives; and
- Satisfy itself on the integrity of financial information at the same time ensuring financial controls and risk management systems are robust, reviewed at least annually.

The Board meets regularly throughout the year and separately undertakes a formal review of strategy at least annually. Additional Board meetings take place when required.

The Chair is responsible for the leadership of the Board, setting its direction and culture and ensuring effective contributions from all Directors. As of 31 October 2023, the Board consisted of two Executive Directors and six Non-Executive Directors who provide the appropriate mix of skills and professional expertise required.

The Board has five key Board Committees. The Board reviews the composition of the Committees and their Terms of Reference annually to ensure they remain relevant and up to date. The Terms of Reference are available on request from the Society's Secretary and on the Society's website at **www.srbs.co.uk.**

Audit Committee

The principal functions of the Audit Committee are to:

- Consider all matters of an audit and compliance nature applying to the Society, including internal controls and financial reporting;
- Be responsible for the Integrated Assurance Framework incorporating Second and Third Lines of Defence;
- Approve the scope and content of Internal and External Audit work; and
- Advise the Board on whether the Society's Annual Accounts give a fair, balanced, and understandable assessment of the Society's financial position and performance, business model and strategy.

The Audit Committee consists entirely of Non-Executive Directors. The following Non-Executive Directors served during the year: Gary C D Crowe (Chair), Mary A Kerr and Ian A Craig. In addition, the Executive Directors, representatives from the Society's Finance and Risk and Compliance functions, External Audit and the outsourced Internal Audit attend by invitation. The Audit Committee meets at least four times a year. Further details of this Committee are provided within the Audit Committee Report on pages 33 to 35

Risk Committee

The principal functions of the Risk Committee are to:

- Advise the Board on the Society's overall risk appetite, tolerance and strategy and the principal and emerging risks the Society is willing to take in order to achieve its long-term strategic objectives. This includes the oversight of both conduct and prudential risk appetites and the Society's approach to operational resilience and climate risk;
- Advise the Board on the likelihood and impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact;
- Advise the Board on the risk aspects of proposed changes to strategy and strategic transactions, including the impact of any such decisions on the Society's risk appetite;
- Identify, assesses, and monitors emerging risks to the Society;
- Ensure the Society's risk management structure (RMF) is adequately resourced and effective; and
- Reviews and recommends to the Board the Society's and monitors its effectiveness.

The Risk Committee consists entirely of Non-Executive Directors. The following Non-Executive Directors served during the year: David J Grant (Chair), Joanne Hindle, Gary C D Crowe and Alison Tattersall. In addition, the Executive Directors and representatives from the Society's Risk function attend by invitation. The Risk Committee meets at least four times a year.

Nominations and Governance Committee

The principal functions of the Nominations and Governance Committee are to:

- Lead the process for appointments, ensuring plans are in place for orderly succession to the Board and Leadership Team positions, respecting the Senior Managers and Certification Regime ('SM&CR'); and
- Providing an oversight for the Society's governance structure and an independent review of Board effectiveness, as well as compliance with the Society's Rules and the Corporate Governance Code.

The Nominations and Governance Committee consists of Joanne Hindle (Chair), David J Grant (Senior Independent Director), Mary A Kerr and Steven Jones (Chief Executive Officer). The Nominations and Governance Committee meets when there is an appropriate vacancy to fill and at least twice a year to review the skills mix of the Board.

Remuneration and Engagement Committee

The principal functions of the Remuneration and Engagement Committee are to:

- Review and make recommendations to the Board in respect of the remuneration of the Board Chair and Executive Directors, together with oversight of Senior Management and wider Society remuneration, to ensure the alignment

of incentives and rewards with the values of the Society; and
- Review the broader people strategy, respecting that people are one of the Society's most valuable resources, to drive and deliver the right culture throughout the Society. This covers all areas of the people strategy to effectively deliver the Corporate plan, including for example colleague engagement, performance management and training.

Further details of this Committee are provided within the Directors' Remuneration Report on pages 36 to 38. The Remuneration and Engagement Committee consists entirely of Non-Executive Directors. The following Non-Executive Directors served during the year: Mary A Kerr (Chair until 25 September 2023), David J Grant (Senior Independent Director), and Alison Tattersall (Chair from 25 September 2023).
The Remuneration Committee meets at least annually.

Information Technology ('IT') Committee

The principal functions of the IT Committee are to:
- Provide oversight, support and to advise the Board in respect of IT strategy, IT investment, IT architecture, IT operating model effectiveness, delivery performance and resilience controls (including IT elements of cyber risk); and
- Advising and supporting the Chief Executive Officer and the Executive team on all aspects of technology operations and investment.

The IT Committee consists of Non-Executive Directors and the Chief Executive Officer. Ian A Craig (Chair), David J Grant and Alison Tattersall; with Rob Hassall and IT team attending via invitation The IT Committee shall meet at least six times a year.

Attendance at the Board and Committee meetings

All Committee meetings are formally documented with the minutes being reviewed at the next meeting. Attendance of Members of the Board and Committees at meetings are as follows (November 2022-October 2023):

Name	Board	Remuneration	Audit	Risk	Nominations & Governance	Information Technology
Joanne Hindle (Chair)	9/(9)	*	*	5/(5)	2/(2)	*
David J Grant	9/(9)	4/(4)	*	5/(5)	2/(2)	6/(6)
Gary C D Crowe	7/(9)	*	4/(4)	5/(5)	*	6/(6)
Mary A Kerr	7/(9)	4/(4)	*	5/(5)	2/(2)	*
Alison Tattersall	8/(9)	4/(4)	*	*	*	6/(6)
Ian A Craig	8/(9)	*	4/(4)	*	*	6/(6)
Steven Jones	9/(9)	*	*	*	2/(2)	6/(6)
Christopher I Reid	9/(9)	*	*	*	*	*

Board Committee Attendances: Year ended 31 October 2023

(Figures in brackets represent maximum possible attendance) and * denotes not a Member of the Committee.

Application of the Code

The Code has five sections, each setting out 'Principles' that should be followed, with further detailed 'provisions', explaining in more depth how the principles should be applied.
To assist Members, the principles of each section are reproduced below and an explanation of how these have been applied / not applied follows. To assist readership, the principles are shown in italic text and are enumerated alphabetically from A to R, appearing under five section headings, following the format of the Code.

If you wish to read more about the Code, you can view it at **https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code.**

1. Board Leadership and Company Purpose

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

The requirement for and composition of the Society's Board is contained in the Society's Rules. Established law requires the Board to have regard to the Society's present and future Membership, to ensure a sustainable business that continues to generate economic value, from intermediating between saving and borrowing Members, creating capital from retained profit to support present and future Members who wish to save, or to borrow to help them buy and improve their own homes.
The Board considers the opportunities and risks to strategy, and the resulting implications on the future success of the Society, through the Corporate planning process. This includes assessing how the Society maintains its financial strength in a sustainable way over the long-term within the constraints of operating in a challenging market environment. One element of overall strategy is the continuing investment in people, processes and technology to ensure long-term capability to deliver sustainable balance sheet growth whilst remaining operationally resilient and improving customer access to products and services.

Consistent with being a mutually owned organisation the Board does not consider itself 'entrepreneurial' in the usual sense of the word, or in the context of the Code (which principally applies to limited companies), since that would imply taking financial risks which may not be in the interests of its Members and the sustainability of the Society, or seeking to act beyond its purpose. However, the Board strives to ensure the Society remains profitable, efficient and to be innovative, wherever it can do so.

The Society maintains appropriate liability insurance cover in respect of any legal action against its Directors and Officers. The Board has access to independent professional advice, at the expense of the Society, if required.

'**B**. The Board should assist in establishing the company's purpose, values, and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture.'
The Society's purpose is defined by the Building Societies Act 1986. The Board may not act beyond that purpose. The Board defines and monitors the Society's strategy and culture, which are linked to providing Members with savings and mortgages. Its Directors are required to lead with integrity at all times, being consistent with the established legal duty of a building society Director to act in the best interests of its Members, and to recognise that all Directors are regulated by SM&CR, enforced by the PRA and FCA.

The Society operates a framework to provide assurance that Directors meet the fitness and propriety standards required by SM&CR. The Board considers its strategy annually together with the Society's purpose and values, to ensure our culture is aligned. More detail is set out in the Strategic Report beginning on page 9. The Board through its Committees regularly receives information to provide assurance that culture is aligned to our purpose and values.

'**C.** The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework

of prudent and effective controls, which enable risk to be assessed and managed.'
The Board must ensure the Society can operate effectively at all times. The Society has implemented a robust Risk Management Framework to monitor and mitigate risk where possible. A comprehensive Committee structure is in place to facilitate this control mechanism via the three Lines of Defence model.

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

The Board reports formally to its Members at the AGM of the Society each year. All Members are invited to attend and may pose questions on the Annual Report and Accounts, the Auditors Report as well as the general business of the Society. Members are given voting rights on key decisions, as required by the Society's Rules. Voting by post / online / in branch or by representative is provided for where a Member cannot attend in person, with voting overseen by an independent scrutineer.
The Society's other two key stakeholders are its Regulators, the PRA and the FCA. The Regulators are active in monitoring the Society's performance and operations in order to ensure it observes the extensive regulations, which all building societies are subject to (designed to ensure the safety and soundness of the financial services sector, protect Members and promote competition).
Members' views are sought via a range of questionnaires. David J Grant, the Senior Independent Director, also acts as a point of contact for Members wishing to make representation to the Board.

'**E**. The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

The Board is satisfied that its human resources policies are consistent with ensuring the long-term success of the Society. For instance, it rewards colleagues by reference to prevailing market rates for the Society's locality and does not have any form of bonus schemes that might encourage unethical practices or otherwise target sales of its products by incentivisation.

The Society has an established Whistleblowing Policy designed to support our values and ensure employees can raise concerns without fear of suffering retribution or victimisation, providing a transparent and confidential process for dealing with concerns. The Society also subscribes to 'Protect' formerly 'Public Concern at Work' which is an independent organisation where concerns can be raised. This complies with the Public Interest Disclosure Act 1998, as amended.

2. Division of Responsibilities

'F. The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information.'
The Board Chair is responsible for leadership of the Board and the Board Chair must be satisfied that the Board is properly advised at all times. The Board Chair's performance is subject to annual review, conducted by the Society's Senior Independent Director, but involving all other members of the Board. The annual fee payable for the Board Chair's role is recommended to Board by the Remuneration and Engagement Committee in a meeting, which, for this item, the Board Chair does not attend. No other incentives of any kind are payable. The Board Chair is subject to annual re-election by the Board, and approval to hold the position of Board Chair is required under the SM&CR, given jointly by the PRA and the FCA.

The Board Chair is considered independent at the time of appointment but because of a closer working relationship with the Chief Executive Officer, may not be considered so throughout their tenure. Nonetheless, the Board expects a candidate for the position of the Board Chair to be able to demonstrate that they are capable of exercising objective judgement, that they can promote a culture of openness and debate at all times and be able to ensure the Board maintains an independent view of the performance of the Chief Executive Officer.

It is expected that a Board Chair would normally only act in that capacity for a maximum of nine years (whether as Board Chair or taking into account any initial period as an independent Non-Executive Director before being elected to become Board Chair) after which they are expected to retire. The Society's Senior Independent Director along with the Nominations and Governance Committee will be expected to lead the process to select a successor to the incumbent Board Chair (usually due to their proposed retirement or the completion of the maximum term of nine years), upon which all members of the Board, including the incumbent Board Chair, may vote, as permitted by the Society's Rules. The final appointment of a successor will be majority vote and provided the electee has received approval to hold the office of Board Chair from the PRA and the FCA.

The Board Chair must facilitate constructive relationships among Directors and allow and encourage all members of the Board to contribute to its business, supported by appropriate reporting from the Executive Directors. The Board Chair conducts an annual review of the performance of the members of the Board, save for the Finance Director who is a direct report to the Chief Executive Officer, who is responsible to conduct their performance review.

'**G**. The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the Board and the Executive leadership of the company's business.'

At 31 October 2023, the Board comprised six independent Non-Executive and two Executive Directors providing a balance of skills appropriate to the requirements of the business. The roles of Chair and Chief Executive Officer are held by different individuals, with a clear division of responsibilities.

The Board's composition and skills are reviewed annually by its Nomination and Governance Committee, chaired by the Board Chair. The Nomination and Governance Committee Chair is also responsible for recommending all future appointments to Executive and Non-Executive positions (for example, following retirement, or resignation), subject in each case to the final approval of the Board.

The Society's Rules 12(4)(a) requires: 'The Board shall ensure the direction and management of all affairs and business of the Society by a sufficient number of Individuals fit and proper to be Directors or other Officers, in their respective positions, with prudence and integrity, in the best interests of the Society, in accordance with the Statutes, the Memorandum and these Rules.'

This Rule imposes an accountability for the direction and management of all affairs and business of the Society upon the Board itself. In practice, the Board delegates the management of the Society to its Executive Directors but subjects them to oversight and makes them responsible to report to the Board and its Sub-Committee meetings on all aspects of the Society's business.

'H. Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.'

Appointment to the Board is subject to a Director being made aware of the time commitment that will be expected of them, and the Board being satisfied that the appointee will be able to honour that expectation throughout their tenure, particularly having regard to any other business commitments they may have from time to time. Directors are required to annually disclose other business commitments including time spent, which is then subject to oversight by the Board Chair, together with review by the Nominations and Governance Committee and ultimate approval by the Board.

Where Directors have other significant commitments, these are set out in the Annual Business Statement on page 82 in Section 3, Information Relating to Directors.

'**I**. The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.'

The Board operates under detailed procedures set out in the Board Manual and Charter, maintained by the Society's Secretary. The Board considers its effectiveness annually and challenges itself on all aspects of its efficiency and the oversight it provides. The Board has access to independent professional advice, at the expense of the Society, if required.

3. Composition, Succession and Evaluation

'J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.'

The Board's Nominations and Governance Committee meets at least twice a year (and more frequently when required) to consider succession plans, the requirements for new appointees, and the desired experience when a new Director is to be appointed.

The Committee is responsible for interviewing candidates for appointment and making a recommendation to the Board. As a minimum, all prospective appointees must possess the required experience.

The Society has a policy on equal opportunities and will consider applications from all sectors of society, without regard to race, gender, religion or disability, but subject in all instances to a prospective candidate demonstrating the desired experience and an understanding of the significant duties to which a Director is subject in law and the accountabilities which the role will impose upon them. In this respect, the Society does not actively promote 'diversity' in the context mentioned, since to do so may limit an appropriate appointment based on the experience and skills which the Society seeks.

However, its policy on equal opportunities fully reflects the Equality Act 2010 and ensures that it does not discriminate against any one societal segment because of race, gender or social and ethnic backgrounds, and will always seek to appoint the most appropriate candidate

All opportunities to join the Board as a Director are generally advertised, usually through a specialist recruitment agency or by open advertisement. Applications are welcomed from the Society's Membership, in accordance with its Rules.

'**K**. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and Membership regularly refreshed.' The Society has chosen to apply annual re-election of its Directors. The performance of all Directors is subject to annual appraisal by the Board Chair, who must also be satisfied and able to certify that each Director continues to exhibit the 'fit and proper' requirement of SM&CR.

The Board Chair's annual recertification of a Director must be thoughtful and given in upmost good faith, having regard to the Director's continuing ability to contribute to the stewardship and effective governance of the Society, in the interest of its Members.

'**L**. Annual evaluation of the Board should consider its composition, diversity and how effectively Members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.'

The Society has developed a detailed process of evaluating the Board's effectiveness which it normally employs each year, tested against a range of criteria which explore all aspects of its purpose. From time to time, the Society will consider using an external facilitator for this process. The requirement to ensure each Director is annually appraised (including the Board Chair) is referred to in the responses to principles F and K. The Board is of the view that all Directors contribute effectively and are considered suitable for election / re-election (where appropriate) at the 2024 AGM.

4. Audit, Risk and Internal Control

'**M**. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.'
Part VIII of the Building Societies Act 1986 makes detailed provision for the content and the auditing of the Society's Accounts, going considerably further than the principles of the Code.

Periodically, External Audit meet with the Committee without the Executive Directors being present. The Chair of the Committee provides a report to the subsequent Board Meeting.

The Audit Committee implements the Society's policy on the use of External Audit for non-audit work. The External Auditor, PwC, did not undertake any non-audit work in year.

The Chair of the Board is not a Member of the Audit Committee. The Audit Committee Report on pages 33 to 35 describes how the Audit Committee applies the Code principles in relation to corporate reporting and internal control.

The Society also employs professional Auditors to fulfil the expectation of an internal audit function and the Internal Auditors work on an annual programme, testing the design of controls and the effectiveness of their operation. Both Internal and External Auditors report to the Board's Audit Committee, chaired by a Non-Executive Director. That Committee reports to the Board.

'**N**. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.'
The responsibility of the Directors in respect of preparation of the Annual Report and Accounts, accounting records and internal controls and the statement that the Society's Accounts are prepared on a going concern basis, are set out on page 23 in the Directors' Report. The Chief Executive's Review on pages 6 to 8 and the Strategic Report on pages 9 to 20 provides Members with a detailed review of the position of the Society and its future prospects.

The Audit Committee report on pages 33 to 35 describes the main areas of accounting judgement considered by the Audit Committee.

'**O**. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.'

The Board has a duty to ensure the Society operates within a framework of prudent controls which enables risk to be assessed and managed. The Board has overall responsibility for the Society's internal control system and for reporting its effectiveness to the Members in the Annual Report and Accounts. The Board is also responsible for defining and influencing the culture of risk management across the Society.

The Board has overall responsibility for ensuring the Society maintains adequate financial resources, both in terms of capital and liquidity, through review and approval of both the Society's ICAAP and the ILAAP. The Board monitors the role of Management in identification, monitoring and review of major risks facing the Society through the Board Sub Committee and Management Committee Structure including the ALCO, RCC and the Product Development and Credit Committees.

The Society operates a Three Lines of Defence model as set out on page 16.

The Leadership Team is responsible for designing, implementing, maintaining and monitoring the systems of internal control. The Board and each Board Committee has oversight responsibility for risks within its remit. The Society's internal auditors provide assurance that systems and controls are effectively applied.

The Board is satisfied the Society operates effective systems and controls which are appropriate to the nature, scale, and complexity of the Society's business.

5. Remuneration

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

The Board is ultimately accountable for the determination of the Society's strategy and promoting its long-term sustainable success. Execution of the strategy is delegated to the Chief Executive Officer, subject to Board oversight.

The Society rewards its Chief Executive Officer by reference to market rates for a comparable society or equivalent and taking account of skills, attributes, and flight risk. The performance of the Chief Executive Officer is reviewed by the Board (led by the Board Chair) annually and that process has regard to the delivery of the strategy and the financial standing of the Society at the end of its business year.

Remuneration rewards are considered, as appropriate, by the Remuneration and Engagement Committee in accordance with its Terms of Reference and recommended to the Board, as necessary. They generally reflect annual price inflation and evidence of pay awards at comparator firms.

Details of the Executive Directors' incentive scheme are set out on pages 36 to 38 in the Directors' Remuneration Report.

'**Q**. A formal and transparent procedure for developing policy on Executive remuneration and determining Director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.'

Remuneration is considered, as appropriate, by the Remuneration and Engagement Committee in accordance with its Terms of Reference and recommended to the Board as necessary. The Chair of that Committee reports upon its activities on pages 36 to 38 of this report. The Board Chair and the Chief Executive Officer determine the Non-Executive Directors' fees and certain personnel who are not part of the Executive and not a Director, by reviewing data provided by the Remuneration and Engagement Committee.

'**R**. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.'

The Remuneration and Engagement Committee is comprised of three Non-Executive Directors and, amongst other things, takes account of the expectations of this principle.

Joanne Hindle, Chair

19 December 2023

Audit Committee Report

The Audit Committee forms part of the Society's corporate governance framework to which the Board has delegated oversight of financial reporting, internal controls, Internal Audit RSM UK Risk Assurance Services LLP and External Audit ('PwC'). The Committee consisted of three independent Non-Executive Directors.

This report provides an overview of the Committee's work and details how it has discharged its responsibilities during the year. The principle functions of the audit Committee are to:

- Consider all matters of an audit and compliance nature applying to the Society, including internal controls, and financial reporting;
- Be responsible for the Integrated Assurance Framework incorporating Second and Third Lines of Defence;
- Approve the scope and content of Internal and external Audit work; and
- Advise the Board on whether the Society's Annual Accounts give a fair, balanced, and understandable assessment of the Society's financial position and performance, business model and strategy.

Following each Committee meeting, the minutes are distributed to the Board, and the Committee Chair provides a report to the Board on key matters discussed by the Committee. The composition of the Committee is detailed within the Corporate Governance section of this report on page 25. The Executive Directors', representatives from the Society's Finance and Risk and Compliance functions and Internal and External Audit attend by invitation. The Committee met four times during the year and focused on the following matters:

1. Financial Reporting

In relation to financial reporting, the role of the Committee is to monitor the integrity of the financial statements. In order to discharge this responsibility, the Audit Committee considered the accounting policies adopted by the Society, the presentation and disclosure of financial information and key accounting judgements made by management. During the year, the Committee focused on matters having regard to the significance of their impact on the reported position and the involvement of a high degree of complexity, judgement or estimation by management with specific focus in the following areas.

Provisioning for Loan Impairment

The Committee monitored loan impairment provisions through review of the key inputs and assumptions to the Society's provisioning model. In the absence of historical loss experience by the Society, the Committee focused closely on the methodology and model inputs developed by management, including the appropriateness of any external information used. The Committee paid attention to the variation in impact of movement in provision input assumptions, including assumptions for house prices and probability of default.

Effective Interest Rate

Income in the form of fees earned and incurred as a result of bringing mortgages onto the balance sheet, are measured under the effective interest rate method. This approach involves consideration of the effective life of the loan. The Committee reviewed empirical data prepared by management on effective life and conclusions formed for utilisation in determining the approach taken and judgements applied by management in recognition of income on mortgages and is satisfied that the estimates and accounting treatment are appropriate.

2. Internal Controls and Internal Audit

The Board recognises that robust systems of internal control are essential to the achievement of its objectives and the safeguarding of Members' and the Society's assets. Internal control also contributes to the effectiveness and efficiency of operations, helping to ensure the reliability of internal and external reporting and enables compliance with applicable laws and regulations. The Society operates in a dynamic business environment and, as a result, the risks it faces are continually changing. The internal control framework has been designed to ensure thorough and regular evaluation of the nature and extent of risk and the Society's ability to react accordingly. It is the role of Management to implement the Board's policies on risk and control. It is also recognised that all employees have responsibility for internal control as part of their accountability for achieving objectives. Colleague training and induction is designed to ensure that they are clear on their accountabilities in this area and are competent to operate and monitor the internal control framework.

RSM UK Risk Assurance Services LLP deliver internal audit services to the Society and provide independent assurance to the Board, via the Audit Committee, on the effectiveness of the Internal Control Framework. The Committee receives, considers and approves the Internal Audit Strategy and Plan, including the budget for and focus of assurance activity. Internal Audit provides the Committee with reports on its findings and recommendations as part of its work and updates on progress by management in implementing agreed actions, including verification actions have been implemented as agreed.
The following aspects of internal control were reviewed by the Internal Audit during the year:

- ILAAP;
- Consumer Duty;
- IT Change Management;
- Operational Resilience;
- Risk Management Framework;
- Outbound Payments;
- Mortgage Underwriting; and
- Credit Risk Management Framework.

Internal Audit findings and thematic issues identified were considered by the Committee, as well as Management's response and the tracking and completion of outstanding actions.
The Committee considers guidance from the Chartered Institute of Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector' when ensuring that Internal Auditors and the Committee are properly fulfilling their obligations. The outsourced Internal Audit operates in accordance with an Internal Audit Charter.
The Committee considers the re-appointment of Internal Audit each year and also assesses their independence on an ongoing basis. Internal Audit is required to rotate the Audit Partner responsible for the Society's audit at least every five years.

To preserve the independence of Internal Audit, the Committee holds periodic private meetings with its Internal Auditors during the year without the Executive Directors present.

3. External Audit

The effectiveness of the External Audit process is dependent on appropriate risk identification and at the start of the audit cycle, the Committee receives from External Audit a detailed audit plan, identifying their assessment of the key risks.
The Committee holds regular private meetings with the External Auditor without the Executive Directors present. This provides the opportunity for open dialogue and feedback from the Committee and the Auditor without the Executive Directors being present. Matters typically include the Auditor's assessment of financial reporting risks and key financial reporting judgements, the transparency and openness of interactions with the Leadership Team and confirmation that there has been no restriction in scope placed on them and the independence of their audit.
The Committee considers the re-appointment of External Audit each year and also assesses their independence on an ongoing basis. External Audit is required to rotate the Audit Partner responsible for the Society's audit at least every five years.

The Committee approved the fees for audit services after a review of the level and nature of the work to be performed and was satisfied that the fees were appropriate for the scope of work required.

The Board assessed their independence as appropriate as no non-audit services were provided during this reporting year.

4. Audit Committee Effectiveness

The Committee conducts a self-assessment review annually to monitor performance against its Terms of Reference. The resulting effectiveness report is presented by the Chair of the Committee with any relevant recommendations addressed. The Committee's Terms of Reference were reviewed during the year and found to be fit for purpose. The Board continues to be satisfied that the Committee Members have the requisite levels of knowledge and understanding relevant to the markets in which the Society operates.

Gary C D Crowe, Chair of Audit Committee

19 December 2023

Director’s 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 PRA and 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 AGM.

The Remuneration and Engagement Committee

The over-arching purpose of the Committee is to ensure that remuneration policies and the reward structure are in line with the Society’s business strategy, risk appetite and long-term objectives. This ensures the alignment of incentives and rewards with the values of the Society. The Committee is satisfied that 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 the Society’s size.
The Committee comprises of three Non-Executive Directors with Alison Tattersall as Chair and is responsible for making recommendations to the Board in respect of remuneration for the Chair of the Board, Executive Directors, together with oversight of Senior Management and wider Society remuneration, to ensure the alignment of incentives and rewards with culture. The Chief Executive attends by invitation only and takes no part in the discussion relating to his remuneration. The remuneration of the Chair of the Board is set at a meeting of the Board where the Chair of the Board is not present. The remuneration of all other Non-Executive Directors is set by the Chief Executive and Chair of the Board.

The Committee meets at least annually to consider the remuneration and other terms of service of the Executive Directors and make recommendations to the Board where appropriate.

Executive Directors’ Remuneration

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 and recommended to the Board by the Remuneration Committee. This is 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% of contractual gross salary for the Chief Executive Officer and with a maximum of 15% for the 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.

Benefits

Executive Directors receive other benefits as afforded to colleagues 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 Finance Director is six months to be given by both Society and the individual. As at 31 October 2023 no notices had been served by any of the parties.

Non-Executive Directors' Remuneration

All Non-Executive Directors are remunerated by fees which are reviewed annually, with periodic external benchmarking against data from within the building society sector. The Chair of the Board, and each of the sub-committees also receive additional payments reflecting the additional duties and responsibilities of their roles.

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):

	2023 £'000	2022 £'000
Non-Executive Directors' fees	210.5	186.0
Executive Directors' remuneration	386.0	563.4
Total	**596.5**	**749.4**

Non-Executive Directors

Fees	2023 £'000	2022 £'000
Joanne Hindle (Chair)	41.8	40.0
David J Grant (Senior Independent Director) (from 24 February 2022)	33.9	32.3
Gary CD Crowe	33.9	32.3
Mary A Kerr	33.1	32.3
Ian A Craig (from 24 February 2022)	33.9	21.5
Alison Tattersall (from 24 February 2022)	33.9	18.6
James W Dean (Senior Independent Director) (to 23 February 2022)	-	9.0
Total	**210.5**	**186.0**

Executive Directors

31/10/23	Salary £'000	Benefits Including Bonus £'000	Pension £'000	Total £'000
Steven Jones	177.8	32.1	20.4	230.3
Christopher I Reid	125.5	15.8	14.4	155.7
Total	**303.3**	**47.9**	**34.8**	**386.0**

31/10/22	Salary* £'000	Benefits Including Bonus** £'000	Pension £'000	Total £'000
Michael R Smith	205.4	74.9	-	280.3
Steven Jones	166.4	22.1	17.2	205.7
Christopher I Reid	60.0	10.5	6.9	77.4
Total	**431.8**	**107.5**	**24.1**	**563.4**

* Includes payment in lieu of holiday not taken during the pandemic M Smith £15.3k and S Jones £16.7k.

** Includes £51.2k relating to a long-term incentive plan for M Smith

Alison Tattersall, Chair of Remuneration and Engagement Committee
19 December 2023

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 Annual Accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 (the Act) requires the Directors to prepare for each financial year. Under that law they have elected to prepare the Annual Accounts in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

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

In preparing these Annual Accounts, the Directors are required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable United Kingdom. Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts;
- Assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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

Directors' Responsibilities for Accounting Records and Internal Control

The Directors are responsible for ensuring that the Society:
- Keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society, in accordance with the Act; and
- Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the FCA and PRA under the Financial Services and Markets Act 2000.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of Annual Accounts may differ from legislation in other jurisdictions.
On behalf of the Board

Joanne Hindle, Chair
19 December 2023

Independent Auditors' Report to the Members of The Stafford Railway Building Society

Report on the audit of the annual accounts

Opinion

In our opinion:

- The Stafford Railway Building Society's Annual Report and Accounts (the "annual accounts") give a true and fair view of the state of the society's affairs as at 31st October 2023 and of the society's income and expenditure and cash flows for the year then ended;
- The annual accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law; and
- The annual accounts have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31st October 2023; the statement of comprehensive income, the cash flow statement, and the statement of changes in members' interests for the year then ended; the accounting policies; and the notes to the annual accounts , which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, which includes the FRC's Ethical Standard applicable to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the society.

We have provided no non-audit services to the society in the period from 1st November 2022 to 31st October 2023.

Our audit approach

Overview

Materiality	• £269,000 (2021: £247,000) - Society annual accounts • Based on 1% of net assets
Scoping	• We conducted the audit using a team from Manchester • We performed audit procedures over all material account balances
Key audit matters	• Impairment provision for loans and advances to customers

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual accounts. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the annual accounts section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the society/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles such as those governed by the Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the annual accounts. We also considered those laws and regulations that have a direct impact on the annual accounts such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the annual accounts (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase revenue or reduce expenditure and management bias in accounting estimates. Audit procedures performed included:

- Review of correspondence with and to regulators;
- Testing of significant accounting estimates (see key audit matter below);
- Testing of journal entries with unusual account combinations and other specific risk based criteria back to corroborating evidence;
- Discussions with management in relation to known or suspected incidents of fraud;
- Review of board minutes and attendance at audit committees where known or suspected incidents of non-compliance with laws and regulation and fraud would be discussed; and
- Review of internal audit reports in so far as they relate to the annual accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key Audit Matter	How our audit addressed the key audit matter
Impairment provision for loans and advances to customers The Society holds an impairment provision of £631k (2022: £470k) to account for impairment losses on mortgage assets which have been incurred. This is split between a collective impairment provision of £325k (2022: £244k) and individual impairment provision of £306k (2022: 226k.) The collective impairment provision is calculated using year end data from the mortgage book, combined with assumptions for the portfolio default rate, future collateral values and time to recovery. These are based on management judgement given the limited loss experience of the Society. The individual impairment provision applies further stressed scenarios to individual accounts where the directors have identified indicators of impairment. This included accounts where the borrower appears to be suffering financial distress for example accounts with a history of arrears or having been offered forbearance arrangements. The Society has limited experience of loan losses being incurred and therefore assumptions used in the models involve a greater degree of management judgement. The directors' disclosures are given in note 11. Managements' associated accounting policies are given in note 1. Managements' judgements in the application of the accounting policy and critical estimate is disclosed in note 1.10. The Audit Committee's consideration of the matter is described on page 33.	We discussed the basis of allowance for impairment with management and the Audit Committee, including rationale for the accounts identified within the individual assessed provision. We tested the data used within the calculations to evidence from underlying customer records. This included obtaining evidence on a sample basis over the charge held by the Society on the mortgaged properties, testing the accuracy of third party independent valuations and recalculating the period end collateral valuations using independently sourced House Price indices. We confirmed that the provision calculations were mathematically accurate and captured all loan data through reconciliation of the models to the loan book. We read the impairment disclosures given by management and re-performed the disclosed sensitivity analysis. With regards to the collective provision we understood, evaluated and challenged the appropriateness of the assumptions used by the directors by considering alternative assumptions based on industry data, market forecasts and the actual loss experience of the Society. We tested the completeness of the individually assessed provision by selecting a sample of loans under forbearance measures or in arrears and ensuring their inclusion within the provision. We tested the completeness of accounts in arrears by sampling customers who had failed to make a mortgage repayment, ensuring this was flagged correctly in the mortgage system. We tested the completeness of further impairment events by sample testing high value loan exposures and reviewing the latest account correspondence. We read the credit committee minutes to identify all the cases discussed to ensure completeness of the individually assessed list. Based on the procedures we performed and the evidence obtained we conclude that the calculation of the impairment provision is materially complete and accurate, and the overall level of provision held is reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the annual accounts as a whole, taking into account the structure of the society, the accounting processes and controls, and the industry in which it operates.

All of the Society's business takes place in the United Kingdom. The principal activity of the Society is to provide mortgage and savings products to individuals to fund secured lending on residential property. The majority of the Society's mortgage book is secured on UK residential property with a small portion secured on UK commercial property. The Society is a stand alone entity and the accounting records are maintained at their office in Stafford.

Audit procedures were performed over all material balances and financial information of the Society by a single audit team from Manchester. The team visited the Stafford office and conducted the audit with a blend of in person and remote working.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Society's financial statements and support the disclosures made in relation to climate change in the Annual Report & Accounts.

In addition to enquiries with management, we also:

- Considered the exposure of the Society's mortgage portfolio to physical and transition risks by examining the output of assessments performed by management during the year; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report & Accounts with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 October 2023.

Materiality

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 financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate 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	£ 269,000 (2022: £247,000).
How we determined it	1% of net assets
Rationale for benchmark applied	The Society's principal activity is to provide residential mortgage loans financed by retail savings products. The strategy is not one purely of profit maximisation but to provide a secure place for customer savings in a mutual environment. The soundness of the Society is based on its regulatory capital, which is closely aligned to accounting reserves. As such we consider a benchmark based on net assets to be appropriate.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £201,000 (2022: £185,000).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £13,000 (2022: £12,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the society's ability to continue to adopt the going concern basis of accounting included:

- We critically assessed the directors' conclusions on their going concern assessment, including any key assumptions used by the directors in their determination of the going concern of the Society;
- We reviewed the impact of management's stress test scenarios and considered the likelihood of successful implementation of management actions to mitigate the impacts. We considered whether the Society would continue to operate above required regulatory capital and liquidity minima during times of stress;
- We challenged the reasonableness of the scenarios used by the directors in their going concern assessment and checked the appropriateness of the assumptions used within their forecasting;
- Corroborated legal and regulatory correspondence with audit procedures performed to ensure that there are no compliance issues which may impact the going concern of the society; and
- We evaluated management's disclosures in the Annual Report and checked the consistency of the disclosures with our knowledge of the Society based on our audit.

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the society's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the annual accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

Building Societies Act 1986 – Opinion on Annual Business Statement and Directors' Report

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

- The Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- The information given in the Directors' Report for the year ended 31 October 2023 is consistent with the accounting records and the annual accounts; and
- The information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the society and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the annual accounts and the audit

Responsibilities of the directors for the annual accounts

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' 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 auditors' 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the annual accounts is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the society; or
- The society 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 24th February 2020 to audit the annual accounts for the year ended 31st October 2020 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31st October 2020 to 31st October 2023.

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19th December 2023

Statement of Comprehensive Income

For the year ended 31 October 2023

	Note	2023 £'000	2022 £'000
Interest receivable and similar income	2	13,412	6,938
Interest payable and similar charges	3	(6,858)	(1,376)
Net interest income		**6,554**	**5,562**
Fees and commissions receivable		1	2
Fees and commissions payable		(9)	(18)
Other operating income		48	24
Total net income		**6,594**	**5,570**
Administrative expenses	4	(4,295)	(3,780)
Depreciation	12	(69)	(82)
Operating profit before impairment losses and provisions		**2,230**	**1,708**
Impairment movement on loans and advances	11	(161)	(272)
Profit before tax		**2,069**	**1,436**
Tax expense	7	(467)	(263)
Profit for the financial year		**1,602**	**1,173**
Other comprehensive income/(expense)			
Gain/(Loss) in fair value	9	83	(51)
Taxation on other comprehensive income/(expense)		(20)	14
Total comprehensive income for the year		**1,665**	**1,136**

Profit for the financial year arises from continuing operations. Both the profit for the financial year and other comprehensive income/(expense) for the year are attributable to the Members of the Society.

The notes on pages 48 to 76 form an integral part of these Annual Report and Accounts.

Statement of Financial Position

At 31 October 2023

	Note	2023 £'000	2022 £'000
Assets			
Liquid assets			
Cash in hand		65	42
Loans and advances to credit institutions	8	73,639	72,864
Debt securities	9	10,264	15,551
Loans and advances to customers	10	223,206	202,257
Tangible fixed assets	12	556	606
Other debtors	13	219	184
Deferred tax assets	14	39	31
Total assets		**307,988**	**291,535**
Liabilities			
Shares	15	266,499	251,663
Amounts owed to other customers	16	14,176	14,164
Other liabilities	17	238	314
Accruals and deferred income		618	602
Total liabilities		**281,531**	**266,743**
Reserves			
General reserve		26,459	24,857
Available-for-sale reserve		(2)	(65)
Total reserves attributable to Members of the Society		26,457	24,792
Total reserves and liabilities		**307,988**	**291,535**

These Accounts were approved by the Board of Directors on 19 December 2023 and signed on its behalf:

Joanne Hindle,
Chair

Steven Jones,
Chief Executive

Christopher I Reid,
Finance Director

The notes on pages 48 to 76 form an integral part of these Annual Report and Accounts.

Statement of Changes in Members' Interests

	2023			2022		
	General Reserve £'000	**Available for Sale Reserve £'000**	**Total £'000**	**General Reserve £'000**	**Available for Sale Reserve £'000**	**Total £'000**
Balance at the beginning of the year	24,857	(65)	24,792	23,684	(28)	23,656
Total comprehensive income/(expense) for the year						
Profit for the financial year	1,602	-	1,602	1,173	-	1,173
Other comprehensive Income/(expense)						
Gain/ (Loss) in fair value	-	83	83	-	(51)	(51)
Taxation on other comprehensive income	-	(20)	(20)	-	14	14
Total comprehensive income/(expense) for the year	**1,602**	**63**	**1,665**	**1,173**	**(37)**	**1,136**
Balance at the end of the year	**26,459**	**(2)**	**26,457**	**24,857**	**(65)**	**24,792**

Cash Flow Statement

For the year ended 31 October 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Profit before tax		2,069	1,436
Adjustments for			
Depreciation	12	69	82
Increase in impairment of loans and advances	11	161	272
Movement in premium and accrued interest on debt securities	9	(553)	(43)
Total		**1,746**	**1,747**
Changes in operating assets and liabilities			
Increase in prepayments, accrued income and other assets	13	(35)	(16)
Increase in accruals, deferred income and other liabilities		16	115
Increase in loans and advances to customers	10	(21,110)	(436)
Increase/(Decrease) in shares	15	14,836	(9,622)
Increase in amounts owed to other credit institutions and other customers	16	12	468
Taxation paid		(571)	(241)
Net cash used in operating activities		**(5,106)**	**(7,985)**
Cash flows from investing activities			
Purchase of debt securities	9	(10,004)	(18,068)
Maturity of debt securities	9	15,927	21,394
Purchase of tangible fixed assets	12	(19)	(18)
Net cash generated from investing activities		**5,904**	**3,308**
Net Increase/(Decrease) in cash and cash equivalents		**798**	**(4,677)**
Cash and cash equivalents at the beginning of the year	8	72,906	77,583
Cash and cash equivalents at the end of the year	**8**	**73,704**	**72,906**

Reconciliation of Net Debt	2022 £'000	Cash Flow £'000	2023 £'000
Cash and cash equivalents	72,906	798	73,704
Shares and amounts owed to other customers	(265,827)	(14,848)	(280,675)
Net Debt	**(192,921)**	**(14,050)**	**(206,971)**

Notes to the Accounts

1. Accounting policies

Stafford Railway Building Society (the 'Society') has prepared these Society Annual Report and Accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'). The Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the European Union).

The Society prepares detailed forecasts ('the Corporate plan') for the three years following the year ended in these Annual Report and Accounts. The forecast gives consideration to the current global instability and those factors affecting the UK economy. These include rising interest rates, inflationary pressures, unemployment rates and the cost of living. Furthermore, the Society models the impact of severe but plausible scenarios on capital and liquidity through robust stress testing and analysis of changes on key sensitivities. The Board is satisfied that based on empirical evidence, and current market data, the severe but plausible stress scenarios are in fact more severe than that previously or currently experienced by the Society, particularly in reference to Covid-19 and / or Brexit and the Financial Crisis of 2007 / 2008.

These severe but plausible stresses are established and defined in detail during the annual ICAAP and ILAAP, in line with PRA requirements. Considerations are given to a range of factors, including but not limited to HPI fluctuations, changes in customer propensity of default, unemployment, interest rate changes and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide.

The Society maintains a surplus over regulatory limits for both capital and liquidity throughout the stresses. The Board, therefore, are satisfied that the Society has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these Annual Report and Accounts. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Annual Report and Accounts.

Judgements made by the Directors, in the application of these accounting policies that have a significant effect on the Annual Report and Accounts and estimates with a significant risk of material adjustment in the next year are discussed in note 1.10.

1.1 Measurement convention

The Annual Report and Accounts are prepared on a going concern basis under the historical convention basis with the exception that the Society has elected to adopt IAS 39 Financial Instruments: Recognition and Measurement which requires the Society to measure its debt securities that it has classified as 'Available-For-Sale' at fair value with interest and amortisation recognised using the effective interest rate method.

The presentation currency of these Annual Report and Accounts is sterling. All amounts in the Annual Accounts have been rounded to the nearest £1,000. There are no foreign currency transactions.

1.2 Interest

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

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the Statement of Comprehensive Income includes:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on available-for-sale debt securities calculated on an effective interest basis.

1.3 Fees and commission

Fees, commission income and expenses associated with bringing a mortgage onto the balance sheet are amortised against the expected life of the mortgage on an effective interest rate basis.

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

1.4 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, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Annual Accounts. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are dis-allowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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 balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.5 Financial instruments recognition

The Society initially recognises loans and advances to customers, loans and advances to credit institutions and debt securities on the date on which they are originated at fair value. All other financial instruments are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument.

Classification

Financial assets

The Society classifies its financial assets into one of the following categories:

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and that the Society does not intend to sell immediately or in the near term. Loans and receivables include loans and advances to customers.

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

The initial value may, if applicable include certain fees which are recognised over the average life of mortgage assets, as noted above. Throughout the year and at each year-end, the mortgage life assumptions for each product are reviewed for appropriateness. Any changes to the expected life assumptions of the mortgage assets are recognised through interest receivable and similar income and reflected in the carrying value of the mortgage assets.

- *Available-for-sale*

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 debt securities and are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in Other Comprehensive Income and presented in the available-for-sale reserve within our reserves. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

- *Financial liabilities*

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

Derecognition

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

Measurement

Amortised cost measurement

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

Identification and measurement of impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets not carried at fair value are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- The restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- Indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security; or
- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers.

The Society considers evidence of impairment for loans and advances at both an individual asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, the Society uses benchmarking to external factors given our limited loss experience for the probability of default, the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate. Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

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

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

Forbearance strategies and renegotiated loans

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

- Moving to an interest only arrangement; and
- Payment plans.

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

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

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to accrue. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss. Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the available for sale reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through Other Comprehensive Income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in Other Comprehensive Income.

1.6 Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash comprises cash in hand and unrestricted loans and advances to credit institutions repayable on demand.

Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. The Cash Flow Statement has been prepared using the indirect method.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 50 years
- Computer equipment 3 years
- Office equipment / Fixtures and fittings 5-10 years

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

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

1.8 Employee benefits

A defined contribution plan is a post-employment benefit plan under which the Society pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

1.9 Provisions

A provision is recognised in the balance sheet 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.

1.10 Judgements and estimation uncertainties

Certain asset and liability amounts reported in the Accounts are based on management estimates, judgements and assumptions. There is, therefore, a risk of changes to the carrying amounts for these assets and liabilities within the next financial year. The most significant areas where judgements and assumptions are made are as follows:

Loan impairment

In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Impairments are calculated as the difference between expected future cash flows and the current outstanding balance, using management's best estimate of propensity to default using all available data. Estimates and assumptions are around the probability of any account defaulting, the time taken to complete the sale of properties in possession and the eventual loss incurred in the event of forced sale discount, including realisation costs. They are updated as the Board consider appropriate to the reflect prevailing economic environment.

In exercising its judgement, the Board consider a number of scenarios, incorporating a range of the key variables noted. The scenarios include, for example geographical concentration and type of lending / market segment.

The average probability of default used in the collective impairment model is 6.50%. In the previous financial year, the Society included a post model adjustment to reflect the impact of economic uncertainty on existing borrowers. During the year the modelled output has reached and then exceeded this adjustment, meaning it is no longer required as at 31 October 2023. A 2.5% increase in the outcome of probability of default would result in an increase in the collective impairment provision of £124,000 (2022: £41,616). A more aggressive stress based on a 5% increase would result in an increase of £249,000 (2022: £83,231).

The forced sale discount used in the collective impairment model is in a range of 30% to 45% based on the key mortgage segment. A 5% increase in the forced sale discount would result in an increase in the collective impairment provision of £201,000 (2022: £100,549). Conversely a 5% decrease would result in a decrease in the collective impairment provision of £150,000 (2022: £59,432).

The realisation period used in the provision varied between 18 months to 24 months dependent on the type of lending / market segment. A six month increase in the realisation period would result in an increase in the collective impairment provision of £65,000 (2022: £17,081).

2. Interest receivable and similar income

	2023 £'000	2022 £'000
On loans fully secured on residential property	10,028	6,070
On other loans	21	23
On debt securities and other liquid assets	3,363	845
	13,412	**6,938**

There is no interest income (2022: none) outstanding in respect of specifically impaired loans.

3. Interest payable and similar charges

	2023 £'000	2022 £'000
On shares held by individuals	6,723	1,275
On deposits and other borrowings	135	101
	6,858	**1,376**

4. Administrative expenses

	2023 £'000	2022 £'000
Wages and salaries	1,497	1,912
Social security costs	219	228
Contributions to defined contribution plans	154	126
Total Colleague cost	**1,870**	**2,266**
Other administrative expenses	2,425	1,514
	4,295	**3,780**

The remuneration of the external auditor, which is included within other administrative expenses above, is set out below (excluding Value Added Tax):

	2023 £'000	2022 £'000
Statutory audit of the Annual Report and Accounts	109	99
	109	**99**

5. Employee numbers

The average number of persons employed by the Society during the year, analysed by category, was as shown in the below table.

Average number of employees	2023	2022
Full time	30	31
Part time	11	8
	41	**39**

As at 31 October 2023 the Society employed a total of 38 colleagues (full time 28 and part time 10) (2022: 39 colleagues, full time 31 and part time 8). The analysis excludes the Society's Non-Executive Directors.

6. Directors' remuneration

Total remuneration of the Society's Directors for the year was £596,540 (2022: £749,409). Full details are given in the tables within the Directors' Remuneration Report on pages 37 to 38.

Fees for Non-Executive Directors are not pensionable, and they do not participate in any incentive scheme or receive any other benefit.

7. Tax Expense

Total tax expense recognised in the profit and loss account.

Analysis of tax charge in the year:	2023 £'000	2022 £'000
Current tax		
United Kingdom corporation tax on income for the period	496	314
Total Current Tax	**496**	**314**
Deferred tax (see note 14)		
Origination and reversal of timing differences	(29)	(51)
Total deferred tax	**(29)**	**(51)**
Total tax	**467**	**263**

Factors affecting the current tax charge in the year:	2023 £'000	2022 £'000
Profit on ordinary activities before tax	2,069	1,436
Tax or profit on ordinary activities at United Kingdom standard rate of 22.518% (2022: 19%)	466	273
Expenses not deductible for tax purposes	3	2
Effect of changes in tax rates	(2)	(12)
Current tax charge for the year	**467**	**263**

The current tax charge for the period is at the standard rates of corporation tax in the UK which are 19% for the period to 31 March 2023 and 25% for the period from 1 April 2023. This results in an equivalent rate of 22.518% for the year to 31 October 2023. Deferred tax has been measured based on a future effective rate of 25%.

8. Loans and advances to credit institutions

	2023 £'000	2022 £'000
Repayable on demand	73,639	72,864
Total loans and advances to credit institutions	**73,639**	**72,864**
Cash	65	42
Total cash and cash equivalents	**73,704**	**72,906**

9. Debt securities

	2023 £'000	2022 £'000
Debt securities have remaining maturities as follows:		
In not more than one year	10,264	15,551
In more than one year	-	-
	10,264	**15,551**
Transferable debt securities comprise:		
Listed on a recognised investment exchange	10,264	15,551
Unlisted	-	-
	10,264	**15,551**
Movements in debt securities during the year are summarised as follows:		
At the beginning of the year	15,551	18,885
Additions	10,004	18,068
Disposals and maturities	(15,927)	(21,394)
Movement in premium and accrued interest	553	43
Gain/(Loss) in fair value recognised as other comprehensive expense	83	(51)
At the end of the year	**10,264**	**15,551**

10. Loans and advances to customers

	2023 £'000	2022 £'000
Loans fully secured on residential property	222,998	201,859
Loans fully secured on land	208	398
	223,206	**202,257**
The remaining maturity of loans and advances to customers from the reporting date is as follows:		
On call and at short notice	547	214
In not more than three months	3	483
In more than three months but not more than one year	457	353
In more than one year but not more than five years	12,769	12,157
In more than five years	210,061	189,520
	223,837	**202,727**
Less: allowance for impairment (note 11)	(631)	(470)
	223,206	**202,257**

The maturity analysis above is based on contractual maturity.

11. Impairment movement on Loans and Advances

	Loans fully secured on residential property £'000
Impairment provision at 1 November 2022	
Individual impairment	226
Collective impairment	244
Total	**470**
Utilised in the year	
Individual impairment	-
Collective impairment	-
Total	**-**
Charge for the year	
Individual impairment	80
Collective impairment	81
Total	**161**
At 31 October 2023	
Individual impairment	306
Collective impairment	325
Total	**631**

	Loans fully secured on residential property £'000
Impairment provision at 1 November 2021	
Individual impairment	108
Collective impairment	90
Total	**198**
Utilised in the year	
Individual impairment	-
Collective impairment	-
Total	-
Charge for the year	
Individual impairment	118
Collective impairment	154
Total	**272**
At 31 October 2022	
Individual impairment	226
Collective impairment	244
Total	**470**

12. Tangible fixed assets

	Freehold land and buildings £'000	Computer equipment £'000	Office equipment / fixtures & fittings £'000	Total £'000
Cost				
Balance at 1 November 2022	643	172	887	1,702
Additions	-	16	3	19
Disposals	-	-	-	-
Balance at 31 October 2023	**643**	**188**	**890**	**1,721**
Accumulated Depreciation				
Balance at 1 November 2022	314	163	619	1,096
Depreciation charge for the year	15	11	43	69
Disposals	-	-	-	-
Balance at 31 October 2023	**329**	**174**	**662**	**1,165**
Net book value				
At 31 October 2022	329	9	268	606
At 31 October 2023	**314**	**14**	**228**	**556**

Land and buildings

The net book value of land and buildings comprises:

	2023 £'000	2022 £'000
Freehold	314	329
Net book value of land and buildings occupied for own use	**314**	**329**

13. Other debtors

	2023 £'000	2022 £'000
Prepayments and accrued income	219	184
	219	**184**

14. Deferred tax asset

	Assets		Liabilities		Net	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Excess of capital allowances over depreciation	-	-	38	44	38	44
Effective Interest Rate transitional adjustment	-	-	5	7	5	7
Collective impairment allowance	(81)	(61)	-	-	(81)	(61)
Taxation on other comprehensive expense	(1)	(21)	-	-	(1)	(21)
Deferred tax (assets) / liabilities	**(82)**	**(82)**	**43**	**51**	**(39)**	**(31)**

No significant reversal of the deferred tax liability in respect of accelerated capital allowances or collective impairment allowance is expected to occur in the year to 31 October 2024. The Corporation Tax impact of the Effective Interest Rate transitional adjustment is spread over ten years and so deferred tax has been recognised accordingly.

15. Shares

	2023 £'000	2022 £'000
Held by individuals	266,499	251,663
Shares are repayable with remaining maturities from the balance sheet date as follows:		
Repayable on demand	199,716	218,327
In not more than 3 months	42,586	33,336
More than 3 months but not more than 1 year	23,229	-
More than 1 year	968	-
	266,499	**251,663**

During the year, the Society has widened its retail offerings by launching two additional notice products and a two year fixed rate retail bond.

16. Amounts owed to other customers

	2023 £'000	2022 £'000
Repayable on demand	14,176	14,164
	14,176	**14,164**

17. Other liabilities

	2023 £'000	2022 £'000
Corporation tax	238	314
	238	**314**

18. Employee benefits: Defined contribution plans

During the year, the Society has contributed to the personal pension plans of its colleagues. The pension charge in relation to these plans for the year was £154,720 (2022: £126,042). There were no accrued contributions as at 31 October 2023 (2022: none).

19. Financial instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. The Society is a retailer of financial instruments in the form of mortgage and savings products. The Society does not run a trading book. The Society has a formal structure for managing risk, including established risk limits, reporting lines, mandates, credit risk appetite and other control procedures. The Board delegated Risk Committee is responsible for managing the Society's overall exposure to risk.

ALCO reviews treasury and balance sheet risk related activities and the Product Development Committee examines market movements to discern changes required to the Society's product range.

Key performance indicators in the form of a Dashboard, are provided to the Board on a monthly basis and summary information is reviewed on a weekly basis by Management. Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. Note 1.5 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following tables analyse the Society's assets and liabilities by financial classification.

Carrying values by category 31 October 2023	**Held at amortised cost**			**Held at fair value**	
	Loans and receivables £'000	**Financial liabilities at amortised Cost £'000**	**Other non financial assets and liabilities £'000**	**Available for sale £'000**	**Total £'000**
Financial assets					
Cash in hand	65	-	-	-	65
Loans and advances to credit institutions	73,639	-	-	-	73,639
Debt securities	-	-	-	10,264	10,264
Loans and advances to customers	223,206	-	-	-	223,206
Total financial assets	**296,910**	**-**	**-**	**10,264**	**307,174**
Non-financial assets	-	-	814	-	814
Total assets	**296,910**	**-**	**814**	**10,264**	**307,988**
Financial liabilities					
Shares	-	266,499	-	-	266,499
Amounts owed to other customers	-	14,176	-	-	14,176
Total financial liabilities	**-**	**280,675**	**-**	**-**	**280,675**
Non-financial liabilities	-	-	856	-	856
Total liabilities	**-**	**280,675**	**856**	**-**	**281,531**
General and other reserves	-	-	-	-	26,457
Total reserves and liabilities	**-**	**-**	**-**	**-**	**307,988**

Carrying values by category 31 October 2022	Held at amortised cost			Held at fair value	
	Loans and receivables £'000	Financial liabilities at amortised Cost £'000	Other non-financial assets and liabilities £'000	Available for sale £'000	Total £'000
Financial assets					
Cash in hand	42	-	-	-	42
Loans and advances to credit institutions	72,864	-	-	-	72,864
Debt securities	-	-	-	15,551	15,551
Loans and advances to customers	202,257	-	-	-	202,257
Total financial assets	**275,163**	**-**	**-**	**15,551**	**290,714**
Non-financial assets	-	-	821	-	821
Total assets	**275,163**	**-**	**821**	**15,551**	**291,535**
Financial liabilities					
Shares	-	251,663	-	-	251,663
Amounts owed to other customers	-	14,164	-	-	14,164
Total financial liabilities	-	265,827	-	-	265,827
Non-financial liabilities	-	-	916	-	916
Total liabilities	**-**	**265,827**	**916**	**-**	**266,743**
General and other reserves	-	-	-	-	24,792
Total reserves and liabilities	**-**	**265,827**	**916**	**-**	**291,535**

Valuation of financial instruments carried at fair value

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

Valuation techniques

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

Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (that is, developed using market data) for the asset or liability, either directly or indirectly; and

Level 3 – Inputs are unobservable (that is, for which market data is unavailable) for the asset or liability.

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

31 October 2023	Level 1	Level 2	Level 3	Total £'000
Financial assets	-	-	-	-
Available for sale	-	-	-	-
Debt securities	10,264	-	-	10,264
31 October 2022	**Level 1**	**Level 2**	**Level 3**	**Total £'000**
Financial assets	-	-	-	-
Available for sale	-	-	-	-
Debt securities	15,551	-	-	15,551

Valuation techniques

The main valuation technique employed by the Society to establish fair value of the financial instruments disclosed above are set out below:

Debt securities Level 1: Market prices have been used to determine the fair value of listed debt securities.

Credit risk

Credit risk is the risk of loss or delay if a customer or counter-party fails to perform their obligations, such as the timely repayment of a loan or other credit arrangement. The Society has no appetite for material credit losses. This is controlled through credit quality standards, underwriting rules, as well as limits by exposure to counter-party, sector, country and instrument. The Society's maximum credit risk exposure is detailed in the table below:

	2023 £'000	2022 £'000
Loans and advances to credit institutions	73,639	72,864
Debt securities	10,264	15,551
Loans and advances to customers	223,206	202,257
Total statement of financial position exposure	**307,109**	**290,672**
Off balance sheet exposure – mortgage commitments	18,015	11,829
	325,124	**302,501**

The Society does not use credit derivatives, or similar instruments, to manage its credit risk.

Loans and advances to credit institutions and debt securities

ALCO is responsible for approving treasury counter-parties for investment purposes. The credit risk appetite for liquid assets is defined by: the minimum counter-party credit rating; the permissible instruments; the maximum percentage of total liquid assets held at each credit risk level; and the investment term. This is monitored daily by the Society's Executive and Management and reviewed monthly by ALCO.

An analysis of the Society's liquid asset concentration is shown in the table below:

	2023		2022	
	£'000	%	£'000	%
Industry sector				
Banks	15,051	17.9	18,179	20.6
Bank of England	68,917	82.1	68,226	77.1
Building Societies	-	-	2,052	2.3
Total	**83,968**	**100.0**	**88,457**	**100.0**

Geographic Region	2023 £'000	AA- %	A+ %	A %	A- %	2022
United Kingdom	83,968	87.65	12.35	-	-	88,457

The Society has no exposure to foreign exchange risk. All instruments are denominated in sterling.

There are no impairment charges against any of the Society's liquid assets at 31 October 2023 (2022: none).

Loans and advances to customers

All mortgage loan applications are assessed with reference to the Society's risk appetite and Board approved Lending Policy.

The Board's Risk Appetite is based on:

1. The maximum proportion of the total mortgage portfolio that certain loans types can represent;

2. Loan-to-value ('LTV') ratios; and

3. The arrears level.

LTV and arrears levels are key drivers of the Pillar 1 credit risk capital calculation. All mortgage products are priced to ensure that the margin appropriately reflects the credit risk involved and the carrying cost of the incremental risk capital. The Board believes in a stepwise approach to product development. New products should typically be introduced via a limited number of channels, such as well-established and highly reputable specialist brokers.

Capital will be committed in a staged manner, with regular product performance reviews being performed. For the Society as a whole, mortgages on prime owner occupied residential properties will be a minimum of 80% of mortgage assets and arrears rates will be kept below the national average reported by UK Finance. The lending portfolio is monitored by the Product Development and Credit Committees to ensure that it remains in line with the stated risk appetite of the Society. All mortgage applications are underwritten individually on a case-by-case basis ensuring that they meet the Lending Policy rules which support the risk appetite of the Society. All mortgage applications will be overseen by the Head of Mortgage Sales and the Head of Mortgage Underwriting who ensure that all lending criteria have been applied and that all information submitted within the application is validated.

	2023		2022	
Industry sector - Residential mortgages	**£'000**	**%**	**£'000**	**%**
Owner occupied	194,598	86.9	170,119	83.9
Buy-to-let	29,031	13.0	32,210	15.9
Commercial mortgages	208	0.1	398	0.2
Total Gross Mortgages	**223,837**	**100.0**	**202,727**	**100.0**

The Society operates throughout England and Wales.
An analysis of the Society's geographical concentration is shown in the table below:

	2023		2022	
	£'000	**%**	**£'000**	**%**
Stafford ST16 - ST18	20,226	9.0	23,892	11.8
Rest of Staffordshire	23,804	10.7	22,859	11.3
Rest of United Kingdom	179,807	80.3	155,976	76.9
Total Gross Mortgages	**223,837**	**100.0**	**202,727**	**100.0**

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of the LTV ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for loan commitments to the value of the collateral. The gross amounts exclude any

Impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

		2023		2022
LTV ratio	**£'000**	**%**	**£'000**	**%**
Less than 50%	131,507	58.8	136,633	67.4
50 – 70%	69,349	31.0	54,191	26.7
71 – 90%	22,576	10.0	11,782	5.8
91 – 100%	405	0.2	121	0.1
Total Gross Mortgages	**223,837**	**100.0**	**202,727**	**100.0**
Average LTV	**32.2%**		**29.4%**	

Credit risk

Credit quality analysis of loans and advances to customers. The table below sets out information about the credit quality of financial assets and the allowance for impairment / loss held by the Society against those assets.

Loans fully secured on residential property	2023 Loans fully secured on residential property £'000	2023 Loans fully secured on land £'000	2023 Total loans £'000	2022 Loans fully secured on residential property £'000	2022 Loans fully secured on land £'000	2022 Total loans £'000
Neither past due nor impaired	**218,286**	**208**	**218,494**	**199,036**	**398**	**199,434**
Past due but not impaired						
0 – 60 days	4,051	-	4,051	2,166	-	2,166
60 – 90 days	172	-	172	111	-	111
90 – 180 days	303	-	303	568	-	568
180 days+	368	-	368	103	-	103
Total Past due but not impaired	**4,894**	**-**	**4,894**	**2,948**	-	**2,948**
Individually impaired						
0 – 60 days	449	-	449	345	-	345
Total Individually impaired	**449**	**-**	**449**	**345**	**-**	**345**
Total Gross Mortgages	**223,629**	**208**	**223,837**	**202,329**	**398**	**202,727**
Allowance						
Individual	(306)	-	(306)	(226)	-	(226)
Collective	(325)	-	(325)	(244)	-	(244)
Total allowance for impairment	**(631)**	**-**	**(631)**	**(470)**	**-**	**(470)**
Totals Loans and advances to customers	**222,998**	**208**	**223,206**	**201,859**	**398**	**202,257**

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession, or where fraud or negligence has been identified. Further consideration is given in accounting policy 1.5 to the Accounts.

The status 'past due but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount. The status also includes cases in forbearance measures, which as at 31 October 2023 totalled £0.39m (2022: £0.75m).

Possession balances would represent those loans where the Society has taken ownership of the underlying security pending its sale. Repossessed properties are made available-for-sale in accordance with statutory guidelines with proceeds used to reduce or repay the outstanding loan. Any collateral surplus on the sale of repossessed properties, after a deduction for costs incurred in relation to the sale, would be returned to the borrower.

Forbearance

The Society has various forbearance options to support Members who may find themselves in financial difficulty. These include payment plans, capitalisations, term extensions, temporary transfer to interest only and reduced payment concessions. All forbearance arrangements are formally discussed with the Member and reviewed prior to acceptance of the forbearance arrangement. By offering Members in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the Member into a detrimental position at the end of the forbearance period.

Regular monitoring of the level and different types of forbearance activity are reported on a monthly basis. In addition, all forbearance arrangements are reviewed and discussed with the Member on a regular basis to assess the ongoing potential risk to the Society and suitability of the arrangement for the Member. The table below analyses residential mortgage balances under forbearance arrangements at the year-end:

	2023 £'000	**2022 £'000**
Payment plan	59	403
Transfers to interest only	332	345
	391	**748**

These represent a total of seven accounts in forbearance at 31 October 2023 (2022: 4). These accounts are shown above as impaired. Seven individual impairments in respect of cases in forbearance have been recognised (2022: 4).

Liquidity risk

Liquidity Risk is the risk that the Society, although solvent, has insufficient financial resources available to meet its obligations as they fall due, or can only secure those resources at excessive cost.

The Society must at all times have sufficient liquidity to meet its liabilities over all reasonable market-wide and Society-specific stress scenarios (both short- term and long-term) over the economic cycle, expressed in terms of a survival period. The Society has a conservative approach to managing liquidity risk and requires sufficient liquid assets to be maintained in order to:

- Meet day-to-day business needs;
- Cater for an unexpected funding stress scenario; and
- Ensure maturity mismatches are provided for.

Balance sheet and liquidity risk limits (including counter-party limits) are set to support this risk appetite within the Society's suite of treasury and liquidity policies. The monitoring of liquidity, in line with the Society's policy framework, is performed daily by the Executive and Management.

The Society's Liquidity and Funding Policy is designed to ensure that the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Society's ILAAP. They include scenarios that fulfil the specific requirements of the PRA, the idiosyncratic, market-wide and combination stress tests and scenarios identified by the Society which are specific to its business model.

Stress tests are performed monthly and reported to ALCO to confirm that the Policy remains appropriate. The Society's liquid resources comprise high quality liquid assets, which consists of the Bank of England Reserve Account and can include Gilts and Treasury Bills. As at 31 October 2023 the ratio of liquid assets to shares and amounts owed to other customers was 29.92% compared to 33.28% at 31 October 2022.

The Society maintains a Contingency Funding Plan (integrated within the Recovery Plan) to ensure that it has so far as possible, sufficient liquid financial resources to meet liabilities as they fall due under each of the scenarios. All Society liquid assets are unencumbered as at the balance sheet date. 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.

31 October 2023	On demand £'000	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five £'000	More than five £'000	Total £'000
Financial Liabilities						
Shares	199,716	42,586	23,229	968	-	266,499
Amounts owed to other customers	14,176	-	-	-	-	14,176
	213,892	**42,586**	**23,229**	**968**	**-**	**280,675**
Other liabilities	-	618	238	-	-	856
Total financial liabilities	**213,892**	**43,204**	**23,467**	**968**	**-**	**281,531**

31 October 2022	On demand £'000	Not more than three months £'000	More than three months but not more than one year £'000	More than one year but not more than five £'000	More than five £'000	Total £'000
Financial Liabilities						
Shares	218,327	33,336	-	-	-	251,663
Amounts owed to other customers	14,164	-	-	-	-	14,164
	232,491	**33,336**	**-**	**-**	**-**	**265,827**
Other liabilities	-	602	314	-	-	916
Total financial liabilities	**232,491**	**33,938**	**314**	**-**	**-**	**266,743**

Market risk

Market risk is the risk that the value of, or income arising from, the Society's assets and liabilities changes as a result of changes in market prices, the principal elements being interest rate risk, foreign currency risk and equity risk.

The Society only deals with products in sterling so is not directly affected by currency risk. The Society's products are also only interest orientated products so are not exposed to other pricing risks.

The Society's interest rate risk arises from the impact changes in interest rates have on the Society's cash flows. The Society's savings and mortgage products are predominately variable and therefore the interest rate risk for the Society is significantly less than for other similar institutions. The Society's main exposure to interest rates arises from its investment in Government gilts, certificates of deposit and other corporate bonds with approved counterparties which are at fixed rates of interest. The Society uses specialist external treasury advisers for investing surplus funds and has a good spread of maturity of its invested monies to manage this risk effectively.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point ('bp') parallel fall or rise in the SONIA yield curve and a 50bp rise or fall in the greater than 12-month portion of the SONIA yield curve. The following is an analysis of the Society's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position. The impact to profit would be the same to equity.

Sensitivity of projected net interest income	100bp parallel increase £'000	100bp parallel decrease £'000	50bp increase after 1 year £'000	50bp decrease after 1 year £'000
At 31 October 2023				
Average for the period	204	68	137	134
Maximum for the period	208	68	139	136
Minimum for the period	199	67	135	133
At 31 October 2022				
Average for the period	306	102	204	204
Maximum for the period	313	103	207	207
Minimum for the period	299	101	201	201

The Society is exposed to movements in interest rates and manages this exposure on a continuous basis, within limits set by the Board, using only instruments recorded on the balance sheet. The results are reported to ALCO, Risk Committee and the Board.

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 formal ICAAP assists the Society with its management of capital. The Board monitors the Society's capital position on a monthly basis to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a level that equates to or exceeds its Total Capital Requirements.

The Board manages the Society's capital and risk exposures to maintain capital in line with regulatory requirements which includes monitoring of:

Lending decisions: The Society maintains a comprehensive set of sectoral limits in its Lending Policy in order to manage credit risk appetite. Individual property valuations are monitored against HPI data;

Concentration risk: The design of lending products takes into account the overall mix of the loan portfolio to manage exposure to risks arising from the property market and other markets the Society is active in; and

Counterparty risk: Wholesale lending is only carried out with approved counter-parties in line with the Society's lending criteria and is subject to a range of limits that reflect the risk appetite of the Society.

Stress tests are used as part of the process of managing capital requirements.

The Society's capital requirements are set and monitored by the PRA. During 2023 the Society has continued to comply with the European Union Capital Requirements Regulation and Directive ('Basel III') as amended by the PRA.

Regulatory capital is analysed into two tiers:

Tier 1 capital: which comprised retained earnings, revaluation reserve less intangibles (where applicable); and

Tier 2 capital: which includes collective impairment provision.

The level of capital is matched against risk-weighted assets which are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

There were no reported breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year. The Society's regulatory position as at 31 October 2023 under the Standardised Approach (unaudited) was as follows.

	2023 £'000	2022 £'000
Tier 1 Capital		
General reserves	26,457	24,792
Tier 2 Capital		
Collective provision	325	244
Total Regulatory Capital	**26,782**	**25,036**

This is also referred to in the Society's Pillar 3 Document held on the Society's website.

20. Commitments

There were no contractual commitments to purchase tangible fixed assets at the year-end (2022: none) for the Society.

21. Related parties

Related parties comprise of key management personnel, being the Executive Directors and Non-Executive Directors who are responsible for ensuring that the Society meets its strategic and operational objectives. In the normal course of business, key management personnel, and their close family Members, transacted with the Society. The balances of transactions with key management personnel and their close family members are disclosed below.

As required under Section 68 of the Building Societies Act 1986, a Register is maintained at the Head Office of the Society which shows details of all loans, transactions and arrangements between the Society and its Directors and connected persons. A statement, for the current financial year, of the appropriate details contained in the Register will be available for inspection at the Head Office for a period of fifteen days up to and including the day of the AGM.

At 31 October 2023 there were no outstanding mortgage loans granted in the ordinary course of business (2022: None).

Directors' and connected parties hold savings balances with the Society; all accounts have the same terms and conditions as available to Members of the Society. The savings balances are not detailed in the register unlike loans and transactions above, due to their sensitive nature. The aggregate amount of all savings balances at 31 October 2023 was £91,114 (2022: £33,000).

22. Subsequent events

The Directors consider that there has been no event since the end of the financial year that has a significant effect on the position of the Society.

Country-by-Country Reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV have been implemented in the United Kingdom by the Capital Requirements ('Country-by-Country Reporting') Regulations.

As a mutual organisation, the Society's primary focus is its Members and it aims to provide mortgage and savings products supported by excellent customer service. Details of the principal activities are detailed in note 1 to the Annual Report and Accounts.

For the year ended 31 October 2023

The Society's Annual Report and Accounts report:

- Total operating income was £6.59m (2022: £5.57m)
- Total operating income is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable);
- Profit before tax was £2.07m (2022: £1.44m) all of which arising from United Kingdom based activity;
- The average number of Society full time equivalent employees was 41 (2022: 39) all of which were employed in the United Kingdom;
- Corporation tax of £0.57m was paid in the year (Comprising of £0.31m relating to 2022 and £0.26m payment on account for 2023), and is all within the United Kingdom tax jurisdiction; and.
- No public subsidies were received in the year.

Note 1 to the 2023 Annual Report and Accounts details the basis of preparation relating to going concern and accounting policies.

Independent Auditors' Report to the Directors

Report on the audit of the country-by-country information

Opinion

In our opinion, The Stafford Railway Building Society's country-by-country information for the year ended 31 October 2023 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 October 2023 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the society in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the basis of preparation note of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the society's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the society's ability to continue as a going concern.

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

Responsibilities for the country-by-country information and the audit

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 this country-by-country information.

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

Based on our understanding of the society/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles such as those governed by the Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase revenue or reduce expenditure and management bias in accounting estimates.

Audit procedures performed included:

- Review of correspondence with and to regulators;
- Testing of significant accounting estimates;
- Testing of journals entries with unusual account combinations and other specific risk based criteria back to corroborating evidence;
- Discussions with management in relation to known or suspected incidents of fraud;
- Review of board minutes and attendance at audit committees where known or suspected incidents of non-compliance with laws and regulation and fraud would be discussed; and
- Review of internal audit reports in so far as they related to the annual accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the society's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 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 report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 December 2023

Annual Business Statement

For the year ended 31 October 2023 (Unaudited)

1. Statatutory Percentages

	Percentage as at 31 Oct 2023 %	Statutory Limit %
Proportion of business assets not in the form of loans fully secured on residential property (the 'Lending limit')	0.21	25
Proportion of shares and deposits not in the form of shares held by individuals (the 'Funding limit')	5.05	50

The percentages are calculated in accordance with, and the statutory limits are those prescribed by,

sections 6 and 7 of the Building Societies Act 1986 as amended by the Building Societies Act 1997.

Business assets are the total assets of the Society as shown in the balance sheet plus collective loan loss impairment less fixed assets and liquid assets.

Loans fully secured on residential property are the amount of the principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the balance sheet plus collective loan loss impairment.

2. Other Percentages

	31 Oct 2023 %	31 Oct 2022 %
Gross capital as a percentage of share and deposit liabilities	9.43	9.33
Free capital as a percentage of share and deposit liabilities	9.34	9.19
Liquid assets as a percentage of share and deposit liabilities	29.92	33.28
Cost / income ratio represents the aggregate of administration expenses and deprecation expressed as a percentage of total income less other operating charges	66.18	69.34
As a percentage of mean assets:		
Profit for the financial year	0.53	0.40
Management expenses	1.46	1.31

The percentages overleaf have been prepared from the Society's Accounts and in particular:

- Shares and deposits represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.
- Gross capital represents the general reserves including the available-for-sale reserve.
- Free capital represents the aggregate of gross capital and collective loan loss impairment less tangible fixed assets.
- Mean total assets represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- Liquid assets represent the total cash in hand, treasury bills, loans and advances to credit institutions and debt securities.
- Management expenses represent the aggregate of recurring administrative expenses, depreciation and amortisation.

3. Information relating to the Directors at 31 October 2023

Name	Occupation and Date of Appointment	Other Directorships
Joanne Hindle **Chair**	Non-Executive Director 24.03.21	Bank of London and The Middle East La Serenissima Co-op Funeral Plans Limited
David J Grant **Senior Independent Director**	Company Director and Consultant 22.05.17	BLAKK Limited Stonebridge Mortgage Solutions Limited
Gary C D Crowe	Management Consultant 20.07.15	University Hospitals of North Midlands NHS Trust The Dudley Group of Hospitals NHS Foundation Trust
Mary A Kerr	Non-Executive Director 24.03.20	Lawes Property Trust
Alison Tattersall	Non-Executive and Director and Trustee 24.02.22	The People's Dispensary for Sick Animals
Ian A Craig	Non-Executive and Director and Trustee 24.02.22	Southport & Ormskirk Hospital NHS Trust Willowbrook Hospice, St Helens The Brain Charity, Liverpool
Steven Jones	Chief Executive 06.06.18	Newcastle and Stafford Colleges Group The Staffordshire Yeomanry Museum Trust
Christopher I Reid	Finance Director 01.05.22	-

Documents may be served on the above Directors C/O PwC LLP, No.1 Spinningfields, 1 Hardman Square, Manchester M3 3EB.

Service Contracts: None of the Non-Executive Directors has a service contract. Steven Jones and Christopher Reid are employed under a contract that is terminable by either the Society or the Director on twelve months' and six months' notice respectively.

Society Officers and Qualifications	Occupation	Directorships
C.J.Bennett BA (Hons), FMAAT	Finance Manager	-
B.R.Palfreyman BA (Hons), CeMap	Head of Mortgage Underwriting	-
M.N.Davies BA (Hons), FCCA, FCT	Head of Risk and MLRO	Staffordshire Cricket Limited
R.Dulson BA (Hons), CeMap, Assoc. CIPD	Head of Human Resources and Communications	-
H.M.Hamilton	Head of Information Technology	-
R.I.Hassall BSc (Hons), CeMap	Chief Operating Officer	Nexus Learning Trust (Shavington Academy)
L.E. Lawton BA (Hons), CeMap	Head of Mortgage Sales	-
B.R. Yates BA (Hons), ACMA	Head of Finance	-

The Officers of the Society are referred to as Senior Management and, along with the Executive Directors, constitute the Leadership Team.

STAFFORD RAILWAY BUILDING SOCIETY Savings & Mortgages

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