



**Chorley  
Building  
Society**

TRUSTED SINCE 1859



## **Business Review** including the Summary Financial Statement

for the year ended 5 February 2018 and  
Notice of 159<sup>th</sup> Annual General Meeting

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Awards 2018

Community Services  
Smaller Lenders  
Award for 2018

On 7th March 1859 a group of mill owners and workers met and formed the Chorley and District Building Society (the Society). Since our formation, the Society has continued to build on a solid foundation by making a difference to the lives of our members and the local community.

I have reflected during the year on how best to express what we are about and concluded that our role is to help our members' dreams come true; giving our savings members a trusted home for their money and a fair return while they save to realise their dreams; by lending these savings to mortgage members, who pay a fair price for that money, to help them achieve their dreams of home ownership; whilst at the same time helping the dreams of the communities of Chorley and Leyland come true by investing in them.

Whilst the world has changed beyond all recognition, the Society has remained true to its roots and to the mutual values of support, self-help and shared community with 84% of our savings members and 34% of our home builder or home buyer members living in the North West. I was extremely proud that in November, we were awarded the "Community Services - Smaller Lenders' Award" for 2018 at the Mortgage Finance Gazette Awards.



In this my first full year as Chairman, I am delighted to report that the Society has continued to build on its strengths and delivered strong growth, record lending, record savings balances, record capital and a strong profit performance in 2017/18.

The Society has continued to invest in its people and systems, to support future growth for the benefit of our members. The Society launched its new brand in May and this has been well received. The brand values summarise what is unique about the Society; its trust and heritage and its willingness to remain customer focused, making a difference to individuals and the community. During the next few years we will embark on a period of refurbishment so that our head office and branches clearly reflect this identity.

The Society and its staff are engaged in numerous fundraising events and community activities and provide support for local charities and deserving causes within Lancashire. Other pages of this report give details of some of the work we are engaged in.

Your Board has continued to evolve. Following the AGM in May 2017, David Jenkinson retired from the Board after serving seven years as a non-executive director. David was a member

of the Audit Risk & Compliance Committee and Assets & Liabilities Committee and I extend my thanks to him for his contributions during his time with the Society.

Kim Roby joined the Board in September 2017 as an executive director with responsibility for Marketing, IT, Mortgages and Savings. I am particularly pleased as this was an internal appointment and demonstrates the Society's willingness and ability to promote from within.

After 10 years with the Society, Lesley Cairns will be stepping down as Deputy Chief Executive, Secretary & Treasurer at the AGM to pursue other interests. Lesley became an executive director in August 2010 and chaired the Management Compliance and Risk Committees as well as being a member of the Executive Committee, Assets & Liabilities Committee, Credit Risk Committee and Product Committee and a director of Mutual Vision Technologies Ltd., our mortgage and savings software provider. Lesley has made an immensely valuable contribution to the Society's success during a challenging time for financial services. On behalf of all of the Board, I thank Lesley for her distinguished service and wish her a long and happy retirement.

In summary, the directors are mindful that market conditions will remain challenging in 2018 and beyond and that the low interest rate environment will continue to impact profit margins. Nevertheless, your Society remains secure and strong and we will continue to meet the ever changing needs of current and future members in order to help you achieve your dreams.

**J.P. Sandford**  
Chairman  
28 March 2018

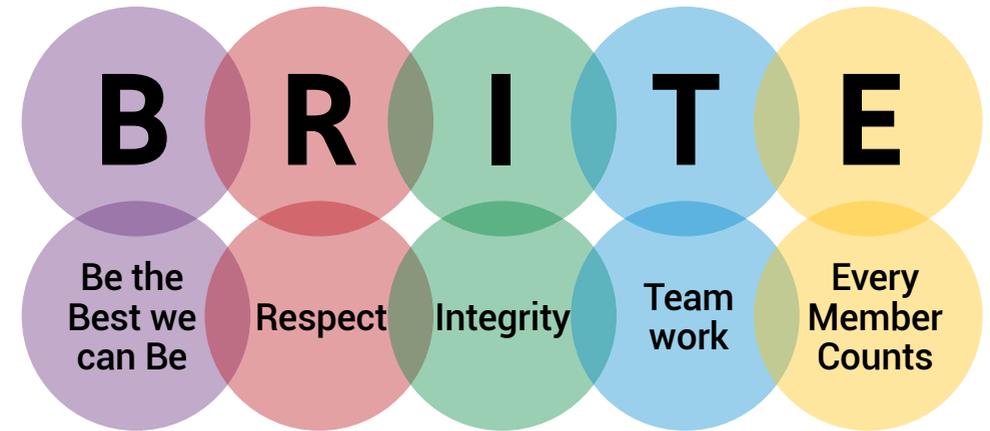
## Our Vision

To be the provider of choice for savings and residential mortgages whilst remaining true to our mutual values.

## Our Business Values

- Security and Stability
- Trust
- Investment in our People and in our Systems
- Customer Service

## Employee Values, Behaviours and Conduct



## Key Highlights of the Year



Total Assets increased by

5.7%

(2017: -2.5%)



Mortgage balances increased by

11.3%

(2017: 7.9%)



Net profit increased to

£1.23m

(2017: £0.98m)



Savings balances increased by

4.7%

(2017: 3.6%)



Capital increased to

£18.6m

(2017: £17.3m)

# Business Objectives and Activities

**The principal purpose of the Society is that of making loans that are secured primarily on residential property and funded substantially by its members.**

**The Society has key objectives to promote savings and home ownership, combined with delivering a high standard of personal service and long term value for its members.**

**The Board of Directors is committed to acting in the interests of present and future members, making a difference to its community, achieving the highest standards of conduct, maintaining its financial strength and security, and continuing to prosper as a viable independent mutual institution.**

## Business Review

This has been an excellent year for the Society with another strong set of results. Key highlights include:

- Total assets grew by 5.7% to a record £233.1m (2017: £220.6m);
- Record gross mortgage lending of £48.4m (2017: £43.9m);
- Net mortgage lending increased by 11.3% to £178.3m (2017: £160.2m);
- Retail savings balances increased by 4.7% to a record £209.4m (2017: £199.9m);
- Profit after tax of £1.23m (2017: £0.98m);
- Record capital of £18.6m (2017: £17.3m);
- Strong liquidity levels of 24.5% (2017: 28.5%);
- A Tier 1 capital ratio of 22.1% which continues to demonstrate strong financial security.

The mortgage growth was achieved against a backdrop of greater competition. New challenger banks have entered the residential mortgage market and the Society has had to compete with lenders entering the specialist niche lending markets which have been the hallmark of the Society in recent years. Nevertheless, the Society has used a combination of competitive pricing, appropriate lending criteria and high quality service and underwriting to achieve this level of growth

without any diminution in the quality of lending. The Society's main aim is to ensure growth and profitability are achieved simultaneously as this allows our capital ratios to remain strong.

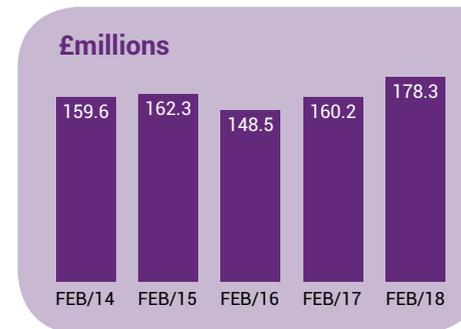
The level of profitability not only supports the business growth but ensures we can enhance our financial strength in response to the higher levels of capital and greater protection buffers required under the Capital Requirements Directive. Financial strength also protects the Society against its principal risks and uncertainties and safeguards members' funds. The Board therefore sets a strategy to ensure that both capital and liquidity are maintained at appropriate levels.

Savings balances increased to £209.4m (2017: £199.9m) during the year reflecting the popularity of several of our accounts, particularly the Over 60's Account. During 2017 we increased savings rates following the Bank of England announcement to increase the Bank Base Rate from 0.25% to 0.50%. Many of our competitors chose not to pass this rate increase on. Setting interest rates which are fair for both savings and mortgage members is a delicate balance. The Society follows the market rate of interest and as the Bank Base Rate change was the first increase since July 2007, a decision was taken to increase rates for both mortgage and savings members alike.

The Society has continued to invest in the business and whilst this has resulted in a higher level of costs, this investment in our infrastructure will strengthen the Society and ensure it is able to meet future challenges with confidence.

Uncertainties remain following the United Kingdom's decision to leave the European Union. The Board remains vigilant and continues to watch for any adverse signs as the UK navigates its way through the Brexit negotiations. Nevertheless, I am delighted to be able to present such a strong business and financial performance.

## Mortgages (Loans to Customers)



The Society lent a record £48.4m in the year.

The total mortgage book grew by 11.3% and net mortgage balances were £178.3m (2017: £160.2m).

This growth was achieved against a market where competition continues to intensify. Some lenders have been able to use cheaper sources of funding to offer very low priced mortgages. The Society's preference was to use retail funds to fund mortgage loans. This commitment to our savers demonstrates clearly our member focus.

The Society's mortgage book comprises 99% residential loans; included in this are self-build mortgages (14%) and buy-to-let mortgages (8%). The Society has historical commercial

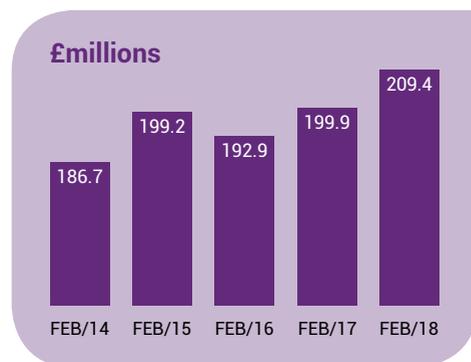
mortgages amounting to 1% but the Society does not seek to increase its exposure in this area. Our mortgage assets remain of high quality with a weighted average loan to value (LTV) of 59% (2017: 61%). Lending over 80% loan to value at inception is insured through a mortgage indemnity policy which protects the Society from losses incurred if the property is taken into possession.

All loans are individually underwritten by experienced qualified underwriters based in the Society's Head Office. Every mortgage application is considered on its merits using sound judgement, experience and common sense to assess affordability rather than computerised underwriting tools. Responsible lending and reviewing each case on an individual basis is key to the high quality of our loan book.

The Society's arrears statistics as at 5 February 2018 remain low both for the building society sector and for the industry as a whole. There were 4 cases in serious arrears of 12 months or more at the year-end (2017: 4 cases). The total amount of arrears outstanding on these accounts was £50k (2017: £32k) and the aggregated capital balance was £396k (2017: £287k). In all cases, the Society has assessed that the mortgage assets affected are supported by adequate underlying equity with specific provisions raised where necessary. The Society maintains an appropriate policy for provisioning. Once again, the Society is pleased to report that there were no properties in possession at the year-end.

The Society shows forbearance to borrowers where appropriate and there were 39 accounts at the year-end (2017: 40) where members benefitted from a forbearance action such as temporary interest only concessions, extensions of term and reduced payment concessions.

## Retail Shares and Deposits



The Society aims to generate the necessary level of savings to meet its mortgage funding and liquidity requirements. During the year, retail balances increased by 4.7% to £209.4m at 5 February 2018 (2017: £199.9m).

This strengthening of our retail base at a time when interest rates remain historically low, demonstrates our attractive pricing in the market for new and existing members alike and the quality of our service proposition.

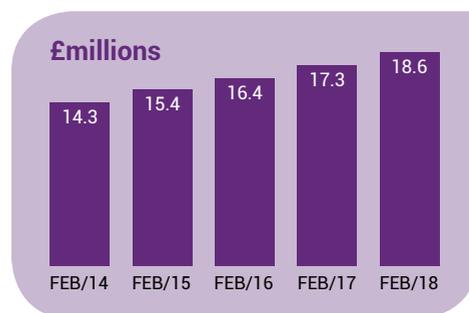
Our philosophy remains to operate fairly with simple product design, attractive terms and conditions and to deliver long term member value. We continue to benchmark our interest rates, monitor trends and most importantly keep our members at the heart of any decisions that we make.

Achieving an appropriate level, mix and duration of funding is essential in providing the Society with the financial resources to meet its growth aspirations. As a mutual building society, the Society's business model is to obtain the majority of its funding through retail funds from its members, with the balance of funds to support liquidity levels obtained from the wholesale markets. During the year, the Society made use of the wholesale markets to support liquidity; wholesale borrowings were £3.5m at the year-end compared with £1.0m in 2017 and well within the limits established by the Board.

## Capital and Liquidity

The Board seeks to maintain a satisfactory level of capital to ensure that the Society is protected against any adverse changes in economic conditions in general and to cover the level and nature of the risks it is or might be exposed to. The Board therefore sets a strategy to ensure that both capital and liquidity are maintained at appropriate levels.

At 5 February 2018, the Society's capital had increased to £18.6m (2017: £17.3m).



This strategy has resulted in the following financial year-end capital position:

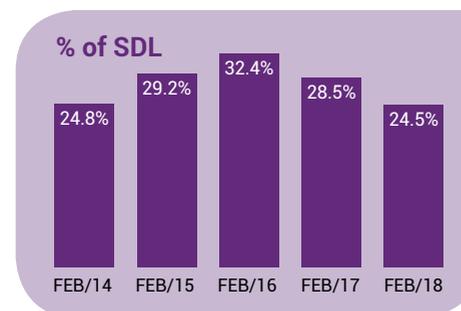
	2018 £000's	2017 £000's
<b>Tier 1 Capital</b>		
General Reserve	18,577	17,343
Intangible Assets	(217)	(221)
Tier 1 Capital	18,360	17,122
<b>Tier 2 Capital</b>		
Collective Provision for Impairment Losses	106	111
Tier 2 Capital	106	111
<b>Total Regulatory Capital</b>	<b>18,466</b>	<b>17,233</b>
Risk Weighted Assets	82,981	76,550
<b>Capital Ratios</b>		
Common Equity Tier 1 (CET1) Ratio	22.1%	22.4%
Leverage Ratio	7.7%	7.6%
Pillar 1 Ratio	8.0%	8.0%
Pillar 2A Ratio	1.7%	2.6%

The Society is required to set out its capital position, risk exposures and risk assessment process in its Pillar 3 disclosure document. This is available on the Society's website [www.chorleybs.co.uk](http://www.chorleybs.co.uk) or may be obtained by writing to the Secretary at the Society's Head Office.

Liquid assets were £52.3m (2017: £57.8m).

Liquid assets as a percentage of Shares and Borrowings decreased to 24.5% (2017: 28.5%).

The Society has no exposure to any counterparty outside of the UK.



The Society maintains liquid assets, principally cash and government debt, of an appropriate level and quality, to ensure that it can meet its financial obligations as they fall due under normal and stressed scenarios. Liquidity reduced during 2017 as it was used to fund mortgage lending.

The Society continues to maintain a strong liquidity position and included in the £52.3m year-end balance are £29.4m of regulatory designated high quality liquid assets (2017: £35.3m) which are considered to be the highest quality investment instruments, readily realisable as cash when required.

As at 31 December 2017, the liquidity coverage ratio (LCR) was 329% (31 December 2016: 452%) whilst the net stable funding ratio (NSFR) was 178% (31 December 2016: 179%). The LCR demonstrates the Society's ability to meet its short term obligations whilst the NSFR measures the stability of the Society's funding over the longer term. Both ratios remain comfortably in excess of the minimum regulatory requirements.

## Financial Services Compensation Scheme (FSCS)

In common with all regulated UK deposit takers, the Society pays levies to the Financial Services Compensation Scheme (FSCS) to enable claims to be met. The Society budgets for its share of this cost using the most accurate information available.

## Employees

The Society's service proposition is founded upon well qualified staff motivated to act in the best interests of our members, with the appropriate training and tools to do the job properly. As the business continues to grow, we have strengthened our resources to meet the needs of the business.

As an equal opportunities employer, the Society values the differences that a diverse workforce can bring and is committed to ensuring within the framework of the law that its workplaces are free from unlawful or unfair discrimination because of race, nationality, ethnic or national origin, gender (including gender reassignment), sexual orientation, age, religious beliefs, marital status or disability.

The Society remains committed to training and career development for all employees. It is particularly pleasing to report that the Society is supporting five senior staff who are undertaking the BSA MSc in Leadership and Management at Loughborough University.

## Involvement in the Community

The communities in which our branches operate form the heart of the Society. We continue to support local charities and good causes, taking part in a whole host of community events and offering donations and sponsorship. Events this year included:

- Staff donations on dress down days;

- Valentines' Day, Easter, Halloween and Christmas raffles;
- Each branch hosted a Macmillan coffee morning;
- At Christmas each branch became a donation point for Mission Christmas and Chorley Food Bank.

During the year the Society paid £27k to 25 local charities and community organisations. No donations were made for political purposes.

The Society also paid £31k to our affinity savings account partners during the year.

The Society's staff have selected Chorley Help The Homeless Ltd. as our nominated charity for 2018.

## The Future

Our business model remains viable and our outlook is positive. The risks to our business are understood and well controlled and our assets are of high quality, with low levels of arrears and substantial equity. We have more than sufficient levels of capital and liquidity and our underlying profitability performance is strong.

For some time the Society has recognised that the way in which members want to deal with us is changing. We have embarked on a programme of enhancements to our systems to provide an online savings service and online broker platform during 2018. These improvements are complementary to our branch network and not replacements. The Board is fully committed to the Society's branch network, and to promoting fair and transparent savings products which offer good value in the short, medium and long term.

There are challenges ahead and we continue to pay regard to a high level of regulation and government intervention. Nevertheless, we remain committed to maintaining the Society's success by concentrating on traditional building society business supported by a high standard of service to savers and borrowers alike.



# Summary Financial Statement

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of The Chorley and District Building Society from 13 April 2018.

## Summary Directors' Report

**The Directors have pleasure in presenting the Business Review including the Summary Financial Statement for the year ended 5 February 2018.**

### Business Review

A detailed business review has been incorporated into the Strategic Report on pages 6-12.

### Financial Risk Management Objectives and Policies

The Society operates in a business environment that contains financial risks. To mitigate these risks, the Board has implemented a clearly defined risk management framework that contains the following features:

- a risk focused governance structure;
- risk policy statements and risk limits;
- risk identification, monitoring and reporting processes; and
- an effective internal control framework.

The key policies that the Society has implemented to manage its risks include a

Risk Appetite Policy Statement, a Lending Policy Statement and a Treasury Policy Statement. These documents are reviewed, amended and approved by the Board on a regular basis, at least annually.

### Principal Risks and Uncertainties

Building societies operate in a competitive environment and are subject to economic uncertainties. The management of risk is therefore vital for the continuing success of the Society. In order to ensure that the interests of our members are adequately protected at all times, the Board has established and embedded a robust governance structure and risk management framework designed to identify, manage, monitor and control the major risks to the Society's strategic objectives.

The key risk-orientated committees, operating under the delegated authority of the Board, are the Audit Risk & Compliance Committee, the Nominations & Remuneration Committee, the Assets & Liabilities Committee, the Compliance Committee, the Credit Risk Committee, the Product Committee and the Management Risk Committee.

The principal risks and uncertainties facing the Society are outlined below:

#### Credit Risk

This is the risk that borrowers or counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due.

The Society manages the risk associated with mortgage borrowers through a Board approved Lending Policy which includes a full status check and affordability assessment of the borrower and a full valuation of the proposed security by a suitably qualified valuer. Mortgages are closely monitored following completion, with appropriate and timely action taken on those mortgages which fall into arrears. The Credit Risk Committee reviews trends and indicators by monitoring product and sector limits, together with detailed analyses of arrears and loan to value ratios.

The credit risk associated with treasury counterparties is addressed by the Assets & Liabilities Committee which ensures that holdings are restricted to UK Government debt instruments, UK banks with high quality credit ratings, UK Building Societies and the Bank of England. The Treasury Policy Statement includes limits on credit exposures to individual and groups of counterparties. The Society has no treasury exposure to any counterparty outside the UK.

#### Liquidity Risk

This is the risk that the Society is not able to meet its financial obligations as they fall due, or can do so only at excessive cost.

The Society's Treasury Policy Statement ensures sufficient funds in liquid form are available at all times to cover cash flow imbalances and fluctuations in funding, maintain public confidence in the solvency of the Society and enable it to meet its financial and regulatory obligations. Stress tests are carried out regularly to confirm that the

Society can withstand normal and abnormal cash outflows.

The liquidity position is managed on a daily basis by the treasury function. Liquidity risk is monitored by the Assets & Liabilities Committee which meets on a monthly basis to review the amount and composition of liquidity, the credit ratings of counterparties used and to ensure compliance with regulations. The Treasury Policy Statement is regularly reviewed by the Assets & Liabilities Committee and approved by the Board.

#### Interest Rate Risk

This is the risk that the value of, or income from, assets and liabilities changes adversely, as a consequence of movements in interest rates. The Society is susceptible to interest rate risk due to the differing interest rate characteristics and maturity profile of its mortgage and savings products. The risk, which includes basis risk, is managed through the use of conservative Board approved limits, offsetting assets and liabilities and the use of financial derivative instruments where appropriate in accordance with the Treasury Policy Statement. This is regularly reviewed by the Assets & Liabilities Committee and approved by the Board.

#### Operational Risk

This is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The operational risks faced by the Society are assessed on a regular basis and an appropriate system of control exists to mitigate these risks. This includes the development of an Operational Resilience Policy Statement. The Audit Risk & Compliance Committee is responsible for assessing the effectiveness of the system of inspection and control. The controls are reviewed by the Society's internal auditor on an ongoing and rotational basis.

# Savings

## Growing nest eggs in all sizes



### **Brexit Risk**

This is the risk that a significant amount of uncertainty remains regarding the future relationship between the United Kingdom and Europe. As a UK organisation, the Society has no exposure to the EU. However the wider economic implications may have an impact on the Society. This risk is regularly reviewed by the Board.

### **Cyber Risk**

This is the risk of financial loss, disruption or damage arising from failure of the information technology systems. The frequency and sophistication of cyber-attacks is increasing. The Society has implemented a Cyber Security Policy Statement and a Cyber Incident Response Plan detailing the activities, responsibilities and chain of command capabilities that the Society would employ upon the detection or alert relating to a cyber incident. This risk is regularly reviewed by the Board.

### **Regulatory Risk**

This is the risk that changing laws, the volume and complexity of regulatory requirements and the risk of non-compliance with increased regulatory requirements may impact the Society's ability to compete and grow. The Society has an internal Compliance function to identify and monitor regulatory changes to allow management to respond in an appropriate manner. This risk is regularly reviewed by the Board.

### **Conduct Risk**

This is the risk that actual or potential customer detriment arises, or may arise, from the way the Society conducts its business. The Board has primary responsibility for ensuring that the manner in which the Society conducts dealings with its customers is fair and in their interests. This culture is embedded throughout the business and the Society considers all matters that impact upon the fair treatment of our members, including product design and terms and conditions, complaints, fees and charges and ensuring that staff are trained and suitably qualified.

### **Directors**

The following persons served as Directors of the Society during the year:

Mr. J.P. Sandford (Chairman)

Mr. A.J. Horsley (Vice Chairman)

Mr. D.J. Bagley

Mr. K.B. Bernbaum

Mr. D.J. Jenkinson (to 23 May 2017)

Mrs. E. Mahmood

Mr. S. Penlington (Chief Executive)

Mrs. L.K. Cairns (Deputy Chief Executive Secretary & Treasurer)

Mrs. A. Kos (Finance Director)

Mrs. K.E. Roby (Customer Services Director) (from 1 September 2017)

In accordance with the Memorandum and Rules of the Society, Mrs. K.E. Roby will seek election to the Board at the AGM in May.

In addition, Mr. K.B. Bernbaum, Mr. A.J. Horsley, Mrs. E. Mahmood, Mr. S. Penlington and Mr. J.P. Sandford will retire at the Annual General Meeting on 22 May 2018 and being eligible will seek re-election to the Board.

Biographies of the Directors appear on pages 30-32.

## Going Concern

The Board is satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the accounts are prepared on a going concern basis.

## Independent Auditor

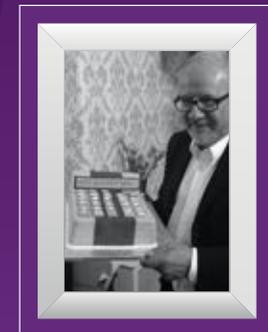
The Society regularly assesses the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor.

This is done on an annual basis, immediately after the completion of their year- end audit, and this is reported to and discussed at the April Audit Risk & Compliance Committee meeting. The Audit Risk & Compliance Committee considers that the relationship with the current auditor is working well and is satisfied with its effectiveness and independence.

The auditor, KPMG LLP, has expressed its willingness to continue in office and in accordance with Section 77 of the Building Societies Act 1986, a resolution for the re-appointment of KPMG LLP as auditor will be proposed at the Annual General Meeting on 22 May 2018.

**J.P. Sandford**  
**Chairman**  
28 March 2018

# The Year in Pictures



# The Year in Pictures

## Community Involvement and Charity Support

Since 1859, the Society's members and the local community have remained at the heart of the business. Every year, we aim to make a real difference in the local community and this year has been no exception. We have donated, sponsored and fundraised for numerous charities and clubs in the local area. We would like to thank each and every one of our members for their continued support; together we have helped make a difference.

As a socially aware business, our community involvement and activity has focused on areas aligned with our core values. The contributions made to local good causes through this activity, allows them to continue their great work and support those who rely on their services. Examples of the local projects, sponsorship and community events we have supported during the year are described below.

## Personal and Community Wellbeing

### Affinity Accounts

The Society was delighted to donate

£31K



Rachael Reid, Head of Retail and Julie Goodwin, Head of Business Development pictured with the donations for North West Air Ambulance and St Catherine's Hospice.

across its seven affinity partners in February 2018. During the year in addition to the six established affinity partners we extended our reach by launching a new affinity partnership with Age UK Lancashire.



## Working with St Catherine's Hospice

To date, staff have raised over £2,500 for St Catherine's Hospice through numerous events, including the Great North Swim, Manchester Colour Run, book and bake sales.

In July, staff took part in a sponsored cycle with the aim of cycling 100 miles in a working day. In total, we cycled an impressive 134 miles.



## Mission Christmas

We were proud to support this valuable charity by collecting and donating huge numbers of toys to ensure that no child in the local area woke up on Christmas morning without a present.



## Sponsored a Guide Dog Puppy

In 2017 we sponsored our very own guide dog puppy through training meaning that when a member of our local community loses their sight they don't lose their freedom as well.



Kim Roby, Customer Services Director, Julie Goodwin, Head of Business Development, Zoe Patterson, Marketing Manager and Angela Davidson, Business Support Analyst & Treasury Dealer with volunteers from Chorley Guide Dogs.

## Parkinson's Disease Leyland Branch

We donated new exercise balls for group therapy.



## Chorley Little Theatre



We all love to laugh, so this year we sponsored a row of seats at Chorley Little Theatre as part of the theatre's refurbishment. The theatre is the home of the award-winning Chorley Youth Theatre. The Society is proud to support such an important local venue which welcomes touring comedians year round and is run entirely by volunteers.

## Cartwright Drama Studio

A donation was made to support local youth activity.



## Financial Education and Literacy

We believe everyone should have financial security and a sound financial education. We have welcomed students for work experience and a 'behind the scenes' look at our office. We have attended careers events to present to pupils about career opportunities in financial services.

### Supporting the next generation of savers and borrowers

We donated and took part in Parkland High School's soap box derby challenge with their pupils building a house themed kart.



## Homelessness

As a mortgage lender we believe that everyone should have the security and stability of a roof over their head. During the year we have embraced projects that support vulnerable people including:

### Chorley and Leyland Food Banks

The Society was proud to support its local foodbanks. The target set was to match our mascot, Foxley's weight in food donations! We exceeded the target collecting over 17 stone in food in just one month!



### Chorley Homeless & Manchester 3000

For the third year running the Society sponsored the six hour road race supporting Chorley Homeless and supported the Manchester 3000.

## Sport

We believe that sport benefits the community and the health and well-being of those who are involved. We support grass roots clubs and other sporting organisations to encourage inclusion and participation and we are sponsoring the Chorley District Category at the Lancashire Sports Awards 2017 to celebrate sporting achievement in the community.

### Chorley FC

The Society extended its support of Chorley FC by sponsoring the main stand at Victory Park.

On 6 November, Chorley FC hosted Fleetwood Town FC in the Emirates FA Cup First Round. This was the first time Chorley FC had reached the first round proper for 27 years. The Society was delighted to be Chorley FC's official match sponsor in celebration of this occasion.



Back Row: Chorley FC Director Jeremy Lee and Chief Executive Dave Riche.  
Front Row: Julie Goodwin, Head of Business Development, Stephen Penlington, Chief Executive, and Lesley Cairns, Deputy Chief Executive.



Lesley Cairns, Deputy Chief Executive is pictured receiving a commemorative signed shirt from Chorley FC Commercial Manager, Josh Vosper.

We are also proud sponsors of St Anne's Super Sixes, an over 35's Charity Football Event, and Chorley Cricket Club. In support of grass roots clubs, we sponsor Euxton FC & Charnock Richard FC youth teams to encourage the community's rising sporting stars!

## Awards and Recognition

### Winner Community Services – Smaller Lenders Award

The Society was awarded the 'Community Services – Smaller Lenders' Award at the Mortgage Finance Gazette Awards 2018 in November.

The Mortgage Finance Gazette Award strives to recognise the achievements of organisations and individuals in the financial services sector on a yearly basis.



### Thank You and Good Bye

In May, David Jenkinson stepped down after seven years as a non-executive director. David is pictured with his retirement cake in the colours of his beloved Burnley FC.



### Best Help to Buy ISA – Highly Commended

Our Help to Buy ISA was highly commended at the What Mortgage Awards 2017.



# Summary Financial Statement for the year ended

5 February 2018

Results for the financial year Income & Expenditure Account	2018 £	Restated* 2017 £
Net interest income	4,934,318	4,462,896
Other income and charges	27,839	20,333
Administrative expenses	(3,438,078)	(3,118,440)
Profit before provisions	1,524,079	1,364,789
Provisions for impairment losses	(64,969)	(71,848)
Provisions for FSCS Levy	79,268	(63,647)
Recovery of losses on loans to banks	2,990	-
Profit for the year before taxation	1,541,368	1,229,294
Taxation	(307,466)	(249,648)
<b>Profit for the financial year after tax</b>	<b>1,233,902</b>	<b>979,646</b>

Financial position at the year end Balance Sheet	2018 £	2017 £
<b>Assets</b>		
Liquid assets	52,329,843	57,776,647
Mortgages	178,279,342	160,204,265
Fixed and other assets	2,506,700	2,570,150
<b>Total Assets</b>	<b>233,115,885</b>	<b>220,551,062</b>
<b>Liabilities</b>		
Shares	209,407,075	199,920,540
Borrowings	4,389,969	2,580,767
Other liabilities	741,739	706,555
General Reserve	18,577,102	17,343,200
<b>Total Liabilities</b>	<b>233,115,885</b>	<b>220,551,062</b>

5 February 2018

Summary of Key Financial Ratios	2018 %	2017 %
Gross capital as a percentage of shares and borrowings	8.69	8.56
Liquid assets as a percentage of shares and borrowings	24.48	28.53
Profit for the year as a percentage of mean total assets	0.54	0.45
Management expenses as a percentage of mean total assets	1.52	1.43



Profit for  
the year

£1.23m

(2017: £0.98m)

# Notes

The percentages are taken from the Society's Accounts for the financial year ended 5 February 2018.

## Gross Capital

Gross capital represents the general reserves. The gross capital ratio measures the proportion of which the Society's capital bears to the Society's liabilities to investors. The Society's capital consists of profits accumulated over many years in the form of reserves. Capital provides a financial cushion against unforeseen eventualities which might arise in the Society's business and ensures that investors are properly protected.

## Liquid Assets

The liquid assets ratio measures the proportion of the Society's shares and borrowings which are held in the form of cash, short term deposits and securities which can be readily converted into cash. Liquid assets are maintained at a level which enables the Society to meet requests from investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

A copy of the Society's full Annual Report and Accounts is available to members upon request at any Branch Office or by telephoning the Society's Secretary on 01257 235012.

Approved by the Board of Directors on 28 March 2018 and signed on its behalf by:

J.P. Sandford  
Chairman

A.J. Horsley  
Vice Chairman

S. Penlington  
Chief Executive

## Profit

The profit ratio measures the proportion which profit after taxation for the financial year bears to the average of the Society's total assets during the year. The Society needs to make a reasonable level of profit each year in order to maintain its capital ratios at an appropriate level to protect investors and to satisfy regulatory requirements.

## Management Expenses

The management expenses ratio measures the proportion of the Society's administrative expenses and depreciation to the average of the Society's total assets during the year. Administrative expenses consist mainly of the costs of employing staff, operating computer systems and other office expenses.

\* The Society has reviewed the accounting policy applied for recognising financial assets on an amortised cost basis using an effective interest rate model and has identified that a prior year reclassification is required in the year. Please see Note 1 in the Annual Report and Accounts for more detail.

# Independent Auditor's Statement to the Members and Depositors of the Chorley and District Building Society

## Opinion

We have examined the Summary Financial Statement of the Chorley and District Building Society ('the Society') for the year ended 5 February 2018 set out on pages 14 to 18 and pages 26 to 28.

On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 5 February 2018 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

## Basis for opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 5 February 2018, including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 5 February 2018.

We also read the other information contained in the Business Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Our report on the Society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

## Directors' responsibilities

The directors are responsible for preparing the Summary Financial Statement within the Business Review, in accordance with applicable United Kingdom law.

## Auditor's responsibilities

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

## The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

**Jessica Katsouris (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants 1 St Peter's Square  
Manchester, M2 3AE

28 March 2018



## David Bagley FICA

David joined the Board in July 2016. He is a graduate of Lancaster University and a Fellow of the Institute of Chartered Accountants in England & Wales. David has spent his career in professional services and finance, specialising in corporate finance, commercial and investment banking and private equity. David is married with 2 daughters and lives in Sheffield. He and his wife are active supporters and puppy walkers for The Guide Dogs for the Blind Association where David is a trustee and board member. David is a member of the Audit Risk & Compliance Committee and Assets & Liabilities Committee.



## Kevin Bernbaum BSc, MBA

Kevin joined the Board in June 2014. Kevin holds a degree in Accounting and Financial Analysis and an MBA (Finance). He has nearly 30 years' experience working within the banking and building society sector specialising in treasury, risk and balance sheet management. Kevin was brought up in Leicester and now lives in London. He has 3 children who have nearly flown the nest and is involved with his son's youth football team. Kevin is Chairman of the Audit Risk & Compliance Committee and a member of the Assets & Liabilities Committee.



## Lesley Cairns FCIB

Lesley joined the Society in March 2009 and was appointed to the Board in August 2010. She worked for another building society for 27 years before joining the Society initially as Treasurer. She currently holds the positions of Deputy Chief Executive Secretary and Treasurer and until 1 February 2018, was also responsible for Risk, Compliance and Facilities. Lesley is a member of the Assets & Liabilities Committee, Compliance Committee and Management Risk Committee as well as being a non-executive director of Mutual Vision Technologies Ltd. Lesley is a keen sports fan and enjoys travel and dining out in her spare time.



## Andrew Horsley Chartered MCSI, FCIS (Vice Chairman)

Andrew joined the Board in December 2011. He is a Fellow of the Institute of Chartered Secretaries with over 30 years' experience, most of it in the financial services sector. He is Company Secretary and Head of Compliance for a mutual insurer. Andrew is originally from Derbyshire. He is a chartered member of the Institute for Securities & Investment and a member of the Association of Financial Mutuals Legislation Committee. Andrew is Chairman of the Nominations & Remuneration Committee and a member of the Audit Risk & Compliance Committee.



## Angela Kos FCCA

Angela joined the Society in 1999 and was appointed to the Board in April 2013 as Finance Director. She is a fellow of the Association of Chartered Certified Accountants and has over 17 years' experience working in financial management at the Society. Effective 1 February 2018 Angela assumed responsibility for the Secretarial and Compliance functions. Angela is Chairman of the Product Committee and a member of the Assets & Liabilities Committee, Compliance Committee and Management Risk Committee as well as being the Society's Whistleblowing Officer. Angela lives in Adlington with her husband and 3 young children. Angela is a Parent Governor at Balshaw Lane Community Primary School.



## Erfana Mahmood LLB (Hons)

Erfana joined the Board in October 2011. Erfana is a qualified senior solicitor who has worked in the property lending sector for over 15 years and also has public sector housing experience. Erfana is the Society's Senior Independent Director, is a member of the Nominations & Remuneration Committee and is the Society's Whistleblowing Champion. In her spare time, Erfana enjoys travel and walking.



### Stephen Penlington BSc, MBA

Stephen joined the Society in 2006 as Chief Executive. He has a wealth of experience in financial services and has been in the building society movement ever since graduating from the University College of Wales in 1980 with a BSc Economics Honours degree. Stephen is Chairman of the Assets & Liabilities Committee and Management Risk Committee and a member of the Product Committee. A committed family man, he is an avid reader, loves music, keep-fit and is a rugby enthusiast. Stephen lives in Chorley and is a trustee of the Chorley Pals and Chorley Remembers Charities and a Non-Executive Director at Magenta Living.



### Kimberley Roby

Kim joined the Society in 2006 and was appointed to the Board on 1 September 2017 as Customer Services Director. She has responsibility for the Society's Marketing, Mortgage, Savings and IT operations. Kim is Chairman of the Compliance Committee and Credit Risk Committee and a member of the Product Committee and Management Risk Committee as well as being the Society's Money Laundering Reporting Officer. Kim lives in Euxton with her husband and 3 young children.



### John Sandford BA, MA, FCA (Chairman)

John joined the Board in June 2014. John worked for KPMG for 33 years, the last 20 as an Audit Partner/Director, leaving KPMG at the end of 2010. John became Chairman of the Society on 28 September 2016 having previously been Chairman of the Audit Risk & Compliance Committee. John is married to Judith and has two adult children. His interests include trying to reduce his golf handicap and he is a qualified cricket coach.

### Directors' Attendance Record

The following persons were directors of the Society during the year, their attendance at Board and Committee Meetings being disclosed together with the total number of such meetings.

	Board	Audit Risk & Compliance	Assets & Liabilities	Nominations & Remuneration
<b>Non-Executive Directors:</b>				
<b>John Sandford</b> (Chairman)	10 (10)			
<b>Andrew Horsley</b> (Vice Chairman)	10 (10)	6 (6)		5 (5)
<b>David Bagley</b>	9 (10)		9 (10)	
<b>Kevin Bernbaum</b>	9 (10)	5 (6)		
<b>David Jenkinson</b> (to 23 May 2017)	3 (3)	2 (2)	4 (4)	
<b>Erfana Mahmood</b>	9(10)			5 (5)
<b>Executive Directors:</b>				
<b>Stephen Penlington</b>	10 (10)		10 (10)	
<b>Lesley Cairns</b>	10 (10)		10 (10)	
<b>Angela Kos</b>	8 (10)		8 (10)	
<b>Kim Roby</b> (from 1 September 2017)	3 (4)		5 (9)	
<b>Total number of meetings</b>	<b>10</b>	<b>6</b>	<b>10</b>	<b>5</b>

(The number in brackets is the maximum number of scheduled meetings that the director was eligible to attend).

# Summary Directors' Remuneration Report

This report informs members of the Society about the remuneration of executive and non-executive directors. Full details are available under our separate Pillar 3 Disclosure Document which is available on the Society's website.

The review of the Board's Remuneration is delegated to the Nominations & Remuneration Committee, which reports to the full Board.

Non-Executive Directors:	2018 £	2017 £
J.M. Meadows (Chairman to 28 September 2016)	-	18,667
J.P. Sandford (Chairman from 28 September 2016)	28,000	22,667
A.J. Horsley (Vice Chairman)	24,000	22,583
D.J. Bagley	19,000	11,083
K.B. Bernbaum	22,000	21,333
D.J. Jenkinson (to 23 May 2017)	6,333	19,000
E. Mahmood	19,000	19,083
<b>Total</b>	<b>118,333</b>	<b>134,416</b>

Executive Directors: 2018	Salary £	Pension Contributions £	Bonus £	Benefits £	Total £
S. Penlington	132,999	18,641	17,446	-	169,086
L.K. Cairns	93,864	8,787	11,817	270	114,738
A Kos	87,975	8,198	10,605	270	107,048
K.E. Roby (from 1 September 2017)	31,542	2,917	-	112	34,571
<b>Total</b>	<b>346,380</b>	<b>38,543</b>	<b>39,868</b>	<b>652</b>	<b>425,443</b>

Executive Directors: 2017	Salary £	Pension Contributions £	Bonus £	Benefits £	Total £
S. Penlington	124,932	17,431	17,273	-	159,636
L.K. Cairns	84,715	7,872	7,800	250	100,637
A Kos	76,642	7,064	10,500	250	94,456
<b>Total</b>	<b>286,289</b>	<b>32,367</b>	<b>35,573</b>	<b>500</b>	<b>354,729</b>

# Mortgages

Designed around you



YOUR MORTGAGE IS SECURED ON YOUR HOME.  
YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

# Annual General Meeting

## Notice of Annual General Meeting

Notice is given that the **159<sup>th</sup> ANNUAL GENERAL MEETING** of The Chorley and District Building Society will be held on **Tuesday 22 May 2018** at The Coachhouse, Astley Hall, Astley Park, off Hallgate, Astley Village, Chorley, Lancashire PR7 1NP at **12.30 p.m.** for the following purposes:

1. To receive the Auditors' Report.
2. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 5 February 2018.
3. To consider and, if thought fit, approve the Directors' Remuneration Report for the year ended 5 February 2018.
4. To consider and, if thought fit, re-appoint KPMG LLP as Auditor.
5. To consider and, if thought fit, elect and re-elect Directors as follows:
  - a. to elect Kimberley Emma Roby
  - b. to re-elect Kevin Barry Bernbaum
  - c. to re-elect Andrew James Horsley
  - d. to re-elect Erfana Mahmood
  - e. to re-elect Stephen Penlington
  - f. to re-elect John Philip Sandford

Light refreshments will be provided.

By order of the Board of Directors:

**Lesley Karen Cairns FCIB**  
**Secretary**  
28 March 2018

## Voting Conditions

1. These notes form part of the Notice of Meeting.
2. A member entitled to attend the Meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy and your proxy does not have to be a member of the Society. Your proxy may vote for you at the Meeting but only on a poll. A poll is a formal vote which may take place after an initial vote by a show of hands.
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy form.
4. The voting date is the date of the meeting which is 22 May 2018 if voting in person and 15 May 2018 if voting by proxy.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as either a **shareholding member or a borrowing member**.

### Shareholding Members

- a. **To qualify as a shareholding member, you must:**
  - i. if you are an individual, be at least 18 years of age on 22 May 2018; **and**
  - ii. have held shares to the value of not less than £100 in the Society on 5 February 2018; **and**
  - iii. not have ceased to hold a share or shares in the Society at any time between 5 February 2018 and the voting date; **and**
  - iv. hold a share or shares in the Society on the voting date.
- b. **Where the shares are held jointly by two or more persons, only the first named in the records of the Society in respect of those shares, can have any voting rights.**

### Borrowing Members

- a. **To qualify as a borrowing member, you must**
  - i. be at least 18 years of age on 22 May 2018; **and**
  - ii. have owed the Society not less than £100 in respect of a mortgage debt on 5 February 2018; **and**
  - iii. owe the Society not less than £100 in respect of a mortgage debt on the voting date.
- b. **Where a mortgage debt is owed jointly by two or more persons, only the first named in the records of the Society in respect of that mortgage can have any voting rights.**

6. In addition, you can vote only once as a member, irrespective of:
  - a. the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and
  - b. whether you qualify to vote as both a shareholding member and a borrowing member.
7. Members attending the meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you are appointing a proxy, other than the Chairman of the Meeting, to attend the Meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the Meeting.

If you appoint a proxy to vote on your behalf and your proxy does not attend the meeting, your vote will not be counted.

# 159<sup>th</sup> ANNUAL GENERAL MEETING

of The Chorley and District  
Building Society will be held  
on Tuesday 22<sup>nd</sup> May 2018

# Chorley Building Society

TRUSTED SINCE 1859



Visit us at [www.chorleybs.co.uk](http://www.chorleybs.co.uk)

Follow us [@ChorleyBS](https://twitter.com/ChorleyBS)  

## Head Office

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T: 01257 235000  
F: 01257 241371

## Chorley

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PR7 1NZ  
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F: 01257 241371

## Leyland

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153/155 Towngate  
Leyland  
PR25 2LH  
T: 01257 235016  
F: 01257 235017

Chorley Building Society is a member of the Building Societies Association

Chorley and District Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority  
Registered on the Financial Services Register under number 206023