DIRECTORS' REPORT, ACCOUNTS AND ANNUAL BUSINESS STATEMENT

For the year ended 31st December 2015

HARPENDEN
BUILDING SOCIETY

local reputation, national recognition

Harpenden Building Society

Directors' Report, Accounts and
Annual Business Statement

For the year ended 31 December 2015

Contents

31 December 2015

Society information

	Head Office
Established and incorporated 1953	Mardall House
Firm Reference Number: 157260	9-11 Vaughan Road
Eligible for investments by trustees	Harpenden
Member of the Building Societies Association	Hertfordshire
Member of the Council of Mortgage Lenders	AL5 4HU

Directors

Hugh H. Titcomb, BA (Hons), FCIB	Chairman
Judith Mortimer Sykes, BA (Hons), MBA (Manchester)	Vice Chairman and Senior Independent Director
Carl D. Astley, BSc (Hons), FCA	
Peter F. Baynham, BA (Hons), FCA, AMCT, Cert IoD	
Alison V. Crossley-Mintern, BSc (Hons)	
Stephen J. Richardson	
Paul V. Smith, BA (Hons), MBA	

Executive

Carl D. Astley, BSc (Hons), FCA	Chief Executive & Secretary
Philip L. Bannister	Head of Operations
Kenneth Hale	Head of Lending
Lynn P. Hey, BA (Hons), ACIB	Society Assistant Secretary
Nathaniel P. A. Lewis, BSc (Hons)	Head of Treasury and Risk
Louisa M. Lingwood, BA (Hons), MCP	Head of IT

Solicitors	Bankers	Auditor
Neves	HSBC Bank plc	KPMG LLP
Tollgate House	1 High Street	One Snowhill
69-71 High Street	Harpenden	Snow Hill Queensway
Harpenden	Hertfordshire	Birmingham
Hertfordshire	AL5 2RS	B4 6GH
AL5 2SL		

Chairman's statement

In last year's Chairman's Statement I commented on encouraging green shoots of economic recovery and forward looking indices painting a generally positive picture. Whilst this remains true to an extent, there are a number of uncertainties in the global and UK economies that could impact the Society at some point in the future: reduced GDP growth forecasts, uncertainties around global commodity prices and the UK's membership of the EU to name but a few.

In the UK, Bank base rate has remained at 0.5% throughout 2015, indeed it has been at this level since March 2009. With upwards pressure on wage inflation appearing to ease and forward looking economic growth forecasts lower than they were 12 months ago there would appear to be an increased likelihood that the Bank of England will keep interest rates at record lows for longer. At the Harpenden we are very aware of the impact of this environment on both our depositing and borrowing members and we have kept our interest rates on savings and mortgage accounts under review throughout the year to ensure that we offer consistent and fair rates whilst maintaining a sustainable business model.

During 2015 we have seen increased levels of competition from other lending institutions for mortgage business. Notwithstanding this, we continue to make progress in this area and we have reinvigorated many of our mortgage broker relationships and have seen a significant uplift in lending business as a consequence. Our success in this area has been acknowledged by winning the "What Mortgage Best Local Building Society" award during the year – an award which reflects the positive views of the Society expressed by mortgage professionals.

We have seen some increased costs in 2015 as we have strengthened our operational management team, recruiting new people into Business Development, Risk, Human Resources, Mortgage Underwriting and operational areas. Recruiting suitably qualified people is a challenge as we compete with both local firms and the City of London to attract the best talent. As the Society grows we will continue to strengthen our team at all levels to enable us to compete and thrive in ever more demanding market conditions. Also during the course of 2015 an independent external review was undertaken to assess Board effectiveness.

I am delighted that Carl Astley has been appointed as the next Chief Executive of our Society, effective from 1 February 2016. Carl, who previously served as the Society's Finance Director and Deputy Chief Executive, was appointed as Acting Chief Executive last Autumn following Paul Marsden stepping down from the position. Carl's permanent appointment follows an extensive search process covering both external and internal candidates undertaken by the Board with the help of specialist consultants.

I would like to take this opportunity to thank all our members, customers and professional partners for their support to the Society over the past year, it is greatly appreciated. Finally, my thanks also to all our staff across the Society who have worked tremendously hard to provide the highest possible levels of service and continue the ongoing development of the Society.

H. H. Titcomb
Chairman
17 March 2016

Directors' Report

The directors have pleasure in presenting their 63rd Annual Report and Accounts for the year ended 31 December 2015.

Business Review

2015 has been a year of progress and change at the Society as we have renewed our focus on mortgage intermediaries. The immediate impact of this is clear to see with a real turnaround in the performance of our mortgage lending in 2015 when compared to 2014. We have commenced the process of reducing our liquidity from its elevated position; a position that has provided protection to the business and its customers during the economic downturn but which now, as we enter a period of gradual economic recovery, can be reduced to a more normal level.

In any year of change there will be an impact on costs, and we have recruited an additional eight full time and one part time employees during the year. Clearly, our responsibility is to ensure the ongoing sustainability of the Society and this is supported by ensuring that we are adequately resourced in all commercial and support functions.

The introduction of a Business Development team to lead the renewed focus on mortgage intermediaries as noted above has had an immediate and positive impact on our lending volumes. However, some of the less visible but equally important roles, such as Risk Analysts, Human Resources and Mortgage Underwriting and Operations will ensure that the internal control environment remains robust and that the Society remains compliant with regulatory requirements.

Also, it must be noted that the Society has transitioned its financial reporting to FRS102 for the first time in 2015 from the previous "UK GAAP" methodology. This is a requirement for all entities, building societies and companies alike, which prepare accounts on a UK GAAP basis. Due to this, the Society was required to restate the 2014 financials to reflect changes in accounting treatment under the new methodology. The key differences between the two methodologies that impact on the Society are described in note 1 to the accounts on pages 26 and 27.

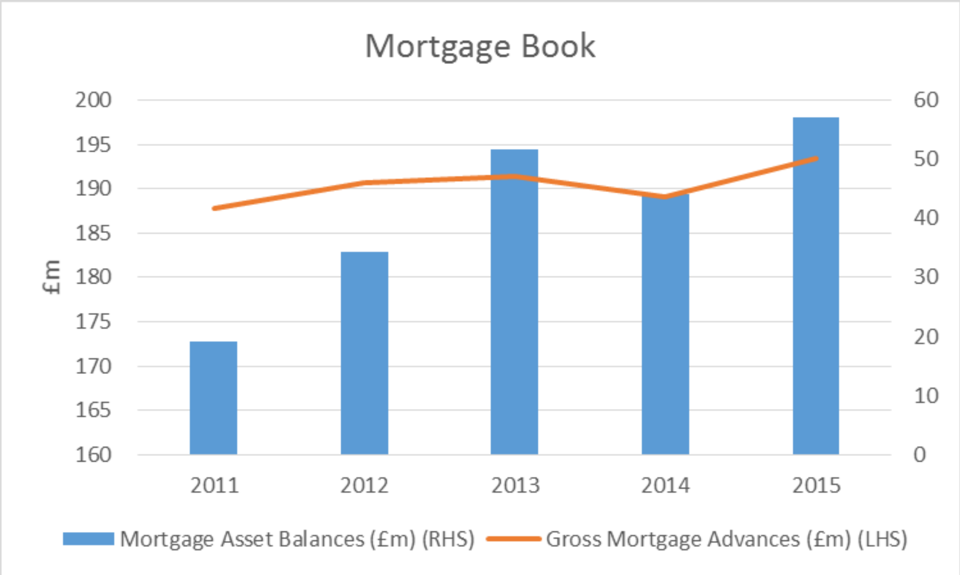
Key Performance Indicators

The Board and Executive monitor all aspects of the Society's financial performance on an ongoing basis. The key performance indicators (KPIs) used as measures are as follows:

KPI	2015	2014 (restated)
Mortgage Asset Balances	£198.1m	£189.4m
Share Balances	£275.3m	£267.5m
Total Assets	£307.3m	£301.6m
Capital	£22.2m	£21.1m
Gross Capital as percentage of Shares and Borrowings	7.81%	7.55%
Free Capital as percentage of Shares and Borrowings	6.56%	6.22%
Profit After Tax as a Percentage of Mean Total Assets	0.33%	0.52%
Management Expenses as a Percentage of Mean Total Assets	1.48%	1.25%
Liquid Assets as a Percentage of Shares and Borrowings	36.85%	38.50%

Mortgage Asset Balances: the provision of mortgage finance for the purchase of owner-occupied residential property is the key objective for the Society. The Society continues to lead the way in finding pragmatic solutions to complex mortgage lending situations and has built a reputation for expertise and service excellence. We continue to offer an individual approach to underwriting and take the time to understand borrower's circumstances and assess the affordability of the mortgage in a prudent and sensible manner.

During the year, £50.1m was advanced to new and existing borrowers (2014: £43.6m), an increase of over 14%. Indeed, over the past five years the Society has advanced almost £230m to new and existing borrowers. Mortgage balances net of provisions increased by £8.7m (2014: £4.4m decrease) to £198.1m (2014 (restated): £189.4m), an increase of 4.6% (2014: 2.2% decrease). We are particularly pleased that our efforts to reverse the trend in 2014 have been successful and remain focussed on continuing to build the Society's mortgage book over the coming years.



At 31 December 2015, there was one mortgage account that was 12 months or more in arrears (2014: one), the value of arrears was £6k (2014: £2k) and the capital balance was £117k (2014: £39k). The balance of the Society's arrears that is greater than 3 months old at 31 December 2015 is 1.10% of total balances, compared to a Council of Mortgage Lenders industry average of 1.12%. In addition, at 31 December 2015 the Society had no properties in possession (2014: one).

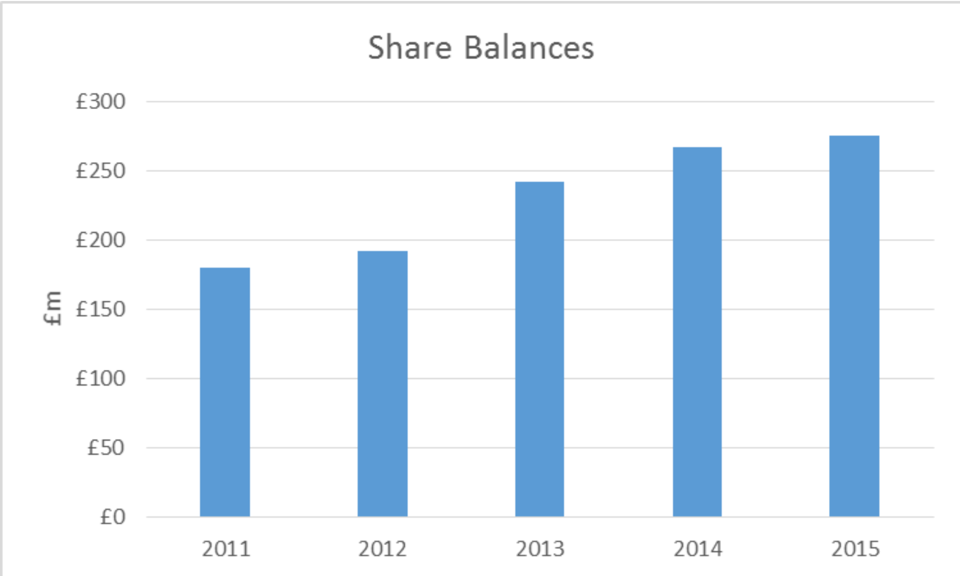
The Society may consider offering forbearance to mortgage borrowers who experience temporary payment difficulties as a result of serious illness, a change in employment circumstances or a significant life event. Arrangements considered include payment holidays, change in payment basis from repayment to interest only or amendment of the mortgage term. All arrangements are temporary and are regularly reviewed. At 31 December 2015, the Society has offered such forbearance to 8 borrowers (2014: 11), representing a total mortgage balance of £1.2m (2014: £1.4m). One of these cases was in arrears (2014: nil), the value of arrears was £1k (2014: £nil) and the capital balance was £81k (2014: £nil). These loans are considered within the Society's individual and collective mortgage provisioning modelling as described below.

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

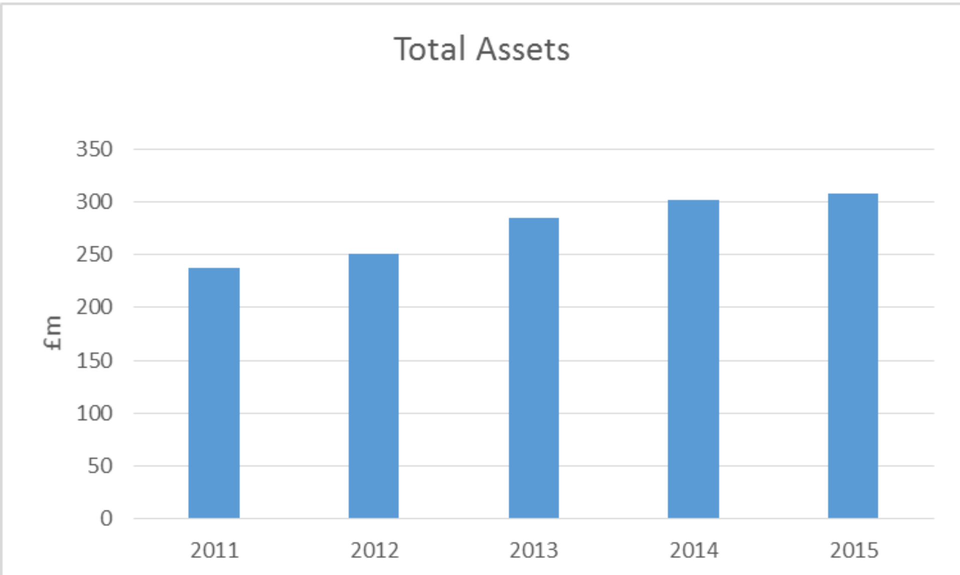
A collective mortgage provision is made against mortgage advances which have not been specifically identified as impaired but where general experience and market conditions may indicate that losses may ultimately be incurred.

Directors' Report *(continued)*

Share Balances **-** the Society aims to maintain a stable and sustainable funding base that meets the Society's lending requirements through the provision of simple products that are consistently priced for all members. Throughout 2015 the Society has retained restrictions on savings products to reduce the amount of new money received and thus enable it to maintain rates for the benefit of current members. From 1 January 2016 the Society has removed some of these restrictions and adjusted rates on some savings accounts. These balances grew by 2.9% in the year (2014: 10.5%) and have grown by £94.6m (52.3%) over the previous five years.



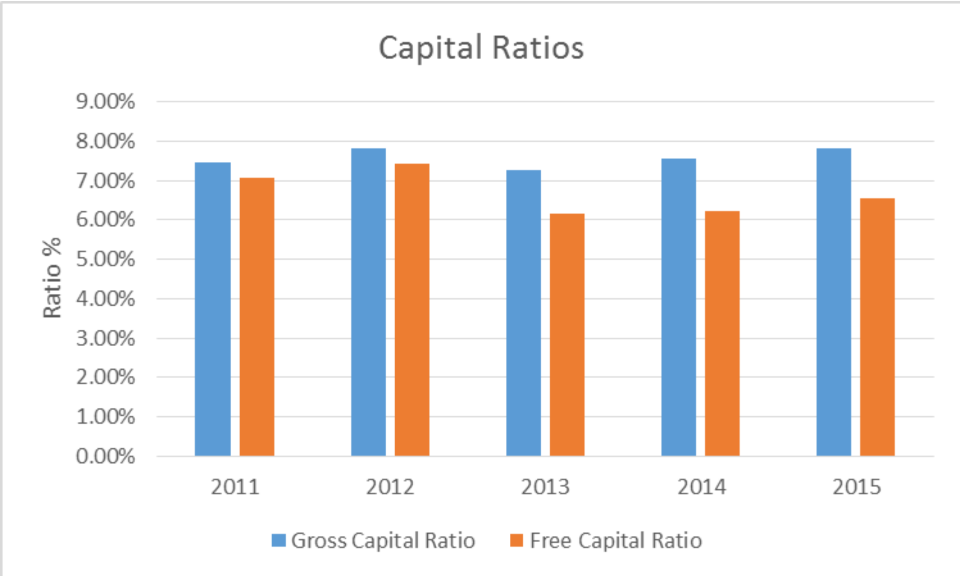
Total Assets **-** the Board considers that balance sheet growth underpinned by increasing capital reserves improves the Society's strength and stability. Total assets increased by £5.7m (2014: £16.8m) to £307.3m (2014 (restated): £301.6m) at 31 December 2015, an increase of 1.9% (2014: 5.9%).



Directors' Report *(continued)*

Capital **-** the Society generates capital to protect against risk and provide long-term security for members and the Gross and Free Capital ratios are monitored accordingly. These ratios are defined in the Annual Business Statement on page 61.

The Society's capital ratios have increased in 2015, thereby improving the underlying financial stability of the Society. The capital ratios in 2013 were impacted by the purchase of our Head Office, Mardall House in Harpenden.



Profit After Tax as a Percentage of Mean Total Assets **-** accumulated profit after tax is the key source of additional capital for the Society and sufficient profit must be made to ensure its ongoing financial strength. The Society's overall margin and profitability are strong and ensure that future growth in lending can be supported. This has been impacted in recent years by reduced returns on the Society's treasury investments as a result of the of the Bank of England (BOE) base rate being held at 0.5%. However, we have achieved improved returns on liquid assets in 2015 and this has positively contributed to profitability.

Management Expenses as a Percentage of Mean Total Assets **-** this ratio is monitored as it shows how efficiently the assets of the Society are used. The staff recruitment described earlier and an increased regulatory compliance burden continues to put upwards pressure on costs. Additionally, in 2015, we made a contractual payment to Paul Marsden on his departure from the Society.

Whilst this ratio has increased during the year to 1.48% (2014 (restated): 1.25%) it is forecast to reduce over coming years as a number of 2015 costs were exceptional.

Liquid Assets as a Percentage of Shares and Borrowings **-** liquidity ratios are monitored to ensure that they remain within Board approved limits and that adequate cash is held to meet liabilities as they fall due.

As noted earlier in this report, the Society has held an elevated liquidity position over recent years and is now in a position to commence the reduction in liquidity. In 2015, liquid assets decreased by £3m to £104.8m (2014 (restated): £107.8m) and the liquid assets ratio reduced to 36.85% (2014 (restated): 38.50%).

Directors’ Report *(continued)*

Financial Risk Management Objectives and Policies

The Society has a formal structure for managing risk including establishing risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Board. Full details of the Society’s approach to financial risk management and the key risks faced are given in note 26 to the accounts.

Principal Risks and Uncertainties

The Society has put in place a formal risk management structure that includes its Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), policy statements, exposure limits, mandates and reporting lines together with an active risk review process to mitigate risks.

Disclosure of the adequacy of the Society’s capital is made in a document called Pillar 3 Disclosures. This document can be obtained by writing to the Secretary at our Head Office. The principal risks arising from the Society’s activities, and the Board approved policies and procedures put in place to manage them, are described below.

Credit Risk

The Society is exposed to credit risk in respect of either mortgage customers or treasury counterparties being unable to meet their obligations as they become due. All loan applications are assessed with reference to the Society’s lending policy and lending mandates are strictly controlled. The Lending Policy is regularly reviewed by the Lending Policy Committee and approved by the Board of Directors on an annual basis. The Society does not take a tick-box approach to lending. Rather, the Society ensures that the unique position and inherent risks of each application received are fully understood.

The Liquidity Policy includes limits on credit exposures to individual and groups of counterparties driven by credit ratings and an internal due diligence process. Whilst credit ratings can provide an indication of the creditworthiness of a counterparty, the Society supplements this information with market knowledge and the observation of the actions of the Bank of England to generate a more complete view of its counterparties.

Liquidity Risk

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

Interest Rate Risk and Basis Risk

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

The Society manages this exposure continually by matching the maturity dates of assets and liabilities in line with its Financial Risk Management Policy, which is regularly reviewed and approved by the Board of Directors. A detailed analysis of the Society’s interest rate sensitivity at 31 December 2015 and 2014 can be found in note 26 on pages 52 to 54.

Directors' Report *(continued)*

Operational Risk

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

Conduct Risk

This is the risk arising from the Society's conduct in its direct relationship with retail customers such that the customer may be treated unfairly or that the Society may deliver an inappropriate outcome. Customer service and outcomes have always been at the heart of decision making and product design at the Society. To further support this cultural approach, the Society has continued to develop its Conduct Committee to ensure that products and services provide fair customer outcomes and operate as customers and members would expect.

Financial Services Compensation Scheme (FSCS) Risk

In common with all regulated UK deposit takers, the Society pays levies to the FSCS to enable claims to be met. The possibility therefore exists that the Society may be required to pay a higher level of levies if claims increase. A full explanation of this risk can be found in note 24 on page 44.

Regulatory Risk

This is the risk that the volume and complexity of regulatory issues may impact the Society's ability to compete.

Directors

The following persons were directors of the Society during 2015:

H. H. Titcomb (Chairman)
P. G. Marsden (Chief Executive and Secretary to 12 October 2015)
C. D. Astley (Acting Chief Executive and Secretary from 12 October 2015, Deputy Chief Executive to 12 October 2015)
P. F. Baynham
A. V. Crossley-Mintern
J. Mortimer Sykes
S. J. Richardson
P. V. Smith

Mr P. G. Marsden resigned from the Board 12 October 2015.

Other Matters

Creditor Payment Policy

The Society's policy concerning the payment of its trade creditors for the next financial year is to pay in accordance with agreed terms where invoices are submitted for products or services which have conformed to requirements specified by the Society. Amounts due to the relevant creditors of the Society are paid on average within eight days of receipt of invoice (2014: eleven days).

Directors' Report *(continued)*

Charitable and Political Donations

Charitable donations during the year amounted to £nil (2014: £40k). The incentive offered to members to vote at the Annual General Meeting in April 2015 produced £2,004 which was donated to the Macmillan Cancer Support.

The Society continues to operate its HBS Hertfordshire Community Foundation Trust. The balance in this fund at 31 December 2015 was £368k (2014: £368k). Additionally, funds in the HBS Charitable Trust, held at the Charities

Aid Foundation to be used for the benefit of the community and local charities nominated by the Society, total £81k as at 31 December 2015 (2014: £94k).

The directors confirm that no activities have been carried on during the year, which are outside the powers of the Society. No political donations have been made during 2015 (2014: nil) which require disclosure under the Act.

Events Since The Year End

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

Going Concern

The directors have prepared forecasts of the Society's capital, financial and liquidity position for the period ending 12 months from the date of approval of these financial statements. The directors have also prepared forecasts to consider the effect on the Society's business, 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. For this reason they continue to adopt the going concern basis in preparing the annual accounts.

Auditor

Our 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 its re-appointment will be proposed at the Annual General Meeting.

Country-by-country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions that are within the scope of CRD IV. The purpose of the regulations is to provide clarity on the source of the Society's income and the location of its operations. The annual reporting requirements as at 31 December 2015 will be published on the Society's website in due course at www.harpendenbs.co.uk within the Pillar 3 Disclosures document.

Acknowledgements

The directors wish to record their appreciation to the management and staff, as well as all our members, customers and professional partners for their continued support.

On behalf of the Board of Directors

C. D. Astley
Director, Chief Executive & Secretary
17 March 2016

Corporate governance report

Your Directors are committed to applying best practice in corporate governance commensurate with our mutual status and our activities. This report explains to members our approach which is based on the UK Corporate Governance Code (September 2014) issued by the Financial Reporting Council (the Code). The Code applies to companies listed on the London Stock Exchange and so does not apply to building societies. However our Regulators, the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA), encourage all building societies to have regard to the Code where this is possible. The Directors set out below the Code principles and our response to them.

Directors

The Role of the Board

Code Principle: Every company should be headed by an effective Board, which is collectively responsible for the long-term success of the Company.

Board comment: Your Board is committed to the principles of mutuality along with good corporate governance. The Board meets regularly to review performance against strategic and operational objectives. In addition the Board has general responsibilities to ensure that the Society:

- Operates within its constitution;
- Complies with appropriate legislation and regulations;
- Has proper accounting records which are established, maintained, documented and audited; and
- Has effective systems of business control which are established, maintained, documented and audited.

The Board establishes and monitors the high level principles and strategic aims of the Society and takes decisions on specific matters such as major investment and capital purchases. The non-executive Directors have the opportunity to meet without executive Directors present every month. All directors have an opportunity to meet without the Chairman present at least once a year. All Board members have the benefit of appropriate liability insurance at the Society's expense. All Board members have access to independent legal and other appropriate professional advice, if required. The Board is effective because of its focus on strategy and risk management in an environment where constructive challenge is encouraged.

All Directors make the necessary time commitment required to prepare for and attend the scheduled Board and Board Committee meetings and the attendance of Directors at those meetings is set out below. Against each Director's name is shown the number of meetings at which the Director was present as a member and in brackets the number of such meetings that the Director was due to attend during the year.

Name	Board[1]	AGM	ALCO	AR&CC	Conduct	LPC	REMCO
H. H. Titcomb	8 (8)*	1 (1)	-	-	4 (4)	-	3 (3)
P. G. Marsden	5 (5)	1 (1)	2 (3)^	2 (2)^	2 (2)^	3 (3)^	-
C. D. Astley	8 (8)	1 (1)	3 (4)^	4 (4)^	4 (4)^	4 (4)^	1 (1)^
P. F. Baynham	8 (8)	1 (1)	3 (4)	4 (4)	-	3 (4)	-
A. V. Crossley-Mintern	8 (8)	1 (1)	2 (4)	-	4 (4)	-	3 (3)
J. Mortimer Sykes	8 (8)	1 (1)	4 (4)	-	4 (4)*	4 (4)*	-
S. J. Richardson	8 (8)	1 (1)	-	4 (4)	-	4 (4)	3 (3)*
P. V. Smith	8 (8)	1 (1)	4 (4)*	4 (4)*	-	-	3 (3)

* Indicates Chair of Board/Committee
^ Indicates attendee rather than member
[1] Includes two board strategy days

Corporate governance report *(continued)*

The Board of Directors has five sub-committees to deal with specific issues. The Board of Directors determines the responsibilities and composition of these committees, which are authorised to make decisions within agreed parameters and/or make recommendations to the full Board of Directors as appropriate.

Board Committees

The Assets and Liabilities Committee (ALCO), comprising four non-executive directors and the Chief Executive, meets at least quarterly. It oversees financial risk within the Society and its duties include maintaining knowledge of the economic outlook, monitoring interest rate risk, basis risk, net interest margin and product pricing. It also assesses treasury counterparty credit risk, and the structure of the Society's lending and funding books.

The Audit, Risk and Compliance Committee (AR&CC), comprising three non-executive directors, meets quarterly with the Society's Internal Auditors and External Auditor in attendance. It oversees external audit and internal control and its duties include the setting and review of procedures, systems, control and inspection. It also oversees the Society's Risk Management Framework. The Chief Executive and Head of Treasury & Risk are normally invited to attend all, or part, of the meetings, but they are not members of the Committee.

The Conduct Committee, comprising three non-executive directors and the Chief Executive, meets quarterly and has responsibility for compliance with conduct regulations and ensuring that the Society's culture, strategy, business model, product life cycle management (design, terms and conditions, distribution, sales, post-sales and closure processes) focus on delivering fair customer outcomes.

The Lending Policy Committee (LPC), comprising three non-executive directors and the Chief Executive, meets at least quarterly to review the composition of the mortgage book, new mortgage lending and arrears and also makes policy recommendations to the Board.

The Remuneration and Nominations Committee (REMCO), comprising four non-executive directors, is responsible for recommending appointment and remuneration of non-executive directors as well as the appointment, terms of employment and remuneration of executive directors. Directors' remuneration is annually benchmarked against peers both within and outside the building society sector and the local area, taking Society performance into account. The remuneration of all Directors is agreed by the full Board. The Committee meets as required but at least twice a year. The Directors' Remuneration Report is included on page 18.

The terms of reference for the Committees can be obtained by writing to the Secretary at the Society's Head Office.

Division of Responsibilities

Code Principle: There should be a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision.

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

The Chairman

Code Principle: The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.

Corporate governance report *(continued)*

Board comment: The Chairman sets the direction and culture of the Board, facilitating effective contribution from Directors, maintaining constructive relations between Executive and Non-Executive Directors and ensuring that Directors receive accurate, timely and clear advice and information.

Non-Executive Directors

Code Principle: As part of their role as members of a unitary Board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.

Board comment: The Non-Executive role at the Society requires understanding of the risks in the business; commercial leadership within a framework of prudent and effective risk management controls; providing an independent perspective, monitoring performance and resources; and developing, scrutinising, and constructively challenging strategic proposals, whilst supporting the Executive management.

Judith Mortimer Sykes has been appointed as the Board's Senior Independent Director (Judith is also the Vice Chairman). As Senior Independent Director Judith leads the annual review of the Chairman's performance.

The Composition of the Board

Code Principle: The Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Board comment: The Board currently comprises one executive and six non-executive directors, providing a balance of skills and experience appropriate for the requirements of the business. All non-Executive directors are considered to be independent in character and judgement and free of any relationship or circumstance which are likely to affect, or could appear to affect, the director's judgement. The Chairman and Chief Executive are satisfied that the sound judgement and challenging approach of its independent non-executive directors make a significant contribution to the Society.

Appointments to the Board

Code Principle: There should be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Board comment: On an annual basis the Remuneration and Nominations Committee reviews the balance of skills, aptitudes and experience on the Board against the requirements of the Society.

Following an evaluation of the role and capabilities required for a particular appointment new appointees to the Board are made on merit and against objective criteria. Candidates for non-executive directorship are identified in a variety of ways, including inviting applications from members and press and online advertisements.

Eligible members of the Society have the right under the Society's Rules to apply for election to the Board. All Directors must meet the regulatory fitness and propriety standards. The Remuneration & Nominations Committee leads the process, and recommends a candidate. The Board decides whether to appoint the candidate. Each Director must be approved by the FCA in order to fulfil their control function as a Director.

Commitment

Code Principle: All Directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.

Corporate governance report *(continued)*

Board comment: The Remuneration and Nominations Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment. The formal appraisal process carried out by the Chairman each year also assesses whether Directors have demonstrated this ability during the year. The attendance record during the year of Board and Committee members is set out on page 12.

Development

Code Principle: All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

Board comment: All new directors undergo a formal and tailored induction prior to joining the Board. All training and development needs are identified and satisfied both individually and collectively.

Information and Support

Code Principle: The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Board comment: The Chairman ensures that the Board receives accurate, clear and timely information sufficient to enable it to discharge its responsibilities. Directors are provided with a performance pack of information supplied by senior management. The Secretary provides support on corporate governance matters and the Board has access to independent advice if required.

Evaluation

Code Principle: The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors.

Board comment: The performance and effectiveness of the Board and its committees is evaluated annually. Directors are evaluated by the Chairman, taking into account the views of other directors. The Chairman is evaluated by the non-executive directors. During the course of 2015 an independent external review was undertaken to assess Board effectiveness.

Re-election

Code Principle: All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

Board comment: The Rules of the Society require that all directors are submitted for election at the Annual General Meeting (AGM) following their first appointment to the Board and all directors are required to seek re-election at least every three years after first being elected. Any term lasting beyond nine years after election will be approved by the Board following due consideration and then only on the basis of annual re-election.

Financial and Business Reporting

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

Corporate governance report *(continued)*

Board comment: The responsibilities of the directors in relation to the preparation of the Society's accounts and a statement that the Society's business is a going concern are to be found within the Directors' Report on pages 5 to 11.

Risk Management and Internal Control

Code Principle: The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.

Board comment: The Board is responsible for determining strategies for risk management and control of the Society. Senior management are responsible for designing, operating and monitoring risk management and internal control processes. The Audit, Risk and Compliance Committee, on behalf of the Board, is responsible for reviewing the adequacy of these processes.

The Society has a strong compliance culture which is embraced by all staff. The system of internal control includes physical controls, authorisation limits and segregation of duties. There is an ongoing process for identifying, evaluating and managing the risks faced by the Society.

The Society's Internal Audit function is outsourced under specific terms of reference and provides independent objective assurance that these processes are appropriate and applied effectively. This role was undertaken by Deloitte LLP throughout 2015.

The Board has ultimate responsibility for ensuring the effectiveness of the Society's systems of risk management and internal control. Following review by the Audit, Risk and Compliance Committee, it is satisfied that the Society's systems are effective and meet the requirements of the Code as far as it is relevant.

Audit Committee and Auditors

Code Principle: The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

Board comment: The Board has an Audit, Risk and Compliance Committee comprising three non-executive directors. Other non-executive directors and members of management may attend meetings of the Committee at their discretion.

The Board is satisfied that members of the Committee have recent and relevant financial experience, specifically P. V. Smith and P. F. Baynham. This Committee reviews financial statements, the effectiveness of internal controls, the effectiveness of risk management and the performance of both internal and external auditors and it meets at least four times a year.

The Committee excludes all executives from part of its meetings and the Committee meets periodically with only the External Auditor and only the Internal Auditors. Minutes of the Committee's meetings are distributed to all Board members and the Chairman of the Committee reports to the Board at each regular meeting of the Board following a meeting of the Committee. The Committee considers the objectivity and independence of the External Auditor and decides the policy for non-audit fees.

Dialogue with Shareholders

Code Principle: There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

Board comment: As a mutual organisation, the Society has a membership composed exclusively of individuals who are also the Society's customers. The Society welcomes views of members at Branches, online and via newsletter appeals. The Society conducts market research on a regular basis using a variety of techniques to obtain feedback on a wide range of issues.

Constructive Use of the AGM

Code Principle: The Board should use the AGM to communicate with investors and to encourage their participation.

Board comment: Each year the Society sends details of the AGM to all members who are eligible to vote. Members are sent voting forms and are encouraged to vote on-line, by post, by proxy or in person at the AGM. All proxy votes are counted under independent scrutiny. A poll is called in relation to each resolution at the AGM and all valid proxy votes cast (excluding abstentions) are included in the published results of voting. All members of the Board are present at the AGM each year (unless their absence is unavoidable) and the Chairmen of the Audit, Risk and Compliance, and Remuneration and Nominations Committees are therefore available to answer questions.

On behalf of the Board of Directors
H. H. Titcomb
Chairman
17 March 2016

Directors' remuneration report

The purpose of this report is to explain how the Society complies with the principles in the UK Corporate Governance Code 2014 relating to remuneration to which the Society has regard. The Society has adopted a Remuneration Policy, which describes how the Society complies with the FCA's Remuneration Code. The remuneration of the individual Directors is detailed in note 7 on page 35.

The Level and Components of Remuneration

Code Principle: Levels of remuneration should be sufficient to attract, retain and motivate Directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Board comment: The Society's remuneration policy is to reward Directors according to their expertise, experience and overall contribution to the successful performance of the business. The Executive Director's benefit package is designed to motivate decision making in the interest of members as a whole.

Executive Director Remuneration

The Remuneration Policy is designed to attract, retain and encourage high calibre executives to manage and develop business for the Society. Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations and in the light of market conditions generally.
a) Basic Salary - takes into account duties, responsibilities, performance and levels for comparable positions in other organisations.
b) Pension - the Chief Executive has a defined contribution personal pension arrangements to which the Society and employee both contribute. The Society makes a contribution of 10% of salary.
c) Benefits – the Chief Executive is entitled to private medical insurance for self and spouse and Death-in-Service benefit at the rate of three times annual salary.
d) Contractual Terms - Mr C. Astley is employed on a Service Contract dated 21 January 2010, terminable by the Society or by the individual on six months' notice.

Non-Executive Directors

Fees are based on comparable data from similar financial service organisations and are reviewed annually. Non-executive directors do not qualify for a pension or a bonus but do qualify for Death-in-Service benefit at the rate of three times annual fees. Performance of individual Directors is assessed by the Chairman and their fellow Board members. The Chairman is assessed by all members of the Board.

The Procedure for Determining Remuneration

Code Principle: There should be a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his or her own remuneration.

Board comment: The Remuneration and Nominations Committee reviews the Society's Remuneration Policy annually. The Committee consists of three Non-Executive Directors, one of whom chairs the Committee. The Chief Executive attends by invitation but takes no part in the discussion of his own salary. The Committee reviews Directors' remuneration annually using data from comparable organisations, and takes advice from external consultants when appropriate.

S. J. Richardson
Chairman of Remuneration and Nominations Committee
17 March 2016

Directors’ responsibilities statement

The directors are responsible for preparing the Annual Report & Accounts, Annual Business Statement, Directors’ Report and the annual accounts in accordance with applicable law and regulations.

The Building Societies Act (“the Act”) requires the directors to prepare annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

In preparing these annual accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the society will continue in business.

In addition to the annual accounts the Act requires the directors to prepare, for each financial year, an Annual Business Statement and a Directors’ Report, each containing prescribed information relating to the business of the society.

Directors’ responsibilities for accounting records and internal controls

The directors are responsible for ensuring that the society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the society, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the society and to prevent and detect fraud and other irregularities.

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

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

We have audited the annual accounts of Harpenden Building Society for the year ended 31 December 2015 set out on pages 22 to 59. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the annual accounts

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on annual accounts

In our opinion the annual accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the society as at 31 December 2015 and of the income and expenditure of the society for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

- the Annual Business Statement and the Directors' Report have each been prepared in accordance with the applicable requirements of the Building Societies Act 1986 and regulations thereunder;
- the information given in the Directors' Report for the financial year for which the annual accounts are prepared 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.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Society; or
- the 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.

Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
17 March 2016

Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 £000	Restated 2014 £000
Interest receivable and similar income	2	10,212	10,061
Interest payable and similar charges	3	(4,404)	(4,634)
Net interest income		**5,808**	**5,427**
Fee and commissions receivable		229	199
Fees and commissions payable		(182)	(146)
Other operating income	4	153	157
Total net income		**6,008**	**5,637**
Administrative expenses	5	(4,305)	(3,506)
Depreciation and amortisation	16, 17	(188)	(170)
Operating profit before impairments and provisions		**1,515**	**1,961**
Impairment (losses)/gains on loans and advances	14	(100)	65
Provisions for liabilities	24	(165)	(182)
Gains on freehold property through profit and loss		-	117
Profit before tax		**1,250**	**1,961**
Tax expense	8	(275)	(413)
Profit for the financial year		**975**	**1,548**
Other comprehensive income			
Revaluation of tangible fixed assets	16	71	215
Total comprehensive income for the year		**1,046**	**1,763**

Profit for the financial year arises from continuing operations. Both the profit for the financial year and total comprehensive income for the period are attributable to the members of the Society.

Statement of Financial Position

at 31 December 2015

	Notes	2015 £000	Restated 2014 £000
Assets			
Liquid assets			
Cash and balances at the Bank of England	9	26,147	83
Treasury bills and similar securities	10	1,996	23,969
Loans and advances to credit institutions	11	28,304	43,103
Debt securities	12	48,318	40,627
Loans and advances to customers			
Loans fully secured on residential property	13	189,682	180,305
Other loans	13	8,377	9,053
Investments			
Participating interests	15	194	194
Tangible fixed assets	16	3,875	3,848
Intangible assets	17	92	83
Deferred tax assets	23	29	32
Other debtors	18	319	313
Total assets		**307,333**	**301,610**
Liabilities			
Shares	19	275,296	267,496
Amounts owed to credit institutions	20	26	56
Amounts owed to other customers	21	8,990	12,367
Other liabilities	22	403	347
Accruals and deferred income		297	65
Provisions for liabilities	24	122	126
Total liabilities		**285,134**	**280,457**
Reserves			
General reserves	25	20,802	19,827
Revaluation reserve	25	1,397	1,326
Total reserves attributable to members of the Society		**22,199**	**21,153**
Total reserves and liabilities		**307,333**	**301,610**

These accounts were approved by the Board of directors on 17 March 2016 and signed on its behalf:

Hugh H. Titcomb Chairman	Judith Mortimer Sykes Vice Chairman	Carl D. Astley Chief Executive

Statement of Changes in Members' Interests

	General reserve 2015 £000	Revaluation reserve 2015 £000	Total 2015 £000
Balance at 1 January 2015 - restated	**19,827**	**1,326**	**21,153**
Total comprehensive income for the year			
Profit for the financial year	975	-	975
Other comprehensive income (see note 25)	-	71	71
Total comprehensive income for the year	**975**	**71**	**1,046**
Balance at 31 December 2015	**20,802**	**1,397**	**22,199**

	General reserve 2014 £000	Revaluation reserve 2014 £000	Total 2014 £000
Balance at 1 January 2014 – as previously reported	18,841	365	19,206
Effect of change in accounting policy (see note 30)	(562)	746	184
Balance at 1 January 2014 - restated	**18,279**	**1,111**	**19,390**
Total comprehensive income for the year			
Profit for the financial year	1,548	-	1,548
Other comprehensive income (see note 25)	-	215	215
Total comprehensive income for the year	**1,548**	**215**	**1,763**
Balance at 31 December 2014	**19,827**	**1,326**	**21,153**

Cash Flow Statement

	Notes	2015 £000	Restated 2014 £000
Cash flows from operating activities			
Profit before tax		1,250	1,961
Adjustments for			
Depreciation and amortisation	16, 17	188	170
Revaluation gains through profit and loss		-	(117)
Total		**1,438**	**2,014**
Changes in operating assets and liabilities			
(Increase)/decrease in prepayments, accrued income and other assets		(86)	31
Increase/(decrease) in accruals, deferred income and other liabilities		277	(106)
(Increase)/decrease in loans and advances to customers		(8,700)	4,351
Increase in shares		7,800	25,357
Decrease in amounts owed to other credit institutions and other customers		(3,407)	(10,264)
Decrease/(increase) in loans and advances to credit institutions		9,500	(4,500)
Taxation paid		(265)	(369)
Net cash generated by operating activities		**5,119**	**14,500**
Cash flows from investing activities			
Purchase of financial fixed assets		(69,430)	(158,922)
Proceeds from sale of financial fixed assets		83,812	136,651
Purchase of tangible fixed assets	16	(109)	(81)
Purchase of intangible assets	17	(45)	(145)
Net cash generated by/(used in) investing activities		**14,228**	**(22,497)**
Net increase/(decrease) in cash and cash equivalents		**20,785**	**(5,983)**
Cash and cash equivalents at 1 January		16,645	22,628
Cash and cash equivalents at 31 December		**37,430**	**16,645**

Reconciliation of cash balances:	2014 £000	Movement £000	2015 £000
Cash in hand	83	(15)	68
Loans and advances to credit institutions repayable on demand	16,562	(5,279)	11,283
Cash and balances at the Bank of England	-	26,079	26,079
Total cash	**16,645**	**20,785**	**37,430**

Notes

(forming part of the annual accounts)

1. Accounting policies

Harpenden Building Society (the "Society") has prepared these Society annual accounts under the historical cost convention as modified by the revaluation of freehold property. The annual accounts are prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Society have made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Society is provided in note 30.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year are discussed in note 1.12.

1.1 Change in accounting policy/prior period adjustments

In these annual accounts the Society has changed its accounting policies in the following areas:

Property, Plant and Equipment and intangible assets

The Society has elected to adopt the revaluation model for its freehold property assets in accordance with section 17 of FRS 102. Under old UK GAAP freehold property assets were depreciated through profit and loss and held on the balance sheet at net book value.

Further details can be found in notes 16 and 30.

FRS 102 requires the Society to treat IT software and licenses as intangible assets. Further details can be found in notes 17 and 30

Fee income and expense relating to loans issued

FRS 102 requires the Society to amortise fee income and expenses, associated with bringing a mortgage onto the balance sheet, against the expected life of the mortgage. Under old UK GAAP fee income and expenses had been recorded in the profit and loss account at the point of issuing a mortgage.

Further details can be found in note 30.

Loan provisioning

Under FRS 102 there is a requirement to compare the carrying amount of a loan against the present value of future cash flows by discounting recoverable amounts at the loan's original effective interest rate.

Further details can be found in notes 14 and 30.

FSCS levy

The Society has adopted the provisions of International Financial Reporting Interpretations Committee 'IFRIC'21 in accordance with the transitional provisions contained therein, in respect of the Financial Services Compensation Scheme (FSCS) Levy. Although IFRIC 21 is not applicable to FRS 102 the Society adopted this approach to align treatment of the FSCS levy with other societies who apply International Accounting Standards.

Notes *(continued)*

1. Accounting policies *(continued)*

1.1 Change in accounting policy/prior period adjustments *(continued)*

Financial instruments

Each financial asset and financial liability must be recognised as either a basic financial instrument or a non-basic financial instrument under FRS 102. The treatment depends on the nature of the financial instrument. Basic financial instruments include items such as cash and certain types of loans payable or receivable, whereas non-basic financial instruments include more complex financial arrangements such as derivatives.

The Society has reviewed the recognition criteria for both basic and non-basic financial instruments and has determined all of the Society's financial instruments are within the scope of basic financial instruments.

1.2 Liquid Assets

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

1.3 Interest

Interest income and expense are recognised in profit and 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 to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense presented in the income statement and other comprehensive income include interest on financial assets measured at amortised cost calculated on an effective interest basis.

Fees and commissions include valuation fee income and expense and other fees. These continue to be recognised as incurred.

1.4 Expenses

Operating lease

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

Notes *(continued)*

1. Accounting policies *(continued)*

1.5 Taxation

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

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

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

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

1.6 Financial instruments

The Society have chosen to apply the provisions of FRS 102 sections 11 and 12 in full.

Financial assets

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

Loan commitments

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

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

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

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

Debt instruments

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

Notes *(continued)*

1. Accounting policies *(continued)*

1.6 Financial instruments (continued)

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

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

Financial liabilities

The Society classifies its financial liabilities, other than loan commitments, as measured at amortised cost.

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

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

Identification and measurement of impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets measured at amortised cost are impaired. 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 or issuers in the group, or economic conditions that correlate with defaults in the group.

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

In assessing collective impairment, the Society uses statistical modelling of internal and external information to assess the probability of default, and the amount of loss likely to be incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater than the model suggests. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Notes *(continued)*

1. Accounting policies *(continued)*

1.6 Financial instruments (continued)

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

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

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

Forbearance strategies and renegotiated loans

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

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

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

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

Impairment losses are recognised in profit and loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit and loss.

1.7 Cash and cash equivalents

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

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

1.8 Tangible fixed assets

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

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

Notes *(continued)*

1. Accounting policies *(continued)*

1.8 Tangible fixed assets (continued)

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

- Freehold premises – over fifty years on a straight line basis
- Leasehold premises – over the life of the lease on a straight line basis
- Computer equipment – over three years on a straight line basis
- Office equipment – 15% a year on a reducing balance basis; and
- Motor vehicles – 25% a year on a reducing balance basis

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

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

Revaluation gains/losses

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

1.9 Intangible assets

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

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

- Software - 3 years

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

1.10 Employee benefits

Defined contribution plans and other long term employee benefits

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

Notes *(continued)*

1. Accounting policies *(continued)*

1.9 Tangible fixed assets *(continued)*

Termination benefits

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

1.11 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.

1.12 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2015 are set out below in relation to the impairment of financial instruments and in the following notes in relation to taxation:

- Notes 8 and 23 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

Impairment losses on loans and advances

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

The most critical estimation is of the level of house prices where a variance of 10% impacts the provision by £185k. Other sensitivities include a forced sale discount variance of 10% which equates to £97k, and the emergence period, where a variance of six months equates to £20k.

Effective interest rate

The calculation of an effective interest rate requires the Society to make assumptions about the expected average lives of mortgages. Interest income is amortised over the expected average life, so if the average life of the mortgage book increased by 6 months then the carrying value of mortgages would change by £78k with a corresponding change to income.

Notes *(continued)*

2. Interest receivable and similar income

	2015	2014
	£000	£000
On loans fully secured on residential property	9,033	8,938
On other loans	491	566
On debt securities	349	330
On other liquid assets	339	227
	10,212	**10,061**

3. Interest payable and similar charges

	2015	2014
	£000	£000
On shares held by individuals	4,370	4,546
On deposits and other borrowings	34	88
	4,404	**4,634**

4. Other operating income

	2015	2014
	£000	£000
Rents receivable	153	157
	153	**157**

Notes *(continued)*

5. Administrative expenses

	2015	2014
	£000	£000
Wages and salaries	1,905	1,599
Social security costs	204	156
Other staff costs	152	1
Contributions to defined contribution plans	231	195
	2,492	1,951
Other administrative expenses	1,813	1,555
	4,305	**3,506**

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

	2015	2014
	£000	£000
Amounts receivable by the Society's auditor and its associates in respect of:		
Audit of these annual accounts	68	37
Other services related to taxation	7	5
All other services	4	-
	79	**42**

The Society operates a defined contribution pension plan. The total expense relating to this plan in 2015 was £231k (2014: £195k).

6. Employee numbers

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

	2015	2015	2014	2014
	Full-time	Part-time	Full-time	Part-time
Head Office	34	7	26	4
Branch Offices	7	16	7	18
	41	**23**	**33**	**22**

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

Notes *(continued)*

7. Directors' remuneration

The total emoluments both Executive and Non-Executive Directors for the year amounted to £435,452 (2014: £456,375).

Executive Director Emoluments:

2015	Salaries	Benefits	Pension Contributions	Total
	£000	**£000**	**£000**	**£000**
P.G. Marsden (Chief Executive) (to 12 October 2015)	114	1	15	130
C.D. Astley (Acting Chief Executive)	121	1	8	130
	235	**2**	**23**	**260**

2014	Salaries	Benefits	Pension Contributions	Total
	£000	**£000**	**£000**	**£000**
P.G. Marsden (Chief Executive)	145	1	14	160
C.D. Astley (Deputy Chief Executive)	108	1	11	120
	253	**2**	**25**	**280**

Non-Executive Director Emoluments (comprising fees only):

	2015	2014
	£000	£000
H.H. Titcomb	38	37
J. Mortimer Sykes (Vice Chairman from 1 March 2014)	31	31
N.S. Terry (Vice Chairman to 28 February 2014)	-	26
P. F. Baynham (from 1 November 2014)	25	4
A.V. Crossley-Mintern (from 1 January 2015)	25	-
S.J. Richardson	25	24
P.V. Smith	31	31
K.M. Wilson (to 31 December 2014)	-	24
	175	**177**

At 31 December 2015, there were £nil outstanding mortgage loans granted in the ordinary course of business to Directors and connected persons (2014: £nil) representing loans to nil (2014: nil) persons. A register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and connected persons. A statement for the current financial year of the appropriate details contained in the register will be available for inspection at the Head Office for a period of 15 days up to, and including the date of the Annual General Meeting.

On 12 October 2015, Mr P.G. Marsden stepped down as Chief Executive and on this date his Service Contract with the Society ended. Under terms of the contract, an amount equal to the notice period is payable by the Society to Mr P.G. Marsden. This was £183k and is included in the 2015 wages and salaries amount in note 5.

Notes *(continued)*

8. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity.

	2015	2014
	£000	£000
Current tax		
Current tax on income for the period	273	395
Adjustments in respect of prior periods	(1)	(2)
Total current tax	272	393
Deferred tax (see note 23)		
Origination and reversal of timing differences	-	19
Change in tax rate	3	1
Total deferred tax	3	20
Total tax	**275**	**413**

	2015			2014		
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
	£000	**£000**	**£000**	£000	£000	£000
Recognised in profit and loss	272	3	275	393	20	413
Total tax	**272**	**3**	**275**	**393**	**20**	**413**

Significant estimates are required in determining the provision for corporation tax. There are a number of transactions for which the final tax determination is uncertain at the year end date.

Notes *(continued)*

8. Taxation *(continued)*

Reconciliation of effective tax rate

	2015	2014
	£000	£000
Profit for the year	975	1,548
Total tax expense	275	413
Profit excluding taxation	1,250	1,961
Tax using the UK corporation tax rate of 20.25% (2014: 21.49%)	253	421
Fixed asset differences	16	17
Non-deductible expenses	2	(24)
Adjustments to tax charge in respect of previous periods	(2)	(1)
Reduction in tax rate on deferred tax balances	3	1
Rate differences	3	(1)
Total tax expense included in profit and loss	**275**	**413**

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

9. Cash and cash equivalents

	2015	2014
	£000	£000
Cash in hand	68	83
Loans and advances to credit institutions repayable on demand (see note 11)	11,283	16,562
Cash and balances at the Bank of England	26,079	-
Cash and cash equivalents per cash flow statements	**37,430**	**16,645**

Notes *(continued)*

10. Treasury bills

Treasury bills have remaining maturities as follows:

	2015	2014
	£000	£000
Accrued interest	1	17
In not more than three months	-	9,984
In more than three months but not more than one year	1,995	13,968
	1,996	**23,969**

The Directors of the Society consider that the primary purpose of holding such securities is prudential. The securities are held as liquid assets with the intention of using on a continuing basis in the Society's activities and are therefore classified as financial fixed assets rather than current assets.

Movement during the year of treasury bills held as financial fixed assets are analysed as follows (excluding accrued interest):

	2015	2014
	£000	£000
As at 1 January	23,952	21,964
Additions	10,931	83,874
Maturities and disposals	(32,888)	(81,886)
As at 31 December	**1,995**	**23,952**

11. Loans and advances to credit institutions

	2015	2014
	£000	£000
Accrued interest	21	41
Repayable on demand	11,283	16,562
Other loans and advances by residual maturity repayable:		
In not more than three months	10,000	20,500
In more than three months but not more than one year	7,000	6,000
Total loans and advances to credit institutions	**28,304**	**43,103**

Notes *(continued)*

12. Debt securities

	2015	2014
	£000	£000
Issued by public bodies	2,013	2,016
Issued by other borrowers	46,305	38,611
	48,318	**40,627**
Debt securities have remaining maturities as follows:		
Accrued interest	208	93
In not more than one year	46,100	38,521
In more than one year	2,010	2,013
Total loans and advances to credit institutions	**48,318**	**40,627**

The Directors of the Society consider that the primary purpose of holding such securities is prudential. The securities are held as liquid assets with the intention of using on a continuing basis in the Society's activities and are therefore classified as financial fixed assets rather than current assets. Movement during the year of debt securities held as financial fixed assets are analysed as follows (excluding accrued interest):

	2015	2014
	£000	£000
As at 1 January	40,534	20,251
Additions	58,500	75,048
Maturities and disposals	(50,924)	(54,765)
As at 31 December	**48,110**	**40,534**

13. Loans and advances to customers

	2015	2014
	£000	£000
Loans fully secured on residential property	189,682	180,305
Loans fully secured on land	8,377	9,053
	198,059	**189,358**
The remaining maturity of loans and advances to customers from the reporting date is as follows:		
On call and at short notice	695	1,780
In not more than three months	3,353	1,958
In more than three months but not more than one year	13,116	14,438
In more than one year but not more than five years	48,831	41,113
In more than five years	133,157	131,372
	199,152	190,661
Less: allowance for impairment (note 14)	(499)	(686)
Less: effective interest rate adjustment	(594)	(617)
	198,059	**189,358**

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

14. Allowance for impairment

	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
At 1 January 2015			
Individual impairment	245	328	573
Collective impairment	53	60	113
	298	**388**	**686**
Income statement			
Impairment losses on loans and advances			
Individual impairment	42	(145)	(103)
Collective impairment	86	117	203
Utilised during the year	(287)	-	(287)
	(159)	(28)	(187)
At 31 December 2015			
Individual impairment	-	183	183
Collective impairment	139	177	316
	139	**360**	**499**

15. Investments

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

	2015 **£000**	2014 £000
Shares in participating interest	8	8
Loans to participating interest	186	186
	194	**194**

The shares are fully paid Ordinary Shares and represent a 14.9% interest (2014: 14.9%).

Notes *(continued)*

16. Tangible fixed assets

	Freehold land and buildings £000	Short leasehold buildings £000	Office & computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
Balance at 1 January 2015	3,580	119	521	21	4,241
Additions	1	-	108	-	109
Revaluation adjustment	(1)	-	-	-	(1)
Balance at 31 December 2015	**3,580**	**119**	**629**	**21**	**4,349**
Depreciation and impairment					
Balance at 1 January 2015	-	52	326	15	393
Depreciation charge for the year	72	6	72	2	152
Revaluation adjustment	(72)	-	-	-	(72)
Balance at 31 December 2015	**-**	**58**	**398**	**17**	**474**
Net book value					
At 1 January 2015	3,580	67	195	6	3,848
At 31 December 2015	**3,580**	**61**	**231**	**4**	**3,875**

The net book value of land and buildings occupied for the Society's own use is £3,641k (2014: £3,647k).

The Society's freehold assets were valued by McNeill Lowe & Palmer, a firm of independent valuers. The valuations were carried out in accordance with the Valuation Standards issued by the Royal Institution of Chartered Surveyors in the United Kingdom. These valuations are incorporated in the financial statements, with revaluation charges reflected in the revaluation reserve. The following information relates to tangible fixed assets carried on the basis of revaluation.

	2015	2014
	£000	£000
At fair value		
As at 31 December	3,580	3,580
Historical cost	3,088	3,087
Cumulative revaluation gain	**492**	**493**

17. Intangible assets

	Software £000	Total £000
Cost		
Balance at 1 January 2015	174	174
Additions	45	45
Balance at 31 December 2015	219	219
Amortisation and impairment		
Balance at 1 January 2015	91	91
Amortisation for the year	36	36
Balance at 31 December 2015	127	127
Net book value		
At 1 January 2015	83	83
At 31 December 2015	**92**	**92**

Notes *(continued)*

18. Other debtors

	2015	2014
	£000	£000
Trade debtors	2	2
Prepayments and accrued income	317	311
	319	**313**

There are no prepayments and accrued income that are due after more than one year *(2014: £nil)*.

19. Shares

	2015	2014
	£000	£000
Held by individuals	**275,296**	**267,496**

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

	2015	2014
Accrued interest	1,428	1,546
Repayable on demand	248,759	240,376
In not more than three months	267	295
In more than three months but not more than one year	466	597
In more than one year but not more than five years	3,059	3,209
In more than five years	21,317	21,473
	275,296	**267,496**

20. Amounts owed to credit institutions

	2015	2014
	£000	£000
Repayable on demand	**26**	**56**

Notes *(continued)*

21. Amounts owed to other customers

	2015	2014
	£000	£000
Accrued interest	2	10
Repayable on demand	7,733	10,266
With agreed maturity dates or periods of notice		
In not more than three months	841	1,667
In more than three months but not more than one year	414	424
	8,990	**12,367**

22. Other liabilities

	2015	2014
	£000	£000
Income tax	167	173
Corporation tax	93	87
Other creditors	143	87
	403	**347**

23. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2015 £000	2014 £000
Accelerated capital allowances	**96**	91
Short term timing differences	**(125)**	(123)
Net tax (assets)	**(29)**	(32)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The recognition of the deferred tax asset is dependent upon the projection of future taxable profits and future reversals of existing taxable temporary differences.

The deferred tax asset has arisen due to temporary factors rather than a permanent decline in earnings.

Notes *(continued)*

24. Provisions for liabilities

	Financial Services Compensation Scheme £000	Customer Claims £000	Total £000
Balance at 1 January 2015	255	27	282
Prior period adjustments	(156)	-	(156)
Adjusted balance at 1 January 2015	99	27	126
Paid in year	(169)	-	(169)
Income and Expenditure account:			
Movement in provision	157	8	165
Balance at 31 December 2015	**87**	**35**	**122**

Financial Services Compensation Scheme

In common with all regulated UK deposit takers, the Society pays levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it. The FSCS meets these claims by way of loans received from HM Treasury.

Customer Claims

This relates to a provision for potential endowment claims.

Notes *(continued)*

25. Reserves

	General reserve 2015 £000	Revaluation reserve 2015 £000	Total reserves 2015 £000
At 1 January	19,827	1,326	21,153
Profit for the year	975	-	975
Revaluation of tangible fixed assets	-	71	71
At 31 December	**20,802**	**1,397**	**22,199**

26. Financial instruments

The Society is a retailer of financial instruments in the form of mortgage and savings products, and also uses wholesale financial instruments to invest in liquid assets and to raise funds from wholesale money markets in support of its retail savings operations. These instruments also allow it to manage the risks arising from these business markets.

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

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

The Society does not currently use any derivative financial instruments, since the Society does not currently offer any capped or fixed rate mortgage or savings products that would give rise to a balance sheet exposure. The Society does not participate in any financial instruments for trading or speculative purposes. The Society is exposed to movements in interest rates reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The Society manages this exposure continually by matching the maturity dates of assets and liabilities.

Notes *(continued)*

26. Financial Instruments *(continued)*

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an on-going basis at amortised cost. Note 1.6 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses are recognised. The tables below analyse the Society's assets and liabilities by financial classification:

Carrying values by category 31 December 2015	**Loans and receivables £000**	**Financial assets and liabilities at amortised cost £000**	**Other non-financial assets £000**	**Total £000**
Financial assets				
Cash and balances at the Bank of England	26,147	-	-	26,147
Loans and advances to credit institutions	28,304	-	-	28,304
Treasury bills and similar securities	-	1,996	-	1,996
Debt securities	-	48,318	-	48,318
Loans and advances to customers	198,059	-	-	198,059
Investment loans	194	-	-	194
Total financial assets	**252,704**	**50,314**	-	**303,018**
Non-financial assets	-	-	**4,315**	**4,315**
Total assets	**252,704**	**50,314**	**4,315**	**307,333**
Financial liabilities				
Shares	-	275,296	-	275,296
Amounts owed to credit institutions	-	26	-	26
Amounts owed to other customers	-	8,990	-	8,990
Total financial liabilities	-	**284,312**	-	**284,312**
Non-financial liabilities	-	-	**822**	**822**
Total liabilities	**-**	**284,312**	**822**	**285,134**

Notes *(continued)*

26. Financial instruments *(continued)*

Carrying values by category ***31 December 2014***	**Loans and receivables £000**	**Financial assets and liabilities at amortised cost £000**	**Other non-financial assets £000**	**Total £000**
Financial assets				
Cash and balances at the Bank of England	83	-	-	83
Loans and advances to credit institutions	43,103	-	-	43,103
Treasury bills and similar securities	-	23,969	-	23,969
Debt securities	-	40,627	-	40,627
Loans and advances to customers	189,358	-	-	189,358
Investment loans	194	-	-	194
Total financial assets	**232,738**	**64,596**	-	**297,334**
Non-financial assets	-	-	**4,276**	**4,276**
Total assets	**232,738**	**64,596**	**4,276**	**301,610**
Financial liabilities				
Shares	-	267,496	-	267,496
Amounts owed to credit institutions	-	56	-	56
Amounts owed to other customers	-	12,367	-	12,367
Total financial liabilities	-	**279,919**	-	**279,919**
Non-financial liabilities	-	-	**538**	**538**
Total liabilities	**-**	**279,919**	**538**	**280,457**

At the year end, the Society has loan commitments of £16,602k (2014: £9,341k) measured at cost.

Notes *(continued)*

26. Financial instruments *(continued)*

Financial assets pledged as collateral

As at 31 December 2015 no assets had been pledged as collateral (2014: £nil).

Credit risk

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

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

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

	2015	2014
	£000	£000
Cash and balances at the Bank of England	26,147	83
Loans and advances to credit institutions	28,304	43,103
Treasury bills and similar securities	1,996	23,969
Debt securities	48,318	40,627
Loans and advances to customers	199,152	190,661
Investment loans	194	194
Total statement of financial position exposure	304,111	298,637
Off balance sheet exposure – mortgage commitments	16,602	9,341
	320,713	**307,978**

Details on collateral held as security that mitigate the Society's exposure to credit risk are provided on page 49. The Society does not use credit derivatives, or similar instruments, to manage its credit risk.

The Society offers a range of mortgage products tailored to the needs and demands of our customers. The concentration of loans and advances to customers is detailed in the table below:

	2015	2014
	£000	£000
Prime owner-occupied	136,503	129,319
Buy to let	26,902	26,939
Land	8,742	9,448
Other loans and advances to customers	27,005	24,955
Total loans and advances to customers	**199,152**	**190,661**

Notes *(continued)*

26. Financial instruments *(continued)*

Credit risk *(continued)*

Credit quality analysis of loans and advances to customers

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

	2015 Loans fully secured on residential property £000	**2015 Loans fully secured on land £000**	**2015 Total £000**	2014 Loans fully secured on residential property £000	2014 Loans fully secured on land £000	2014 Total £000
Neither past due nor impaired	**186,186**	**6,521**	**192,707**	176,802	8,090	184,892
Past due but not impaired						
30 – 60 days	**1,537**	**414**	**1,951**	2,020	108	2,128
60 – 90 days	**635**	**316**	**951**	284	127	411
90 – 180 days	**1,145**	**730**	**1,875**	662	-	662
180 days+	**318**	**-**	**318**	315	355	670
	3,635	**1,460**	**5,095**	3,281	590	3,871
Individually impaired						
Not past due	**-**	**756**	**756**	-	761	761
In possession	**-**	**-**	**-**	520	-	520
	-	**756**	**756**	520	761	1,281
Allowance for impairment						
Individual	**-**	**183**	**183**	245	328	573
Collective	**139**	**177**	**316**	53	60	113
Total allowance for impairment	**139**	**360**	**499**	298	388	686
Total loans & advances to customers including impairments	**189,682**	**8,377**	**198,059**	180,305	9,053	189,358

Collateral held and other credit enhancements

The Society holds collateral to reduce credit exposures. The table below sets out the principal types of collateral held.

Percentage of exposure that is subject to collateral requirements	**2015**	2014	Principal type of collateral held
	%	%	
Loans and advances to customers	100	100	Property

Notes *(continued)*

26. Financial instruments *(continued)*

Credit risk *(continued)*

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

Assets obtained by taking possession of collateral

Details of non-financial assets obtained during the year by taking possession of collateral held as security against loans and advances held at the year-end are shown below.

	2015	2014
	£000	£000
Property	-	520

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. Further consideration is given in note 1.6 to the accounts.

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

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

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

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

	2015	2014
	£000	£000
LTV ratio		
Less than 50%	150,977	132,782
51 – 70%	46,072	53,999
71 – 90%	1,052	3,119
91 – 100%	-	-
More than 100%	1,051	761
Total loans and advances to customers (excluding impairments)	**199,152**	**190,661**

Notes *(continued)*

26. Financial instruments *(continued)*

Credit risk *(continued)*

Forbearance

A range of forbearance options are available to support customers who are in financial difficulty. For further information on forbearance please refer to note 1.6. The table below analyses mortgage borrowers with renegotiated terms at the year-end date:

	2015	2014
	Number	Number
Short-term conversion from repayment loan to interest only loan	3	5
Short-term reduced monthly repayment plan	5	6
	8	**11**

There are no individual impairment provisions held in respect of these mortgages at 31 December 2015 (2014: £nil).

Concentration risk

The tables below show the relative concentrations of the Society's treasury portfolio.

	2015	2014
	£000	£000
Concentration by credit grading		
AAA	2,013	2,016
AA+ to AA-	38,124	36,236
A+ to A-	47,543	37,815
Building societies	17,017	26,537
Other	68	5,178
	104,765	**107,782**

	2015	2014
	£000	£000
Concentration by sector		
Financial institutions	74,678	81,797
Supranational institutions	2,013	2,016
Sovereign	28,074	23,969
	104,765	**107,782**

	2015	2014
	£000	£000
Concentration by region		
UK	85,684	90,161
Europe (excluding UK)	15,065	15,605
North America	2,003	-
Supranational	2,013	2,016
	104,765	**107,782**

Notes *(continued)*

26. Financial instruments *(continued)*

Liquidity risk

Interest rate risk

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

Maturity analysis for financial assets and financial liabilities

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

31 December 2015	**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 years £000**	**More than five years £000**	**Total £000**
Financial assets						
Cash and balances at the Bank of England	26,139	-	-	-	-	26,139
Loans and advances to credit institutions	11,283	10,000	7,000	-	-	28,283
Debt securities	-	-	46,100	2,010	-	48,110
Treasury bills and similar securities	-	-	1,995	-	-	1,995
Loans and advances to customers	695	3,353	13,116	48,831	133,157	199,152
Investment loans	-	-	-	-	194	194
Total financial assets	**38,117**	**13,353**	**68,211**	**50,841**	**133,351**	**303,873**
Financial liabilities						
Shares	248,759	267	466	3,059	21,317	273,868
Amounts owed to credit institutions	26	-	-	-	-	26
Amounts owed to other customers	7,733	841	414	-	-	8,988
Total financial liabilities	**256,518**	**1,108**	**880**	**3,059**	**21,317**	**282,882**

Notes *(continued)*

26. Financial instruments *(continued)*

Liquidity risk *(continued)*

31 December 2014	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 years £000	More than five years £000	Total £000
Financial assets						
Cash and balances at the Bank of England	83	-	-	-	-	83
Loans and advances to credit institutions	16,562	20,500	6,000	-	-	43,062
Debt securities	-	-	38,521	2,013	-	40,534
Treasury bills and similar securities	-	9,984	13,968	-	-	23,952
Loans and advances to customers	1,780	1,958	14,438	41,113	131,372	190,661
Investment loans	-	-	-	-	194	194
Total financial assets	**18,425**	**32,442**	**72,927**	**43,126**	**131,566**	**298,486**
Financial liabilities						
Shares	240,376	295	597	3,209	21,473	265,950
Amounts owed to credit institutions	56	-	-	-	-	56
Amounts owed to other customers	10,266	1,667	424	-	-	12,357
Total financial liabilities	**250,698**	**1,962**	**1,021**	**3,209**	**21,473**	**278,363**

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

31 December 2015	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 years £000	More than five years £000	Total £000
Financial liabilities						
Shares	248,759	267	466	3,116	27,838	280,446
Amounts owed to credit institutions	26	-	-	-	-	26
Amounts owed to other customers	7,733	843	417	-	-	8,993
Total financial liabilities	**256,518**	**1,110**	**883**	**3,116**	**27,838**	**289,465**

Notes *(continued)*

26. Financial instruments *(continued)*

Liquidity risk *(continued)*

31 December 2014	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 years £000	More than five years £000	Total £000
Financial liabilities						
Shares	240,376	295	597	3,268	28,042	272,578
Amounts owed to credit institutions	56	-	-	-	-	56
Amounts owed to other customers	10,266	1,680	427	-	-	12,373
Total financial liabilities	**250,698**	**1,975**	**1,024**	**3,268**	**28,042**	**285,007**

Market risk

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk; currency risk, interest rate risk and other price risk.

The Society is not directly subject to currency risk as all products are sterling denominated. The Society's products are also only interest orientated products so are not exposed to other pricing risks.

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

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to interest rate scenarios. The following is an analysis of the sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

Notes *(continued)*

26. Financial instruments *(continued)*

Market risk *(continued)*

	2015 100bp parallel increase £000	2015 100bp parallel decrease £000
Sensitivity of projected net interest income		
2015		
At 31 December	(186)	190
Average for the period	(187)	190
Maximum for the period	(225)	230
Minimum for the period	(161)	163
2014		
At 31 December	(188)	190
Average for the period	(148)	150
Maximum for the period	(210)	213
Minimum for the period	(66)	68

Capital management

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

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

The below table sets out the Society's capital.

	2015 £000	2014 £000
Common Equity Tier 1 capital		
General reserve	20,802	19,827
Revaluation reserve	1,397	1,326
Common Equity Tier 1 capital	**22,199**	21,153
Tier 2 capital		
Collective provision	316	113
Total capital	**22,515**	21,266

Notes *(continued)*

27. Operating leases

As at 31 December the Society had annual commitments in respect of non-cancellable operating leases for land and buildings as follows:

	2015	2014
	£000	£000
Less than one year	-	-
Between one and five years	40	32
More than five years	20	28
	60	**60**

28. Related party transactions

Mutual Vision Technologies Limited ('MVT')

The Society is a shareholder of MVT, the Society's computer software provider, as detailed in note 15 on page 40. Under the terms of the shareholder agreement the Society is permitted appoint an individual to represent the Society on the Board of MVT as a director.

Paul Marsden was a director of MVT until 31 October 2015.

During the year, a total of £177,648 (2014: £160,000) was paid to MVT in respect of software maintenance services.

At 31 December 2015 there are no related party liabilities (2014: £nil).

The loan due from MVT, as detailed in note 15, bears interest at Bank of England base rate plus 1% and is credited to the Society annually. In 2015 this interest totalled £2,795 (2014: £2,795). There is no fixed maturity date for this loan. The Society holds no security on any assets of MVT in respect of this loan.

LCP Solutions Limited

Stephen Richardson was a director of LCP Solutions Limited and a director of Harpenden Building Society during the year ended 31 December 2015.

There were no related party transactions during 2015 (2014: £8,167). The payment in 2014 was in respect of executive development.

At 31 December 2015 there are no related party liabilities (2014: £nil).

29. Subsequent events

There are no subsequent events to the balance sheet date.

Notes *(continued)*

30. Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Society's first annual accounts prepared in accordance with FRS 102. The accounting policies set out in notes 1 to 30 have been applied in preparing the annual accounts for the year ended 31 December 2015 and the comparative information presented in these annual accounts for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Society has adjusted amounts reported previously in annual accounts prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Society's financial position and financial performance is set out in the following tables and subsequent note references.

Reconciliation of Statement of Financial Position

		1 January 2014			**31 December 2014**		
	Notes	Adopted UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000	**Adopted UK GAAP £000**	**Effect of transition to FRS 102 £000**	**FRS 102 £000**
Assets							
Liquid assets							
Cash and balances at the Bank of England		71	-	71	83	-	83
Treasury bills and similar securities		21,983	-	21,983	23,969	-	23,969
Loans and advances to credit institutions		44,637	-	44,637	43,103	-	43,103
Debt securities		20,324	-	20,324	40,627	-	40,627
Loans and advances to customers							
Loans fully secured on residential property	30a	183,391	(653)	182,738	180,986	(681)	180,305
Other loans	30a	11,042	(70)	10,972	9,092	(39)	9,053
Investments							
Participating interest		194	-	194	194	-	194
Tangible fixed assets	30b	2,917	591	3,508	2,976	872	3,848
Intangible assets	30b	-	33	33	-	83	83
Deferred tax assets	30e	-	52	52	-	32	32
Other debtors		324	-	324	313	-	313
Total assets		284,883	(47)	284,836	**301,343**	**267**	**301,610**
Liabilities							
Shares		242,139	-	242,139	267,496	-	267,496
Amounts owed to credit institutions		26	-	26	56	-	56
Amounts owed to other customers		22,661	-	22,661	12,367	-	12,367
Other liabilities		384	-	384	347	-	347
Accruals and deferred income		117	-	117	65	-	65
Provisions for liabilities	30c	350	(231)	119	354	(228)	126
Total liabilities		265,677	(231)	265,446	**280,685**	**(228)**	**280,457**
Reserves							
General reserves		18,841	(562)	18,279	20,293	(466)	19,827
Revaluation reserve		365	746	1,111	365	961	1,326
Total reserves attributable to members		19,206	184	19,390	**20,658**	**495**	**21,153**
Total reserves and liabilities		284,883	(47)	284,836	**301,343**	**267**	**301,610**

Notes *(continued)*

30. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliation of profit for the year ended 31 December 2014

	Notes	Adopted UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Interest receivable and similar income	30d	9,664	397	10,061
Interest payable and similar charges		(4,634)	-	(4,634)
Net interest income		**5,030**	**397**	**5,427**
Fee and commissions receivable	30d	733	(534)	199
Fees and commissions payable	30d	(328)	182	(146)
Other operating income		157	-	157
Total net income		**5,592**	**45**	**5,637**
Administrative expenses		(3,506)	-	(3,506)
Depreciation and amortisation	30b	(166)	(4)	(170)
Operating profit before impairment losses and provisions		**1,920**	**41**	**1,961**
Impairment gains on loans and advances	30a	105	(40)	65
Provisions for liabilities		(157)	(25)	(182)
Gains on freehold property through profit and loss		-	117	117
Profit before tax		**1,868**	**93**	**1,961**
Tax expense	30e	(416)	3	(413)
Profit for the financial year		**1,452**	**96**	**1,548**
Other comprehensive income				
Revaluation of tangible fixed assets	30b	**-**	215	215
Total comprehensive income for the year		**1,452**	**311**	**1,763**

Reconciliation of profit and equity from old UK GAAP to FRS 102

		Profit for the year ended 31 December 2014 £000	Equity as at 31 December 2014 £000	Equity as at 1 January 2014 £000
Amount under old GAAP		**1,452**	**20,658**	**19,206**
Property, Plant and Equipment	30b	(4)	954	626
Gains on freehold property through profit and loss	30b	117	-	-
Fee income and expense relating to loans issued	30a	45	(617)	(664)
Loan provisioning	30a	(40)	(103)	(61)
Provisions for liabilities	30c	(25)	156	181
Taxation	30e	3	105	102
Amount under FRS 102		**1,548**	**21,153**	**19,390**

Notes *(continued)*

30. Explanation of transition to FRS 102 from old UK GAAP *(continued)*

The following provides a description of each of the required transition changes reflected in the tables above.

a) The effect of transition on loans and advances to customers relates to:

I. The impact of effective interest rate accounting. This reduces the loan balance as income is deferred at the outset of loan and is amortised over the expected average life.

II. Present value of recoverable amounts. This increases the provision which in turn reduces the loan balance.

b) Tangible fixed assets have been restated due to:

- The Society has elected to hold freehold property at fair value less accumulated depreciation under FRS102 which has increased the value of tangible fixed assets compared to old UK GAAP.
- Depreciation on freehold property is now calculated based on fair value instead of cost. The depreciation expense has increased as the net fair value is higher than the cost.
- Separation of intangible fixed assets from tangible fixed assets. This is a reclassification requirement and the value of the intangible assets has not changed.

c) Provisions for liabilities are restated due the adoption of IFRIC 21 which changes the expense recognition for the FSCS levy.

d) Interest receivable and similar income and fees and commissions receivable/payable have changed due to:

- Net fee income in relation to issuing a loan is now recorded in interest receivable and similar income whereas under old UK GAAP this was recorded under fees and commissions receivable/payable.
- The impact of effective interest rate accounting (see 30a.i. above).

e) The tax expense and deferred tax position have been restated due to the above accounting changes.

Annual Business Statement for the year ended 31 December 2015

1. Statutory Percentages

	31.12.2015	Statutory Limit
Proportion of business assets not in the form of loans fully secured on residential property ("The Lending Limit")	4.77%	25%
Proportion of shares and borrowings not in the form of shares held by individuals ("The Funding Limit")	3.17%	50%

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

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

X = business assets, being the total assets of the Society plus provisions for bad and doubtful debts less liquid assets and tangible fixed assets as shown in the Society's Accounts.

Y = the principal of, and interest accrued on, loans owed to the Society which are fully secured on residential property as at 31 December 2015.

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

X = shares and borrowings, being the aggregate of

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

Y = the principal value of, and interest accrued on, shares in the Society held by individuals otherwise than as bare trustees (or in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate as at 31 December 2015.

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

Annual Business Statement for the year ended 31 December 2015 *(continued)*

2. Other Percentages

	2015	2014
As percentage of shares and borrowings:		
Gross capital	7.81%	7.55%
Free capital	6.56%	6.22%
Liquid assets	36.85%	38.50%
As percentage of mean total assets:		
Profit for the financial year	0.33%	0.52%
Management expenses	1.48%	1.25%

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

- 'Shares and borrowings' represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.
- 'Gross capital' represents the aggregate of general reserves and revaluation reserve.
- 'Free capital' represents the aggregate of gross capital and general loss provisions for bad and doubtful debts less tangible fixed assets.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Liquid assets' represent the total of cash in hand, loans and advances to credit institutions, treasury bills and debt securities.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

Annual Business Statement for the year ended 31 December 2015 *(continued)*

3. Information relating to the Directors and Chief Executive at 31 December 2015

Name and Date of Birth	Date of Appointment and Committee Membership	Business Occupation	Other Directorships
C. D. Astley 18 January 1975	21 January 2010 Assets and Liabilities, Conduct and Lending Policy Committees	Building Society Executive	None
P. F. Baynham 21 December 1953	27 November 2014 Assets and Liabilities, Audit, Risk & Compliance, and Lending Policy Committees	Non-Executive Director	Baynham Consulting Associates Limited Hera Management Services Limited Hertfordshire Partnership University NHS Foundation Trust Home-Start Norwich Ixion Social Enterprises Limited Ixion Holdings (Contracts) Limited North Norfolk Housing Company Limited Swan Housing Association Swan Housing Capital PLC Swan New Homes Limited Swan Commercial Services Limited The Association of Independent Professionals and the Self Employed Limited The Swaythling Housing Society Limited Victory Housing Trust Vivo Support Limited
J. Mortimer Sykes 1 February 1957	27 October 2011 Assets and Liabilities, Conduct and Lending Policy Committees	Non-Executive Director	The ExtraCare Charitable Trust
S. J. Richardson 18 January 1953	30 January 2014 Audit, Risk & Compliance, Lending Policy and Remuneration & Nominations Committees	Non-Executive Director	Bethrob Limited i-Financial Services Group plc LCP Solutions Limited Lend and Borrow Trust Company Limited
P. V. Smith 4 June 1957	26 May 2011 Assets and Liabilities, Audit, Risk & Compliance and Remuneration & Nominations Committees	Non-Executive Director	Herts Valley Clinical Commissioning Group Defence Infrastructure Organisation, Ministry of Defence Defence Equipment & Support, Ministry of Defence
H. H. Titcomb 21 December 1959	29 May 2008 Conduct and Remuneration & Nominations Committees	Non-Executive Director	None
A. V. Crossley-Mintern 24 July 1963	29 January 2015 Assets and Liabilities, Conduct, Remuneration & Nominations Committees	Executive Director, Financial Services	Celerity Blue Limited

Annual Business Statement for the year ended 31 December 2015 *(continued)*

3. Information relating to the Directors and Chief Executive at 31 December 2015 *(continued)*

Documents may be served on the above named Directors: Ref. "Harpenden Building Society", c/o, Neves Solicitors at 2 Sun Lane, Harpenden, Hertfordshire AL5 4ET.

Mr. H. H. Titcomb entered a service contract upon his appointment dated 29 May 2008.

Mr. P. V. Smith entered a service contract upon his appointment dated 26 May 2011.

Mrs. J. Mortimer Sykes entered a service contract upon her appointment dated 1 October 2011.

Mr S. J. Richardson entered a service contract upon his appointment dated 15 January 2014.

Mr P. F. Baynham entered a service contract upon his appointment dated 27 November 2014.

Mrs A. V. Crossley-Mintern entered a service contract upon her appointment dated 23 December 2014.

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

Mr C. Astley is employed on a Service Contract dated 21 January 2010, terminable by the Society or by the individual on six months' notice.

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