



Annual Report & Accounts

Year ended 31st October 2018



Contents

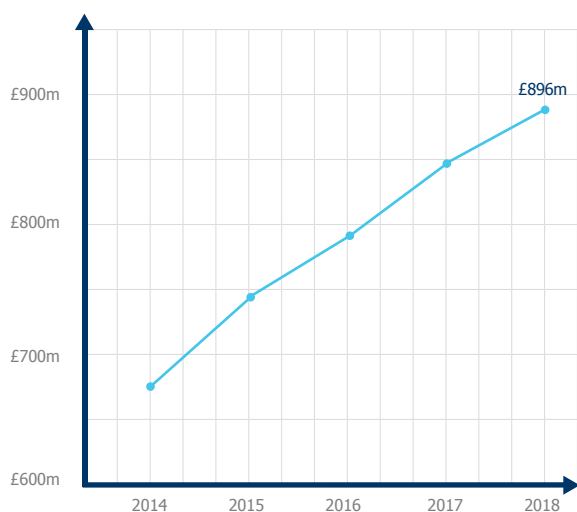
Our Highlights	3
Directors' Report	4
Purpose, Vision and Culture	12
The Year in Pictures	13
Directors	14
Corporate Governance Report	16
Audit Committee Report	19
Directors' Attendance Record	20
Directors' Remuneration Report	21
Directors' Responsibilities	22
Independent Auditor's Report	23
Income Statements	32
Statement of Financial Position	32
Statement of Changes in Members' Interest	34
Cash Flow Statements	35
Accounting Policies	36
Notes to the Accounts	40
Glossary of Terms	66
Annual Business Statement	67
Staff	69

Our Highlights

Mortgages

- Our mortgage book increased by £53m to £896m (6%)
- We lent £197m to mortgage customers (2017: £192m)
- Strong demand for our residential and first time buyer products
- There were no mortgage losses in the year and no properties in possession at the year end

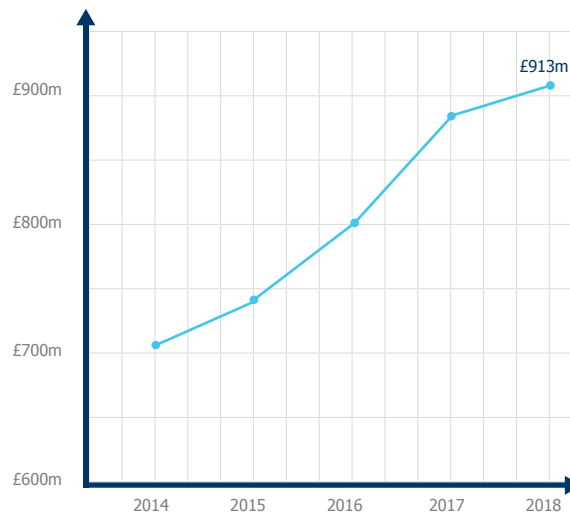
Mortgage Balances



Savings & Funding

- Savings balances increased £34m to £913m (4%)
- The performance of our Existing Member and Welcome to Newbury accounts were significant factors in the growth
- We held funding of £125m from the Bank of England Term Funding Scheme at year end (2017: £58m)

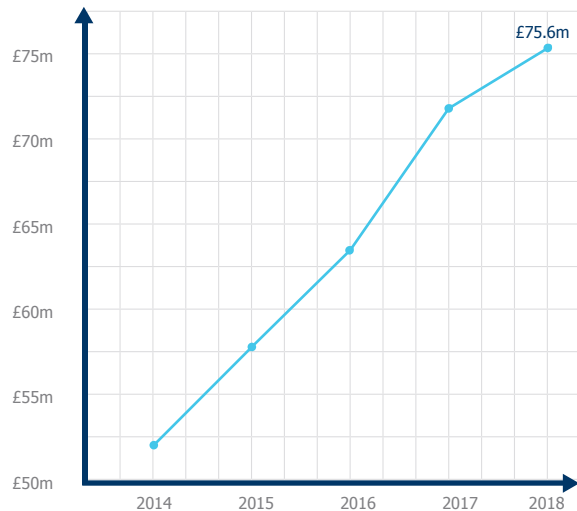
Savings Balances



Financial strength

- Our regulatory capital grew £6.9m to £75.6m (10%) (2017: £68.7m)
- Our Total Capital Ratio improved to 20.4% (2017: 19.8%)
- Our profit after tax was £6.6m (2017: £5.9m)
- We held £212m of liquidity at year end (2017: £156m)

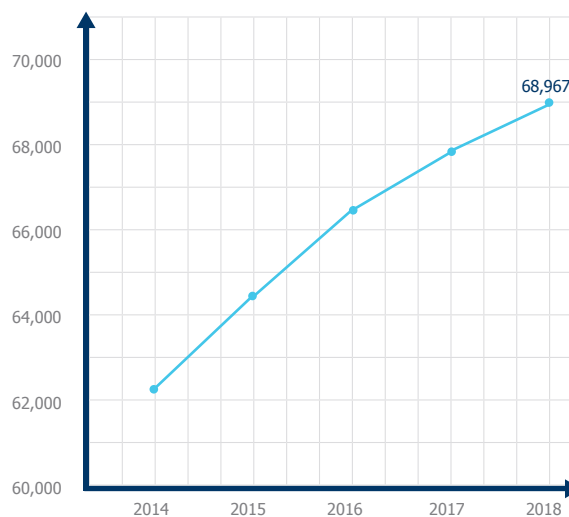
Capital



Members

- Our member numbers increased by over a thousand to 68,967
- Our mystery shopping scores averaged 95% (2017:93%)
- Complaints as a percentage of members was 0.08% (2017:<0.11%)

Member Numbers



Directors' Report

The Directors have pleasure in presenting their Annual Report together with the Annual Accounts and Business Statement of the Society for the year ended 31 October 2018.

Key Performance Indicators*

		2018	2017
Balance sheet	Loans to Customers	£896m	£843m
	Retail Shares and Deposits	£913m	£879m
Operating performance	Management Expenses as a % of Mean Total Assets	0.91	0.90
	Interest Margin as a % of Mean Total Assets	1.61	1.63
	Mortgage Arrears - on accounts two months or more in arrears	£0.13m	£0.12m
	Society Profit After Tax	£6.6m	£5.9m
Financial strength	Regulatory Capital	£75.6m	£68.7m
	Total Capital Ratio	20.4%	19.8%
	Liquid Assets as a % of Shares and Borrowings	20.5%	16.7%
Members	Members - numbers	68,967	67,927
	Mystery Shopping - % score achieved	95%	93%
	Complaints - as a % of members	0.08%	<0.11%

* Further information on the definitions is included in the glossary on page 66.

Business Review

This has been another excellent year for the Society, the fifth consecutive year of strong balance sheet growth and profitability. Assets increased by just over 10% to £1.1bn (2017: £1bn) and profit after tax rose to £6.6m (2017: £5.9m). These figures compare with the similarly strong performance of 2017 and continue the Society's top-quartile performance in each of the last five years. The key element to the Society's performance is the fact that the Society is managing simultaneously not only to achieve consistent levels of balance sheet growth, but also to do this whilst strengthening its capital position. Because growth and profitability have been achieved in appropriate equilibrium in recent years, the Society's total capital ratio has improved whilst growing the balance sheet sufficiently to absorb the rising costs of running a highly regulated business. With growth and profit ahead of our targets, the Board is delighted to report on such a positive year.

Mortgage balances rose by 6.2% in the year, achieved against a background of greater competition, declining market transaction numbers and an increasingly unsettled political and economic horizon. Gross lending was a record £196.7m (2017: £192m), the fourth successive year of record lending. Competition is set to get tougher as not only are the six biggest lenders collectively more active in the market than they have been in recent years, but also many new challengers have entered the residential mortgage market specialising in the types of niche lending which have been the hallmark of the Society's proposition in

recent years. Despite this, the Society has utilised a combination of competitive pricing, appropriate lending criteria and high quality service to achieve growth, but without diminution in lending quality.

“ The Society has utilised a combination of competitive pricing, appropriate lending criteria and high quality service to achieve growth ”

The Society's profit after tax was a record £6.6m (2017: £5.9m). This level of profitability is required not only to support the lending growth, but also to reflect the Society's ongoing need to boost its capital strength in response to the uncertainty caused by the Brexit process and to the higher capital levels needed under the Capital Requirements Directive. In addition, this will allow the Society to invest in its buildings and in technological developments, but without the consequence of otherwise weakening capital ratios.

Savings balances increased by £33.6m during the year, a significant reduction on last year's £71.7m growth, as the Society took advantage of the final opportunity to utilise low cost funding available to it from the Bank of England's Term Funding Scheme (TFS). TFS closed to further drawdowns in February 2018, by which time the

Society had drawn a further £66.9m, thereby providing almost exactly two thirds of its funding during the year. In order to avoid excessive liquidity levels and to control the cost and volume of inflows into savings accounts, the Society kept a number of its accounts closed to new business and restricted annual subscriptions into the Existing Members Account (EMA) to £2,000 from April. Despite this reduction, the account continued to prove very popular and generated over £18m of the year's inflow. The majority of accounts have continued to be priced very favourably against the market and that policy continued following the Bank of England Bank Base Rate (BBR) increase from 0.5% to 0.75% in August, the Board reviewed the Society's savings rates and increased the rates on the majority of accounts by 0.25%.

Setting interest rates, which are fair for both savers and borrowers, is a delicate balancing act. Ultimately it is competition in both markets that is the overriding factor in determining the rates the Society is able to offer to new and existing members. It was therefore pleasing for the Board to be able to reward loyal savers with the first increase in savings rates for ten years following the BBR increase in August.

The savings market has been subdued in recent years. The main reason is because deposit-takers, including the Society, have had access to low cost Bank of England schemes and the availability of this funding until February this year meant larger savings balance inflows were not actively sought during the year. Indeed since the onset of the Funding for Lending Scheme (FLS) in 2012, the Society's policy for savings has been to prioritise and protect the interests of existing members. This has been achieved by restricting new customers from accessing higher-paying savings accounts, thus enabling the Society to maintain interest rates ahead of the market average for its existing members.



The Society was thrilled to win two awards at the 2018 British Banking Awards. The 'Best Mortgage Provider' and 'Treating Customers Fairly'. The awards are based on customer feedback.

The Society's interest margin declined less than expected, falling 0.02% as a result of savings accounts being held at above market levels while lower mortgage rates were offered to borrowers as a result of market competition. The Board anticipates the margin will reduce more steeply next year as the impact of lower mortgage pricing continues to reduce income, but competitive savings rates are maintained and costs in running the business continue to rise.

“ The Society seeks an appropriate balance between investment in the business and providing high quality and value products and services for members ”

The Board recognises that controlling costs is vital for the Society's competitive position in the market place and although the Society's management expenses ratio has increased this year by one basis point from 0.90 to 0.91, our ratio is lower than those of all our immediate Building Society peer group, indeed our ratio is only surpassed by eight Societies, all of whom are ranked in the top twelve by asset size. Balance sheet growth, coupled with careful management of expenses, brings about the economies of scale which makes the business stronger in the long term, so cost controls will continue to be a major area of focus as the Society seeks to optimise investment in the business and the provision of high quality and value products and services for members.

The Board recognises that as a membership organisation the service to members is of paramount importance. It is therefore pleasing that independently assessed mystery shopping scores have remained above 90% for the fifth successive year and that the Society has received complaints from fewer than 0.08% (2017: 0.11%) of our members. In addition, the number of members in the Society grew by just over 1,000 in the year to 68,967, with many enjoying the benefits of the Welcome to Newbury account as their introduction to membership of the Society, thus re-enforcing the fact that the combination of a strong service proposition with competitive interest rates is an effective strategy for the Society to follow.

The Society's performance in 2018 has been achieved against more challenging circumstances than in recent years, with house prices in central southern England faltering in reaction to the effects of a hung parliament and the unknown outcome of Brexit negotiations. Coupled to the increased competition from new players in the market too, the Board is therefore pleased to

be able to present such a solid business and financial performance.

Mortgages (Loans to Customers)

The Society lent a record £196.7m in the year, exceeding last year's total of £192m, but because of increased repayment levels, the net lending figure reduced from £62m to £53m. As a result the total mortgage book for the Society grew by 6.2% to £896m. This growth was achieved against a backdrop of a market where competition continues to intensify and transaction levels to reduce. A core element of the lending during the year was in affordable housing products, which form the starting point on the housing ladder for so many individuals and families in central southern England.



The Society attended the Spring and Autumn Help to Buy South shows across Berkshire, Oxfordshire, Wiltshire and Hampshire.

The Society's Standard Variable Rate (SVR) increased in September from 4.2% to 4.45% following the Bank of England's decision to increase BBR to 0.75%, its highest level since early 2009. To put this change in context, the Society's variable rate borrowers have been returned to the SVR used by the Society between 2009 and 2016 when BBR was 0.5%, thereby presenting variable rate mortgage customers with a genuine reduction against the market.

The Society's lending proposition is based on the provision of a competitive range of fixed and discounted mortgages mainly for owner occupiers, but also for Buy To Let (BTL) landlords. With competition in residential lending proving intense, the Society not only operates in the low margin mainstream market, it also operates in areas of the residential market where appropriate returns for risk can be made, such as the first-time buyer products in the Help To Buy range, to customers with credible repayment plans who require interest only mortgages, to self-builders and custom builders who wish to build their own home and to those seeking mortgages beyond normal retirement dates. Later life lending has been very much an industry focus this year

and the Society participates fully, with the exception of Lifetime mortgages, in this market. As anticipated the BTL market has continued to prove challenging for the Society as the collective impact of second property stamp duty, changes to taxation allowances on mortgage interest and affordability legislation take their toll on demand. BTL lending for the second successive year was £11m down on the previous year, in a market where increasingly transactions are either remortgages of existing debt or are made to limited company ownership vehicles. The Society will continue to offer appropriate products to the BTL community, including limited company purchasers and to British nationals living overseas.

The Society's mortgage book comprises 83.6% (2017: 82%) residential owner-occupied loans, 13.7% (2017: 16%) BTL, and 2.7% (2017: 2%) commercial lending, including limited company BTL. The Society's book remains of the highest quality with an average indexed loan to value the same as one year ago at 32% on the Society's residential mortgages. Furthermore, less than 2.5% of the balances in the book are more than 80% of the current indexed value of the properties on which their mortgages are secured and lending over 80% loan to value at inception is insured through a mortgage indemnity policy, which protects the Society from losses incurred if a property is taken into possession during the first ten years of the loan. This year the Society advanced £10.9m on mortgages where the loan to value was over 80%, a modest increase of £0.9m over 2017.

The Society does not use credit scoring in its underwriting as all loans are individually underwritten by an experienced team based in Head Office, who have the authority to exercise some flexibility with our lending criteria in appropriate cases. Responsible lending and decision-making are the key to our loan quality, and our desire to reduce the risk of future default is paramount in our lending strategy.

The Society's arrears and possession statistics remain low both for the building society sector and for the industry as a whole. The value of arrears for cases more than two months in arrears increased marginally from £0.12m to £0.13m, although the number of borrowers in this category decreased by ten from 38 to 28 accounts.

There were six cases in serious arrears of twelve months or more at our year end (2017: seven cases). The total amount of arrears outstanding on these accounts was £70,000 (2017: £57,000) and the aggregate capital balance was £749,000 (2017: £476,000). For the second successive year, the Society had no properties in possession at year end (2017: nil) and no properties were taken into possession during

the year. The Society did not incur any mortgage losses during the year (2017: no losses), thus maintaining the enviable position of total mortgage losses under £50,000 in the last 15 years, a period including the global banking crisis of 2008 and its aftermath. The Society shows forbearance to borrowers where appropriate and there were 37 accounts at 31 October 2018 (2017: 45) where clients were benefitting from a forbearance action such as temporary interest only concessions, payment plans and reduced payment concessions. The reduction in the number of cases demonstrates the effectiveness of good quality counselling and the figures generally further demonstrate the quality of the Society's mortgage book and the quality of underwriting processes over many years. The Board is pleased to report that the Society's overall position in both the number of arrears cases and those where forbearance is being deployed are improved on the position one year ago.

Retail Shares and Deposits

The Society aims to generate the necessary level of savings to meet its mortgage funding and liquidity requirements. The Society's retail balances increased by 3.8% during the year, which represents an increase of £33.6m. This was an appropriate amount given the Society's mortgage balance growth and the fact that the Society had access to lower cost funding through the Term Funding Scheme. The Society could undoubtedly have achieved higher levels of growth in savings balances, had it been necessary, as the marketplace for retail savings continued to remain benign and the Society therefore kept many accounts closed to new business in order to allow existing members to benefit from higher rates than would otherwise have been the case. That said, by the end of the year the marketplace was gaining some momentum as the effect of the BBR increase and the products and rates of new entrants to the market provided a greater element of competition.

The policy of protecting higher paying accounts for the benefit of existing members meant the Society restricted its one year fixed rate bonds to only those members with maturing bonds and no new corporate accounts were opened during the year, as the Society concentrated on servicing its existing depositors.

The Society's highest paying account, the Existing Members Account, demonstrated its popularity again by introducing a net £18m to the Society during the year, and that occurred despite each member being restricted to a maximum subscription of £2,000 per tax year after April 5, reduced from £4,000. Our ISA range also brought in net subscriptions of £9.6m despite the restrictions to product availability and ISA transfer-ins throughout the year. Membership increased by over a thousand during the year, as the total number of savings accounts exceeded 80,000 for the first time.

“ Our philosophy for our savers is to operate fairly, with simplicity in product design, competitive terms and conditions, and to ensure existing members are treated at least as equally as new members ”

Our philosophy for our savers is to operate fairly, with simplicity in product design, competitive terms and conditions, and to ensure existing members are treated at least as equally as new members. The reality in recent years has been that existing members have experienced better terms and conditions than new members, as the Society has maintained above average rates for savers. The Board believes that savings members have been well served by our pricing policy and that they receive above average returns, coupled with fair terms and conditions on their investments.

Capital and Liquidity

The Board is conscious that both members and the Regulator require the Society to be financially secure. Financial strength protects the Society against its principal risks and uncertainties (see below) and safeguards member funds. The Board therefore sets a strategy to ensure that both capital and liquidity are maintained at appropriate levels. The continuing emphasis on high quality capital by world banking authorities has meant that the level of profitability this year was necessary for two reasons: firstly, to continue the process of building our reserves for the Capital Requirements Directive and, secondly, to reflect the increase in mortgage balances. The reserves now stand at a record level and at 31 October 2018 were as follows:

	2018	2017
	£000s	£000s
Capital:		
Tier 1 Capital	74,756	67,932
Tier 2 Capital	817	730
Capital Resources	75,573	68,662
Total Capital Ratio	20.4%	19.8%

Liquidity: Liquid assets (which comprise cash and investments as shown on the statement of financial position) increased to £212m (2017: £156m). Liquid assets as a percentage of shares and borrowings increased to 20.5% (2017: 16.7%).

The Society is required to set out its capital position, risk exposures and risk assessment processes in its Pillar 3 disclosures document. This can be obtained by writing to the Company Secretary at Head Office.

Governance

There have been three changes to the Board this year, all pre-announced in last year's directors report. The first was the appointment of Piers Williamson as a non-executive director at the beginning of January. Piers brings a number of skills to the Board in treasury, insurance, credit and housing association finance and he provides a further strengthening to the non-executive element of the Board.

The second change was the executive appointment of Kieron Blackburn as Finance Director in February. Kieron chairs the executive-led Asset & Liabilities committee and is responsible for providing direction to the finance, treasury and prudential functions of the Society.

The third change relates to Lee Bambridge, previously Finance Director, who transferred to the new role of Chief Risk Officer in February where he remains an Executive member of the Board and attends all the Board Committee meetings, where he advises the Board on risk matters.

The Board is committed to best practice in Corporate Governance. The report on pages 16 to 18 explains how the Society applies the principles contained in the UK Corporate Governance Code as well as setting out the Committee changes that occurred during the year.

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

The Communities We Serve

The communities in which our branch network operates form the heart of the Society. It is our ongoing aspiration to give something back to the communities where our members and employees live and work, by supporting local projects, undertaking fundraising activities, taking part in community events and offering sponsorships.

Our branch and head office employees support their charity partners by fundraising and volunteering activities throughout the year. As a further incentive and to provide further financial support, the amounts raised by staff through fundraising events are fund-matched by the Society.

During the year, fundraising and activities undertaken included:

- The Didcot branch team took part in Helen & Douglas House's 5k Bubble Rush marathon
- Wokingham branch employees completed a gruelling 100km virtual cycle challenge
- Head office Finance department employee, Deborah

Springer, completed this year's Memory Walk for Alzheimer's Society

The Society continued to offer every employee the opportunity to take two days paid leave to support community projects or local charities of their choosing through volunteering. During the financial year 2017/18, employees completed 268 volunteering hours, with volunteering undertaken including:

- The Hungerford branch team decorated Prior's Court Foundation's Countryside Learning Centre
- Thatcham and Newbury branch employees visited West Berkshire Community Hospital to tidy up the Rainbow Rooms' outdoor space
- Alton and Basingstoke branch employees volunteered at St Michael's Hospice's distribution and sorting centre
- Andover branch sold locally grown plants to help raise money for Andover War Memorial Hospital



Nicola King-Head, one of the members of staff from Thatcham and Newbury branches who spent a day volunteering by helping to tidy the gardens at West Berkshire Community Hospital for Newbury Cancer Care, their branch charity.

The Society donated a total of £9,165 to 27 local community projects as part of its Community Support Scheme. The scheme, which launched in 2017, provides financial assistance to a wide range of organisations involved in improving community life within the Society's ten branch towns.

Projects which have benefitted from the Community Support Scheme, awarded between £300 and £500 include:

- The Countess of Brecknock Hospice Trust, Andover: the hospice requested support for its annual 10@10 Late Night Walk event
- Ufton Court Educational Trust, Newbury: the charity was awarded a grant to help promote its 55 mile cycle sportive to raise funds for a new learning facility
- Treloar School, Alton: the specialist school received an award to fund the newly potted flowerbeds within its outdoor play and learning area

- Wokingham Foodbank, Wokingham: the community project was awarded a grant to help with ongoing operational costs

Other events and activities undertaken in our communities included:

- Junior Newbury Building Society (JNBS) celebrated its 10 year anniversary, continuing to offer primary school children the opportunity to learn how to save and understand basic personal finance matters in a fun and interactive environment
- Hungerford branch donated a currency-counting weighing scale to the finance team at Prior's Court Foundation



Jane Boshier, Senior Branch Manager at Newbury, Thatcham and Hungerford visited Prior's Court Foundation to gift their Finance team a currency-counting weighing scale.

The recently launched charity savings account which pays a competitive rate to members also makes a donation of 0.4% to the member's preferred charity. The account has proved popular, with balances increasing each month to over £3m by the end of the year and by a further £1m since, meaning that for the forthcoming year the donation the Society will make to our partner charities from this account should be around £20,000.

In total this year, the Society made donations totalling over £33,000 (2017: £26,000) in support of local charities and community organisations. No contributions were made for political purposes.

The Future

The Society's vision to be the chosen provider of savings and mortgages in its operating area remains as strong as ever. As the Society enters a new era in the provision of Financial Services, characterised by Open Banking and the Fintech revolution, there are more options than ever for people on how to manage their money. The Board is very much aware of the Society's need to embrace change by investing in its staffing and technological capabilities, and members will therefore see changes and improvements to the way the Society delivers its products and services in the coming months and years. The growth and profitability of recent years

has provided the foundations for the Society to make these investments, not only for the benefit of our current members but also for those who will be our future members.

A key decision for the Board is to determine the right time and the right services to offer, whereby members are provided with what they want, but at an affordable price. The decision to develop myaccounts, our online savings service, has been long vindicated, as has the development of money transmission via use of debit cards for deposits and faster payments for withdrawals. These services are subject to continuous improvement and next year will see a further review.

Technology acts as an enabler to our service proposition and in the last year the Society has improved its online service platforms for both savers and mortgage intermediaries. The Society is currently trialling a video service for mortgage and savings advice and is establishing an externally resourced digital advisory panel of subject matter experts to help develop its digital thinking and to determine in which way we enhance our customer service proposition.

Whilst technological development will be a key focus, the Board is fully committed to the branch network, promoting a savings culture using fair and transparent products, which offer good value in the short, medium and long term. Our aspiration is for the Newbury brand to be instantly recognisable in our branch towns and synonymous with what differentiates the Society from banks: being a mutual, member centric, with relevant, attractive products and exceptional customer service.

The Society became a member of the Institute of Customer Service two years ago and received an exceptional satisfaction rating of 89.1 from the members who took the customer satisfaction survey at that time. Two years on, the exercise is being repeated. Being member focussed and service driven, putting members at the centre of what we do and encouraging a culture of high quality service through individual and personal interactions, creates our differentiator. Our overarching customer service strategy is therefore to increase customer advocacy and employee engagement, thereby supporting membership retention and increase. In order to demonstrate tangibly the quality of customer services experienced by our members we plan to seek the ICS ServiceMark accreditation during 2019.

There are many challenges ahead for the Society as large banks, second tier competitors and new 'challengers' seek to increase their market share, which inevitably means competition is increasing. This can only be good for members, but it will remain our intention to offer fair-priced savings and mortgage products, to lend responsibly and to support borrowers to achieve their housing aspirations. The Society will continue to provide a full mortgage and savings service

in its branches and operate in niches where the wider market lacks capacity or capability. Supplemented by the Society's online capability, members will enjoy the real advantages of a 'bricks and clicks' service.

The Board is aware that house prices in the south east have stalled in recent months as the market takes a watchful eye over political developments, specifically the outcome of withdrawal negotiations with the EU. Confidence levels appear low, which means the Society will continue to pay particular regard to the appropriateness and quality of its mortgage lending, to ensure that there are no shocks or should the market experience unexpectedly high price reductions any other unforeseen outcomes such as higher inflation or unemployment, in the wake of the Brexit process. The safety of savings balances is the top priority and the improving capital strength of the Society means that the Society comfortably passes all its stress tests. Notwithstanding that fact, the Society also has adequate plans in place to cater for an unruly market, and if necessary to review the aims of the Corporate plan.

In spite of the political uncertainty at the time of writing, the Board believes that a successful future lies ahead for the Society as an independent, branch-based, technologically-enabled and vibrant mutually-owned business.



35 members of staff took part in a national 'Mortgage Sleep Out' event and raised more than £7,900 for End Youth Homelessness.

Risk Management Framework

The Society operates in a business environment that contains a wide range of financial and non-financial risks. To ensure that these risks are contained within the Board's risk appetite a risk management framework (RMF) operates throughout the Society. To enable a clear focus on this area, the Board delegates the oversight of the RMF to the Risk Committee.

During the year the RMF has been updated to ensure it continues to remain appropriate given the Society's increased size and future planned growth. While a three lines of defence approach had previously been applied, the second line risk team has now been

strengthened and a Chief Risk Officer, who is an Executive Director on the Board, has been appointed (from February 2018) to oversee the effective implementation of the RMF and to centralise the independent review of risks and uncertainties in the business.

Principal Risks and Uncertainties

The principal risks to which the Society is exposed, along with how they are controlled and the associated policies, are set out below.

In addition to these, the Society is at risk from uncertainty in the economic environment, including political changes and the potential implication of Brexit, which could impact the markets in which we operate. For example, changes in the strength of the UK economy and interest rate levels could influence the demand for our products and our customers' ability to repay their mortgages.

The Society has a cautious risk appetite across all of its principal risks. The Risk Committee reviews both the key risk indicators for each principal risk and the output from a range of stress tests to ensure that risk levels remain within the Society's agreed risk appetite.

Strategic Risk

Strategic risk is the impact on the Society's business model as a result of competition, legislation and macro economic conditions. These have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society. Strategic risk is regularly considered by the Board.

Credit Risk

Credit risk is the risk that loan customers or treasury counterparties default on their obligation to repay the Society.

Mortgage credit risk is controlled in accordance with the Board-approved lending policy and by strict controls over lending mandates. Mortgage applications are approved by a central underwriting team in accordance with the lending policy. Quality control reports are regularly considered by the Credit Committee.

Counterparty credit risk is controlled through adherence to the Board-approved Treasury Policy, which includes prudent limits on credit exposures to individual and groups of counterparties.

Liquidity Risk

Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, resulting in the inability to support normal business activity and failure to meet regulatory liquidity requirements. This includes the funding risk of not being able to find new funding to replace outflows or maturing facilities.

The Treasury Policy is regularly reviewed by the Assets

& Liabilities Committee and is approved by the Board.

Market Risk

Market risk includes interest rate risk and basis risk. Interest rate risk is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates, impacting on profitability and the value of the Society's assets and liabilities.

Market risk is managed utilising financial instruments where appropriate in accordance with the Board-approved Treasury Policy. This is regularly reviewed by the Assets & Liabilities Committee.

A detailed analysis of the Society's interest rate sensitivity at 31 October 2018 can be found in note 24 on pages 59 to 62.

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 robust processes and controls in place, for all operational areas, which are designed to mitigate this risk.

The Audit Committee is responsible for assessing the effectiveness of the system of inspection and control.

Legal and Regulatory Risk

Legal and Regulatory risk is the risk of failing to interpret, implement and comply with the array of legal and regulatory requirements. This is regularly reviewed by the Risk Committee.

Conduct Risk

Conduct Risk is the risk of the Society providing poor outcomes to customers.

The Society is committed to treating customers fairly and this is underpinned by the Society's Conduct risk framework, which is regularly reviewed by the Risk Committee.

The executive committees monitor conduct risk at an operational level.

Directors

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

- | | |
|---------------------------------|--------------------|
| • Peter Brickley | • Tracy Morshead |
| • John Parker (retired 28/2/18) | • Phillippa Cardno |
| • Roland Gardner | • Sarah Hordern |
| • Lee Bambridge | • William Roberts |
| • Kieron Blackburn | • Zoe Shaw |
| • Ron Simms | • Piers Williamson |

Biographies of the Directors appear on pages 14 and 15. None of the Directors had any beneficial interest in any connected undertaking of the Society as at the

year-end. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986.

The Directors retiring at the Annual General Meeting are Sarah Hordern, William Roberts and Roland Gardner who, being eligible, offer themselves for re-election. Kieron Blackburn who was appointed to the Board since the last AGM, and being eligible, stands for election.

Other Matters

Creditor Payment Policy

It is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of the contract. The number of creditor days at 31 October 2018 was 7 (2017:8).

Going Concern

The Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason the accounts are prepared on a going concern basis (see note 1).

Events since the Year-End

The Directors do not consider that any event since the year-end has had a material effect on the position of the Society.

Auditor

The Board are recommending that Deloitte LLP are re-appointed as external auditors of the Society for the 2019 year-end. A resolution for their appointment will be proposed to the forthcoming Annual General Meeting of the Society.

Peter Brickley
Chairman
19 December 2018

Purpose, Vision and Culture

To be the trusted provider of mortgages and savings in our operating area.

Our purpose statement supports the actions we take in the interest of our members, colleagues and the communities we serve.



The Year in Pictures



Our Wokingham branch raised £314 for their branch charity, Sue Ryder, undertaking a 100km Thames Path Challenge.



Staff at the Society's head office put their baking skills to the test for a 'Cupcakes of the World' themed bake-off for their charity, The Alzheimer's Society.



CEO Roland Gardner honoured Area Manager Clare Taylor with a long service award, following 25 years of continuous service.



The energetic Didcot branch team raised £831 as they raced to the finish line in the Helen & Douglas House Bubble Rush 5k in Oxford.



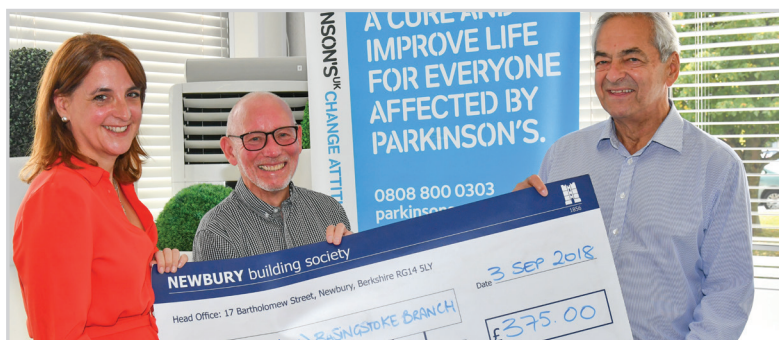
The Society presented Alton Challengers with a cheque for £500 to help with the activity costs of its summer play scheme.



Zian from Wokingham won a 12-month family pass to the UK's top theme parks and attractions after successfully winning our online Easter egg hunt.



Staff from our Alton and Basingstoke branches volunteered at St Michael's Hospice (North Hampshire) in Basingstoke, in the distribution centre.



Marketing Manager Emma Simms presented Parkinson's UK's Basingstoke branch with a cheque for £375, the donation will support therapy and Tai Chi classes.



Members and staff at Newbury Building Society's Winchester branch gathered for tea and cake, as the branch celebrated its 5th birthday in April.

Non-Executive Directors



Peter Brickley

Chairman of the Board

Peter was appointed to the Board of Directors in July 2008 and was elected Chairman in February 2015. He is the Chief Information Officer for a European beverage business. Peter is Chairman of the Risk and Nomination Committees and a member of the Remuneration Committee.



Ron Simms

Vice Chairman

Ron was appointed to the Board of Directors in June 2010 and is the Society's Senior Independent Director. He is a Solicitor and a Director of a service company providing in-house legal services. Ron is Chair of the Audit and the Remuneration Committees and is a member of the Nomination and Risk Committees.



Sarah Hordern

Non-Executive Director

Sarah was appointed to the Board of Directors in February 2015. She is a Chartered Accountant and former joint Managing Director of Newbury Racecourse and is currently a strategic property consultant. Sarah is a member of the Risk, Remuneration and Nomination Committees.



Tracy Morshead

Non-Executive Director

Tracy was appointed to the Board of Directors in June 2012. He is a fellow of the Chartered Institute of Marketing and a chartered marketer. Tracy is a member of the Risk Committee. Tracy retires from the Board following the AGM.



William Roberts

Non-Executive Director

William was appointed to the Board of Directors in February 2015. He is a Chartered Accountant and is Finance Director for Hastoe Housing Association. William has more than 20 years' experience in the property sector and 15 years' experience in the Housing Association sector. William is a member of the Audit and Risk Committees.



Zoe Shaw

Non-Executive Director

Zoe was appointed to the Board of Directors in September 2017. She has been General Manager at a German bank, CEO of a credit fund and Head of Fixed Income at a leading UK pension fund manager. She has extensive experience of the UK property market. Zoe is a member of the Risk Committee.



Piers Williamson

Non-Executive Director

Piers was appointed to the Board in January 2018. He has more than 30 years' financial markets experience specialising in treasury risk management and is Chief Executive of The Housing Finance Corporation, a mutual company that lends funds to Housing Associations. Piers is a member of the Audit and Risk Committees.

Executive Directors



Roland Gardner

Chief Executive

Roland joined the Society in 1987 and was appointed to the Board of Directors in September 2006. He was appointed Chief Executive on 1 February 2007 and is responsible for the Society's strategic development, leading the Executive team, providing leadership and direction throughout all areas of the business and for setting and maintaining culture and standards.



Lee Bambridge

Chief Risk Officer

Lee joined the Society and the Board of Directors in July 2007. He is a Chartered Accountant and a Corporate Treasurer. Lee acted as the Society's Finance Director until February 2018, when he was appointed Chief Risk Officer. Lee is responsible for the Society's Risk and Compliance functions.



Phillippa Cardno

Operations & Sales Director

Phillippa joined the Society in 1996 and was appointed an Executive in 2007. She was appointed to the Board of Directors in February 2015 as Operations and Sales Director and is responsible for operational strategy and performance as well as the Society's IT function and Lending Policy.



Kieron Blackburn

Finance Director

Kieron joined the Society and the Board of Directors in February 2018, following nine years as Finance Director at Ipswich Building Society. He is a Chartered Accountant and is responsible for the Society's capital, liquidity and funding position as well as for financial reporting.

Executives



Gorse Burrett

Head of HR and People Development

Gorse joined the Society and the Executive team in October 2018. She is a chartered fellow of the CIPD and heads the HR function. She is responsible for leading, developing and implementing the Society's HR strategy. Gorse reports to the Chief Executive.



Erika Neves

Head of Risk & Company Secretary

Erika joined the Society in 1991 and was appointed an Executive in 2002. She is Company Secretary, heads the Risk function and reports to the Chief Risk Officer. Erika is a graduate with the Certificate and Diploma in Mortgage Advice and Practice.



Ian Willson

Head of IT

Ian joined the Society in 2013 and was appointed an Executive in 2015. He heads the IT function and attends the Audit Committee by invitation. Ian reports to the Operations and Sales Director.

Corporate Governance Report

The Financial Reporting Council updated the UK Corporate Governance Code in April 2016. This report explains how the Society applies the principles in the Code so far as its provisions are relevant to building societies.

The Role of the Board

Code Principle:

A.1. Every company should be headed by an effective Board which is collectively responsible for the long-term success of the company.

Board Comment:

The Society's performance over recent years demonstrates the effectiveness of the Board. The Board is effective because of its focus on strategy and risk management in an environment where constructive challenge is encouraged. There is a schedule of matters reserved for Board decision and the Board meets usually eleven times a year, together with a day focused on strategy, to discharge these duties effectively. The Non-Executive Directors meet without the Executive Directors present at least once a year.

The Board is responsible for establishing the Society's purpose and values and creating a culture which delivers a sustainable long-term strategy. In so doing the Board approves the corporate plan, ensures appropriate funding plans are in place, sets limits on delegated expenditure, and monitors the risk profile of the organisation and its capital position. The Board also has responsibility for the overall structure of the organisation, including the appointment and dismissal of Directors and the Society Secretary. The Board approves major business developments as well as changes in lending policy and higher level mandates. The Board is responsible for reporting annually on the performance of the Society.

The Society's governance structure includes both Non-Executive and Executive led committees. The Executive led committees comprise the Credit, ALCO, Sales Marketing and Product, Customer Experience, Health & Safety and Project Steering committees. The Executive Directors who chair these committees provide feedback to the main Board following each meeting. The Non-Executive led committees are described in more detail below:

Risk Committee

The Committee is responsible for setting the Society's risk appetite, for risk monitoring, and for oversight of the capital management framework. The Committee comprises all the Non-Executive Directors, with the Executive Directors and the Head of Risk and Company Secretary attending by invitation.

Over the course of the past year the Society has continued to strengthen its risk and controls environment with the Committee playing a crucial role in shaping the evolving Risk Management Framework (RMF). The risk appetite statement has been updated, key risk indicators refined and quarterly risk meetings introduced. Using a new Governance Risk and Compliance system, risk event reporting has been standardised across the Society's various business areas enabling structured analysis of emerging trends. The Committee also reviewed the Society's principal risk policies relating to treasury and lending and reviewed the Individual Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Recovery Plan, in each case recommending the documents to the Board for approval.

Audit Committee

The Committee is responsible for providing appropriate oversight, independently of the Executive, to ensure that the interests of members and the Society's other key stakeholders are properly protected in relation to financial reporting and internal control. The Committee comprises three Non-Executive Directors who are currently Ron Simms (Chair), Will Roberts and Piers Williamson.

The Executive Directors, the Head of Risk and Company Secretary and the Head of IT, as well as representatives from the internal and external auditors, attend by invitation. The Committee members have specialist expertise including financial, legal and risk management experience, including Will Roberts who is a Chartered Accountant with financial experience relevant to the remit of the Committee. The Audit Committee as a whole has competence relevant to the financial services industry.

During the reporting period the Committee reviewed:

- the accuracy and completeness of the annual accounts,
- reports from the internal auditor and satisfied itself as to the independence and objectivity of the assurance provided,
- the effectiveness of internal compliance assurance systems,
- the security of the Society's IT framework, and,
- the Society's whistleblowing controls.

Nomination Committee

The Committee is responsible for succession planning for both Executive and Non-Executive Director positions. The Committee comprises three Non-Executive Directors who are currently Peter Brickley (Chair), Ron Simms and Sarah Hordern. The Chief Executive, the Chief Risk Officer and the Head of HR and People Development attend by invitation.

During the reporting period the Committee assessed the balance and diversity of skills, knowledge and experience of the Board. It also reviewed the Board's policy on diversity as well as gender pay gap data. The Committee pays due regard to the need for progressive refreshing of the Board and has appropriate succession plans in place and during the year it agreed to appoint Sarah Hordern to the Nomination and Remuneration committees and Piers Williamson to the Audit Committee. It also decided in line with best practice that the Chief Risk Officer should be a voting member of all the Executive led committees. During the year, the Committee reviewed the performance of Directors individually and collectively, and has recommended the re-election of Sarah Hordern and Will Roberts as Non-Executive Directors, Roland Gardner as Chief Executive and the election of Kieron Blackburn as Finance Director. After six years' service, Tracy Morshead will be retiring from the Board at the 2019 AGM and the Board thanks him for his contribution to the Society. The Board ratified the Committee's recommendations and there will be four vacancies at the 2019 AGM with four candidates standing.

Remuneration Committee

The Committee is responsible for setting and monitoring adherence to the Society's remuneration policy. The Committee comprises three Non-Executive Directors who are currently Ron Simms (Chair), Peter Brickley and Sarah Hordern. The Chief Executive, the Chief Risk Officer and the Head of HR and People Development attend by invitation.

During the year the Committee reviewed the Society's remuneration policy and approved the Directors' Remuneration Report. The Committee also considered the structure of remuneration across the Society, including pay levels and differentials, reviewed director expenses, and set and approved the performance related pay of the Executives, including the consideration of relevant risks.

The terms of reference for these Committees are available on the Society's website, at the AGM or by writing to the Company Secretary. Proceedings of all Committees are formally minuted, minutes are distributed to all Board members and the Chair of each committee reports on the key matters covered at the following Board meeting. The Society maintains liability insurance cover for Directors and Officers. Attendance records for the year to 31 October 2018 are set out on page 20.

Division of Responsibilities

Code Principle:

A.2. 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 Chief Executive and Chairman are distinct and held by different Directors. The Chief Executive is responsible for managing the Society's business and has been granted delegated powers by the Board which include creating new products, dealing with the regulators, initiating legal proceedings, negotiating the Society's insurance cover and granting discretionary salary increases within limits. The Chief Executive is also empowered to undertake capital expenditure and disposals and to set interest rates, again within limits. These powers are reviewed by the Board on an annual basis. The Chairman's responsibilities are outlined in the Board comment to A.3 below.

The Chairman

Code Principle:

A.3. The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role.

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.

The Society's Chairman, Peter Brickley, was appointed as an independent Non-Executive Director in July 2008 following a rigorous selection exercise and was elected by the other members of the Board to become Chairman on 23 February 2015.

Non-Executive Directors

Code Principle:

A.4. 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 Board spends a considerable proportion of its time on strategic matters. In particular the first part of each Board meeting is devoted to strategy related topics or to training on topics that will help Directors make more informed strategic decisions. In addition, during the year, the Board held its annual strategy day which provided the Non-Executive Directors with the opportunity to understand and challenge the Executive Directors' views about the strategic options available to the Society. Following the strategy day, the Executive Directors produced a rolling four year corporate plan which the Non-Executive Directors scrutinised and approved, offering constructive challenge to ensure the Society has a robust and sustainable strategy in the long-term interests of the Society and its members.

The Composition of the Board

Code Principle:

B.1. The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Society to enable them to discharge their respective duties and responsibilities effectively.

Board Comment:

The Board currently comprises the Chairman, six Independent Non-Executive Directors, temporarily reducing to five following the AGM, and four Executive Directors, who together provide a balance of skills and experience appropriate for the requirements of the business. Committee membership is reviewed annually to ensure there is appropriate expertise in each committee to discharge its terms of reference. All Non-Executive Directors are considered by the Board to be independent in character

and judgement and the Chairman has confirmed following the formal performance evaluation process that each individual's performance continues to be effective and to demonstrate commitment to the role.

Appointments to the Board

Code Principle:

B.2. There should be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Board Comment:

There were no new Non-Executive Directors appointments during the year although Piers Williamson joined the Board in February 2018 following the decision to appoint him in July 2017. In addition, the Society appointed Kieron Blackburn to perform the role of Finance Director, an Executive Director position, in February 2018 at which point Lee Bambridge became the Society's new Chief Risk Officer. The Board's policy on diversity is to appoint individuals on merit using objective selection criteria but to try to maintain a Board where no more than two thirds of its Directors are of the same gender by attracting applicants with as wide and diverse range of backgrounds, skills and experience as possible. The Nomination Committee has reviewed the process for appointing new Directors and believes it demonstrates an intent to maintain a balanced Board in line with the stated diversity policy. The terms and conditions of Non-Executive Director appointments are available for inspection at the AGM or at the Society's registered address.

Commitment

Code Principle:

B.3. All Directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.

Board Comment:

Directors are informed of the time commitment in their letter of appointment. The Nomination Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment, taking into account information provided by referees, and once appointed there is a formal process in place for approving new requests to take up roles elsewhere. 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 Directors at Board and Committee meetings is set out on page 20.

Development

Code Principle:

B.4. All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

Board Comment:

The Society provides a formal induction for new Directors tailored to their needs. This includes the nature of building societies, Director's responsibilities and duties, the management information they will be provided with and how to interpret this, information on the Society and the local market, an overview of the regulatory requirements, and details of significant current issues for the industry. The Chairman reviews and agrees each Director's training needs on a regular basis and ensures that Non-Executive Directors are provided with internal briefings and attend industry seminars and conferences in order to continually update their skills and knowledge. In addition, prior to their appointment, all new Senior Managers go through a comprehensive handover process to ensure they are fully aware of the specific responsibilities relating to their individual role.

Information and Support

Code Principle:

B.5. 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 sufficient information to enable it to discharge its responsibilities. The Society continuously improves management information to assist its committees in discharging their terms of reference. Internal Audit reviews the adequacy of the information provided to the Board. The Company Secretary provides support on corporate governance matters and individual members of the Board have access to independent advice if required.

Evaluation**Code Principle:**

B.6. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors.

Board Comment:

At least annually the Chairman of the Nomination Committee appraises the Chief Executive's performance and the Committee reviews the other Executive Director appraisals. The contribution of individual Directors is evaluated by the Chairman using questions based on those recommended in the FRC guidance on Board Effectiveness and taking into account the views of the other Directors. The Chairman's performance is evaluated by the Non-Executive Directors facilitated by the Senior Independent Director taking into account the views of the Executive Directors. With input from the Nomination Committee, the Board evaluates its overall performance and that of each Committee. This process is used to improve the effectiveness of Directors and the Board collectively, to identify training needs and to inform the decision whether to submit a Director for re-election. The evaluation of Board effectiveness is externally facilitated at least every three years and is next due to be completed in 2019.

Re-election**Code Principle:**

B.7. All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

Board Comment:

The Society's Rules require that all Directors be submitted for election within a maximum of 16 months of, or at the AGM following, their appointment to the Board. Directors are appointed for a three-year term, subject to satisfactory performance. The Board does not believe it is appropriate for a comparatively small building society such as the Society to subject Directors to annual re-election (unless they are Non-Executive Directors other than the Chairman who have served three terms) because of the continuity needs of an effective Board. The Board's policy is that Non-Executive Directors will not usually serve more than three terms unless they become Chairman in which case they will be subject to re-election every three years with the expectation that they serve no more than an additional six years. The Nomination Committee considers whether members are independent in character and judgement, are able to commit sufficient time and demonstrate capability and knowledge, and whether a Non-Executive Director should be submitted for re-election.

Financial and Business Reporting**Code Principle:**

C.1. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

Board Comment:

The Board believes that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for Members to assess performance, strategy and the business model of the Society. The responsibilities of the Directors in relation to the preparation of the Society's accounts are contained in the Directors' Responsibilities on page 22. The Audit Committee Report on page 19 describes the main areas of accounting judgement exercised.

Risk Management and Internal Control**Code Principle:**

C.2. 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 has identified a number of principal risks and uncertainties that could threaten its business model, future performance, solvency or liquidity. These risks, together with the way in which they are mitigated, are explained in the Directors' Report on page 4. The Board is collectively responsible for determining risk appetites, strategies for risk management and control as described in the Society's Risk Management Framework. Senior management is responsible for designing, operating and monitoring risk management systems and controls and the Executive Directors hold quarterly meetings to review the risk and control environment in their respective areas. The Risk Committee assesses the adequacy of the risk related output of this process and the Society's internal auditor, provides independent and objective assurance regarding the design and performance of risk management systems and controls.

Audit Committee and Auditors

The Audit Committee Report on page 19 explains how the Society applies the Code Principles relating to corporate reporting and internal control.

Remuneration

The Directors' Remuneration Report on page 21 explains how the Society applies the Code Principles relating to remuneration.

Dialogue with Shareholders**Code Principle:**

E.1. 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's membership consists of individuals who are also the Society's customers. The Society is committed to dialogue with members through regular newsletters, social media and events such as the AGM attended by Directors. The purpose of this dialogue is to understand our members and better serve their needs. The Society also has a Senior Independent Director, Ron Simms, who can be contacted on ron.simms@newbury.co.uk should members or staff have any concerns that cannot be raised through normal channels.

Constructive use of the Annual General Meeting (AGM)**Code Principle:**

E.2. 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. The resolutions include approval of the Report & Accounts, the election of Directors and a separate advisory vote on the Directors' Remuneration Report. Members are encouraged to exercise their right to vote and a donation to charity is made for each vote cast. Members can choose to vote by proxy if they are unable to attend the AGM. The AGM notices are distributed with at least 21 clear days' notice. At the AGM a poll is called in relation to each resolution and the proxy votes cast are included in the results. The results are published on the Society's website.

All members of the Board are present at the AGM each year unless their absence is unavoidable. The Executive Directors and Chairs of the Committees are therefore available to answer questions raised by the Society's members.

Peter Brickley
Chairman
19 December 2018

Audit Committee Report

This report explains how the Society applies the principles of the UK Corporate Governance Code April 2016 (the Code) relating to the operation of the Audit Committee and the system of internal control. The report details how the Committee discharged its responsibilities in line with the provisions of the April 2016 version of the Financial Reporting Council's 'Guidance on Audit Committees'. In particular it details the significant issues reviewed and concluded during the year including the Committee's assessment of those areas on which accounting judgement was exercised. The Audit Committee met four times during the year and in addition met with the external and internal auditors without the Executive Directors present.

Financial and Business Reporting

Code Principle:

C.1. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

Comment:

The Executive Directors are responsible for preparing the Annual Report and Accounts. At the request of the Board, the Committee considered whether the 2018 Annual Report is fair, balanced and understandable and whether it provides the necessary information for members to assess the Society's position and performance, business model and strategy. In order to do this, the Committee considered the financial information published in the Annual Report and Accounts and the accounting policies adopted by the Society, the presentation and disclosure of financial information and, in particular, the key judgements made by management in preparing the financial statements.

In evaluating this year's financial reporting process, the Committee noted that senior members of the Board and executive management team are all involved at an early stage in agreeing the overall tone and content of the Annual Report and Accounts, and that members of the Executive Committee and the Board review, comment on and challenge various drafts of the Annual Report and Accounts as part of a robust verification process.

The Committee also paid particular attention during the year to the following matters which are important by virtue of their potential impact on the Society's results, particularly because they involve a high level of complexity, judgement or estimation by management:

Provisioning for loan impairment

The Committee monitored loan impairment provisions and considered the impact of the approach to forbearance adopted when managing the Society's mortgage portfolio. It also considered other key assumptions contained in the Society's provisioning model on the level of provisions made and the relevant disclosure in the Accounts. In particular the Committee examined and challenged the assumptions adopted and is satisfied with the level of impairment provisions made for the mortgage portfolio.

Effective Interest Rate

Interest income on the Society's mortgages is measured under the effective interest method, as explained in the Accounts. This method includes an estimation of mortgage product lives which is based on observed historical data and Directors' judgement. During the year, the Society's estimate of mortgage lives has been updated to reflect changes in market conditions and customer behaviours. The Committee has examined the above changes, including the revised mortgage life estimates, and is satisfied that the estimates and accounting treatment are appropriate.

Hedging

The Society issues fixed rate mortgage products which are mainly funded from variable rate savings. To mitigate the risk of a rise in funding costs the Society enters into interest rate swaps (derivatives) and uses hedge accounting to offset a change in the fair value of swaps against changes in the fair value of the corresponding fixed

rate mortgages. During the year the Committee reviewed the general system controls in place to manage hedge accounting including the fair valuing of hedges and the underlying hedged items, as well as the processes for identifying and designating derivatives as effective. As a result of its enquiries the Committee is satisfied that hedge accounting has been applied in accordance with IAS 39.

Going Concern

This involves rigorous consideration, based on reports as requested by the Committee, of the Society's current and projected liquidity and capital positions, together with the potential risks (for example credit risk, liquidity risk, operational risk and conduct risk) which could also impact the business, as well as consideration of potential stress scenarios. Based on its review, the Committee concluded that the adoption of the going concern assumption to prepare the financial statements remains appropriate.

Statutory Audit

The Committee considered matters raised during the statutory external audit, through discussion with senior management of the business and the external auditor, and concluded that there were no adjustments required that were material to the financial statements.

In light of its enquiries above, the Committee is satisfied that, taken as a whole, the 2018 Annual Report and Accounts is fair, balanced and understandable and provides a clear and accurate presentation of the Society's position and prospects.

Audit Committee and Auditors

Code Principle:

C.3. The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Comment:

The Society recognises the importance of good systems of internal control in the achievement of its objectives and the safeguarding of its assets. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reporting and assist in compliance with applicable laws and regulations. Management is responsible for designing an appropriate internal control framework whereas the Audit Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation of this framework. In order to achieve this the Audit Committee reviews the effectiveness of the Internal Audit and Compliance functions, approves their annual plans and reviews performance against these plans on a quarterly basis. The Committee also reviews their material findings and instigates plans to remedy any shortcomings. Consistent with these responsibilities, the Committee undertook the following activities during 2018 to satisfy itself over the robustness of the internal control framework:

Compliance monitoring

The Society's Compliance function provides second line assurance on activities across the Society. The outputs of the Compliance function's monitoring activities are reported to the Committee, together with progress updates on management's implementation of the findings. During the year the Committee approved the Compliance function's annual plan of work which sets out the reviews the function intends to perform and the associated scopes of those reviews. In light of several major projects Compliance contributed to during the year, the Committee also satisfied itself that the Compliance function remained adequately resourced to provide appropriate levels of assurance.

Internal Audit

The Society's Internal Audit function provides independent assurance to the Board, via the Audit Committee, on the effectiveness of the internal control framework. The information received and considered by the Committee during 2018 provided assurance that there were

no material breaches of control and that the Society maintained an adequate internal control framework that met the principles of the UK Corporate Governance Code. The Audit Committee is also responsible for agreeing the annual budget for Internal Audit and for approving its annual risk based plan of work. Internal Audit provides the Committee with reports on material findings and recommendations as well as updates on the progress made by management in addressing these findings, including verification that actions have been accurately reported as complete. The Committee is satisfied that, over the course of 2018, Internal Audit had an appropriate level of resources in order to deliver its plan of work and that it discharged its responsibilities effectively.

External Audit

The Audit Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the External Auditor, agreeing its remuneration and terms of engagement, and making recommendations to the Board on the appointment, re-appointment or removal of the External Auditor as appropriate. As part of the external audit process, Deloitte provides the Society with internal control reports on matters which have come to its attention during the audit. No material control weaknesses were included in such reports.

The Committee is also responsible for monitoring the performance, objectivity and independence of the External Auditor, ensuring that the policy to provide non-audit services is appropriately applied. During the year the External Auditor did not undertake any non audit services. In order to retain independence and objectivity, the Society's policy is to tender for audit services on a regular basis and at least every 10 years. The external auditors are required to rotate every 20 years. The current auditors are Deloitte LLP who have held the role since February 2018.

Other activities

During the year the Committee also satisfied itself that the Society's 'whistle blowing' arrangements are operating effectively. It also reassured itself as to the effectiveness of the Society's IT controls.

Ron Simms
Chair of the Audit Committee
19 December 2018

Directors' Attendance Record () = number of meetings

Director	Board	Audit	Risk	Remuneration	Nomination
Peter Brickley	11 (11)		4 (4)	3 (3)	3 (3)
John Parker	3 (3)	1 (1)	1 (1)	1 (1)	1 (1)
Lee Bambridge	11 (11)				
Phillippa Cardno	11 (11)				
Roland Gardner	11 (11)				
Sarah Hordern	11 (11)		4 (4)	1 (1)	1 (1)
Tracy Morshead	9 (11)		4 (4)		
William Roberts	9 (11)	4 (4)	4 (4)		
Ron Simms	10 (11)	4 (4)	4 (4)	2 (3)	2 (3)
Zoe Shaw	9 (11)		3 (4)		
Piers Williamson	7 (8)	2 (3)	2 (3)		
Kieron Blackburn	7 (7)				

Directors' Remuneration Report

This report explains how the Society applies the principles of the UK Corporate Governance Code April 2016 (the Code) relating to remuneration. It also explains how the Society's remuneration policy complies with relevant regulations including the Remuneration Part of the Prudential Regulation Authority's Rulebook and the Financial Conduct Authority's Remuneration Code for dual regulated firms (SYSC 19D). The Remuneration Committee has determined that, as at 31 October 2018, all seven of the current Non-Executive Directors and the four Executive Directors, as well as four other members of senior management reporting directly to the Executive Directors, were classified as Material Risk Takers (MRTs) and subject to the Remuneration Code. The Remuneration Committee does not consider that any members of staff who are not members of the Board or the Executive management team should be classified as MRTs.

The Level and Components of Remuneration

Code Principle:

D.1. Executive Directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.

Comment:

The Society's objective when setting remuneration is to ensure that it is in line with its business strategy, risk appetite and long term objectives, and that it is consistent with the interests of members as a whole. Remuneration is set at a level to retain and attract individuals of the calibre necessary to operate and meet the Society's objectives.

Executive Directors Emoluments

The remuneration of the individual Directors is detailed in note 8 on page 42. The remuneration reflects the Directors' specific responsibilities and comprises basic salary, annual performance related pay and various benefits detailed below.

Basic Salaries

Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations and in the light of market conditions generally.

Performance Related Pay Scheme

The performance related pay scheme is based on the Society's key financial measures of profitability, control of costs, growth in mortgages and increases in membership. A maximum of 11.5% of salary (prior to any salary sacrifice) can be earned for achievement of these targets together with a maximum 3.5% of salary based on personal contribution.

As a mutual, the Society has no share option scheme, and none of the Directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of, any connected undertaking of the Society. Performance related payments are not pensionable and are paid in cash through payroll.

Benefits

The Society makes a contribution of up to 20% of salary (before salary sacrifice where applicable) to Executive Directors' private pension arrangements. Executive Directors receive other benefits comprising private healthcare (covers the Directors and their families), death in service and income protection insurance. The Society does not provide concessionary home loans to Directors.

Executive Directors Contractual Terms

Roland Gardner, Lee Bambridge, Phillippa Cardno and Kieron Blackburn each have a service contract with the Society, terminable by either party giving twelve months' notice. The Society meets contractual obligations for loss of office. Whilst the Remuneration Committee has discretion to provide better terms, this is disclosed to Members if used. An Executive Director is permitted to take on a role as a Non-Executive Director with another firm provided that

firm is not a competitor and the associated time commitment can be accommodated. Any such arrangements have to be agreed in advance by the Nomination Committee. There were no new arrangements of this nature entered into during the year.

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations. Remuneration comprises a basic fee with supplementary payments for the Chairman of the Board and the other Non-Executive Directors classified as Senior Managers to reflect the additional responsibilities of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive schemes or receive any other benefits. Non-Executive Directors have letters of appointment and these are available for inspection prior to the AGM or at the Society's registered address.

Other Material Risk Takers

The Remuneration Committee is also responsible for determining the terms and conditions of other members of senior management after consultation with the Chief Executive. These are currently the Head of IT, the Head of Risk and Society Secretary and the Head of HR and People Development. These individuals are subject to the same variable pay performance targets and rewards as the Executive Directors and they also receive pension contributions from the Society of up to 15.25% of salary (prior to any salary sacrifice).

The Procedure for Determining Remuneration

Code Principle:

D.2. 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.

Comment:

The remuneration of the Non-Executive Directors, Executive Directors and other members of senior management is overseen by the Remuneration Committee, which consists of three Non-Executive Directors and which meets three times a year. During the reporting period the composition of the Committee satisfied the Code provisions regarding independence. The Chief Executive, the Chief Risk Officer and the Head of HR and People Development attend by invitation but take no part in the discussion of their own salaries. Minutes of the Committee's meetings are distributed to all Board members.

The Remuneration Committee reviews the Society's Remuneration Policy annually and maintains a list of the Society's MRTs detailing the composition of their respective remuneration. In setting remuneration, the Committee takes account of fees and salaries payable and other benefits provided to Non-Executive Directors, Executive Directors and other senior management of building societies that are similar in size and complexity, and other relevant organisations. Periodically, a report may be commissioned from external consultants to assist in this process. The Committee did not use the services of an external consultant during the reporting period. The Committee also ensures that variable remuneration does not undermine the objectivity of the risk and compliance functions.

Non-Executive Directors:

The fees payable to Non-Executive Directors are proposed by the Chief Executive, taking into consideration the views of the other Executive Directors. The proposed fees are then approved or otherwise by the Remuneration Committee with the Chairman's fees being considered by the Committee in the absence of the Chairman. During the year the Chief Executive's recommendations regarding Non-Executive Director fees were accepted in full.

Executive Directors

The performance related pay scheme is designed to encourage the achievement of key business objectives relating to a balance of financial performance, customer service and sustainable growth over a multi-year timeframe. In setting variable remuneration targets the Committee considers the balance between the fixed and variable components of remuneration to ensure that the ratio is appropriately balanced and in line with the risk profile of the Society. The Committee believes that the performance related targets set for 2018 were suitably balanced and hence risk adjusted.

The Remuneration Committee assesses whether any performance related payments should be made taking into account reports, where applicable, from the risk and compliance functions. Whilst it is not required to do so, the Committee also defers a proportion of the performance related payment to Executive Directors in order to discourage inappropriate risk taking. This is not considered necessary for the remaining members of the senior management team given that they report in to the Executive Directors.

Whilst a binding vote on Remuneration Policy is not considered appropriate for a building society of our size and nature, if more than 25% of the turnout vote against the report, the Remuneration Committee will take steps to address the concerns of the Membership.

On behalf of the Committee, I recommend that you endorse our report.

R Simms
Chair of the Remuneration Committee
19 December 2018

Directors' Responsibilities

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the annual accounts

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

The Building Societies Act ("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 FRS102 The Financial Reporting Standard as it applies to the UK.

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 the Society's 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 both the Prudential Regulation Authority and the Financial Conduct 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 NEWBURY BUILDING SOCIETY

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Newbury Building Society (the 'Society'):

- **give a true and fair view of the state of the Society's affairs as at 31 October 2018 and of the Society's income and expenditure for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and**
- **have been prepared in accordance with the requirements of the Building Societies Act 1986.**

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' interests;
- the cash flow statement; and
- the related notes 1 to 28.

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






Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none">• Revenue recognition of interest receivable and similar income • Loan loss provisioning • Hedge accounting  <p>Any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .</p>
Materiality	The materiality that we used in the current year was £408k which represents 5% of profit before tax.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach

The previous auditor did not identify hedge accounting as a key audit matter. We considered hedge accounting as a key audit matter based on our risk assessment which identified a potential for misstatement arising complexity and judgement in complying with the requirements of IAS 39.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition of interest receivable and similar income

Key audit matter description



The main revenue stream within the Society is interest receivable and similar income primarily derived from loans and advances to customers. The interest receivable and similar income recognised during the year was £28.5m (2017: £25.4m).

The directors elect to apply the classification and measurement criteria of IAS 39 as part of their adoption of FRS 102 to recognise interest income using the Effective Interest Rate ('EIR') method for loans and advances to customers. The EIR method requires the modelling of all cash flows, including directly attributable fees and costs, over the shorter of the behavioural and contractual life.

The key assumption in the EIR model is the estimation of redemption rates used in the derivation of the behavioural lives of the mortgages and thus timing of the expected future cash flows.

There is therefore complexity involved in the determination of interest receivable and similar income using the EIR method. We identified a key audit matter that interest income is inappropriately recognised whether due to fraud or error.

Management's accounting policies are detailed in note 1.2 and 1.4 to the financial statements while the significant judgements involved in the revenue recognition process are outlined in note 1.13, with note 2 quantifying the interest receivable and similar income recognised during the year. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee's report on page 19.

How the scope of our audit responded to the key audit matter



We first obtained an understanding of the Society's process and key controls around revenue recognition by undertaking a walk-through and reviewing Management's judgement paper.

Following identification of the key controls we assessed the design and implementation of controls that the Society has in place over revenue recognition. Specifically, we assessed the implementation of controls that the Society has in place to manage the risk of inappropriate behavioural life assumptions being used within the EIR model.

We challenged the appropriateness of the behavioural lives adopted by Management by reference to historical customer redemptions, over which we performed accuracy and completeness testing over the underlying data on a sample basis.

Additionally we challenged any amendments made to the behavioural lives by Management during the course of the year, based on recent customer redemption activity.

As part of our wider assessment of the key audit matter we independently recalculated the EIRs and tested the adjustment posted to recognise revenue over the behavioural life on a sample of loans.

We verified the inputs which are used to determine revenue by agreeing a sample of customer loans back to underlying source data.

Finally given the inherent susceptibility to misstatements in estimates, we considered evidence which supports or contradicts Management's judgements for indicators of management bias.

Key observations



We concluded that the behavioural lives used within Management's revenue recognition process were reasonable and the model to be working as intended.

We determined the accounting for revenue to be appropriate, acceptable and materially in line with the requirements of IAS 39.

Loan loss provisioning >>

Key audit matter description



Under IAS 39, the directors are required to assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, Management should recognise an impairment loss within the income statement immediately.

The Society holds £894.9m (2017: £842.9m) of loan and advances to customers on which a loan loss provision of £0.9m (2017: £0.9m) has been provided for as at year end. The provision comprises a collective provision for losses incurred but not reported and a specific provision for loans where there has been a loss event.

Key assumptions in the collective provision include the use of probability of default ('PD') and forced sale discount ('FSD') assumptions. Given the high level of Management judgement required coupled with historically low levels of arrears we identified our key audit matter in relation to the completeness of the collective provision and in particular the PD and FSD assumptions adopted, including the possibility of management bias, on the basis that amendments to these assumptions could give rise to a material misstatement due to fraud or error.

Management's accounting policies are detailed in note 1.5 to the financial statements while the significant judgements involved in loan loss provisioning are outlined in note 1.13, with note 12 quantifying the loan loss provision as at year end. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee's report on page 19.

How the scope of our audit responded to the key audit matter



We first understood Management's process and key controls around loan loss provisioning by undertaking a walk-through and reviewing Management's judgement paper.

Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the implementation of controls that the Society has in place to manage the risk of inappropriate assumptions being used in the loan loss provisioning model.

In conjunction with our internal IT specialists we tested the general IT controls over the loan administration system and evaluated the manner in which data is extracted from this system to determine the provision.

We challenged the appropriateness of the key assumptions used in determining the collective provision through peer benchmarking and third party ratings agency data. Additionally we performed benchmarking to determine whether the provision held is commensurate with the loan book size and inherent risk using a coverage basis.

We reviewed the collective aspect of the impairment model for completeness to ensure the relevant loan populations were being included.

For a sample of customer loans we independently recalculated the loan loss provision and compared the output to the amount provided by Management.

As part of our wider assessment of the key audit matter we also tested the accuracy and completeness of the inputs which were used to determine the loan loss provision back to underlying source data.

We performed testing on un-triggered loans to identify any customers in financial distress who had not been identified by Management.

We challenged the appropriateness of other assumptions used within the loan loss provision such as impairment triggers, expected future cash flows, time horizons to sale, expected costs to sell and house price indexation.

Finally given the inherent susceptibility to misstatements in estimates, we considered evidence which supports or contradicts Management's judgements for indicators of management bias.

Key observations



We concluded that Management's view in regards to the loan loss provision was appropriate, albeit note that the provision itself was at the conservative end of an acceptable range in comparison to other peer groups with similar loan book size and inherent risk.

We determined the loan loss provision trigger points used by Management to be appropriate and consider that this is placed appropriately to identify customers for which a specific provision may be required.

Overall, we found the loan loss provision model to be working as intended and consider the loan loss provision to be recorded in line with the requirements of IAS 39.

Hedge accounting

Key audit matter description



Management hedge the interest rate risk exposure on fixed rate mortgage products through a portfolio of interest rate swaps and apply macro fair value hedge accounting in order to reduce the income statement volatility that arises from differences in accounting measurement between the hedging instruments (the swaps) measured at fair value and the hedged item (the mortgages) measured at amortised cost. Hedge accounting under IAS 39 allows a fair value adjustment to be made in relation to the hedged risk (interest rate risk) which is offset against fair value movements in the swaps in the income statement.

The Society held derivative financial instruments assets of £572k (2017: £373k) and derivative financial instruments liabilities of £260k (2017: £523k) on which fair value adjustments of £163k (2017: £133k) has been recognised within the income statement during the year.

The detailed accounting requirements in order to apply hedge accounting are complex and require specific documentation to be prepared at inception of the hedge relationship. There is also a requirement for regular prospective and retrospective effectiveness testing to be performed. The correlation between the fair values of the hedging instrument and hedged item is required to be within the 80%-125% range, in order to continue to apply hedge accounting. If effectiveness testing fails or swaps are removed from the hedge relationship (de-designated) then any fair value movements on the swap are recognised in the income statement while the fair value movements on the hedged item are frozen and amortised over the remaining life of the instrument.

There are inherent complexities involved in applying hedge accounting, as such there is a risk that hedge accounting is not applied correctly. Given the significance of the potential fair value adjustments this would give rise to, we consider the accuracy of fair value adjustments to hedged items on designation and de-designation from the portfolio hedge relationships to be a key audit matter.

Management's accounting policies are detailed in note 1.5 to the financial statements while the significant judgements involved in hedge accounting are outlined in note 1.13, with note 4 quantifying the fair value adjustments for the year. The area of significant judgement and complexity is discussed by the Audit Committee as detailed in the Committee's report on page 19.

How the scope of our audit responded to the key audit matter



We first understood Management's process and key controls around hedge accounting by undertaking a walk-through and reviewing Management's judgement paper.

Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the implementation of controls that the Society has in place to manage the risk of inappropriate fair value adjustments being recognised.

Together with our financial instruments specialists we tested the accuracy of the fair value adjustments to hedged items on designation and de-designation from the portfolio hedge relationship.

As part of our wider assessment of the key audit matter, together with our financial instruments specialists, we reviewed the underlying hedge documentation, assessed Management's retrospective effectiveness testing and independently re-performed valuations on a sample of hedging instruments.

Key observations



The designation of derivatives into hedge relationships and the assessment of the effectiveness of hedge relationships is appropriate and in line with supporting documentation.

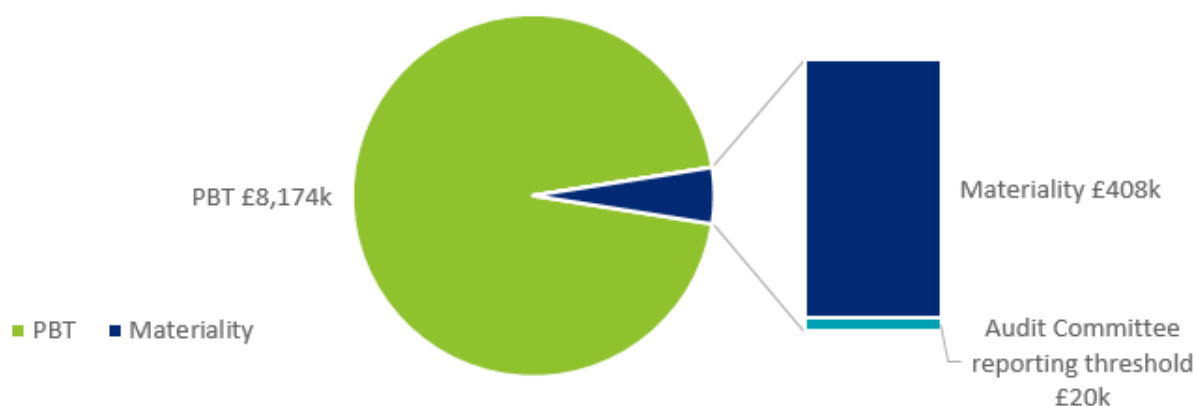
We are satisfied that hedge accounting has been applied in accordance with the requirements of IAS 39.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£408k (2017: £310k)
Basis for determining materiality	5% of profit before tax. In 2017, the previous auditor set materiality on the basis of 4.2% of profit before tax.
Rationale for the benchmark applied	The accumulation of profits is critical to maintaining and building capital for regulatory purposes and allowing the Society to invest in activities for its members. This was a key factor in why we determined that profit before tax was the most appropriate benchmark for determining materiality.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20k (2017: the previous auditor determined this to be £16k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Society and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of Management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Society's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including tax, financial instruments and information technology specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the estimation of redemption rates in determining interest income and the level of judgement involved in determining the loan loss provision; and
- obtaining an understanding of the legal and regulatory framework that the Society operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Society. The key laws and regulations we considered in this context included the legislation imposed by the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), the Building Societies Act 1986 and tax legislations.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition of interest receivable and similar income and loan loss provisioning as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of Management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of potential bias, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Building Societies Act 1986

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

- the annual business statement and the directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 28 to the financial statements for the financial year ended 31 October 2018 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of directors on 26 February 2018 to audit the financial statements for the year ending 31 October 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

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.

Kieren Cooper FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
19 December 2018

Income Statements for the year ended 31 October 2018

	Notes	2018 £000	2017 £000
Interest receivable and similar income	2	28,525	25,380
Interest payable and similar charges	3	(10,831)	(9,468)
Net interest income		17,694	15,912
Fees and commissions receivable		28	35
Fees and commissions payable		(108)	(95)
Other operating income		13	17
Total operating income		17,627	15,869
Net gain from derivatives	4	163	133
Total Net Income		17,790	16,002
Administrative expenses	5	(9,019)	(8,207)
Depreciation and amortisation	13/14	(670)	(570)
Operating profit before impairment and provisions		8,101	7,225
Impairment of loans and advances	12	(49)	9
Provision for FSCS levy	18	122	109
Profit before Tax		8,174	7,343
Taxation	6	(1,582)	(1,425)
Profit for the Financial Year	19	6,592	5,918

Statement of Comprehensive Income

Profit for the financial year		6,592	5,918
Property Revaluation	13	-	1,094
Total Comprehensive income for the financial year		6,592	7,012

No income has been reclassified to the income statement.

The notes on pages 36 to 65 form part of these accounts.

Statement of Financial Position at 31 October 2018

	Notes	2018 £000	2017 £000
Assets			
Liquid assets			
Cash in hand and balances with the Bank of England		177,114	150,914
Loans and advances to credit institutions	9	35,004	5,326
		212,118	156,240
Derivative financial instruments	10	572	373
Loans and advances to customers			
Loans fully secured on residential property	11	888,850	833,235
Other loans	11	7,523	10,350
Fair value adjustment for hedged risk	11	(483)	(183)
		895,890	843,402
Tangible fixed assets			
Tangible fixed assets	13	5,620	5,925
Intangible fixed assets	14	657	889
Other assets	15	-	1,310
Prepayments and accrued income		648	518
Total Assets		1,115,505	1,008,657
Liabilities			
Shares	16/24	876,556	839,296
Amounts owed to credit institutions	24	124,511	57,609
Amounts owed to other customers	24	36,339	39,901
Derivative financial instruments	10	260	523
Other liabilities	17	181	50
Tax liabilities	17	1,000	1,004
Accruals and deferred income		1,072	1,066
Provisions for liabilities	18	173	387
Total Liabilities		1,040,092	939,836
Reserves			
Revaluation reserve	19	2,519	2,519
Reserves - general reserves	19	72,894	66,302
Total Reserves	19	75,413	68,821
Total Reserves and Liabilities		1,115,505	1,008,657

The notes on pages 36 to 65 form part of these accounts.

These accounts were approved by the Board of Directors on 19 December 2018

Peter Brickley - Chairman

Roland Gardner - Chief Executive

Kieron Blackburn - Finance Director

Statement of Changes in Members' Interest for the year ended 31 October 2018

	General reserves £000	Revaluation reserve £000	Total
Balance at 1 November 2017	66,302	2,519	68,821
Profit for the financial year	6,592	-	6,592
Other comprehensive income for the year	-	-	-
Total comprehensive income	6,592	-	6,592
Balance at 31 October 2018	72,894	2,519	75,413

Balance at 1 November 2016	60,384	1,425	61,809
Profit for the financial year	5,918	-	5,918
Other comprehensive income for the year	-	1,094	1,094
Total comprehensive income	5,918	1,094	7,012
Balance at 31 October 2017	66,302	2,159	68,821

Cash Flow Statements

	Notes	2018 £000	2017 £000
Cash flows from Operating Activities			
Profit before tax		8,174	7,343
Depreciation and amortisation	13,14	669	570
Profit on disposal of property, plant and equipment		17	-
Increase/(decrease) in impairment of loans and advances	12	49	(9)
Total		8,909	7,904
Changes in Operating Assets and Liabilities			
Decrease in prepayments, accrued income and other assets		928	575
Decrease in accruals, deferred income and other liabilities		(197)	(1,554)
Increase in loans and advances to customers	11	(52,536)	(62,606)
Increase in shares		37,182	71,811
(Increase)/decrease in loans and advances to credit institutions		(3,500)	7,000
Increase/(decrease) in amounts owed to other credit institutions and other customers		63,338	(8,215)
Taxation paid		(1,650)	(1,160)
Net Cash Generated by Operating Activities		43,565	5,851
Cash flows from Investing Activities			
Purchase of property, plant and equipment	13	(177)	(198)
Disposal of property, plant and equipment		192	-
Purchase of intangible assets	14	(163)	(316)
Net Cash used in Investing Activities		(148)	(514)
Net Increase in Cash and Cash Equivalents			
Cash and cash equivalents at 1 November		156,236	142,995
Cash and Cash Equivalents at 31 October	20	208,562	156,236

1. Accounting Policies

The principal accounting policies applied consistently in the preparation of these Annual Accounts are set out below.

1.1 Basis of Preparation

The Annual Accounts of the Society have been 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 Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).
- on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments classified at fair value through the profit or loss ("FVTPL") and property which is measured using the revaluation model and carried at fair value.

The Annual Accounts are presented in pounds Sterling and, except where otherwise indicated, have been rounded to the nearest thousand.

Going concern

The Directors have prepared forecasts for the Society, including its capital position, for a period in excess of 12 months from the date of approval of these financial statements. The Directors have also considered the effect upon the Society's business, financial position, liquidity and capital of more pessimistic, but plausible, trends in its business using stress testing and scenario analysis techniques. The resultant forecasts and projections show that the Society will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements

1.2 Interest

Interest receivable and expense are recognised in the Income Statement using the effective interest method. The effective interest method is the rate that exactly discounts estimated cash flows to zero, through the expected life of the instrument. Expected lives are estimated using historic data and management judgment and the calculation is adjusted when actual experience differs from estimates, with changes being recognised immediately in the Income Statement.

1.3 Fair value changes on derivatives

Fair value changes on derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net gain/(loss) from derivatives at fair value through profit or loss in the income statement.

1.4 Fees and commissions receivable and payable

Fees and commissions that are material to the effective interest rate on financial assets and financial liabilities are included in the measurement of the effective interest rate. Other fees and commissions are recognised as the related services are performed.

1.5 Financial instruments

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the Statement of Financial Position and measured in accordance with their assigned category

a) Financial assets

The Society allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial instruments at initial recognition. Purchases and sales of non-derivative financial assets are accounted for at settlement date.

Financial assets at fair value through profit or loss and hedge accounting

This category comprises financial assets designated by the Society at fair value through profit or loss upon initial recognition. The Society uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational activities, mainly fixed rate mortgages.

The Society documents, at the inception of any hedging transaction, the relationship between the hedging instrument and the hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. The Society also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items. This is done by measuring the correlation co-efficient between the hedged items and the derivatives. These must be within parameters to be deemed highly effective, which the Society's hedges are.

i) **Fair value hedges** – Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss over the remaining expected life of the previously hedged item.

ii) **Derivatives that do not qualify for hedge accounting** – Certain derivative instruments do not qualify for hedge accounting.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any directly attributable transaction costs – and measured subsequently at amortised cost using the effective interest method.

Loans and receivables are reported in the Statement of Financial Position as loans and advances to credit institutions or customers. Interest on loans is included in the Income Statement and is reported as interest receivable and similar income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the Income Statement as impairment losses on loans and advances.

b) Financial liabilities

The Society's financial liabilities are classified as follows:

- Deposits – Amortised cost which is usually the amount deposited
- Derivative financial instruments – Fair value through profit and loss

c) Impairment of financial assets

Impairment of mortgage loans and advances

The Society assesses at each year end date whether there is objective evidence that a financial asset is impaired. Objective evidence of impairment can be defined as one or more events occurring after the initial recognition of the asset that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The Society first assesses whether objective evidence of impairment exists for financial assets using the following criteria:

- Deterioration in payment status;
- Forbearance being applied;
- Expected future increase in arrears due to change in loan status; and any other information suggesting that a loss is likely in the short to medium term.

If there is objective evidence of an impairment of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate. This calculation takes into account the Society's and the industry's experience of default rates, loss emergence periods, the effect of regional movements in house prices based upon a recognised index and adjustments to allow for ultimate forced sales values and realisation costs. The amount of the loss is recognised in the Income Statement.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment

A collective provision is made against a group of loans and advances where there is objective evidence that credit losses have been incurred but not identified at the reporting date

d) Derecognition of financial assets and liabilities

The Society derecognises financial assets when the contractual right to the cash flows from the financial asset expires or when it transfers the asset to another party, provided the transfer of the asset also transfers the right to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership.

The Society derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired

e) Determination of fair value

The Society determines fair values by the three tier valuation hierarchy as defined within IAS 39 and FRS102.34:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly
- Level 3 - inputs for the asset or liability that are not based on observable market data. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Derivatives fall within level 2.

1.6 Intangible Assets

Computer software which is not an integral part of the related hardware is recorded as an intangible asset. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Society, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Intangible assets are held at amortised cost, amortisation is charged to the Income Statement on a straight line basis over the estimated useful life of between 3-5 years; they are subject to regular impairment reviews. Costs associated with maintaining software are recognised as an expense when incurred.

1.7 Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property is revalued to fair value less any subsequent accumulated depreciation and impairment losses. The last valuation was on 23 March 2017.

Gains on revaluation are recognised in the statement of other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in the profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method (unless otherwise stated) to allocate their cost less their residual values over their estimated useful lives, as follows:

Building		50 years
Short leasehold properties		Straight line over the period of the lease or over 50 years, whichever is shorter.
Equipment, fixtures and fittings and motor vehicles		
• Office equipment	Straightline	3 to 8 years
• Computer equipment	Straightline	3 to 8 years
• Motor vehicles	Straightline	3 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

1.8 Leases

The leases entered into by the Society are operating leases. The total payments made under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.9 Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value, with maturities of 90 days or less.

1.10 Taxation

Tax on the profit for the year comprises current tax and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income within the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable expense for the year, using the tax rate which applies to the accounting period ending at the date of the Statement of Financial Position, and any adjustment to tax payable in respect of previous years. Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is determined using tax rates (and laws) that have been substantively enacted by the year end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1.11 Provisions and contingent liabilities

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Society is a contingent liability. A contingent liability is disclosed but not recognised in the Statement of Financial Position.

1.12 Employee benefits

For defined contribution plans, the contributions are recognised as an employee benefit expense in the Income Statement when they are due, in accordance with the rules of the scheme. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.13 Judgements in Applying Accounting Policies and Critical Accounting Estimates

The Society makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where the application of the Society's accounting policies require elements of both judgement and estimation, the Society considers these assessments to be accounting estimates. No material judgements have been made in the year.

Impairment Provision on Loans and Advances

The Society reviews its loans to assess impairment. This requires the exercise of a significant degree of judgement. Provisions require judgement to be exercised in predicting future economic conditions such as house price movements and the length of time before impairments are identified (i.e. emergence period). Accounting estimates relate to default rates and forced sale discounts. The accuracy of the provision is dependent on the assumptions regarding probability of default. A 10% variation in the assumption regarding probability of default would increase the impairment provision on loans and advances by £90k (2017:£84k). An increase in the forced sale discount of 5% would result in a movement of the provision of £575k (2017:£647k).

Effective Interest Rate (EIR)

Under IAS 39, financial instruments carried at amortised cost are accounted for using the EIR method. The EIR method requires the Society to make assumptions regarding the expected lives of financial instruments and the anticipated level of early repayment fees. These assumptions are regularly reviewed to ensure they reflect actual performance. The Society assesses which mortgage products have similar characteristics to then be grouped to calculate their respective average behavioural lives. Average lives are then estimated based on behavioural repayment data. Average lives can increase or decrease by a month or more depending on economic and interest rate conditions. If the average lives of the mortgages were to increase by one month, the carrying value of mortgages would change by £494k (2017:£584k) with a corresponding change to income.

Fair Value of Derivatives

Derivative financial instruments are valued by discounted cash flow models using yield curves that are based on observable market data. The valuation requires estimates to be used to predict the prepayment rate to be applied to mortgages.

Hedge Accounting

The Society has implemented hedge accounting in line with IAS 39. The designated macro hedges are complex and require a number of assumptions.

This involves matching and applying fair value measurements to both the hedged instrument and the underlying hedged item.

Notes to the Accounts

2018
£000

2017
£000

2. Interest Receivable and Similar Income

On loans fully secured on residential property	27,774	25,863
On other loans	237	323
On debt Securities	2	4
On other liquid assets	1,124	234
Net expense on financial instruments	(612)	(1,044)
	28,525	25,380

3. Interest Payable and Similar Charges

On shares held by individuals	9,792	8,836
On other shares	40	38
On deposits and other borrowings	999	594
	10,831	9,468

4. Net Gain from Derivatives

Derivatives in designated fair value hedge relationships	320	1,200
Adjustments to hedged items in fair value hedge accounting relationships	(299)	(1,192)
Derivatives not in designated fair value hedge accounting relationships	142	125
	163	133

5. Administrative Expenses

Employee costs		
• Wages and salaries	4,447	4,130
• Social security costs	455	438
• Other pension costs	584	559
	5,486	5,127
Loss on disposal of fixed assets	17	-
Other administrative expenses	3,516	3,080
	9,019	8,207
• Remuneration of auditor and its associates (excluding VAT)		
- audit of annual accounts	80	75
• Operating lease costs	138	133

6. Taxation

The taxation charge for the year comprises:

	2018 £000	2017 £000
UK corporation tax on profits in the year	1,646	1,504
Adjustment in respect of previous year	-	(199)
Total current tax	1,646	1,305
Deferred taxation:		
Origination and reversal of timing differences	(64)	(48)
Prior year adjustment	-	168
Total deferred tax	(64)	120
Tax on profit on ordinary activities	1,582	1,425
Factors affecting the tax charge for the year are:		
Profit on ordinary activities before tax	8,174	7,343
Profit on ordinary activities multiplied by 19% (2017: 19.4%)	1,553	1,425
Effects of:		
Difference between opening and closing tax rates	8	7
Depreciation on non-qualifying assets	19	16
Exempt dividend income	-	-
Adjustment in respect of previous year	-	(30)
Disallowable expenses	2	7
Total tax	1,582	1,425

UK corporation tax has been calculated at the applicable prevailing rate.

7. Employees

The average number of people employed during the year was as follows:

	Full time 2018	Part time 2018	Full time 2017	Part time 2017
Head Office	67	24	70	14
Branches	50	20	47	20
	117	44	117	34

8. Directors' Remuneration and Transactions

The emoluments for both Executive and Non-Executive Directors totalled £936,000 for the year (2017: £768,000).

Executive Directors' Emoluments

	Salary £000	Performance Related Pay £000	Taxable Benefits £000	Pension Contribution £000	TOTAL £000
2018					
Roland Gardner	229	28	3	-	260
Kieron Blackburn (appointed 12/2/18)	89	12	1	17	119
Lee Bambridge	153	18	3	-	174
Phillippa Cardno	121	18	2	25	166
TOTAL	592	76	9	42	719
2017					
Roland Gardner	218	19	2	-	239
Lee Bambridge	174	15	2	-	191
Phillippa Cardno	111	12	2	23	148
TOTAL	503	46	6	23	578

The Executive Directors have the option to sacrifice part of their salary in exchange for the Society making additional pension contributions on their behalf. During the year Phillippa Cardno and Kieron Blackburn took advantage of this option. Roland Gardner and Lee Bambridge, with agreement from the Society, took their pension contributions as salary.

Lee Bambridge also received £18,000 from Sovereign Housing Association, for his services as a Non-Executive Director.

Further details on the components of Directors' emoluments can be found in the Directors' Remuneration Report on page 21.

Non-Executive Directors' Emoluments (comprising fees only)

	2018 £000	2017 £000
Peter Brickley (Chairman)	43	42
John Parker (Vice Chairman) (retired 28 February 2018)	11	31
Sarah Hordern	27	27
Tracy Morshead	27	27
William Roberts	27	27
Zoe Shaw (appointed 1 September 2017)	27	5
Ron Simms	32	31
Piers Williamson (appointed 1 January 2018)	23	-
TOTAL	217	190

Loans to Directors and connected persons:

The aggregate outstanding balance at the end of the financial year in respect of loans from the Society to Directors and connected persons was £221,892 (2017: £376,310) representing loans to one (2017: two) persons. There are no arrears or provisions relating to these loans. A register of loans to and transactions with Directors and connected persons is maintained. It is available for inspection by members at the Society's Head Office for the period of fifteen days prior to the Annual General Meeting and at the Annual General Meeting.

	2018 £000	2017 £000
9. Loans and Advances to Credit Institutions		
Accrued interest	56	4
Repayable on demand	13,948	3,322
Other loans and advances by residual maturity repayable:		
In no more than three months	17,500	2,000
In more than three months but not more than six months	3,500	-
	35,004	5,326

	Contract/ notional amount £000	Fair values Assets £000	Fair values Liabilities £000
10. Derivative Financial Instruments			
At 31 October 2018			
a) Unmatched derivatives - Interest rate swaps	28,856	20	(16)
b) Derivatives designated as fair value hedges - Interest rate swaps	220,098	552	(244)
Total recognised derivative assets/(liabilities)	248,954	572	(260)
At 31 October 2017			
a) Unmatched derivatives - Interest rate swaps	15,856	-	(26)
b) Derivatives designated as fair value hedges - Interest rate swaps	172,178	373	(497)
Total recognised derivative assets/(liabilities)	188,034	373	(523)

The Society determines fair values by the three tier valuation hierarchy as set out in the accounting policies (note 1). All of the Society's derivative financial instruments are valued using level 2 methodology.

11. Loans and Advances to Customers	2018 £000	2017 £000
Loans fully secured on residential property before adjustments	887,353	832,562
Other loans: fully secured on land before adjustments	7,523	10,350
Total loans before adjustments	894,876	842,912
Effective interest rate adjustment	2,424	1,551
Provision for impairment losses on loans and advances	(927)	(878)
Per note 23	896,373	843,585
Fair value adjustment for hedged risk	(483)	(183)
	895,890	843,402

The remaining maturity of loans and advances to customers from the reporting date is as follows:

Repayable:

In not more than three months	2,508	2,612
In more than three months but not more than one year	7,136	6,703
In more than one year but not more than five years	55,411	55,847
In more than five years	831,762	779,118
	896,817	844,280
Less allowance for impairment (refer to note 12)	(927)	(878)
	895,890	843,402

The maturity analysis above is based on contractual maturity not behavioural or expected maturity.

At 31st October 2018 the Society had pledged £174.9m of mortgage assets to the Bank of England under the Term Funding Scheme (2017: £95.9m).

Loans fully secured on
residential property

£000

12. Allowances for losses on loans and advances

At 1 November 2017

Collective provision	730
Individual provision	148
	878

Charge / (credit) for the year

Collective provision	87
Individual provision	(38)
	49

At 31 October 2018

Collective provision	817
Individual provision	110
	927

	Land and Buildings £000	Equipment, fixtures, fittings & vehicles £000	Total £000
13. Tangible Fixed Assets			
Cost / valuation			
At 1 November 2017	5,588	2,112	7,700
Additions	-	177	177
Disposals	(222)	(112)	(334)
At 31 October 2018	5,366	2,177	7,543
Depreciation			
At 1 November 2017	144	1,632	1,776
Charge for the year	78	197	274
Elimination in respect of Disposal	(15)	(112)	(127)
At 31 October 2018	207	1,717	1,923
Net book value			
At 31 October 2017	5,444	480	5,925
At 31 October 2018	5,159	460	5,620

Land and buildings consist of £3.4m of freehold property, £1.5m non-depreciable land and £1.9m of leasehold property. The net book value occupied for own activities at 31 October was £4.4m (2017: £4.7m).

If the freehold properties had been held under the historical cost basis their net book value as at 31 October 2018 would have been £2,961,771.

The Society's freehold properties were last revalued on 23 March 2017 on a vacant possession basis by Quintons, Chartered Surveyors. Other tangible fixed assets are included at cost.

	Software £000
14. Intangible Assets	
Cost / valuation	
At 1 November 2017	1,918
Additions	163
At 31 October 2018	2,081
Depreciation	
At 1 November 2017	1,029
Charge for the year	395
At 31 October 2018	1,424
Net book value	
At 31 October 2017	889
At 31 October 2018	657

The above includes £238k of software costs for the servicing platform which has a further 10 months amortisation remaining.

	2018 £000	2017 £000
15. Other Assets		
Cash collateral pledged against hedging contracts	-	1,310
	-	1,310

	2018 £000	2017 £000
16. Shares		
Held by individuals	876,343	839,100
Other shares	213	196
	876,556	839,296

17. Other Liabilities

Amounts falling due within one year:

	2018 £000	2017 £000
Corporation tax	1,000	1,004
Other creditors	181	50
	1,181	1,054

18. Provisions for liabilities

Financial Services Compensation Scheme (FSCS)

	£000s
At 1 November 2017	150
Paid in year	(28)
Income and Expenditure account:	
Decrease in Provision	(122)
At 31 October 2018	-

In common with all regulated UK deposit takers, the Society has paid levies to the FSCS to enable the FSCS to meet claims against it. During 2008 and 2009 claims were triggered against the FSCS in relation to Bradford and Bingley plc, Kaupthing Singer and Friedlander, Heritable Bank plc, Landsbanki Islands hf, London Scottish Bank plc and Dunfermline Building Society.

The FSCS has met these current claims by way of loans received from HM Treasury. The FSCS has sought to recover the interest cost of these loans, together with ongoing management expenses to cover the costs of running the scheme, by way of annual levies on members, including Newbury Building Society.

At 31 October 2018 no further levies are due.

Deferred tax

At 1 November	(237)	(117)
Deferred tax charge (see note 6)	64	(120)
At 31 October	(173)	(237)

Comprising:

Accelerated capital allowances	(56)	(85)
Pre-paid pension costs	-	-
FRS102 transition adjustment	(147)	(168)
Head office project costs	17	-
Collective loss provision	13	16
At 31 October	(173)	(237)

£000

19. Reserves

General Reserves

At 1 November 2017

66,302

Profit for the financial year

6,592

At 31 October 2018

72,894

Revaluation Reserve

As at 1 November 2017

2,519

Property revaluation

-

As at 31 October 2018

2,519

20. Cash and Cash Equivalents

2018
£000

2017
£000

Cash in hand and balances with the Bank of England repayable on demand

177,114

150,914

Loans and advances to credit institutions

31,448

5,322

As at 31 October

208,562

156,236

Loans and advances to credit institutions excludes accrued interest and amounts repayable in more than three months.

21. Capital and Other Financial Commitments

2018
£000

2017
£000

a. Capital commitments

Capital expenditure contracted but not yet provided for in the accounts

12

66

b. Leasing commitments

Total commitments under non-cancellable leases

148

148

Rental commitments arising

- Not later than one year

-

24

- Later than one year but not later than five years

-

-

- Later than five years

148

124

All above capital commitment relate to tangible fixed assets.

22. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. Newbury Building Society sells financial instruments, namely mortgages and savings products. The Society uses derivative instruments in the form of interest rate swaps to manage the risk arising from its exposure to financial instruments. These are used to protect the Society from exposures arising principally from fixed rate mortgage lending. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swaps is generally short to medium term and their maturity profile reflects the nature of the exposures arising from the underlying business activities. The objective of the Society in using derivatives is in accordance with the Building Societies Act 1986 and is to limit the extent to which the Society will be affected by changes in interest rates. Derivatives are not used in trading activity or for speculative purposes.

The following table sets out the activities that cause interest rate risk and how they are managed:

Activity	Risk	Managed by
Fixed rate mortgage lending and other assets	Sensitivity to rises in interest rates	Pay fixed rate interest rate swaps to match against fixed rate receipts
Fixed rate savings products and funding	Sensitivity to falls in interest rates	Matching longer terms products against fixed rate mortgages

The Society has a formal governance structure for managing financial and other risks, including an established risk appetite, risk limits, reporting lines, mandates and other control procedures. The Assets and Liabilities Committee monitors the financial risks (including the use of derivative financial instruments), funding and liquidity in line with the Society's policy statements and reports any significant matters at each Board meeting.

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost as shown in the following table.

Financial Instrument	Terms and Conditions	Accounting Policy
Loans and advances to credit institutions	Fixed or LIBOR linked interest rates Fixed term Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Loans and advances to customers	Secured on residential property or land Standard contractual term of 25 years Fixed or variable rate interest	Loans and receivables at amortised cost Accounted for from the date of advance
Shares	Variable term Fixed or variable interest rates	Amortised cost Accounted for from the date of deposit
Amounts owed to credit institutions	Fixed or LIBOR linked interest rates Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed or LIBOR linked interest rates Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest received/paid converted to variable interest paid/received Based on notional value of the derivative	Fair value through profit and loss Accounted for at trade date

The Society's accounting policies set out in note 1 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's assets and liabilities by financial classification:

**Carrying values by category
31 October 2018**

Held at amortised cost

Held at fair value

	Loans and receivables £000	Financial assets and liabilities £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000	Total £000
Financial assets					
Cash in hand and balances with the Bank of England	177,114	-	-	-	177,114
Loans and advances to credit institutions	35,004	-	-	-	35,004
Derivative financial instruments	-	-	552	20	572
Loans and advances to customers	895,890	-	-	-	895,890
Total assets	1,108,008	-	552	20	1,108,580

Financial liabilities

Shares	-	876,556	-	-	876,556
Amounts owed to credit institutions	-	124,511	-	-	124,511
Amounts owed to other customers	-	36,339	-	-	36,339
Derivative financial instruments	-	-	244	16	260
Total liabilities	-	1,037,406	244	16	1,037,666

The amounts owed to credit institutions are borrowings from the Bank of England under the Term Funding Scheme.

**Carrying values by category
31 October 2017**

Held at amortised cost

Held at fair value

	Loans and receivables £000	Financial assets and liabilities £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000	Total £000
Financial assets					
Cash in hand and balances with the Bank of England	150,914	-	-	-	150,914
Loans and advances to credit institutions	5,326	-	-	-	5,326
Derivative financial instruments	-	-	373	-	373
Loans and advances to customers	843,402	-	-	-	843,402
Total assets	999,642	-	373	-	1,000,015

Financial liabilities

Shares	-	839,296	-	-	839,296
Amounts owed to credit institutions	-	57,609	-	-	57,609
Amounts owed to other customers	-	39,901	-	-	39,901
Derivative financial instruments	-	-	497	26	523
Total liabilities	-	936,806	497	26	937,329

There have been no reclassifications during either year.

23. Credit Risk

Credit risk is the risk that the Society incurs a financial loss arising from the failure of a customer or counterparty to meet their contractual obligations. The Society controls the level of credit risk it undertakes, by maintaining a credit governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain asset portfolios of high quality.

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

	2018 £000	2017 £000
Credit risk exposure		
Cash in hand	177,114	150,914
Loans and advances to credit institutions	35,004	5,326
Derivative financial instruments	572	373
Loans and advances to customers	843,585	843,585
Total statement of financial position exposure	1,056,275	1,000,198
Off balance sheet exposure - mortgage offers and retentions	39,494	36,933
Total	1,095,769	1,037,131

Loans and advances to customers are shown as gross of effective interest rate adjustment and net of provisions (see note 11).

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property £887.4m (2017: £832.6m), split between residential, buy-to-let and commercial owner occupier loans, and £7.5m (2017: £10.3m) being secured on commercial property.

The Society operates throughout England and Wales with the portfolio mainly concentrated in the South East and South West.

Residential Assets

Loans fully secured on residential property are split between residential, buy to let and commercial owner occupied.

	2018 £000	2017 £000
Concentration by loan type		
Prime owner occupied	748,186	692,098
Buy to let and commercial owner occupied	139,166	140,463
Gross balance	887,352	832,561
Impairment provisions	(927)	(878)
Fair value adjustments	(483)	(183)
	885,942	831,500

	2018 £m	2018 %	2017 £m	2017 %
Geographical analysis				
East Anglia	13.2	1.5	10.6	1.3
East Midlands	15.5	1.7	12.9	1.6
Greater London	102.9	11.6	86.9	10.4
North	2.4	0.3	2.7	0.3
North West	10.2	1.1	8.1	1.0
South East	571.5	64.4	552.4	66.3
South West	144.4	16.3	136.5	16.4
Wales	5.9	0.7	5.6	0.7
West Midlands	14.6	1.6	10.7	1.3
Yorkshire & Humberside	6.8	0.8	6.2	0.7
Total	887.4	100	832.6	100.0

The following table analyses the loan to value (LTV) of the residential portfolio:-

	2018 £m	2018 %	2017 £m	2017 %
LTV analysis				
0% - 50%	593.6	66.9	547.2	65.6
50.01% - 75%	265.5	29.9	259.6	31.2
75.01% - 80%	7.8	0.9	8.9	1.1
80.01% - 85%	9.7	1.1	7.1	0.9
85.01% - 90%	8.7	1.0	7.4	0.9
90.01% - 95%	2.1	0.2	2.4	0.3
	887.4	100	832.6	100.00
Average loan to value of residential mortgage loans		32.3		32.0

The average LTV of 32.3% (2017: 32.0%) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of the collateral held adjusted by a house price index.

The quality of the Society's retail mortgage book is reflected in the number and value of accounts in arrears. By volume 0.29% (2017: 0.37%) of loans are three months or more in arrears and by value it is 0.20% (2017: 0.21%).

The main factor for loans moving into arrears is due to a change in the borrower's circumstances e.g. unemployment, illness, relationship breakdown.

The table below provides information on residential loans by payment due status:

Arrears analysis	2018 £m	2018 %	2017 £m	2017 %
Not impaired:				
Neither past due or impaired	872.6	98.3	818.7	98.4
Past due up to 3 months but not impaired	10.2	1.2	8.9	1.1
Past due over 3 months but not impaired	1.3	0.1	2.0	0.2
Possessions	-	-	-	-
Impaired:				
Not past due	2.4	0.3	1.1	0.1
Past due up to 3 months	0.7	0.1	1.6	0.2
Past due 3 to 6 months	0.2	0.0	0.2	-
Past due 6 to 12 months	-	-	-	-
Past due over 12 months	-	-	0.1	-
Possessions	-	-	-	-
Total	887.4	100	832.6	100

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount.

Possession balances represent those loans where the Society has taken ownership of the underlying security pending its sale. The Society has various forbearance options to support customers who may find themselves in financial difficulty. These include temporary interest only concessions, payment plans, and reduced payment concessions. Possession is a last resort.

The following table sets out the value of collateral on a indexed and unindexed basis for the residential portfolio.

	Indexed 2018 £m	Unindexed 2018 £m	Indexed 2017 £m	Unindexed 2017 £m
Value of collateral held:				
Neither past due or impaired	2,707.2	2,228.9	2,554.4	2,040.8
Past due but not impaired	37.9	27.9	39.5	26.2
Impaired	4.8	4.5	4.3	4.0
Total	2,749.9	2,261.3	2,598.2	2,071.0

The collateral consists of residential property. Collateral values are adjusted by an average of the Nationwide and HM Land Registry price indices on a quarterly basis.

The value of collateral held against loans 'Past due but not impaired' at 31 October 2018 is £37.9m (2017: £39.5m) against outstanding debt of £11.4m (2017: £10.8m). In addition, the value of collateral held against 'Impaired' assets at 31 October 2018 is £4.8m (2017: £4.3m) against outstanding debt of £3.4m (2017: £3.0m).

Mortgage indemnity insurance acts as additional security. It is taken out for residential loans where the borrowing exceeds 80% LTV at inception.

Commercial Assets**Concentration by loan type**

Loans secured on commercial property
Loans to housing associations

	2018 £m	2017 £m
Loans secured on commercial property	6.4	9.2
Loans to housing associations	1.1	1.1
	7.5	10.3

The analysis of loans secured on commercial property by industry type is as follows:

	2018 £m	2018 %	2017 £m	2017 %
Club/social	0.2	3.4	0.3	3.1
Education	0.2	2.0	0.2	1.5
Industrial unit	1.0	13.9	1.7	16.7
Office	1.6	20.8	1.9	18.6
Shops	3.1	41.0	3.4	32.5
Other	1.4	18.9	2.8	27.6
	7.5	100.0	10.3	100.0

There are no impairments or fair value adjustments on the commercial assets above.

	2018 £m	2018 %	2017 £m	2017 %
Geographical analysis				
South East	7.3	97.7	9.4	91.5
South West	0.2	2.3	0.9	8.5
Total	7.5	100.0	10.3	100.0

The following table analyses the loan to value (LTV) of the commercial portfolio using the valuation of the property carried out at inception of the mortgage:

	2018 £m	2018 %	2017 £m	2017 %
LTV analysis				
0% - 50%	4.3	57.7	6.4	62.4
50.01% - 75%	2.4	32.0	3.7	35.4
75.01% - 80%	0.8	10.3	0.2	2.2
	7.5	100.0	10.3	100.0
Average loan to value of commercial mortgage loans		32.6		33.3

The quality of the Society's commercial mortgage book is reflected in the number and value of accounts in arrears. By volume 3.03% (2017: 1.59%) of loans are three months or more in arrears and by value it is 1.21% (2017: 0.8%).

The main factor for loans moving into arrears is the condition of the general economic environment and its impact on business performance or commercial rents.

The table below provides information on retail loans by payment due status:

Arrears analysis	2018 £m	2018 %	2017 £m	2017 %
Not impaired:				
Neither past due or impaired	7.4	98.5	10.0	97.1
Past due up to 3 months but not impaired	0.02	0.3	0.2	1.9
Past due over 3 months but not impaired	0.09	1.2	0.1	1.0
Possessions	-	-	-	-
Impaired:				
Not past due	-	-	-	-
Past due up to 3 months	-	-	-	-
Past due 3 to 6 months	-	-	-	-
Past due 6 to 12 months	-	-	-	-
Past due over 12 months	-	-	-	-
Possessions	-	-	-	-
	7.5	100.0	10.3	100.0

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount.

The following table sets out the value of unindexed collateral for the commercial portfolio.

	Unindexed 2018 £m	Unindexed 2017 £m
Value of Collateral held:		
Neither past due or impaired	4.2	30.2
Past due but not impaired	0.4	0.9
Impaired	-	-
Total	4.6	31.1

The collateral consists of commercial property and in the case of housing associations, property occupied by social tenants.

The value of collateral held against loans 'Past due but not impaired' at 31 October is £0.4m (2017: £0.9m) against outstanding debt of £0.1m (2017: £0.3m).

Forbearance

Possession balances represent those loans where the Society has taken possession of the underlying security pending its sale. The Society has various forbearance options to support customers who may find themselves in financial difficulty. These include temporary interest only concessions, payment plans and reduced payment concessions. Possession is a last resort.

- Interest only concessions are offered to customers in financial difficulty on a temporary basis with formal periodic review. The concession allows the customer to reduce monthly payments to cover interest only, and if made, the arrears status will not increase. Where possible, an additional payment is made to reduce arrears.
- Payment plans (or arrangements) are agreed to enable customers to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.
- Reduced payment concessions allow a customer to make an agreed underpayment for a specific period of time with formal periodic review. The monthly underpaid amount accrues as arrears and agreement is reached at the end of the concession period on how the arrears will be repaid.

All forbearance arrangements are formally discussed with the customer and approved by an authorised member of the arrears management team. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

Regular monitoring of the level of forbearance activity is reported to the Credit Committee on a quarterly basis. In addition all forbearance arrangements are reviewed and discussed with the customer on a regular basis to assess the ongoing potential risk to the Society and suitability of the arrangement for the customer.

The table below details the number of forbearance cases within the 'Not impaired' category:

Type of forbearance	2018 Number	2017 Number
Interest only concessions	21	28
Payment plans	16	16
Reduced payment concessions	-	2
Less: cases with more than one form of forbearance	-	(1)
Total	37	45

In total £1.6m (2017: £2.2m) of loans that are past due are subject to forbearance.

Balance not past due subject to forbearance £2m (2017: £2m).

24. Liquidity Risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its obligations as they fall due, under either normal business conditions or a stressed environment. It is the Society's policy that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

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

Monitoring of liquidity, in line with the Society's liquidity policy, is performed daily. Compliance with the policy is reported to the Assets and Liabilities Committee (ALCO).

The Society's liquidity policy is designed to ensure the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, market-wide and combination stress tests) and scenarios identified by the Society which are specific to its business model. The stress tests are performed quarterly and reported to ALCO to confirm that liquidity levels remain appropriate. The Society maintains a liquidity funding plan to ensure that it has so far as possible, sufficient liquid financial resources are available to meet liabilities as they fall due under each of the scenarios.

The Society's liquid resources comprise high quality liquid assets, including deposits in a Bank of England reserve account and time deposits. At the end of the year the ratio of liquid assets to shares and deposits was 20.4% compared to 16.7% at the end of 2017.

The table below analyses the Society's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the statement of financial position date. This is not representative of the Society's management of liquidity. The actual repayment profile is likely to be significantly different from that shown in the analysis as while most mortgages have a contractual maturity of around 25 years they are generally repaid much sooner. Conversely, retail deposits repayable on demand or with notice periods generally remain on balance sheet much longer.

Residual maturity as at 31 October 2018	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	No specific maturity £000	Total £000
Financial assets							
Liquid assets							
Cash in hand and balances with Bank of England	177,114	-	-	-	-	-	177,114
Loans and advances to credit institutions	13,948	17,500	3,500	-	-	56	35,004
Total liquid assets	191,062	17,500	3,500	-	-	56	212,118
Derivative financial instruments	-	2	83	487	-	-	572
Loans and advances to customers	-	2,509	7,136	55,411	831,761	(927)	895,890
Other assets	-	-	-	-	-	6,925	6,925
	191,062	20,011	10,719	55,898	831,761	6,054	1,115,505

Financial liabilities and reserves

Shares	756,136	90,412	18,063	11,757	-	188	876,556
Amounts owed to credit institutions	-	-	-	124,400	-	111	124,511
Amounts owed to other customers	14,261	22,078	-	-	-	-	36,339
Derivative financial instruments	-	3	-	257	-	-	260
Other liabilities	-	-	-	-	-	2,426	2,426
Reserves	-	-	-	-	-	75,413	75,413
	770,397	112,493	18,063	136,414	-	78,138	1,115,505
Net Liquidity gap	(579,335)	(92,482)	(7,344)	(80,516)	(831,761)	(72,084)	

All Society liquid assets are unencumbered as at the balance sheet date.

Included in the amounts above for 2018 is £124.4m borrowed from the Bank of England under the Term Funding Scheme.

Residual maturity as at 31 October 2017	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	No specific maturity £000	Total £000
--	-------------------------------	--	---	---	--	--	-----------------------

Financial assets

Liquid assets

Cash in hand and balances with Bank of England	150,914	-	-	-	-	-	150,914
Loans and advances to credit institutions	3,322	2,000	-	-	-	4	5,326
Total liquid assets	154,236	2,000	-	-	-	4	156,240
Derivative financial instruments	-	-	-	373	-	-	373
Loans and advances to customers	-	2,612	6,703	55,847	779,118	(878)	843,402
Other assets	-	-	-	-	-	8,642	8,642
	154,236	4,612	6,703	56,220	779,118	7,768	1,008,657

Financial liabilities and reserves

Shares	715,462	92,061	19,654	12,009	-	110	839,296
Amounts owed to credit institutions	57,500	-	-	-	-	109	57,609
Amounts owed to other customers	18,408	21,493	-	-	-	-	39,901
Derivative financial instruments	-	10	67	446	-	-	523
Other liabilities	-	-	-	-	-	2,507	2,507
Reserves	-	-	-	-	-	68,821	68,821
	791,370	113,564	19,721	12,455	-	71,547	1,008,657
Net Liquidity gap	(637,134)	(108,952)	(13,018)	43,765	779,118	(63,779)	-

The following is an analysis of gross contractual cash flows payable under financial liabilities:

	Repayable 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
31 October 2018						
Shares	756,136	90,745	18,207	12,047	-	877,135
Amounts owed to credit institutions	-	-	-	124,511	-	124,511
Amounts owed to other customers	14,261	22,078	-	-	-	36,339
Derivative financial instruments	-	95	192	11	-	298
Total liabilities	770,397	112,918	18,399	136,569	-	1,038,283

31 October 2017

Shares	715,462	92,350	19,796	12,468	-	840,076
Amounts owed to credit institutions	57,609	-	-	-	-	57,609
Amounts owed to other customers	18,408	21,493	-	-	-	39,901
Derivative financial instruments	-	188	377	41	-	606
Total liabilities	791,479	114,031	20,173	12,509	-	938,192

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.

25. 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. The principal element of market risk to which the Society is exposed is interest rate risk as a retailer of financial instruments, mainly in the form of mortgage and savings products and the holder of both liquid assets and wholesale borrowing. The risk can arise as a result of actual or market anticipation of changes in general interest rates, changes in the relationship between short and long term interest rates and divergence of rates on different bases across assets and liabilities (basis risk).

The Board has set a risk appetite for each element of interest rate risk. The Society ensures compliance with this risk appetite through the monitoring of interest rate risk exposure by the ALCO. In addition to this the Society undertakes a number of interest rate stresses, covering movements in both LIBOR and the Base Rate. Balance sheet composition is also monitored to determine the extent to which the Society maintains control over the level of interest rates across the balance sheet through administered rate mortgages and savings balances.

The following is the Society's sensitivity to an increase or decrease in market rates at 31 October 2018 assuming a parallel movement of 200bps in yield curves and a constant financial position. 200bps is considered to be an industry standard and therefore appropriate.

+200bps Parallel		
	Increase	Decrease
2018	£'000	£'000
Net interest income impact	(1,189)	1,295

+200bps Parallel		
	Increase	Decrease
2017	£'000	£'000
Net interest income impact	(940)	1,021

Financial Instruments

The Society does not have any financial assets or liabilities that are offset, with the net amount presented in the statement of financial position as FRS102.11.38A requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society, therefore all financial assets and liabilities are presented on a gross basis in the statement of financial position.

The Society has entered into Credit Support Annexes (CSAs) for its derivative instruments which typically provide for the exchange of collateral to mitigate mark to market credit exposure. The CSAs are subject to a minimum transfer threshold. Collateral is only posted once the threshold is reached at which point the whole amount would be posted.

The fair value of derivatives designated as fair value hedges is set out in note 10 above.

26. Pension Scheme

The Society operates a stakeholder defined contribution pension scheme and contributes to some other individual personal pension arrangements. The assets are held separately from those of the Society in independently administered funds. In addition the Society provides death in service cover for its employees. This is fully insured under the Newbury Building Society Death In Service Scheme. The pension cost charge represents contributions payable by the Society to the individual employee funds and death in service premiums and amounted to £584,000 (2017: £558,000). There were pension contributions payable at the year end of £41,000 (2017: £35,000). There was a prepayment at the year end of £24,000 (2017: £23,000) for the Society Death in Service Scheme.

27. Capital Structure

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The formal annual ICAAP process (Internal Capital Adequacy Assessment Process) assists the Society with its management of capital. Through its regular updates the Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position are reviewed against a stated risk appetite which aims to maintain capital at a minimum level above the Internal Capital Guidance (ICG) provided by the PRA.

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

- a) Lending Decisions - The Society's lending policy is closely monitored by the Credit Committee to ensure it aligns with the Society's risk appetite.
- b) Pricing - Pricing models are utilised for all residential mortgage products. The model includes expected return and capital utilisation enabling the calculation of a return on capital.
- c) Concentration risk - The design of both retail and mortgage products takes into account the overall mix of products to ensure that concentration levels are maintained within the Society's risk appetite.
- d) Counterparty risk - Deposits are only placed with approved counterparties in line with the Society's treasury policy and are subject to a range of limits. The limits are monitored daily to ensure the Society remains within risk appetite.

There were no breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year.

Under Basel III Pillar 3 the Society is required to publish further information regarding its capital position and exposures. The Society's Pillar 3 disclosures are available by writing to the Company Secretary at our Head Office.

	2018 £000	2017 £000
Common Equity Tier 1 Capital		
General reserve	72,894	66,302
Revaluation reserve	2,519	2,519
Intangible assets	(657)	(889)
Total common equity tier 1 capital	74,756	67,932
Tier 2 Capital		
Collective provision	817	730
Total tier 2 capital	817	730
Total regulatory capital	75,573	68,662
Risk weighted assets	370,217	347,002
Capital ratios		
Common equity tier 1 (CET 1) ratio	20.2	19.6
Total Capital ratio	20.4	19.8
Leverage ratio	6.7	6.7

28. Country by Country Reporting

The regulations under Article 89 of the CRD IV require the Society to disclose the following information about the source of the Society's income and the location of its operations:

- Name, nature of activities and geographical location: The Society has three dormant subsidiaries and operates only in the United Kingdom. Given the dormant status of these subsidiaries they are not required to be consolidated. The principal activities of the Society are noted in the Directors' report on pages 4 to 11.
- Average number of employees: as disclosed in Note 7 to the accounts.
- Annual turnover is equivalent to total operating income and along with profit before tax is as disclosed in the Income Statement account on page 32.
- Corporation Tax paid: as noted in the Cash Flow Statements on page 35.
- Public subsidies: there were none received in the year.

Glossary of Terms

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears

A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan commitment is overdue. Such a customer can also be said to be in a state of delinquency.

Basis point

One hundredth of a percent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.

Contractual maturity

The final payment date of a loan or other financial instrument.

Effective interest rate method (EIR)

The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense to produce a level yield over the relevant period.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

Forbearance strategies

Strategies to assist borrowers in financial difficulty, such as interest only concessions, payment plans and reduced payment concessions.

General reserves

The accumulation of the Society's post-tax profit since inception. It is the Society's main component of Tier 1 which is a measure of strength and stability.

Impaired loans

Loans where there is objective evidence that an impairment event has occurred, meaning that the Society does not expect to collect all the contractual cash flows or expect to collect them when they are contractually due.

Individually/collectively assessed

Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession. A collective impairment provision is made against the remaining group of loans and advances where objective evidence indicates that it is likely that losses may be realised.

Interest Margin

Represents net interest income divided by mean total assets.

Internal capital adequacy assessment process (ICAAP)

The Society's own assessment of the level of capital that it needs to hold for risks it faces under a business-as-usual scenario and a variety of stress scenarios.

Liquid assets

Total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, and investment securities.

Liquidity risk

The risk that the Society is not able to meet its financial obligations as they fall due, or will have to do so at an excessive cost. This risk arises from timing mismatches of cash inflows and outflows.

Loan to value ratio (LTV)

A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Society calculates residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in the house price index).

Loans past due/past due loans

Loans are past due when a counterparty has failed to make a payment when contractually due.

Management expenses

Management expenses represent the aggregate of administrative expenses, depreciation and amortisation. The management expense ratio is management expenses expressed as a percentage of total mean assets.

Market risk

The risk that movements in market risk factors, including interest rates, credit spreads and customer-driven factors will create losses or decrease portfolio values.

Mean total assets

Represents the average of the total assets at the beginning and end of the financial year.

Member

A person who has a share investment or a mortgage loan with the Society.

Net interest income

The difference between interest receivable on assets and similar income and interest payable on liabilities and similar charges.

Replacement cost

The amount the Society would need to replace derivative contracts that are favourable to the Society, if the counterparty with whom the contract was held, were unable to honour their obligation.

Risk appetite

The articulation of the level of risk that the Society is willing to take (or not take) in order to safeguard the interests of the Society's members whilst achieving business objectives.

Residential loans

Residential mortgage loans secured against residential property.

Shares

Money deposited by a person in a savings account with the Society. Such funds are recorded as liabilities for the Society.

Shares and borrowings

Represents the total of shares, amounts owed to credit institutions and amounts owed to other customers.

Total capital ratio

Measures the Society's reserves (after required adjustments) as a proportion of its risk weighted assets.

Tier 1 capital

A measure of financial strength as defined by the PRA. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital comprises general reserves from retained profits. The book value of intangible assets is deducted from Common Equity Tier 1 capital and other regulatory adjustments may be made for the purposes of capital adequacy.

Annual Business Statement as at 31 October 2018

	2018 %	Statutory Limit %
1. Statutory Percentages		
Lending limit	1.0	25
Funding limit	15.5	50

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

The Lending limit measures the proportion of business assets not in the form of loans secured on residential property. Business assets are 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 balance sheet.

The Funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are prescribed in building society legislation 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.

	2018 %	2017 %
2. Other Percentages		
Gross capital as a percentage of shares and borrowings	7.27	7.35
Free capital as a percentage of shares and borrowings	6.74	6.70
Liquid assets as a percentage of shares and borrowings	20.45	16.68
Profit after tax as a percentage of mean total assets	0.62	0.61
Management expenses as a percentage of mean total assets	0.91	0.90

The above percentages have been prepared from the Society accounts:

- 'Shares and Borrowings' represents the aggregate 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 collective impairment for losses on loans and advances less intangible and tangible fixed assets;
- 'Mean total assets' represents the average of the total assets at the beginning and end of the financial year;
- 'Liquid Assets' has the same meaning ascribed in the Balance Sheet;
- 'Management Expenses' represents the aggregate of administrative expenses and depreciation shown in the Income and Expenditure Account.

3. Directors and Other Officers as at 31 October 2018

Name	Year of Birth	Business occupation	Date first appointed	Other directorships
Peter Brickley BSc (Hons)	1960	Chief Information Officer	01/07/08	Newbury Mortgages Services Ltd
Lee Bambridge BA (Hons), ACA, AMCT	1963	Building Society Chief Risk Officer	23/07/07	Sovereign Housing Association; Sovereign Housing Capital Plc
Kieron Blackburn TD, BSc (Hons), ACA, ACIB	1962	Building Society Finance Director	12/02/18	
Phillippa Cardno PGCert, CeMap	1969	Building Society Operations and Sales Director	19/02/15	Temptings Ltd
Roland Gardner MA (Hons)	1960	Building Society Chief Executive	01/09/06	Newbury Mortgage Services Ltd; Newbury Financial Services Ltd; Newbury Insurance Services Ltd
Sarah Hordern BA (Hons), ACA	1972	Director	19/02/15	Perspicio Limited
Tracy Morshead FCIM	1956	Company Director	01/06/12	National Deposit Friendly Society Ltd; 425 Direct Ltd; Mortgage Brain Ltd; Mortgage Brain Holdings Ltd; The Mortgage Trading Exchange Ltd; MBL Financial Services Ltd; Morshead's Old Books Ltd
William Roberts BSc (Hons), ACA	1970	Finance Director	19/02/15	Hastoe Capital Plc; Hastoe Homes Ltd; Lowen Homes Ltd
Zoe Shaw BA (Hons)	1960	Managing Director	01/09/17	Promethion Ltd
Ron Simms BA (Hons)	1965	Solicitor	28/06/10	Simms Consulting Ltd
John Piers Williamson BA (Hons), FCT, ACIB	1961	Chief Executive	01/01/18	THFC Group Companies: The Housing Finance Corporation Limited*; T.H.F.C. (Indexed) Limited*; T.H.F.C. (Indexed 2) Limited*; T.H.F.C. (First Variable) Limited*; T.H.F.C. (Services) Limited; T.H.F.C. (Social Housing Finance) Limited*; T.H.F.C. (Capital) PLC; UK Rents (No.1) PLC; UK Rents (Holdings) Limited; UK Rents Trustee Limited THFC Managed Companies: T.H.F.C. (Funding No.1) PLC; T.H.F.C. (Funding No.2) PLC; T.H.F.C. (Funding No. 3) PLC; T.H.F.C. (Funding No.3 Holdings) Limited; Haven Funding PLC; Haven Funding (32) PLC; Harbour Funding PLC; Sunderland (SHG) Finance PLC; Affordable Housing Finance PLC; Blend Funding PLC *Community Benefit Society

Roland Gardner, Lee Bambridge, Phillippa Cardno and Kieron Blackburn each have a service contract with the Society terminable by either party giving 12 months notice. The agreements were signed on 30 July 2018.

Other Officers

Gorse Burrett BA (Hons), FCIPD - Head of HR and People Development

Erika Neves BSc (Hons), DIMA - Head of Risk and Society Secretary

Ian Willson - Head of IT

Auditor

Deloitte LLP
Four Brindley Place
Birmingham
B1 2H2

Bankers

National Westminster Bank Plc
30 Market Place, Newbury, Berkshire RG14 5AJ

Staff

The Board would like to thank all our members of staff without whom we would not have achieved the performance set out in these accounts.

Branches

Abingdon	Gemma Ellis • Julie Harris • Jack Whiting • Michele Willis
Alton	Ian Bligdon • Julie Harness • Julie Pink • Becky Reynolds • Caroline Seymour • Clare Taylor
Andover	Alice Champion • Charlotte Couch • Cliff Osborne • Dawn Ross • Sheila Sandham
Basingstoke	Ken Anderson • Sammy Forrester • Ellen Harmon • Neha Khamkar • Lucy Parnell • Beth Roden Isabel Tavares • Lisa Wedge
Didcot	Samantha James • Hannah Tame
Hungerford	Naomi Hague • Courtney Lewington Metcalfe • Paula Wheeler
Newbury	Jane Bosher • Ella Bright • Gillian Fry • Agnes Frydel-Sapinska • Rose Hallett • Rachel Hawkins Gemma Johnson • Nicola King-Head • Tilly Smith • Chloe Somerville • Alice Wood
Thatcham	Louise Davies • Chelsea Ford • Claire Gale • Karen Griffin • Matt Harris • Ryan Marcham
Winchester	Rob Angus • Louise Morgan • Will Simpson • Subhashini Venkatesan
Wokingham	Alastair Boyd-Smith • Debbie Gadd • Charlotte Hall • Sue Murgatroyd • Justine Ransom Keryn Rosolemos • Holly Webster
Sales	Angela Bradshaw • Lauren Dearlove • Kerri Dobie • Roger Knight • Matt Long • Eve McDowell Dave Murray • Alice Pocock • Luke Pummell • Kate Rockall • Jordan Sharpe • Karen Smith Kayleigh Tingle • Emma Trincas • Martin Yates

Head Office

Compliance and Risk	Kelly Carter • Xania Harden • Andy Ransom • Tash Stacey • Gemma Williams • Shingai Chipfupa
Customer Services	Katy Briggs • Sue Corp • Sarah Hubbard • Linda Kite • Anya Milner • Sue Newcombe • Katie Rocks Lynn Small • Alison Thompson • Hannah Blackman • Julie English • Rose Fishlock • Pete Hawkins Danielle Horton • Jane Mason • Sarah Nation • Rich Newport • Stefanie Oates • Kay Walker Val Wheeler
Mortgage Underwriting	Lucy Amore • Hannah Auger • Jill Bennett • Vicky Boyles • Nathan Bryan • Charlotte Courtenay Ann Davidson • Jac Goddard • Diana Lewis • Becky Pearson • Kim Smyth • Lauren Troy Craig Turner • Hannah Westlake
Executives	Gorse Burrett • Erika Neves • Ian Willson
Finance	Suzanne Allen • Ruth Bowden • Cheryl Bowers • Louise Brookes • Laura Chisling • Alex Murrell Jo Paul • Lynda Ralph • Debbie Springer
Human Resources	Anne-Marie Goldsmith • Cara Holley • Sarah Pearce • Jacky Reenan Tina Stephens
ICT	Tom Baker • Ben Egan • Ben Ellard • Laurence Gough • Piotr Jaworski • Sam Mackwell • Shiv Stacey • Katie Stubbs • Elliot Walker • David Ward • Hayley Watt
Marketing	Subah Akhtar • Alice Dearlove • Sian Dennis • Emma Lavers • Emma Simms • Bronwyn Tucker
Operations	Diane Long • Melanie Mildenhall • Laura Toogood
Premises, Health and Safety	Michael Goodall • Chris Rice • Jessica Stacey • Ricky Walker
Project	Bella Duke • Amba Goodall • Tom Reynolds • Michelle Rolfe • Traci Sharp • Charlotte Wood
Personal Assistant to the Executives	Sarah Rouault
Valuer	Ann Davidson

Abingdon

1 West St. Helen Street
Abingdon-on-Thames
Oxfordshire OX14 5BL
01235 527750
abingdon@newbury.co.uk

Alton

47 High Street
Alton
Hampshire GU34 1AW
01420 84275
alton@newbury.co.uk

Andover

35 High Street
Andover
Hampshire SP10 1LJ
01264 361455
andover@newbury.co.uk

Basingstoke

5-6 Chelsea House
Festival Place, Basingstoke
Hampshire RG21 7JR
01256 816813
basingstoke@newbury.co.uk

Didcot

136 The Broadway
Didcot
Oxfordshire OX11 8RJ
01235 813431
didcot@newbury.co.uk

Hungerford

127 High Street
Hungerford
Berkshire RG17 0DL
01488 684705
hungerford@newbury.co.uk

Newbury

105b Northbrook Street
Newbury
Berkshire RG14 1AA
01635 522588
newbury@newbury.co.uk

Thatcham

4 High Street
Thatcham
Berkshire RG19 3JD
01635 864996
thatcham@newbury.co.uk

Winchester

143 High Street
Winchester
Hampshire SO23 9AY
01962 852716
winchester@newbury.co.uk

Wokingham

19 Broad Street
Wokingham
Berkshire RG40 1AU
0118 978 5945
wokingham@newbury.co.uk

Head Office

17 Bartholomew Street
Newbury
Berkshire RG14 5LY
01635 555700
enquiries@newbury.co.uk

Visit **newbury.co.uk**

Follow us @NewburyBS on 

Front cover photograph taken by Lubomir Pitonak