Annual Report and Accounts

for the year ended 31 December 2015

CELEBRATING 150 YEARS
Beverley
Building Society
1866 - 2016

East Yorkshire's only independent building society

Annual Report and Accounts

for the year ended 31 December 2015

Our Vision

To be a strong independent mutual, which is trusted and respected by members and non-members, because we offer straightforward, value for money products, that are easy to understand, and supported by an unrivalled level of personal service.

Standing: **Elaine, Nicola, Debbie, Andrea and Sophie** | Seated: **Jenny, Val, Chris and Lesley** | The Savings Team

...an unrivalled level of personal service

www.beverleybs.co.uk

Julie, Debbie, Sandra, Annette, Maria and Graham | The Mortgage Team
All our mortgage team are CeMAP qualified.

…our members trust us

Society Performance

over the past 5 years

Key Performance Indicators (KPIs)

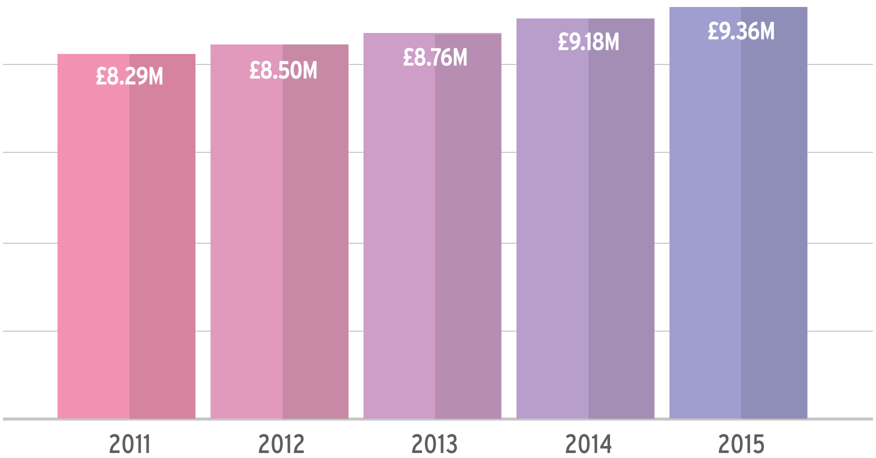
The Board uses a number of KPIs to measure and monitor progress and performance. Whilst recent years have tested the financial services sector to the extreme, the Society has sought to ensure that its business operates in a controlled manner and that the interests and security of borrowers and savers are safeguarded. Some of the Society's KPIs are illustrated below to show the progress the Society has made with the support and help of both members and staff.

As outlined in the Notes to the Accounts on page 39, UK GAAP has been replaced by a new accounting policy FRS 102 and consequently the 2015 and 2014 financials to the right reflect this policy change. The Key Performance Indicators relating to 2013 and prior, are stated based on UK GAAP.

Kamal | Finance Manager
Joined the Society in May 2013.

General Reserves

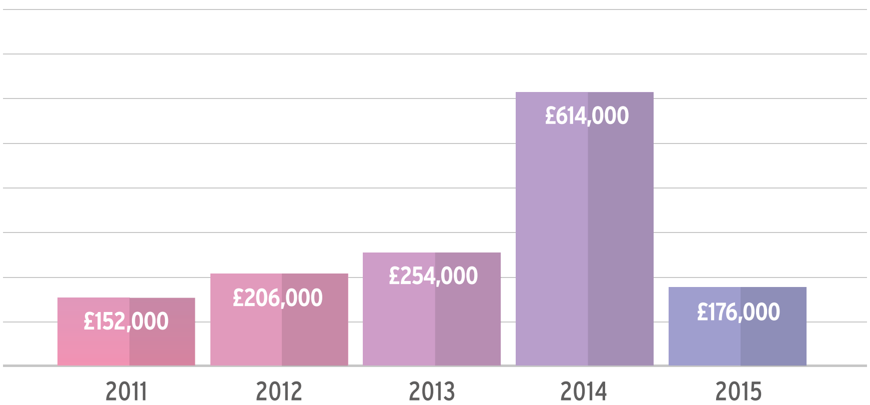
General reserves have increased steadily over the years providing a strong capital position to satisfy regulatory requirements and to protect investors.



Profit after Tax

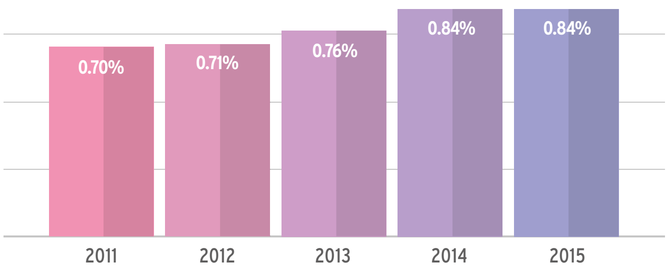
A reasonable level of profits is required to maintain the Society's capital ratios. The Society made £176k profit after tax, lower than the previous year due to higher mortgage provision costs within the legacy loan portfolio (£466k charge in 2015 versus £17k credit in 2014).

The performance of the business before mortgage provisions was broadly comparable to prior year (£689k in 2015 versus £757k in 2014), despite difficult market conditions where fixed rate mortgages predominate.



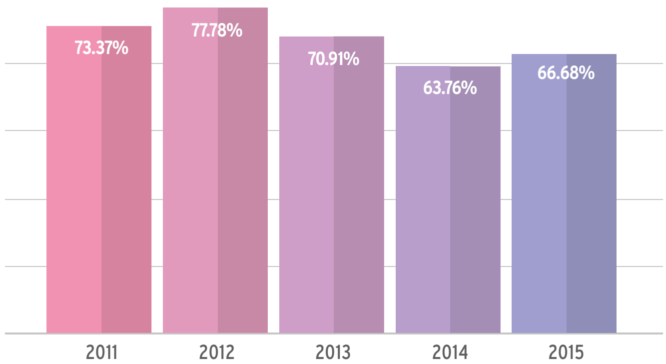
Management Expense Ratio (percentage of mean total assets)

Management expenses have been closely managed and have reduced compared to prior year, despite increased investment in areas such as risk management. The decrease in asset size however, driven by reductions in the commercial lending portfolio, results in the management expense ratio being unchanged in the year.



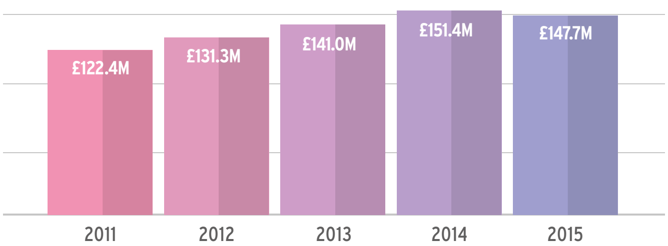
Cost to Income Ratio

Income has fallen by 5% in the year, reflecting the difficult mortgage market conditions. Despite the reduction of costs therefore, the cost income ratio has increased to 66.68% in 2015 (63.76% in 2014). This remains however significantly lower than historic levels, reflecting the Society's on-going careful management of costs.



Total Mortgage Balances

The decrease in the mortgage book reflects reductions in the commercial lending portfolio, in response to the historic decision to exit this market. The figures below are stated gross of mortgage loss provisions.

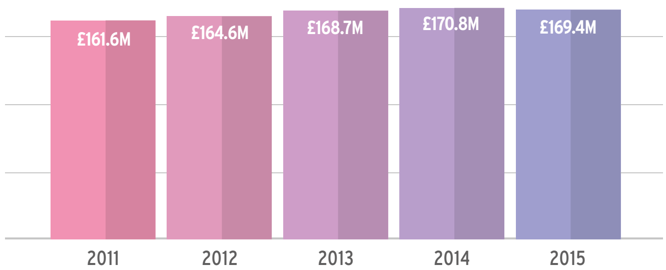


Elliot | Accountant
Joined the Society in August 2014.

...straightforward value for money products

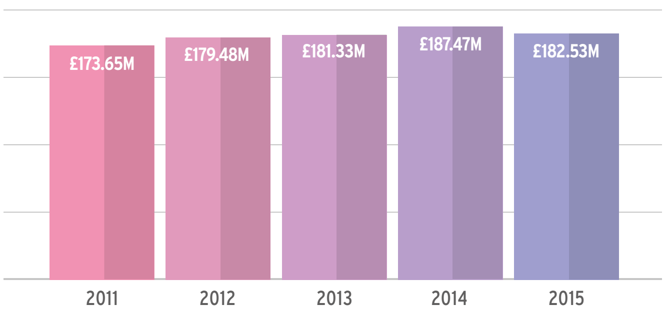
Total Savers Balances

The Society continues to ensure that the rates offered to members are in line with the market. The figures below exclude amounts owed to other credit institutions.



Total Assets

Total Assets have decreased by £5m, reflecting the reduction in the commercial mortgage portfolio.



Chairman's Statement

for the year ended 31 December 2015

Brian Young
2 February 2016

I am pleased to report that during my first year as Chairman the Society continued to deliver strong underlying profits and an improving Capital position. This has been achieved whilst also proactively reducing the risk in our legacy lending book.

The Society has a robust strategic planning process, which involves the Board and all senior managers. The Society's strategic response to a broad range of environmental, market and regulatory challenges has been to focus on providing straightforward value for money products supported by an unrivalled level of personal service. The Society operates one of the lowest management expense ratios in its peer group and this strategy is designed to benefit members by containing some of the regulatory overhead, and therefore, allowing the optimum balance to be found between the rates offered to savers and borrowers while also continuing to strengthen the Society's capital position.

Stuart Young talked last year about the burden of regulation and it shows no sign of abating, indeed it will intensify in 2016 as we see ever more strengthening of financial regulations, particularly in the areas requiring financial institutions to carry more appropriate levels of capital, senior managers becoming more personably accountable and more sophisticated risk management systems being required. This is obviously important to restore the credibility of financial institutions, especially the big banks. To give an indication of scale, the Society had four mandatory regulatory projects in 2014, nine in 2015 and there are 17 scheduled for 2016.

We have been proactive in meeting the increased regulatory requirements and were the first Society in our peer group to appoint a Risk Director to the Board. We continually assess our governance and control procedures and during my first 100 days as Chairman I completed a review of our corporate governance in line with the UK Corporate Governance Code and found our governance to be appropriate. We have also as a Board taken expert advice and will be introducing some enhancements to our governance in 2016 which will ensure we don't rest on our laurels and continue to seek further ways to offer you, our members, even greater levels of comfort.

Boardroom Lunch with local business and community leaders

One of the requirements of the UK Corporate Governance Code is that Non-Executive Directors should serve a maximum term. After the AGM, in line with the Code, Richard Miles will be stepping down after 10 years of terrific service to the Board, chairing the Audit and Compliance Committee and being an active member of the Risk, Assets and Liabilities and Remuneration Committees. Many of you will know Richard personally and his calm, insightful and thoughtful contribution will be greatly missed. I am pleased to welcome Martin Cocker on to the Board. Martin has had a distinguished career in the financial services sector and will take Richard's place as Chair of the Audit and Compliance Committee and will also serve on the Assets and Liabilities and Risk Committees. I have no doubt that Martin will be a very good addition to your Board.

The economy has shown signs of improvement in 2015 with employment rates rising, net disposable income growing and GDP back to more normal rates of growth. However, inflation has been virtually zero and the bank rate has remained unchanged for a record length of time. There are signs, with the USA moving their interest rates, that market rates may begin to move in 2016 but most commentators believe that whatever the movements are they will be small and will be introduced over quite a period of time. The consequence, of course, is that savers rates remain stubbornly low whilst mortgage rates continue to be very attractive. The Society will continue to monitor the market very closely and will respond appropriately for both savers and borrowers as the market moves. We have strategic targets set to ensure we remain competitive in the market place for both whilst still providing the safe haven that our independent mutuality status affords.

Our residential mortgage book continues to strengthen and our loan to value ratio improves whilst the issues in the legacy book are being actively addressed. We are required to now report against a new set of accounting standards, FRS 102, and that has produced some changes in the size of our provisions, but the Society remains constant in its conservative approach in these matters.

Peter Myers will outline our strategic plans in his report and particularly how we will commemorate our 150th anniversary but I would like to take this opportunity, on behalf of the Board and our members, to congratulate the whole of the Beverley team for being recognised as the Best Local Building Society by the Mortgage Finance Gazette. Offering friendly unrivalled service and an appropriate balance between saver and borrower rates is the essence of what we try to deliver and being recognised as the best against our peers is something for us all to be very proud of.

In summary, the Board recognises the market and regulatory challenges facing your Society, we have regard to industry best practice such as the UK Corporate Governance Code, we have a carefully thought through strategy which is working and we have the right people in place to continue delivery.

I have enjoyed my first year as your Chairman and I hope to see as many of you as possible at our AGM and at our various events being held in 2016.


Members Coffee Afternoon

…trusted and respected by members because we regularly consult

Chief Executive's Review

for the year ended 31 December 2015

Peter Myers
2 February 2016

The Society has delivered another consistent performance for members with profit after tax of £176k reflecting an appropriate balance between generating sufficient profit after tax to protect the Society's capital position, prudent provisioning against historic lending and setting appropriate rates for savers and borrowers.

We were particularly proud to be named as the Best Local Building Society by the Mortgage Finance Gazette. The award reflects the Society's vision, value for money, competitive products, consistent rates and excellent customer service.

The mortgage market is currently dominated by fixed rate products, with the Times estimating that up to 96% of new mortgages in the UK are fixed. The Society currently chooses not to offer fixed rate mortgages because we feel that the risks which attach to managing and hedging these products are not in the interests of members. However, the Society still lent over £19m of residential mortgages and these now make up over £100m of the Society's lending book.

The gross lending book did reduce in 2015 from £151.4m to £147.7m. However, this reflects repayments, following the Society's historic decision to exit the commercial lending market.

The Society continues to balance the needs of savers, who provide the funds which are lent to mortgage customers, with the demands of mortgage customers who pay the interest which the Society then shares with savers.

While it has been necessary to reduce savers rates during the year, the Society does this very reluctantly and continues to operate on both a relatively low management expense ratio and margin, in order to provide the maximum return to savers, while still building long term reserves. The Society's ISA and Junior ISA remain among the most competitive on the market. In making any decision the Society always pays close attention to delivering its Vision, in particular 'value for money' and 'unrivalled personal service'.

During the year the Society launched an interest only mortgage in response to clear customer demand, particularly from older borrowers, for a product which optimised their cash flow. The Society will continue to monitor feedback from existing and potential members about new products you would value, and the Society could offer, without compromising our conservative approach to risk.

The Executive Team
from left to right

Janet Bedford
Finance Director

Graham Carter
Head of Lending

Peter Myers
Chief Executive

Lesley Wegg
Head of Operations

Mark Marsden
Risk Director

The regulatory environment in which all financial services firms operate continues to introduce new requirements and in 2015 the Society implemented 9 regulatory change programmes. In 2016 there will be 17 Regulatory change programmes. While regulation is necessary, it creates both a resource and a cost challenge which must be factored into the Society's financial forecasts. The Society employs high calibre staff and in 2015 recruited Lesley Wegg, who previously worked for Lloyds TSB as Head of Operations. There will be further recruitment in 2016 to ensure the Society continues to be well placed to meet the challenges ahead.

The macro environment continues to be challenging, with terrorist threats, falling commodity prices, deflation and relatively low interest rates. All of these ultimately impact the financial markets, the cost of funds and therefore the interest rates that the Society is able to offer its members.

In 2016 the Society celebrates its 150th anniversary. To mark the occasion the Society has a number of initiatives planned.

Action Duchenne has been chosen as the Society's charity partner. Duchenne is a form of muscular dystrophy, affecting around 1 in 3,600 boys, which results in muscle degeneration and premature death.

Duchenne muscular dystrophy is a poignant choice as the son of Lesley Wegg, our colleague, is a sufferer. The hope is that a means of slowing the condition can be found before he and others become permanently wheelchair bound in their early teens.

The Society will also be hosting a dinner for 150 people at Beverley Race Course on 23rd June. Any members interested in attending should enter the draw by completing the box incorporated in the voting section of the AGM mailing. Invitees will be drawn by the Electoral Reform Services.

There will also be a series of other local events that the Society will support. These include the Beverley Folk Festival, Driffield Agricultural Show, Beverley Food Festival, Cycle Races and a 150 balloon release. Details of these and other events will be announced in the branch, local press and social media (please follow the Society on twitter @BeverleyBS).

I would like to thank all members for their support and I look forward to meeting as many of you as possible, at one of our anniversary events, where you can also collect one of the Society's special edition 150th anniversary money boxes.

…straightforward value for money products

Board of Directors

for the year ended 31 December 2015

From left to right standing:

Richard Pattinson

Non-Executive Director, Senior Independent Director

Joined the Board in September 2011. Chairman of the Assets and Liabilities and Risk Committees. Member of the Audit and Compliance Committee. Richard has almost 40 years' banking experience covering treasury and risk management.

Peter Myers

Chief Executive

Joined the Board in September 2011. Member of the Assets and Liabilities, Lending, Nominations and Risk Committees. Chartered Banker with 30 years' experience in financial services as an Executive and Non-Executive Director.

Sue Symington

Non-Executive Director

Joined the Board in 2013. Chairman of the Remuneration Committee. Member of the Lending and Nominations Committees. Chartered Director, awarded the Institute of Directors prestigious New Chartered Director of the Year award 2014. Provides experience in Human Resources and Personnel Development.

Mike Heenan

Non-Executive Director

Joined the Board in 2012. Chairman of the Lending Committee and member of the Audit and Compliance and Risk Committees. Qualified Chartered Accountant with extensive knowledge of the building society sector.

From left to right seated:

Mark Marsden

Risk Director

Appointed to the Board in November 2014. Member of the Assets and Liabilities, Risk and Lending Committees. Experienced risk and compliance professional with 14 years retail lending and deposit taking experience.

Brian Young

Non-Executive Director, Chairman

Joined the Board at the end of 2009, and became Chairman in 2015. Chairman of the Nominations Committee and member of the Remuneration Committee. Qualified Cost and Management Accountant.

Richard Miles

Non-Executive Director

Joined the Board in 2006. Chairman of the Audit and Compliance Committee and member of the Remuneration, Assets and Liabilities and Risk Committees. Qualified Chartered Accountant.

Janet Bedford

Finance Director

Appointed to the Board in August 2014. Member of the Assets and Liabilities and Risk Committees. Qualified Chartered Accountant with extensive experience of the financial services sector.

Directors' Report

for the year ended 31 December 2015

The Directors have pleasure in presenting their Annual Report and Audited Accounts and Annual Business Statement for the year ended 31 December 2015.

Chairman Brian Young and Chief Executive Peter Myers at 2015 AGM

Business objectives and activities

The Society's business objectives and principal activities are to provide a secure home for personal savings and to encourage owner-occupation by the provision of mortgage finance. The Society intends to remain an independent local society with a healthy capital position, offering a high standard of personalised service to members together with competitive rates of interest.

Business Review

Key performance indicators for the Society are set out on pages 2 and 3.

Capital

At 31 December 2015 gross capital has increased to £12.6m (2014: £12.4m) or 7.44% (2014: 7.11%) of shares and borrowings. Free capital has increased to £11.7m (2014: £11.5m) or 6.90% (2014: 6.61%) of shares and borrowings. Both gross and free capital include £2.75m (2014: £2.75m) of subordinated liabilities and £0.48m (2014: £0.49m) of revaluation reserve. The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

Results for the year

The profit for the year on ordinary activities before tax was £223k (2014: £774k). The net profit for the year after taxation was £176k (2014: £614k) and has been added to the general reserve which now totals £9,360k (2014: £9,181k). The results for both years have been impacted by the change of accounting policy, as described in note 27.

Loans and advances to customers

During the year the Society gross mortgages advanced were £19.2m (2014: £25.7m).

At 31 December 2015 there was 1 case (2014: no cases) where repayments were more than 12 months in arrears. At 31 December 2015 there were 9 cases in possession (2014: 9 cases). The Society will continue to take all necessary steps to help borrowers in genuine difficulties whilst at the same time trying to minimise losses and ensure that the lending policy has appropriate regard to economic conditions and the customer's ability to repay.

Shares, deposits and amounts owed to credit institutions

Share net receipts in the year were £4.0m (2014: £7.6m) and share balances at 31 December 2015 totalled £149.3m (2014: £145.3m).

Net withdrawals of deposits and other borrowings in the year were £5.5m (2014: £5.4m) and balances at 31 December 2015 totalled £20.1m (2014: £25.6m). Net withdrawals of amounts owed to credit institutions ("wholesale funding") in the year were £3.8m (2014: net receipts £3.8m) and balances at 31 December 2015 totalled £nil (2014: £3.8m).

Liquid assets

Liquid assets in the form of cash and securities at 31 December 2015 were £34.9m (2014: £35.9m) representing 20.59% (2014: 20.57%) of shares and borrowings.

Total assets

The total assets of the Society at 31 December 2015 were £182.5m (2014: £187.5m) a decrease of £5.0m (2014: increase of £6.3m) or 2.7% (2014: increase of 3.5%).

Financial risk management objectives and policies

The Society operates in an environment that contains financial risks. To mitigate these risks the Board has implemented a clearly defined risk management framework. The key policies that the Society has implemented to manage the risks that

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Richard Pattinson Non-Executive Director, **Mark Marsden** Risk Director, **Graham Carter** Head of Lending and **Peter Myers** Chief Executive at Driffield Show

it faces include a lending policy, liquidity policy and financial risk management policy. These are reviewed and approved by the Board on an annual basis. More details can be found in the Financial Risk Management Report on page 12. The Society's exposure to interest rate risk is detailed in note 25 of the accounts.

Principal risks and uncertainties

As a result of its normal business activities, the Society is exposed to a variety of risks, the most significant of which are conduct and operational risk, credit risk, market risk and liquidity risk. The Society has established a number of committees and policies to manage these risks. The role of these committees is described in the Corporate Governance Report on page 17. Policies are subject to continual re-evaluation. The financial risk management objectives and policies of the Society are also shown in the Financial Risk Management Report on page 12. The Society aims to manage appropriately the risks that arise from its activities and the Board maintains risk appetite statements which are embedded in specific risk management policy statements, and promotes a culture and philosophy that reflects an awareness and management of actual and potential risk exposures.

Going concern

The Directors have satisfied themselves that the Society has adequate resources to continue in business for the foreseeable future; by review of its capital and liquidity forecast and the Business Plan. The Society, in common with most financial institutions, undertakes stress testing on its capital and liquidity forecasts. Results indicate the Society has sufficient capital and liquidity to be able to continue, even under the stressed scenarios.

The Society's objectives, policies and processes for managing risk are set out in the Financial Risk Management Report on page 12.

Creditor payment policy

The Society's continuing policy concerning the payment of its trade creditors is to pay invoices within the agreed terms of credit once the supplier has discharged its contractual obligations. During 2015, amounts due to relevant creditors of the Society were paid on average within 20 days (2014: 18 days) of receipt of invoice.

Charitable donations

During the year the Society continued to support local charitable and community organisations in cash and kind. No contributions were made for political purposes.

Staff

Policies for human resources are reviewed regularly to ensure the Society attracts and retains high calibre staff at all levels. Training and staff development remain priorities to maintain the effective and efficient delivery of the Society's services.

It is Society policy to give all applications for employment from disabled people full consideration in relation to the vacancy concerned and to their particular aptitude and abilities. Furthermore, in the event of existing members of staff becoming disabled, every effort would be made to retain them in suitable work if they are unable to continue in their present role.

Health and safety

The Directors have overall responsibility for ensuring all reasonable precautions are taken to provide and maintain working conditions and practices that comply with health and safety requirements and codes of practice, as they relate to the Society.

Directors

R M Miles, in accordance with Rule 24(1) has declared his intention to retire at the Society's Annual General Meeting.

In accordance with Rule 26(1) B Young retires by rotation and being eligible offers himself for re-election. He continues to satisfy the criteria for an independent director outlined in the UK Corporate Governance Code. None of the Directors have any beneficial interest in the shares of any connected undertaking of the Society.

Terms of Reference

The terms of reference for the following are available on the Society's website:

- Board
- Nomination Committee
- Audit Committee
- Renumeration Committee

Independent auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant information of which the Society's Auditors are unaware, and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Society's Auditors are aware of that information.

A resolution to re-appoint KPMG LLP as Auditors to the Society will be proposed at the Annual General Meeting.

On behalf of the Board of Directors.

B Young
Chairman
2 February 2015

…trusted and respected by members and non-members

Financial Risk Management Report

for the year ended 31 December 2015

Financial risk management objectives and policies

The Society is a retailer of financial instruments in the form of mortgage and savings products and it uses wholesale financial instruments to invest liquid asset balances and manage the risks arising from its operations.

The Society has a risk averse culture and maintains a policy of low exposure to risk so as to maintain public confidence and to allow the achievement of its corporate objectives.

The Society has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Society's Board of Directors, who are charged with the responsibility of managing and controlling the balance sheet exposure and the use of financial instruments for risk management purposes.

Details of the Society's Basel II disclosures for Pillar 3 are available on the website or from the Society on request.

Statement of exposure to conduct and operational, credit, liquidity and interest rate risk

Conduct and operational risk

Conduct risk is the risk to the delivery of fair customer outcomes. Conduct risk can arise through product design, promotion, sale, fulfilment and communications.

Operational risk is the risk of loss due to inadequate or failed internal processes, the actions of people, fraud and financial crime, non-compliance with applicable laws and regulations, or external physical events.
The effectiveness of systems and controls for the management of conduct and operational risk is monitored by the Risk Committee This Committee reviews risk management information including:

- Key Risk Indicators (KRIs): Reflecting the overall Risk Appetite, ICAAP assumptions and policy limits/ requirements, KRIs are reviewed to provide an indication of the operating effectiveness of the systems and controls for the management of conduct and operational risk. Operational performance outside normal limits is reviewed in detail to establish any material issues and confirm the adequacy of management responses to address both direct and root causes.
- Operational risk incidents (including operational loss data) are reviewed to identify remedial actions and control enhancements required. 'Near misses' are also considered.
- Complaints data is considered to ensure there is no evidence of adverse customer outcomes or deficiencies in the Society's responsiveness to complaints. In addition to reviewing internal complaints data the society reviews experience elsewhere (for example as reported by the Financial Ombudsman Service) with a view to proactive risk reduction.
- Compliance monitoring results are monitored to ensure that remedial actions are undertaken on a timely basis.
- Regulator communications are reviewed for evidence of any concerns in relation to risk governance or conduct risk
- Training Completion Rates are monitored to ensure staff are engaged in maintaining competence.
- The Risk Register is reviewed at least every six months to ensure it remains up to date and is appropriately reflected in the operational risk capital requirement assessed in the ICAAP.

The Society seeks to mitigate operational risk by implementing a strong control environment, supported by a culture that encourages staff to engage openly and positively with the Society's Board, senior management and auditors. Operational losses in the last ten years have been low.

Supporting Beverley Community Lift

Marketing Manager Ed Davies & Head of Lending Graham Carter collecting Best Local Building Society 2016 Award

Credit risk

Credit risk is the risk of unexpected loss if a customer or counterparty fails to perform its obligations. As a prime residential mortgage lender, mortgage default is the largest single risk run by the Society. This risk is monitored by the Lending Sub-Committee. In addition, credit risk in relation to liquid assets is monitored by the Assets and Liabilities Committee.

Credit Risk – Mortgages

Credit risk for mortgages, arising from exposures to institutions, retail and commercial customers is assessed via a number of stress tests defined in the Risk Appetite Statement.

All new lending is assessed against the Lending Policy by experienced staff. A full affordability assessment including an appropriate affordability stress test (currently SVR + 2% across all its discounted variable rate products) is completed in all cases, and the separate approvals to Offer and Complete on mortgages enforce 'four eyes' checking, segregation of duties and adherence to Board approved mandates.

The Society lends only on property in England and Wales. All new lending is prime residential to owner occupiers, although the Society does retain some exposure to legacy commercial and buy to let lending.

In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty, for example, agreeing a temporary transfer to interest only payment in order to reduce the borrower's financial pressures. These are performed In accordance with an internal policy statement, which reflects Treating Customers Fairly (TCF) principles and regulatory requirements including the Finalised Guidance on Forbearance and Impairment Provisions issued by the FSA in October 2011. We aim to put our customers first in all instances and as such aim to support the customers whenever we can. In each case an individual assessment is made to establish affordable and sustainable forbearance options, and to ensure that forbearance is in the best interests of both the borrower and the Society. It is expected that the borrower will resume normal payments once they are able. During the year to 31 December 2015 credit losses were £114k. At that date there were 4 accounts where forbearance measures were currently exercised; the balance of these accounts amounted to £1.54m, or 1.04% of mortgage balances. There is nil provision held against forebearance accounts, due to the low LTVs on these properties.

Given the absence of a significant credit loss history the Society models a severe credit risk stress event significantly more severe than that which occurred in 2009.

Credit Risk – Liquidity Counterparties

The Society's Liquidity Policy includes strict criteria for counterparties to ensure that its liquidity investments are both diversified and of a high quality. There are Policy criteria in relation to eligible counterparties, eligible investments, single counterparty exposures and maturity structure. A large proportion of the Society's liquid asset exposure is primarily to the Bank of England. The remaining treasury investment portfolio is primarily held in the form of Certificates of Deposit (CDs), maturing in up to one year and placed with institutions with a Fitch long term credit rating above A- at the time of placement. In all cases, regardless of credit rating, the Society's Finance Director undertakes an appropriate due diligence assessment prior to recommending any new counterparty to the Board.

Liquidity risk

Liquidity risk is the risk that the Society is unable to meet its financial obligations as they fall due. Its main liabilities are its retail savings products. The Society's policy is to maintain sufficient liquid funds at all times to ensure that liabilities can be met as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities, thereby maintaining public confidence in the solvency of the Society. The majority of the Society's liquid funds are either deposited with the Bank of England or invested in tradable instruments which can readily be converted to cash should the need arise.

Liquidity risk is managed principally by holding an appropriate level of high quality, easily realisable liquid assets (primarily in a Bank of England Reserve Account). The Board has established an appropriate Liquidity Risk Appetite and Policy Statement, supported by a Contingency Funding Plan.

Liquidity levels and a number of associated lead indicators (for example levels of outflows) are monitored by the Executive team on a daily basis.

At 31 December 2015 the Society held £34.9M of liquid assets, representing 20.6% of shares and borrowings.

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The Society's risk appetite, policies, systems and controls for managing liquidity risk are reviewed by the Assets and Liabilities Committee at least annually and approved by the Board. This review process includes approval of the Society's Liquidity Policy and the Individual Liquidity Systems Assessment ('ILSA'). Regular stress testing is an important part of the liquidity risk management framework. The stress scenarios selected are reviewed regularly. A Contingency Funding Plan is in place to ensure that the Society recognises early any indicators that might suggest a developing liquidity crisis, and prompt specific early actions should this be the case.

The adequacy of these arrangements has been independently evaluated through Individual Liquidity Systems Assessment.

The Society operates segregated treasury front and back offices. The front and back offices are responsible for adherence on a day-to-day basis to the liquidity limits and the Society's liquidity position is calculated and monitored by the finance department on a daily basis. The treasury front office checks that any new transactions will not result in a breach of a Liquidity Policy limit before agreeing a trade. The treasury back office confirms these before settling the trade.

Interest rate risk

Interest rate risk in the banking book (IRRBB) is the risk of losses arising from a change in interest rates. The areas of interest rate risk to which the Society has some exposure are:

- Re-pricing Risk - the mismatch of re-pricing of assets and liabilities and off balance sheet short and long-term positions.
- Basis Risk - the risk of loss arising from assets and liabilities repricing on different interest rate bases. This may arise from holding assets and liabilities that reprice from different floating rate indices.

Re-pricing Risk

Re-pricing Risk for the Society is mainly driven by its fixed rate treasury investments. The Society has no fixed rate lending and limited fixed rate saving products.

The Society has reduced interest rate risk in the last few years by restricting these treasury investments to maturity of one year or less. The Assets and Liabilities Committee monitors both the actual and forecast risk monthly against its stated risk appetite.

Basis Risk

The Society's statement of financial position is priced based on a limited number of interest rate basis.

- Base rate linked assets (tracker mortgages and Bank of England Reserve).
- Fixed interest investments, only partially offset by fixed rate wholesale funding liabilities and term deposits.
- Administered rate savings and mortgages.

Basis risk is generally reducing for the Society, given current lending is only on administered rates.

The Assets and Liabilities Committee monitors basis risk against the Board's agreed risk appetite, on a monthly basis based on both actual and forecast data.

The interest rate sensitivity of the Society as at 31 December 2015 is detailed in note 25 to the accounts.

Directors' Remuneration Report

for the year ended 31 December 2015

Sue Symington
Chair of the Remuneration Committee

This report explains how the Society has regard to the principles in the UK Corporate Governance Code 2014 relating to remuneration.

The Society has adopted a Remuneration Policy, which describes how the Society complies with the relevant sections of the Financial Conduct Authority's (FCA) Remuneration Code. The Remuneration of individual Directors is detailed on page 16.

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.

Board Comment:
The Board's policy is to set remuneration levels which will attract and retain high calibre Executive and Non-Executive Directors.

Non-Executive Directors' remuneration

The remuneration of all Non-Executive Directors is reviewed on an annual basis by the Remuneration Committee, using external data for other comparable building societies and comparing any increase to those applied to the Executive Directors. There are no bonus schemes for Non-Executive Directors and they do not qualify for pension entitlement or other benefits. Non-Executive Directors do not have service contracts.

Executive Directors' remuneration

The main components of the Executive Directors' remuneration are:

Basic salary
This takes into account the job content and responsibilities, individual performance (assessed annually) and salary levels for similar positions in comparable organisations.

Pensions
This involves the Society contributing to the personal pension arrangements of its Executive Directors. The Society does not have a Defined Benefit or Final Salary pension scheme.

Other benefits
These include private medical insurance, permanent health insurance, a concessionary mortgage rate, participation in a Group income protection scheme, and, where applicable, a company car.

Bonus scheme
The Society does not operate any bonus schemes for its Executive Directors.

Contractual Terms
Executive Directors have contractual notice periods of six months and so any termination payment would not exceed six months' salary and accrued benefits. The performance of the Executive Directors is reviewed on an annual basis by the Remuneration Committee.

» 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.

Board Comment:
The Remuneration Committee consists of three Non-Executive Directors.

The Remuneration Committee is responsible for the remuneration policy for all Directors and senior management of the Society. It meets at least once a year and reviews supporting evidence from within the building society industry on comparative packages. The Committee takes into account relevant factors from the UK Corporate Governance Code and the Society complies with the relevant and applicable aspects of the FCA Remuneration Code.

S A Symington
Chairman of the Remuneration Committee
2 February 2016

Accountant Elliott Presenting Charity of the Month Donation to Teenage Cancer Trust

Directors' remuneration (audited)

Directors' emoluments

	2015	2014
	£000	£000
For services as a Director	**87**	90
For executive services	**319**	255
Totals	**406**	345

Emoluments of the Society's Directors are listed below

	Fees	Fees
For services as a Director	£000	£000
S L Young (Chairman, Retired 27 April 2015)	**7**	22
B Young (Chairman and Chairman of the Nominations Committee)	**20**	14
R M Miles (Chairman of the Audit and Compliance Committee)	**15**	14
R A Pattinson (Senior Independent Director and Chairman of the Assets and Liabilities and Risk Committees)	**16**	14
M R Heenan (Chairman of the Lending Committee)	**16**	14
S A Syminton (Chair of the Remuneration Committee)	**13**	11
Totals	**87**	90

	Salary	Benefits	Pension	Total
	£000	£000	£000	£000
For executive services				
2015				
P E Myers Note 1	**137**	8	-	145
J E Bedford	**82**	1	8	91
M Marsden	**75**	1	7	83
Totals	**294**	10	15	319
2014				
P E Myers Note 1	**128**	8	3	139
M A Wilmot (Resigned 31 July 2014) Note 2	**36**	4	3	43
J E Bedford (Appointed 6 May 2014)	**53**	1	5	59
M Marsden (Appointed 3 November 2014)	**12**	-	2	14
Totals	**229**	13	13	255

Note 1: Included in the salary of P E Myers is £11k which represents cash payments in lieu of pension (2014: £8k).

Note 2: M A Wilmot resigned as a Director on the 31 July 2014. In addition to the amounts shown above, he received a £30k payment and a £10k benefit (representing the market value of his company car), relating to compensation for loss of office.

Corporate Governance Report

for the year ended 31 December 2015

Mark Marsden
Risk Director

The Financial Reporting Council updated the UK Corporate Governance Code in September 2014. Although the Code does not directly apply to mutual organisations, the Society has regard to its principles as they apply to a building society.

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:
Annually the Society's strategic aims are discussed and approved by the Board. It then meets approximately monthly and will challenge and monitor management performance in delivering the strategy in line with the long term objectives of the Society.

There are usually eleven meetings a year together with two days focused on strategy. The Non-Executive Directors meet without the Executive Directors present at least twice a year.

Richard Pattinson is appointed as the Senior Independent Director, providing an alternative channel of communication for Directors, staff and members and chairing the meeting where the Chairman's performance is appraised.

There are six committees to which the Board delegates the following responsibilities:

Audit and Compliance Committee

The Committee, chaired by Richard Miles, considers regulatory compliance matters, the adequacy of internal controls, reviews reports from both the Society's internal and external auditors and reviews any changes in accounting policy and practice. Meetings are held at least four times a year and other members of the Committee are Richard Pattinson and Mike Heenan. Three members of the Committee have recent relevant financial experience.

Remuneration Committee

The Remuneration Committee, chaired by Sue Symington, meets at least once a year and independently reviews the remuneration, benefits and contracts of Non-Executive Directors and Executive Directors. The other members of the Committee are Brian Young and Richard Miles. Further details can be found in the Directors' Remuneration Report on page 16.

Lending Committee

The Lending Committee, chaired by Mike Heenan, meets on a monthly basis to review mortgage applications where applicable and to ensure all regulatory reporting requirements as regards lending are met. It is also responsible for the ongoing monitoring of the Society's mortgage book and reviews the Society's Lending Policy Statement, Arrears Management Policies and Mortgage Loss Provisioning Policy. The other members of the Committee are Sue Symington, Peter Myers (Chief Executive), Mark Marsden (Risk Director) and Graham Carter (Head of Lending).

Assets and Liabilities Committee

The Assets and Liabilities Committee, chaired by Richard Pattinson, meets on a monthly basis to manage the Society's balance sheet in terms of liquidity and net interest margin. It is also responsible for reviewing the Society's policies and counterparty list and ensuring regulatory limits are adhered to. Other members of the committee are Richard Miles, Peter Myers (Chief Executive), Janet Bedford (Finance Director), Mark Marsden (Risk Director) and Graham Carter (Head of Lending).

Risk Committee

The Risk Committee, chaired by Richard Pattinson, meets quarterly. The Committee is responsible for the oversight and challenge of the Society's risk management framework to identify, manage and mitigate key risks faced by the Society. Other members of the Committee are Richard Miles, Mike Heenan, Janet Bedford (Finance Director), Peter Myers (Chief Executive), Mark Marsden (Risk Director) and Graham Carter (Head of Lending).

Nominations Committee

The Nominations Committee, chaired by Brian Young, meets at least once a year to review the structure, size and composition of the Board. The Committee also gives consideration to succession planning, taking into account the challenges and opportunities facing the Society and therefore the skills and expertise needed. Other members of the Committee are Peter Myers (Chief Executive) and Sue Symington.

» Board and Committee membership attendance record

The table below shows the number of meetings of the Board and its Committees at which each Director was present and in brackets the number of meetings that director was eligible and able as a member of the Board and Committee to attend during the year.

	Board	Audit and Compliance	Risk	Lending	Assets and Liabilities	Remuneration	Nominations
Non-Executive Directors							
B Young	11 (11)	1 (1)	1 (1)	4 (7)	4 (4)	1 (1)	2 (2)
S L Young (Resigned 31 July 2014)	4 (4)			3 (3)			1 (1)
R M Miles	11 (11)	4 (4)	4 (4)		10 (10)	1 (1)	
R A Pattinson	10 (11)	4 (4)	3 (4)		9 (10)		
M R Heenan	10 (11)	4 (4)	4 (4)	9 (10)			
S A Symington	11 (11)			10 (10)		1 (1)	3 (3)
Executive Directors							
P E Myers	11 (11)		4 (4)	10 (10)	8 (10)		3 (3)
J E Bedford	11 (11)		4 (4)		10 (10)		
M Marsden	11 (11)		4 (4)	10 (10)	10 (10)		

Division of Responsibilities

Code Principle:
A.2. There should be a clear division of responsibilities at the head of the Society between the running of the Board and the executive responsibility for the running of the Society's business. No one individual should have unfettered powers of decision.

Board Comment:
The offices of Chairman and Chief Executive are distinct and held by different people. The Chief Executive is responsible for managing the business within the parameters set by the Board. 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. Prior to the appointment of Brian Young as Chairman, an appropriate assessment to confirm his independence was carried out, as part of a process in line with the requirements of the UK Corporate Governance Code, to ensure that he had appropriate experience and business knowledge relevant to the Board together with his commitment to enhance the benefits of mutuality for members.

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 Non-Executive role at the Society requires understanding of the risk in the business, commercial leadership within a framework of prudent and effective risk management controls, independently monitoring performance and resources, and developing, scrutinising and constructively challenging strategic proposals, whilst supporting the Executive management.

The Society has appointed a Senior Independent Director who provides support for the Chairman and an alternative route for communication from members and staff. His main responsibilities are to carry out the appraisal of the Chairman and to chair meetings when the Chairman is unavailable.

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 company to enable them to discharge their respective duties and responsibilities effectively.

Board Comment:
The Board currently consists of three Executive Directors and five Non-Executive Directors who provide the appropriate mix of skills and professional expertise required. The Board considers that all its Non-Executive Directors are free of any relationship which could prejudice their use of independent judgement.

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:
The Society values diversity but always makes Non-Executive Director appointments on merit, based on the specific skills and experience required to complement existing skills under the succession plan. All Directors must meet the regulatory fitness and propriety standards. The Nominations Committee leads the process and recommends a candidate. The Board decides whether to appoint the candidate. Each Director must obtain appropriate regulatory approvals prior to fulfilling their control function as a Director.

Commitment

Code Principle:
B.3. All Directors should be able to allocate sufficient time to the Society to discharge their responsibilities effectively.

Board Comment:
Directors are informed of the time commitment in the letter of appointment. The Nominations Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment. The formal appraisal process carried out by the Chairman each year also assesses whether Directors have demonstrated this ability during the year. The attendance record during the year of Board and Committee members is set out above.

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 Non-Executive Directors. This includes the nature of building societies, Directors' responsibilities and duties, the management information they will be provided with and how to interpret this, information on the Society, an overview of the regulatory requirements and details of significant current issues for the Society and the industry. The Chairman ensures that Non-Executive Directors continually update their skills and knowledge to fulfil their role on the Board and any Committees. Training and development needs are identified as part of the annual appraisal of the Board and individual Director's performance and effectiveness. These needs are usually met by attendance at industry seminars and conferences.

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 information sufficient to enable it to discharge its responsibilities. The Society continually improves management information to assist the Committees in discharging their terms of reference. The Board has 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:
The Chairman carries out individual appraisals and completes a skills matrix for each Non-Executive Director and the Board as a whole. The skills matrix for the Board is reviewed by the Nominations Committee. The Board will annually carry out a review of the effectiveness of each committee of the Board. As part of that review recommendations may emerge as to changes in the scope and work of the committees and refreshing the membership of them.

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 all Directors to submit themselves for election by the members at the first opportunity after their appointment and for re-election every three years. All new Non-Executive Directors appointed to the Board will not serve for more than nine years.

Financial and Business Reporting

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

Board Comment:
The Board confirms that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for Members and others 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 and the statement that the Society's business is a going concern are contained in the Statement of Directors' Responsibilities on page 20.

Risk Management and Internal Control

Code Principle:
C.2. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.

Board Comment:
The Board is collectively responsible for determining the risk appetite and strategies for risk management and control as described in the Society's Risk Appetite Policy. Senior management is responsible for designing, operating and monitoring risk management systems and controls. Each Board Committee has oversight responsibility for the risks and controls within its remit. The Risk Committee assesses the adequacy of the risk related output of this process. The Society's internal auditors, RSM LLP, provide independent assurance that the systems are appropriate and controls effectively applied. The Board has conducted an appropriately robust assessment of the principal risks facing the Society, including those that would threaten its business model, future performance or liquidity. A summary of those principal risks and how they are mitigated is contained in the Directors' Report. The Board concludes that the Society has a strong compliance culture and that the systems are effective and appropriate to the scale and complexity of the business.

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, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Board Comment:
The Society has an Audit and Compliance Committee comprising three Non-Executive Directors. These Directors have relevant experience and expertise. The Society's external and internal auditors and the Executive Directors and other Senior Management attend by invitation. The responsibilities of the Committee are set out on page 17. The Committee meets four times a year and on occasion the members of the Committee meet with the external and internal auditors without the Executive Directors present.

Remuneration

The Directors' Remuneration Report on page 15 explains how the Society has regard to 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.

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 social media and events attended by Executive and Non-Executive Directors. The purpose of this dialogue is to understand our members and better serve their needs.

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 Annual General Meeting to all members who are entitled to vote. Members are encouraged to vote by completing a proxy form and returning it to the Society by an agreed deadline or by attending the AGM itself, which is held in the early evening to encourage attendance. The Society encourages members to vote by linking the number of votes cast to a donation to charity. All Board members are present at the AGM unless there are exceptional circumstances that prevent attendance. Board members are encouraged to meet with members both before and after the meeting and to answer questions on a formal and informal basis.

B Young
Chairman
2 February 2016

Statement of Directors' Responsibilities

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

for the year ended 31 December 2015

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

The Building Societies Act 1986 ("the Act") requires the Directors to prepare society annual accounts for each financial year. Under that law they have been elected to prepare the society annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- Prepare the annual accounts on a 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 control

The Directors are responsible for ensuring that the Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the society, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulatory 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

B Young
Chairman
2 February 2016




Ed, Rebecca, Sophie and Jessica | *Our newest recruits*

Independent Auditor's Report

to the members of Beverley Building Society

We have audited the society annual accounts of Beverley Building Society for the year ended 31 December 2015 set out on pages 22 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Annette, Andrea, Hannah, Laura & Sophie at Driffield Show

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the Directors are responsible for the preparation of annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the annual accounts

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

Opinion on annual accounts

In our opinion the annual accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice including FRS102 The Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Society as at 31 December 2015 and of the income and expenditure of the Society for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

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

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Society; or
- the annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

Richard Gabbertas
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds LS1 4DA
2 February 2016

Income Statement

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Interest receivable and similar income	2	**4,304**	4,548
Interest payable and similar charges	3	**(2,019)**	(2,145)
Net interest income		**2,285**	2,403
Fees and commissions receivable		**5**	6
Fees and commissions payable		**(71)**	(80)
Other operating income		**146**	158
Net operating income		**2,365**	2,487
Administrative expenses	4	**(1,456)**	(1,471)
Depreciation and amortisation	13,14	**(93)**	(86)
Operating charges		**(42)**	(45)
		774	885
Impairment provision for losses and advances	11	**(466)**	17
Provisions for liabilities			
FSCS Levy	21	**(85)**	(128)
Profit on ordinary activities before tax		**223**	774
Tax on profit on ordinary activities	7	**(47)**	(160)
Profit for the financial year	24	**176**	614

Statement of Other Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 £000	2014 £000
Profit for the financial year		**176**	614
Other comprehensive income			
Revaluation of freehold land and buildings	24	**3**	4
Total comprehensive income for the period		**179**	618

The notes on pages 25 to 41 form part of these accounts.

Profit for the financial year arises from continuing operations.

Both the profit for the financial year and total comprehensive income for the period are attributable to the members of the Society.

Operating Profit is represented by Profit Before Tax in the Income Statement.

Note of historic profits and losses

If the accounts had been prepared on an historic cost basis depreciation for the year would have been reduced by £3,464 and profit before tax increased by £3,464.

Supporting Youth Employment with Sam from Beverley Grammar School

Statement of Financial Position

for the year ended 31 December 2015

Assets	Notes		2015		2014
		£000	£000	£000	£000
Liquid assets					
Cash in hand and balances with the Bank of England		**18,710**		15,123	
Loans and advances to credit institutions	8	**14,096**		18,656	
Debt securities	9	**2,068**		2,134	
			34,874		35,913
Loans and advances to customers					
Loans fully secured on residential property	10	**137,551**		140,694	
Other loans	10	**8,568**		9,443	
			146,119		150,137
Investments	12	**106**		106	
Tangible fixed assets	13	**1,074**		1,053	
Intangible assets	14	**56**		61	
Prepayments and accrued income	15	**297**		216	
Total assets			**182,526**		187,486

Liabilities	Notes		2015		2014
		£000	£000	£000	£000
Shares	16	**149,253**		145,273	
Amounts owed to credit institutions	17	**-**		3,753	
Amounts owed to other customers	18	**20,105**		25,568	
			169,358		174,594
Other liabilities	19	**199**		227	
Accruals and deferred income	20	**307**		139	
Provisions for liabilities	21	**70**		110	
Subordinated liabilities	23	**2,750**		2,750	
Total liabilities			**172,684**		177,820
Revaluation reserve	24	**482**		485	
Reserves					
General reserve	24	**9,360**		9,181	
Total liabilities and reserves			**182,526**		187,486

The notes on pages 25 to 41 form part of these accounts.

Approved by the Board of Directors on 2 February 2016 and signed on its behalf by:

B Young Chairman

P E Myers Chief Executive

J E Bedford Finance Director

Statement of Cash Flows of the Society

for the year ended 31 December 2015

	2015	2014
	£000	£000
Net cash inflow from operating activities	**4,467**	4,262
Returns on investment and servicing of finance		
Interest paid on subordinated liabilities	**(85)**	(84)
Taxation	**(87)**	(62)
Capital expenditure and financial fixed assets		
Purchase of tangible fixed assets	**(109)**	(34)
Proceeds from disposal of tangible fixed assets	**11**	-
Increase in cash	**4,197**	4,082

Notes to cash flow statement

Reconciliation of operating profit to net cash flow from operating activities

	2015	2014
Operating profit	**223**	774
Increase in prepayments and accrued income	**88**	67
Increase in provision for bad and doubtful debts	**352**	2
Depreciation and amortisation	**159**	151
Interest payable on subordinated liabilities	**85**	84
Profit on disposal of tangible fixed assets	**(10)**	-
Profit on disposal of loans and advances to credit institutions	**-**	(2)
Net cash inflow from trading activities	**897**	1,076
Loans and advances made to customers	**(19,236)**	(25,670)
Loans and advances repaid by customers	**22,894**	15,107
Net increase in shares	**3,980**	7,555
Net (decrease) in amounts owed to credit institutions and other customers	**(9,216)**	(1,681)
Net decrease in loans and advances to credit institutions	**4,999**	8,020
Net increase /(decrease) in other liabilities	**167**	(156)
(Decrease)/increase in provisions for liabilities	**(18)**	11
Net cash inflow from operating activities	**4,467**	4,262

Reconciliation of cash balances

	2014	Cashflow	2015
	£000	£000	£000
Cash in hand and balances with the Bank of England	15,123	3,587	**18,710**
Loans and advances to credit institutions – repayable on demand	1,436	610	**2,046**
Total	16,559	4,197	**20,756**

Notes to the Accounts

for the year ended 31 December 2015

1. Accounting Policies

1.1 Basis of accounting

Beverley Building Society (the "Society") has prepared these Society annual accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015. The accounts have been prepared under the historical cost convention, except for freehold buildings which are stated at valuation. The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.

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

The financial statements have been prepared on a going concern basis. This is discussed in the Directors' Report on page 11, under the heading "Going concern".

Group accounts have not been prepared on the basis that the subsidiary undertakings are dormant and not material for the purpose of giving a true and fair view of the Society as permitted by Regulation 4(3) of the Building Societies (Accounts and Related Provisions) Regulations 1998.

1.2 Change in accounting policy/prior year adjustment

There have been two significant changes in accounting policy for the Society in 2015, driven by changes to accounting regulation.

FRS 102 The Financial Reporting Standard

The Financial Reporting Council published FRS 102 The Financial Reporting Standard in March 2013 (revised in September 2015) which is a single standard to replace all the UK Financial Reporting Standards and UITF Abstracts in issue prior to the new UK financial reporting regime. The new standard is applicable for accounting periods beginning or after 1 January 2015 and is therefore applicable to the Society's 31 December 2015 accounts. The key changes in accounting policy introduced by the new standard, which impact the Society, are as follows:

Key changes under Regulation	Impact on Society
Classification of financial instruments. Financial instruments (which includes mortgage, savings and liquid asset products) are classified as either basic or non basic under FRS 102, depending on the specific contractual terms.	All key financial instruments held by the Society are "basic" and are consequently measured at amortised cost.
Effective interest rate ("EIR") Income and expense on financial instruments measured at amortised cost should be recognised on an effective interest rate (EIR) basis. EIR calculates the amortised cost of an instrument and allocates interest income or expense over the life of the relevant period.	Up front application fee income, broker procurement costs and fee free costs associated with certain re-mortgages have been amortised over the life of the mortgage. There has been no adjustment to interest income however, given the expected life of the Society's mortgage portfolio is typically the life of the product.
Impairment of assets The Society continues to calculate specific provisions when a loan is over 3 month in arrears. The key difference to historic UK GAAP is that the time value of money is taken into account (via discounting) when calculating the expected recoverable amount in the impairment calculation. Collective provisions have replaced the "general provision". Collective provisions are made against the performing book where an impairment event has not yet been identified. Collective provisions are based on discounted cashflows and are based on actual historic Society, rather than sector, loss experience where possible.	Specific provisions have increased due to the impact of discounting. The collective provisions have reduced, despite discounting, as actual historic loss experience suggest lower probability of default rates should be utilised.
Intangible assets Intangible assets should be separately disclosed.	The only intangible asset the Society holds is purchased software. This asset is now separately disclosed.
Accounts disclosure There is a new prescribed format for the financial statements and accounting disclosures.	The latest prescribed formats and disclosures are reflected, where required, in this document.

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» IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a government levy. A liability for a levy is recognised when an obligating event has taken place. There is no obligating event where a levy is recognised in a future period if an entity is prepared on a going concern basis.
IFRIC 21 impacts the Society's recognition of the FSCS levy, under the new guidance there is no longer provisioning required for the capital compensation levy due in the next year or interest costs due in the year ending April 2017.
The financial impacts of the change to FRS102 and IFRIC 21 both in current and prior years are included in detail in note 27.

1.3 Interest

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

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, including up front application fee income, broker procurement costs and fee free survey and legal re-mortgage costs.

1.4 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.3).

Other fees and commission income, low value or low occurance in nature such as deed fees, redemption fees and further advance fees, are recognised as the related services are performed.

1.5 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts.

1.6 Financial Instruments

Recognition

The Society initially recognises loans and advances, deposits and subordinated debt on the date on which they are originated. All other financial instruments (such as Certicates of Deposit and UK Treasury Gilts) are recognised on the trade date, which is the date on which the Society became party to the contractual provisions of the instruments.

Classification

All the Society's financial assets and liabilities are categorised as "basic" under FRS102 and are consequently measured at amortised cost.

Derecogniton

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction. A financial liability is derecognised when the contractual obligations are discharged, cancelled or expire.

Identification and measurement of impairment

Provisions are made to reduce the value of loans and advances to the amount which the Directors consider is likely to be recoverable.

Individual assessments are made of all loans and on properties which are in possession or more than three months in arrears at the year end date. Specific provision is made against those loans and advances that are considered to be impaired, based on expected discounted cashflows. In arriving at the specific provision, account is taken of discounts required against each individual property value at the balance sheet date, the amounts expected to be recovered under mortgage indemnity policies, estimated sale expenses and an appropriate discount rate.

Those loans not found to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the Society uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and considers adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

1.7 Investments

Investments held by the Society are not publicly traded and are therefore carried at cost and are assessed for signs of impairment on an annual basis.

1.8 Fixed assets

Fixed assets (except freehold buildings) are valued at historical cost less accumulated depreciation.

Freehold buildings are stated at valuation, a full revaluation is carried out at least every two years by an independent valuer. Revaluation surpluses are transferred to a revaluation reserve and transferred to the income statement in equal instalments over the life of the asset.

Revaluation losses are recognised in the revaluation reserve until the carrying amount falls to depreciated historical cost, with the balance being recognised directly in the income statement.

Tangible fixed assets are depreciated by reference to cost or valuation at rates estimated to write off the relevant assets by equal instalments over their estimated useful lives. The depreciation rates used are:

Freehold buildings	2% on valuation
Office furniture and computer equipment	10% to 30% on cost
Motor vehicles	25% on cost

Leases

Operating lease rental income is recognised in the income statement in the year in which they are incurred.

Pension costs

The Society contributes to a defined contribution group personal pension plan for its staff. The Society's contributions are charged against profits in the year in which they are incurred. The charge to the income statement for the year is shown in note 5 to the accounts.

Segmental reporting

A segmental analysis is not disclosed as the Society's business is wholly UK based and within one business sector.

2. Interest receivable and similar income

	2015 £000	2014 £000
On loans fully secured on residential property	**3,829**	3,964
On other loans	**221**	240
On debt securities	**80**	80
On other liquid assets	**239**	344
On loan to participating interest	**1**	1
Net income/(expenditure) on financial instruments		
(Loss)/profit on sale of liquid assets	**-**	2
Premium amortisation	**(66)**	(83)
Total	**4,304**	4,548

3. Interest payable and similar charges

	2015 £000	2014 £000
On shares held by individuals	**1,820**	1,898
On deposits and other borrowings	**114**	163
On subordinated liabilities	**85**	84
Total	**2,019**	2,145

4. Administrative expenses

	2015 £000	2014 £000
Staff costs (note 5)	**768**	724
Other administrative expenses	**688**	747
Total	**1,456**	1,471
Included in other administrative expenses are:		
Remuneration of auditors (Excluding VAT)		
Audit of these financial statements	**40**	26
Taxation compliance services	**6**	4
All other services	**-**	10

The remuneration of the auditors reflects amounts payable to KPMG LLP.

5. Staff numbers and costs

	2015 Number	2014 Number
The average number of persons employed by the Society (including the executive directors) during the year was as follows:		
Full time	**13**	12
Part time	**8**	8
Totals	**21**	20

	2015 £000	2014 £000
The aggregate cost of these persons was as follows:		
Wages and salaries	**655**	611
Social security costs	**74**	64
Other pension costs	**39**	49
Total	**768**	724

The Society operates a group personal pension scheme (a defined contribution scheme) of which 17 employees are members.

The assets of the Scheme are held separately from those of the Society in an independently administered fund. The pension cost charge noted above represents contributions payable by the Society to the fund.

6. Directors

Remuneration

Total remuneration of the Society's Directors for the year was £406,000 (2014: £345,000). Full details are given in the Directors' Remuneration Report on page 16.

The Society does not contribute to Non-Executive Directors' pensions.

Directors' loans and transactions

At 31 December 2015 there were nil (2014: 1) outstanding mortgage loans granted in the ordinary course of business to a Director and their connected persons, amounting in aggregate to £nil (2014: £60,182)

A register is maintained at the principal office of the Society under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the register for the financial year ended 31 December 2015 will be available for inspection at the principal office for a period of 15 days up to and including the date of the Annual General Meeting and at the meeting.

7. Tax on profit on ordinary activities

	2015 £000	2014 £000
The tax charge for the year comprises:		
Corporation tax at 20.25% (2014: 21.49%) on profit for the year on ordinary activities	**68**	87
Adjustment in respect of prior periods	**-**	(8)
Total current tax	**68**	79
Deferred taxation (note 22)		
Adjustment in respect of prior periods	**-**	7
Origination and reversal of timing differences	**(17)**	74
Effect of tax rate change on opening balance	**(4)**	-
Total corporation tax	**47**	160
Reconciliation of tax on profit on ordinary activities		
Profit on ordinary activities before tax	**223**	774
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	**45**	166
Depreciation in excess of capital allowances	**4**	5
Accelerated capital allowances and other timing differences		
Adjustment in respect of prior periods	**-**	(1)
Other short term timing differences	**(2)**	(6)
Marginal relief	**-**	(4)
Total	**47**	160

8. Loans and advances to credit institutions

	2015 £000	2014 £000
Loans and advances to credit institutions have maturities as follows:		
On demand	**2,046**	1,436
In not more than three months	**3,000**	4,000
In more than three months but not more than one year	**9,000**	13,001
	14,046	18,437
Accrued interest	**50**	219
Totals	**14,096**	18,656

9. Debt securities

	2015 £000	2014 £000
Debt securities issued by public bodies have maturities as follows:		
In more than one year	**2,043**	2,109
Accrued interest	**25**	25
Total	**2,068**	2,134
Analysis of debt securities		
Transferable securities		
Listed on a recognised investment exchange	**2,043**	2,109
Market value of listed securities	**2,075**	2,119
Transferable securities held as financial fixed assets:		
Maturity value	**2,000**	2,000
Unamortised premium	**43**	109
	2,043	2,109
Accrued interest	**25**	25
Total	**2,068**	2,134

The Directors of the Society consider that the primary purpose of holding securities is prudential.

Movements during the year of transferable securities held as financial fixed assets are analysed as follows:	£000
At 31 December 2014	**2,109**
Amortisation of premiums – Charge for the year	(66)
At 31 December 2015	**2,043**

10. Loans and advances to customers

	2015	2014
	£000	£000
Loans fully secured on residential property	**137,551**	140,694
Loans fully secured on land	**8,568**	9,443
Total	**146,119**	150,137

Maturity analysis

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

	2015	2014
Repayable on demand	**671**	365
In not more than three months	**870**	929
In more than three months but not more than one year	**7,566**	7,270
In more than one year but not more than five years	**26,205**	23,823
In more than five years	**112,409**	119,000
	147,721	151,387
Less: Provisions (note 11)	**(1,602)**	(1,250)
Total	**146,119**	150,137

This analysis assumes that each mortgage account will continue under its current terms and, in particular, that it will not be redeemed before the contractual maturity date. However, the Society's mortgage conditions give the Society the right to demand repayment of the mortgage debt in full after three months' written notice to the borrower when the borrower is in default.

11. Provisions for bad and doubtful debts

	Loans fully secured on residential property £000	Other loans fully secured on land £000	Total £000
At 31 December 2014			
Collective provision	111	122	**233**
Specific provision	937	80	**1,017**
Total	1,048	202	**1,250**
Income Statement 2015			
Collective provision	(11)	(6)	**(17)**
Specific provision	290	79	**369**
Total	279	73	**352**
At 31 December 2015			
Collective provision	100	116	**216**
Specific provision	1,227	159	**1,386**
Total	1,327	275	**1,602**

The charge shown in the income and expenditure account is made up as follows:	
Movement in loss provision (above)	**352**
Write-off	**114**
Total	**466**

12. Investments

	2015 £000	2014 £000
Cost and net book value		
Investments in subsidiary undertakings	**-**	-
Shares in participating interests	**7**	7
Loans to participating interests	**99**	99
Total	**106**	106

The Society holds directly the following interests in subsidiary and participating interests all of which are registered and incorporated in England.

	Principal activity	Class of shares held	Interest of Society
Beverley Financial Services Ltd	Dormant	Ordinary	100%
Beverley Property Services Ltd	Dormant	Ordinary	100%
Mutual Vision Technologies Ltd	Computer Software Developer	Ordinary	13.20%

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

13. Tangible fixed assets

	Freehold buildings £000	Office furniture and computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At 31 December 2014	1,036	223	27	**1,286**
Additions		41	27	**68**
Disposals			(27)	**(27)**
Revaluation				
At 31 December 2015	1,036	264	27	**1,327**
Depreciation				
At 31 December 2014	46	165	22	**233**
Charge for the year	21	19	7	**47**
On disposals			(27)	**(27)**
Revaluation				
At 31 December 2015	67	184	2	**253**
Net book amount				
At 31 December 2015	969	80	25	**1,074**
At 31 December 2014	990	58	5	**1,053**

			2015	2014
	£000	£000	£000	£000
Particulars relating to re-valued tangible fixed assets are given below				
Freehold buildings at 2015 open market value			**990**	990
Historical cost of re-valued assets			**817**	817

The freehold buildings at 57/58 Market Place, Beverley were valued on 31 December 2014 by Scotts Property LLP an external qualified Chartered Surveyor appointed by the Society on the basis of the open market value for existing use, with vacant possession of the property currently occupied by the Society but subject to an existing tenancy.
Freehold land and buildings relate to property substantially occupied by the Society for its own activities (£795,000 at current valuation occupied by the Society).

14. Intangible fixed assets

	Purchased Software £000	Total £000
At 31 December 2014	**693**	693
Additions	**41**	41
At 31 December 2015	**734**	734
At 31 December 2014	**632**	632
Charge for the year	**46**	46
At 31 December 2015	**678**	678
At 31 December 2015	56	**56**
At 31 December 2014	61	**61**

15. Prepayments and accrued income

	2015 £000	2014 £000
Due within one year		
Prepayments and accrued income	**297**	216
Total	**297**	216

16. Shares

	2015 £000	2014 £000
Shares held by individuals	**149,223**	145,243
Shares held by others	**30**	30
Total	**149,253**	145,273
Shares are repayable from the date of the balance sheet in the ordinary course of business as follows:		
Accrued interest	**649**	656
On demand	**147,467**	143,649
In not more than three months	**73**	22
In more than three months but not more than one year	**143**	120
In more than one year but not more than five years	**518**	479
In more than five years	**403**	347
Total	**149,253**	145,273

17. Amounts owed to credit institutions

	2015 £000	2014 £000
Amounts owed to credit institutions are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	**-**	3
In more than three months but not more than one year	**-**	3,750
Total	**-**	3,753

18. Amounts owed to other customers

	2015 £000	2014 £000
Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:		
On demand	**19,855**	25,568
In not more than three months	**250**	-
Total	**20,105**	25,568

19. Other liabilities

	2015 £000	2014 £000
Amounts falling due within one year		
Income tax	**130**	140
Corporation tax	**69**	87
Total	**199**	**227**

20. Accruals and deferred income

	2015 £000	2014 £000
Amounts falling due within one year		
Accruals and deferred income	**307**	139
Total	**307**	139

21. Provisions for liabilities

	Deferred tax £000	FSCS Levy £000	Total £000
At 31 December 2014	**40**	**70**	**110**
Paid in the year	**-**	**(104)**	**(104)**
Charge for the year	**(21)**	**85**	**64**
At 31 December 2015	**19**	**51**	**70**

a. Financial Services Compensation Scheme (FSCS) Levies

Based on its share of protected deposits, the Society, in common with all regulated UK deposit takers, pays levies to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet claims made against it. The FSCS levy consists of two parts – a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it. In 2008 a claim was triggered against the FSCS by the transfer of Bradford & Bingley plc's retail deposit business to Abbey National plc and similar issues with various Icelandic Banks, London Scottish Bank plc and the transfer of core parts of the Dunfermline Building Society to the Nationwide Building Society in the first half of 2009.

The FSCS has met the claims by way of loans received from HM Treasury on which it is liable to pay interest. The FSCS has, in turn, acquired the rights to the realisation of the assets of these institutions. The FSCS will have further liabilities if there are insufficient funds available from the realisation of the assets of the institutions to fully repay the respective loans from HM Treasury.

As a result of information received from the FSCS, the Society has recognised in this year's accounts a provision totalling £51k (2014: £70k), comprising the expected interest costs relating to the year ending April 2016. This provision for interest has been calculated with reference to the relative level of the Society's protected deposits at 31 December 2014 and the expected total interest costs for the period announced by the FSCS in 2015.

Included in the FSCS provision charge is a cost of £49k relating to the capital compensation levy paid within the year.

b. Capital commitments

Capital commitments relating to purchased software costs at 31 December 2015, for which no provision has been made in the accounts, were as follows:

	2015 £000	2014 £000
Contracted	**38**	39

22. Deferred taxation

	2015 £000	2014 £000
Deferred tax liability		
At 31 December 2014	**40**	(41)
Charge for the year	**(21)**	81
At 31 December 2015	**19**	40

The deferred taxation liabilities are set out below:	Amount recognised £000	Amount recognised £000
Corporation tax deferred by accelerated capital allowances	**22**	18
Short term timing differences	**(3)**	22
Total	**19**	40

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

23. Subordinated liabilities

	2015 £000	2014 £000
Loans repayable 2017	**1,000**	1,000
Loans repayable 2019	**1,750**	1,750
Total	**2,750**	2,750

The interest rate applicable on all loans is set quarterly and is based on 2.5% above three month LIBOR. The note holders' rights are subordinate to those of the depositors and other creditors and also to those of the shareholders in respect of share principal and accrued interest.

24. Reserves

	General Reserve £000	Revaluation Reserve £000
At 31 December 2014	**9,181**	485
Profit for the year	**176**	-
Transfer between reserves	**3**	(3)
At 31 December 2015	**9,360**	482

25. Interest rate risk

The Society is exposed to movements in interest rates, and manages this exposure on a continuous basis, within the limits set by the Board, using a combination of on and off balance sheet instruments. Items are allocated to time bands by reference to the earlier of the next interest rate re-pricing or the maturity date. The interest rate sensitivity of the Society at 31 December 2015 was:

Assets

	Not more than 3 months £000	More than 3 months but not more than 6 months £000	More than 6 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	Non interest bearing £000	Total £000
Liquid assets	23,715	4,000	7,043	-	116	**34,874**
Loans fully secured on residential property and other loans	147,721	-	-	-	(1,602)	**146,119**
Tangible and Intangible fixed assets	-	-	-	-	1,130	**1,130**
Other assets	-	-	-	-	403	**403**
Total assets	171,436	4,000	7,043	-	47	**182,526**

Liabilities

	Not more than 3 months £000	More than 3 months but not more than 6 months £000	More than 6 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	Non interest bearing £000	Total £000
Shares	148,604	-	-	-	649	**149,253**
Deposits and other borrowings	20,105	-	-	-	-	**20,105**
Other liabilities and provisions	-	-	-	-	576	**576**
Subordinated liabilities	2,750	-	-	-	-	**2,750**
Reserves	-	-	-	-	9,842	**9,842**
Total liabilities	171,459	-	-	-	11,067	**182,526**

Interest rate gap

	Not more than 3 months £000	More than 3 months but not more than 6 months £000	More than 6 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	Non interest bearing £000	Total £000
At 31 December 2015	(23)	4,000	7,043	-	(11,020)	**-**

As this analysis is based on interest rate reset dates, it differs from the maturity analysis of assets and liabilities given in notes 8, 9, 10,16 and 18.

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Comparative position at 31 December 2014

Assets

	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	Non interest bearing	Total
	£000	£000	£000	£000	£000	£000
Liquid assets	20,515	4,000	9,000	2,108	290	**35,913**
Loans fully secured on residential property and other loans	151,387	-	-	-	(1,250)	**150,137**
Tangible and Intangible fixed assets	-	-	-	-	1,114	**1,114**
Other assets	-	-	-	-	322	**322**
Total assets	171,902	4,000	9,000	2,108	476	**187,486**

Liabilities

Shares	144,618	-	-	-	655	**145,273**
Deposits and other borrowings	25,568	3,750	-	-	3	**29,321**
Other liabilities and provisions	-	-	-	-	476	**476**
Subordinated liabilities	2,750	-	-	-	-	**2,750**
Reserves	-	-	-	-	9,666	**9,666**
Total liabilities	172,936	3,750	-	-	10,800	**187,486**

Interest rate gap

At 31 December 2014	(1,034)	250	9,000	2,108	(10,324)	-

As this analysis is based on interest rate reset dates, it differs from the maturity analysis of assets and liabilities given in notes 8, 9, 10,16 and 18.

26. Financial instruments

Fair value of financial instruments

Set out below is a comparison of book and fair values of certain of the Society's financial instruments (including accrued interest) by category at 31 December 2015. Market values have been used to determine fair values.

The table excludes certain financial assets and liabilities which are not listed or publicly traded or for which a liquid and active market does not exist. It therefore excludes such items as mortgages, share accounts and deposits with other credit institutions.

	2015 Book Value	2015 Fair Value	2014 Book Value	2014 Fair Value
	£000	£000	£000	£000
On balance sheet items				
Debt Securities	**2,043**	**2,075**	2,134	2,144

27. Explanation of transition to FRS102 from old UK GAAP

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

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

Impact on financial position

Assets	Notes	2015 UK GAAP £000	2015 Effect of transition to FRS 102 £000	2015 FRS 102 £000	2014 UK GAAP £000	2014 Effect of transition to FRS 102 £000	2014 FRS 102 £000
Liquid assets							
Cash in hand and balances with the Bank of England		18,710	-	18,710	15,123	-	15,123
Loans and advances to credit institutions	8	14,096	-	14,096	18,656	-	18,656
Debt securities	9	2,068	-	2,068	2,134	-	2,134
Loans and advances to customers							
Loans fully secured on residential property	10	137,438	113	137,551	140,655	39	140,694
Other loans	10	8,601	(33)	8,568	9,500	(57)	9,443
Investments	12	106	-	106	106	-	106
Tangible fixed assets	13	1,130	(56)	1,074	1,114	(61)	1,053
Intangible assets	14	-	56	56	-	61	61
Prepayments and accrued income	15	297	-	297	216		216
Total assets		**182,446**	**80**	**182,526**	187,504	(18)	187,486

Liabilities	Notes	2015 UK GAAP £000	2015 Effect of transition to FRS 102 £000	2015 FRS 102 £000	2014 UK GAAP £000	2014 Effect of transition to FRS 102 £000	2014 FRS 102 £000
Shares	16	149,253	-	149,253	145,273		145,273
Amounts owed to credit institutions	17	-	-	-	3,753		3,753
Amounts owed to other customers	18	20,105	-	20,105	25,568		25,568
Other liabilities	19	161	38	199	227		227
Accruals and deferred income	20	307	-	307	139		139
Provisions for liabilities	21	177	(107)	70	216	(106)	110
Subordinated liabilities	23	2,750	-	2,750	2,750		2,750
Reserves							
General reserve	24	9,211	149	9,360	9,093	88	9,181
Revaluation reserve	24	482	-	482	485		485
Total liabilities		**182,446**	**80**	**182,526**	187,504	(18)	187,486

Notes on impact on financial position

Loans fully secured on residential property have been adjusted to reflect the changes to both specific and collective provisions. Specific provisions are adjusted to reflect the time value of money (via discounting). Collective provisions are calculated by discounted cashflows based on assumptions using actual historic Society where possible, rather than sector, loss experience. This has reduced the amount of collective provision held compared to UK GAAP. In addition, loans have been adjusted to reflect the amortisation of up front mortgage costs and income over the mortgage product life.

Other loans have been adjusted to reflect the changes to both specific and collective provisions related to loans fully secured on land. Specific provisions are adjusted to reflect the time value of money (via discounting).

Collective provisions are calculated by discounted cashflows based on assumption using actual historic Society, rather than sector, loss experience. This has increased the amount of collective provision held compared to UK GAAP.

Intangible assets are now separately disclosed and therefore have been removed from tangible fixed assets.

Provisions for liabilities have been adjusted to reflect the impact of IFRIC 21 on the FSCS provision. Under IFRIC 21 the trigger date for the levy has moved from 31 December to the first day of the scheme year i.e. 1 April the following year. Consequently provisions are no longer required for forecast interest costs relating to 2016/2017 or the capital instalments due next year.

Impact on financial performance

	Notes	2015 UK GAAP £000	2015 Effect of transition to FRS 102 £000	2015 FRS 102 £000	2014 UK GAAP £000	2014 Effect of transition to FRS 102 £000	2014 FRS 102 £000
Interest receivable and similar income	2	4,304	-	4,304	4,548	-	4,548
Interest payable and similar charges	3	(2,019)	-	(2,019)	(2,145)	-	(2,145)
Net interest income		**2,285**	**-**	**2,285**	2,403	-	2,403
Fees and commissions receivable		5		5	6		6
Fees and commissions payable		(14)	(57)	(71)	(101)	21	(80)
Other operating income		97	49	146	99	59	158
Net operating income		**2,373**	**(8)**	**2,365**	2,407	80	2,487
Administrative expenses	4	(1,456)		(1,456)	(1,471)		(1,471)
Depreciation	13, 14	(93)		(93)	(86)		(86)
Operating charges		(42)		(42)	(45)		(45)
Impairment provision for losses and advances	11	(572)	106	(466)	(253)	270	17
FSCS Levy	21	(66)	(19)	(85)	(135)	7	(128)
Other							
Profit on ordinary activities before tax		**144**	**79**	**223**	417	357	774
Tax on profit on ordinary activities	7	(30)	(17)	(47)	(88)	(72)	(160)
Profit for the financial year	24	**114**	**62**	**176**	329	285	614

Impact on Other Comprehensive Income

	Notes	2015 UK GAAP £000	2015 Effect of transition to FRS 102 £000	2015 FRS 102 £000	2014 UK GAAP £000	2014 Effect of transition to FRS 102 £000	2014 FRS 102 £000
Profit for the financial year		**114**	**62**	**176**	329	285	614
Other comprehensive income							
Revaluation of freehold land and buildings	24	3	-	3	4	-	4
Total comprehensive income for the period		**117**	**62**	**179**	333	285	618

Notes on impact on financial performance

Fees and commissions payable has been adjusted to reflect the amortisation of the Society's re-mortgage fee free costs.

Other operating income has been adjusted to reflect the amortisation of the Society's application income and broker procurement costs.

Impairment provision for losses and advances has been adjusted to reflect both the application of discounting and the change in collective provisioning methodology highlighted above.

FSCS Levy has been adjusted for the impact of moving to IFRIC 21, as described above.

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

	Notes	Profit for year ended 2015 £000	Profit for year ended 2014 £000	Equity as at 31 December 2015 £000	Equity as at 31 December 2014 £000
Amount under old UK GAAP		**114**	329	**9,211**	9,093
Effective interest rate		(8)	80	(162)	(154)
Specific and collective provisions		106	270	242	136
IFRIC 21		(19)	7	109	128
Deferred tax		(17)	(72)	(40)	(22)
Amount under FRS102		**176**	614	**9,360**	9,181

28. Country by Country Reporting - Capital Requirement Directive (CRD IV) disclosures

Information required under the CRR rules Article 89, Country-by-Country Reporting (CBCR) are disclosed below:

Name	Type of Entity	Nature of Activity	Location	Turnover (£m)	No. of Employees
The Beverley Building Society.	Building Society – UK Registered Entity.	UK financial institution owned by its members as a mutual organisation. The principal purpose of the Society is that of loans that are secured primarily on residential property, funded largely by its members. The Society has no active subsidiaries and is wholly based in the UK. The Society transactions only in GBP.	Beverley, East Yorkshire, England.	£4.3m based on interest receivable.	21 employees, 13 full time and 8 Part time.

Annual Business Statement

for the year ended 31 December 2015

1. Statutory percentages

	2015 %	Statutory Limit %
Lending limit	**6.24**	25.00
Funding limit	**11.87**	50.00

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

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets are the total assets of the Society as shown in the balance sheet plus provisions for bad and doubtful debts, less liquid assets and tangible fixed assets. Loans fully secured on residential property are the amount of principal owing by the borrowers and accrued interest not yet payable. This is the amount shown in the balance sheet plus provisions for bad and doubtful debts.

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

2. Other percentages

	2015 %	2014 %
As a percentage of shares and borrowings		
Gross capital	**7.44**	7.11
Free capital	**6.90**	6.61
Liquid assets	**20.59**	20.57
Profit for the year as a percentage of mean total assets	**0.10**	0.33
Management expenses as a percentage of mean total assets	**0.84**	0.84

The above percentages have been prepared from the Society's balance sheet.

Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

Gross capital represents the general reserve, revaluation reserve and subordinated liabilities.

Free capital represents the aggregate of gross capital and general provisions for bad and doubtful debts less tangible fixed assets.

Mean total assets are the average of the 2014 and 2015 total assets.

Liquid assets represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.

Management expenses represent the aggregate of administrative expenses and depreciation.

3. Information relating to Directors

As at 31 December 2015

Name and date of birth	Date of appointment	Business occupation	Other directorships
B Young FCMA **Chairman** (27.03.1952)	2009	Chief Executive	Director and Chief Executive, British Frozen Food Federation Director, Thera Trust Deputy Chair of Seafish Industry Authority
R A Pattinson **Senior Independent Director** (19.05.1952)	2011	Company Director and Financial Services Consultant	A & T Advisory Ltd
P E Myers BA (Hons), ACIB, DipMrs (14.04.1963)	2011	Chief Executive	Finance Yorkshire Ltd Leeds NHS
R M Miles BSc (Hons), FCA, FCCA (29.04.1952)	2006	Chartered Accountant	Jackson Robson Licence Ltd Jackson Robinson (32) Ltd Beverley Financial Services Ltd Beverley Property Services Ltd
M R Heenan BSc (Hons), FCA (27.02.1951)	2012	Company Director and Retired Chartered Accountant	The Inglewood Investment Company Ltd TIIC Projects Ltd Stafford Town Football Foundation Masonic Samaritan Fund Coltkell Ltd Masonic Charitable Foundation
S A Symington C Dir, FCIPD (04.03.1965)	2013	Non-Executive Director	Chair – York Teaching Hospital Lodge Cottages Ltd
J E Bedford FCA (13.02.1970)	2014	Finance Director	Mutual Vision Technologies Ltd Beverley DMO Ltd
M Marsden (28.01.1967)	2014	Risk Director	

Documents may be served on the above named directors at:
c/o Addleshaw Goddard & Co, Solicitors, Sovereign House, PO Box 8, Sovereign Street, Leeds, LS1 1HQ.

The Executive Directors P E Myers, J E Bedford and M Marsden have service contracts with the Society, termination of which may be effected by either party giving not less than six months written notice. The contract dates of the above Executive Directors are 27 July 2011, 11 April 2015 and 12 August 2015 respectively. No other Directors have contracts in place.

2015: Charities of the month

January | Beverley Community Church

February | Dove House Hospice Iceland Trek

March | MND Association

April | Osprey

May | Mind HEY

June | Volunteer Uganda Limited

July | Beanstalk

August | Teenage Cancer Trust

September | Leukaemia & Lymphoma Research

October | Wish Upon a Star

November | Alzheimer's Society

December | HERIB

2015: Events supported

Annual General Meeting

Annual General Meeting

Annual General Meeting

Beverley Folk Festival

Driffield Show

Driffield Show

Beverley Cycle Race

Beverley Literature Festival

Beverley Food Festival

Mortgage Finance Gazette Award

Molescroft Christmas Fair

Beverley Christmas Lights

CELEBRATING 150 YEARS
Beverley
Building Society
1866 - 2016

Mortgage Finance Gazette
AWARDS 2016
WINNER
Best Local Building Society

Best Local Building Society 2016

…a strong independent mutual

BEVERLEY BUILDING SOCIETY
57 Market Place, Beverley HU17 8AA.

Tel: 01482 881510
Fax: 01482 872680

www.beverleybs.co.uk
website@beverleybs.co.uk

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