ANNUAL REPORT and ACCOUNTS

Year ended 31 March 2010

Cumberland Building Society

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Year ended 31 March 2010

CHAIRMAN'S STATEMENT

It has been another difficult year both for the British economy generally and the financial services industry in particular. Although the economic recession has technically ended, the course of the economy from this point onwards is very uncertain given the Government's budget deficit and the questions of how this will be addressed, and over what time period.

The operating environment for all financial institutions has been unusually testing. We have had a recession which may have eased, or just paused, but no one can be sure is over, particularly as stimulus measures are unwound. Even if unemployment in our operating area has not risen as fast as in other parts of the country, many families across the region have been affected and many others are worried by its prospect. Not surprisingly then, we have a housing and mortgage market which is generally subdued.

Low interest rates, with the Bank of England's base rate having been reduced to an all time low of 0.5% in March 2009 and, it would seem, likely to remain there for some considerable time to come, have been a key weapon in policy-makers' approach in a way that has not been seen in previous downturns. Without doubt, this will have protected thousands of businesses and jobs, and assisted many borrowers, even though it has been very difficult for all those who rely on their savings for their income. Low interest rates do though, inevitably affect the profitability of financial institutions, as they reduce income from 'free capital' reserves, i.e. money which the Cumberland can invest and receive income from, just as it does for other sectors, such as local councils and universities.

We have also faced strong competition from state-supported banks, both with respect to mortgages and savings. Several have recorded losses of almost unimaginable sizes, but with the Government having had to intervene to protect them from the consequences of these, and very keen to reduce their dependence on the financial markets for funding, they have on several occasions been extraordinarily competitive as they have tried to restore their standing with the public. National Savings has also at times during the year launched what we would regard as unsustainable products, and which have certainly been short-lived.

Given the above, it is a real achievement that I can report that the Cumberland has had another successful year, with profit after tax of over £6.3 million, and its free and gross capital ratios having strengthened markedly. As stated above, the residential and commercial mortgage markets are subdued, and balances at the year end were fractionally below those of a year earlier. In spite of the competition from those organisations protected by the Government though, an inflow of funds from our customers of £34 million was a creditable result, building on the record inflows of the previous two years, during which many people came to the Cumberland because they wanted a safe place for their money.

This has also enabled us to reduce further our level of funding from the financial markets. When the Northern Rock crisis broke in September 2007, commentators quickly identified that its dependence on the financial markets for funding its rapid mortgage growth, which had far outstripped the funds supplied by the public, was a key factor in its downfall. The Cumberland was at the other end of the spectrum at that point, having had a long term strategy of steady and sustainable growth in both mortgages and savings, with the latter comfortably exceeding the former. Since then, we have continued to reduce our level of funding not supplied by individual members, down to at 31 March 2010, less than 10% of our total funding. Even of this, more than a quarter is held in accounts by local businesses, not sourced from the financial markets.

A key element in the Society's financial performance is the focus we have had for many years on developing our relationship with our members, as we seek to achieve our aim of being the natural choice for financial services for people in our operating area. Building the loyalty of local people by providing consistent long term value and excellent customer service over many years, not just short term headline rates, will we believe, always be right in business terms. For the Cumberland however, as a committed regional mutual focused so strongly on its home operating area, such an approach flows directly from its core, its reason for existing in the first place.

In practical terms, this has meant:

- Maintaining a strong network of 33 branches, through which the vast majority of our mortgage and savings business flows.
- A highly unusual approach of not paying for residential mortgage business introduced by third parties, but dealing with customers directly instead.
- Not buying mortgage books from other lenders with inevitably different approaches to credit assessment.
- A strong estate agency operation, Cumberland Estate Agents Limited, which after a difficult year in 2008-09 involving some reductions to its cost base, returned to profit and recorded a 42% increase in sales, strengthening its market share in the region considerably.
- Prudent policies with respect to both residential and commercial lending. There is always risk in lending money, and some losses are inevitable. The Cumberland however, did not participate in the 'self-certified' or 'sub-prime' mortgage markets and never adopted an automated 'credit scoring' system for mortgages, preferring to stick with a more time-consuming but careful and detailed approach to credit assessment. The result of this has been that at 31 March 2010, one residential and three commercial properties were in possession, and only 0.28% of residential balances and 0.36% of commercial balances were more than 90 days in arrears, with the combined position being lower than a year earlier. In total, the Society has provided for specific losses of £173,000 in the year and has strengthened its general provision by £575,000 in recognition of the uncertain economic outlook. In the current climate that is a very satisfactory outcome. Our ongoing monitoring of both our residential and commercial mortgage books is though, extensive.
- Again highly unusually, providing a full current account service, including internet banking (upgraded in February 2010), a Visa debit card and the operation of 17 cash machines in our branches, so that our customers can have their savings, current account and mortgage all in the same place (and if they wish, directly linked via our offset mortgage). Our marketing for this service invites people to 'be more than a number', and with account numbers up by more than 50% in the last three years, it seems as if this strikes a real chord with those who are frustrated with the service they receive from their bank.

All this has meant that over the last few years, the Society grew steadily year on year, but at a slower rate than many other organisations. This more modest but sustainable growth has enabled the Society to weather the current economic conditions better than most, as the robustness of our profitability indicates.

A factor outside the Society's control which has improved profitability this year, has been that which badly affected it last year, namely the Financial Services Compensation Scheme levy imposed primarily in relation to the failures of Bradford and Bingley and the Icelandic banks. In 2008-09, the Society recognised a charge of £2.71 million in respect of this, which was our estimate at that time of the liability. We paid £0.48 million of this in September 2009, but a reduction in the interest rates used to calculate this has contributed to a fall in our estimate of this cost, resulting in a credit to the profit and loss account of £0.87 million. However, the ultimate outcome of this issue is still very uncertain, as more charges may arise if the recoveries from the assets of these banks are not sufficient to cover the funds of those who invested their money in them.

Regulatory developments led by the Financial Services Authority and emerging in response to the crises of the last three years, have absorbed a considerable amount of Board and senior management's time over the last year, and we expect them to do so again this coming year. We support the measures to stabilise the financial system and many of these are in tune with our business approach. We have always adopted a prudent approach to the holding of liquidity and the authorities' drive to reduce firms' dependence on wholesale funding means that our position on that spectrum is becoming more popular. With respect to lending, we have always regarded establishing so far as is possible, the affordability of lending as part of our duty of care to our members, both to the individuals borrowing the money, and the Society's membership as a whole. The widespread usage of self-certified loans has surprised, and indeed concerned us for many years. In common with other institutions, the new liquidity rules, however necessary, will inevitably reduce profitability and we are pleased that these are being implemented gradually in view of their impact on firms and the economy generally.

In addition, care needs to be taken that new rules or taxes designed to rein in the excesses of the largest institutions, as part of the policy response to the expense of their bailing out, which was in turn unavoidable once they were deemed 'too big to fail', bear unreasonably heavily upon smaller or medium-sized firms such as the Cumberland. What can be presented as improving the safety of the system by controlling more strictly the largest, could be very onerous, disproportionate and therefore damaging for the rest, particularly when more complex rules are introduced which require large investments in systems and time. We contend that a building society such as ourselves, and indeed the sector as a whole, provides a vital element of competition in the financial services market, with a popular, valuable local dimension, and that the necessary regulation should be proportionate in its volume and nature.

The coming year will, we expect, be more difficult for all firms with respect to profitability because of the continuation of the low interest rate environment. This will be unavoidable, but we can comfortably withstand this as our overall financial strength, in terms of underlying profitability, capital and the nature of our mortgage and savings books, remains extremely robust.

For a financial institution to win awards in this climate is quite an achievement, so naturally I was delighted that the Cumberland was chosen, for the second consecutive year, as 'Large Business of the Year', at CN Group's Cumbria Business Awards in October 2009. Within the trade itself, Mortgage Finance Gazette named us '2010 Regional Building Society of the Year' for our consistently competitive mortgage pricing.

Our involvement in our communities remains of great importance, and once again, the Society gave over £100,000 for charitable purposes across a wide range of local causes and projects. In November 2009, following the serious flooding which affected Cockermouth, Keswick and Workington in particular, we donated £10,000 to the Cumbria Flood Recovery Fund, and Cumberland branches collected a further £77,000 in donations. Our staff have also been involved in many local events and initiatives, including David Noble, our Group Compliance Manager, who completed the Lands End to John O'Groat's cycle ride for charity.

With respect to the Board, Trevor Hebdon was appointed as a non-executive director in December 2009 and brings to the Board significant banking and general commercial experience. On the other hand, Charles Waddington has decided to stand down at the forthcoming Annual General Meeting and I would like to thank him for his contribution. Our Deputy Chief Executive John Leveson, has been absent for much of the year on sickness leave, but following his liver transplant just before Christmas 2009, I am delighted to say that he is making an excellent recovery and it is anticipated that he will return to work in July.

In conclusion, in spite of a difficult operating environment as I have outlined above, the Cumberland has progressed steadily and the financial and business results represent a real achievement. Whatever the course of the economy, very low interest rates will impact upon profitability in the coming year but while managing margins and costs carefully, we accept this and take a pragmatic long term view. The strength of the Cumberland's strategy and business approach has been amply demonstrated over the last three years and I am sure that this will continue to be the case going forward. We will continue to concentrate on treating both our borrowers and savers fairly, putting our members first in everything we do, and above all, remain conscious that the first duty of the Board and the Society's management is to safeguard the assets and interests of the Society's members. Our staff have continued to show their great enthusiasm and professionalism and I thank them on behalf of the Board for all their splendid efforts during the last year.

The Society's status as an independent, mutual organisation remains at the heart of our strategy and the need for a local force in financial services, with traditional values but up to date products and services offering competitive rates and excellent customer service, is as clear as it has ever been. With these strengths and this vision, I have no doubt that the Cumberland will continue to succeed in the future.

Michael J. Pratt
Chairman
19 May 2010

CHIEF EXECUTIVE'S REVIEW

As outlined in the Chairman's Statement, last year was another challenging one for the British economy and as the slow down continued, the operating environment for financial institutions, and indeed virtually all businesses, remained very difficult. Against this background I am particularly pleased to report that the Society has continued to deliver a strong financial and business performance, with the following key features:

- Group profit after tax of £6.34 million, 0.41% of mean total assets.
- Already strong capital and solvency ratios strengthened, with reserves now exceeding £100 million.
- Administrative expenses and depreciation reduced by 3.2%.
- Inflow of savings from customers of £34 million.
- Loan balances reduced marginally by 0.3%.
- A continued excellent record for arrears and possessions demonstrating the strength of our mortgage book.
- A further reduction in funding obtained from wholesale markets.

At the core of the Society's approach to business over many years has been the building of direct, long term relationships with local customers. We regard this as being the 'traditional' strategy of a building society, albeit updated with modern features such as internet banking. We have for many years aimed to:

- provide our members with long term value, balancing the needs of savers, current account holders and borrowers;
- provide our members with a wide range of services and products which are competitive and up to date, including current accounts, so that we cater for their essential financial services requirements;
- embed a culture of treating members fairly, encouraging our staff to treat customers as they would want their own mother to be treated and in doing so, to seek to deliver a market-leading level of individual customer service; and
- adopt new technology as and when appropriate, to enhance both the services offered to members and improve our processes and efficiency.

We believe that the events of the last three years have brought the benefits of this approach into sharp focus and the Cumberland's performance in such difficult market conditions is testament to the underlying strength of the Society's business model. As a result, our fundamental strategy has remained unchanged in spite of all the turmoil in the financial services sector.

SAVINGS AND CURRENT ACCOUNTS

The Bank of England's base rate reduced sharply to its record low of 0.50% over the six months to March 2009 and has remained at this level throughout our financial year. As it was reduced, we endeavoured to apply the necessary reductions as fairly as possible to both borrowers and savers; we were particularly conscious of the impact of reduced returns upon our saving members and sought to keep their rates competitive. We have maintained our variable savings rates during the year and continued to offer attractive fixed rate products. An overall inflow of £34 million from our retail customers, both personal and business, in the face of fierce competition as discussed in the Chairman's Statement, suggests that our approach has been successful.

The Cumberland is one of only four building societies to offer a full current account service and we see this as an essential part of our long term strategy. The number of current accounts held with the Society has grown by a further 13% in the last year and we continue to regard this as a key source of new members, as many people look for an alternative approach to that offered by the main national banks.

We aim to offer a personal approach to banking while enabling customers to benefit from the latest technology. Over 40% of new current accounts opened in the year were registered for internet banking, allowing customers to conduct transactions at a time and a place which is most convenient for them.

An enhanced version of internet banking was introduced in February 2010, making the service even easier to use. In November 2009 we extended chip and PIN and Visa debit card functionality to over 14,000 previously ATM-only cashcard account customers. This effectively provided them with a current account service, but without an overdraft facility and chequebook. These customers now also have access to internet banking.

Our members continue to benefit from free debit card use anywhere in the world and the Society provides a commission-free currency exchange service for current account and savings customers.

The Cumberland also became one of the first non-clearing bank institutions to offer outgoing faster payments to internet banking customers in December 2009. This allows payments to be transferred to another participating organisation on the same day, free of charge, rather than through the traditional three day clearing cycle.

RESIDENTIAL MORTGAGES

The year to 31 March 2010 was a difficult one for mortgage business, with the value of new residential lending nationally down by 44%. The Society showed a slight reduction in its residential mortgage balances as a result of a combination of customers taking advantage of low interest rates to reduce their mortgage balances, and reduced new lending.

The Cumberland's standard variable rate of 4.49%, unchanged throughout the year, was the second lowest amongst the UK's top 20 building societies at 31 March 2010, and as a result of our consistently competitive mortgage pricing, I am pleased to report that we were named '2010 Regional Building Society of the Year' at the Mortgage Finance Gazette Awards.

For many years we have conducted residential lending overwhelmingly through direct contact with customers in our branches, with the remainder secured via telephone and post. We have not accepted any cases introduced by third parties or purchased mortgage books originated by other firms. We consider all loans on an individual basis and this, together with our policy of not undertaking sub-prime or self-certified lending, has been a key factor in maintaining the quality of our mortgage book. Our direct relationship with customers also enables us to give appropriate advice and we have always been conscious that it is neither in the borrower's or the Society's interest to provide a mortgage which has an unacceptable risk of becoming unaffordable.

As a result of our approach to lending, even in the last few difficult years, we have maintained our low level of arrears and possessions when compared with national statistics. At 31 March

2010, 0.21% of our residential mortgages were in arrears of three months or more compared with 0.28% a year earlier, and the Society had one residential property in possession.

CUSTOMER SERVICE

As outlined above, our business is based on long term customer relationships and we will only continue to succeed by delivering a market-leading level of individual customer service. This is one of the main reasons our members select the Cumberland and our customer satisfaction research suggests that 98% of customers would recommend us to a friend.

Our network of 33 branches, more than any other bank or building society in Cumbria and Dumfriesshire, remains a key element of customer service. We continue to invest in our branch network and during the year completed the refurbishment of our branch in Keswick. New ATMs were installed in Kendal, Workington and Carlisle and our Community Branches continue to provide a range of free services to the local community.

Members can speak directly on the telephone to our Customer Services team based in Carlisle, and to improve the service we provide to customers, during the year we have made a number of changes in our processes, such as streamlining the opening of savings accounts.

From independent 'mystery shopping' results and customer feedback we have obtained, we believe that we already have some of the best customer service staff in the industry. However, further training for all branch staff was undertaken in 2009-10 to ensure our focus on individual customer service is consistently applied.

All our staff are involved in the service we provide to members and are key to the Society's success. Our achievements in what has been a difficult operating environment reflect their hard work and commitment and I would like to take this opportunity to record my thanks to them.

CUMBERLAND ESTATE AGENTS

I am particularly pleased to report that, after an inevitably difficult year in 2008-09 which led to some necessary reductions to its cost base, Cumberland Estate Agents Limited returned to profit and achieved a record market share in Cumbria, with sales up by 42%. The estate agency remains a core element of our strategy as it is a vital source of high quality mortgage business for the Society, especially when, as now, remortgage activity is relatively low.

We believe the company is in a strong position to build upon the progress made during the year, even though we expect the housing market to remain subdued. In particular, its performance is testament to the service provided by its staff and I would like to thank them for their hard work and commitment through what has been a challenging period.

CUMBERLAND BUSINESS

Commercial lending has been an important part of the Society's strategy for many years and we have an established team of lending managers with extensive banking and commercial lending experience. This experience has been used to secure a modest level of new business and provide assistance to existing borrowers during the economic downturn.

Commercial lending remains an integral part of the Society's strategy, as we believe that if it is undertaken on a prudent basis by lending managers with the appropriate experience and skill, it can make a valuable contribution to the Society's business results.

We have also successfully promoted our internet enabled current account services to local businesses during the year, and the number of business current accounts has increased by 25%.

COMMUNITY INVOLVEMENT

As an independent regional building society, we believe our commitment to the local community extends beyond providing a range of competitive products and services. Details of the Society's support for community projects are outlined in the Annual Review booklet which is distributed to members ahead of the Annual General Meeting.

The storms and subsequent flooding which hit Cumbria in November 2009 had a devastating effect on many families, businesses and communities. The Cumberland's branch in Cockermouth was one of many buildings in the town which was closed as a result of the flooding. However, thanks to a magnificent effort by staff and the support of several local businesses, we were able to open a temporary branch within six days of the flooding, ensuring our members in the area were able to access their accounts with minimal disruption. I am pleased to report that the Society's Cockermouth branch re-opened on 19 April.

In 2010, we are continuing with our Pledge for Votes scheme, which encourages members to vote at the Society's AGM by linking a charitable donation to the number of votes received. Thanks to the turnout of 22.1%, one of the highest of all UK building societies, in 2009 this raised £11,475 for local branches of Barnardo's.

This year we will donate 50p for each vote received at the 2010 AGM to Macmillan Cancer Support.

THE YEAR AHEAD

It is anticipated that economic conditions will remain difficult, with a continued low interest rate environment and intense competition for retail savings. Against this background, it is clear that the coming year will be another challenging one. I am, however, confident that as in the past, the Cumberland's well-established strategy, the relationship it has with its members, its strong capital and the commitment of its staff, mean that it is very well placed to meet any challenges ahead.

In 2010-11 we will remain focused on improving the efficiency of the Society's operations and the delivery of excellent customer service, and we look forward to continuing to use our strengths, mutual status and independence to deliver long term security and value to members.

Our relationship with our members and the local communities that we serve remains the key to our success and in closing I would like to take this opportunity to thank them for their continuing support.

Kevin Parr
Chief Executive
19 May 2010

DIRECTORS' REPORT

The Directors have pleasure in presenting their 160th Annual Report, together with the Group Accounts and Annual Business Statement, for the year ended 31 March 2010.

BUSINESS OBJECTIVES

Cumberland Building Society aims to be the natural choice for mortgages and savings and a leading provider of other retail financial services in its operating area, while continuing to be an independent, mutual building society.

To achieve this aim, the Cumberland offers a wide range of financial services, principally through its branch offices, and delivers long term benefits to members through the provision of competitive products combined with excellent customer service.

The Society aims to achieve sufficient profit to maintain its capital strength to safeguard the interests of members.

BUSINESS REVIEW

A review of the Cumberland's business and activities for the year is contained in the Chief Executive's Review on pages 4 and 5. In addition, we comment below upon the financial key performance indicators used by the Executive and the Board in the year to assist the Group's control and direction.

KEY PERFORMANCE INDICATORS

Very many aspects of financial (and other) performance are monitored on a regular basis, but the table below focuses on those that are considered key to business success.

	2010	*2009*	*2008*
Group Profit After Tax (£ million)	6.34	5.09	6.01
Group Profit After Tax as a % of Mean Total Assets	0.41	0.34	0.44
Gross Capital as a % of Shares and Borrowings	7.01	6.65	6.71
Interest Margin for Members (%)	1.61	1.52	1.41
Society Administrative Expenses and Depreciation as a % of Mean Total Assets	0.90	0.96	1.04
Loans and Advances to Customers - Balance Change %	(0.25)	5.07	6.80
Lending during the year (£ million)	152.86	202.20	259.63
Inflow of Funds from Customers (£ million)	34.01	91.99	51.92
Other Funding as a % of Shares and Borrowings	9.75	11.28	15.58

EXPLANATION OF INDICATORS

GROUP PROFIT AFTER TAX

Whilst as a mutual organisation, the maximisation of profit is not a key aim, the Group needs to make sufficient profit to ensure its ongoing financial strength. The principal reason for the increase in profit after tax in the latest year is that whilst £2.7 million (before tax) was charged in relation to the Financial Services Compensation Scheme in 2008-09, because of lower interest rates this liability is now believed to have reduced, contributing to a credit to the profit and loss account of £0.87 million in the latest year, as shown in note 22 to the accounts. In common with many other banks and building societies, the Society has experienced customer claims in relation to banking charges. The position in relation to these has been reassessed as at 31 March 2010, taking into account all known issues and in particular, the decision of the Supreme Court on this matter in November 2009. This has led to an increase in other operating income in the latest year. Profit after tax is stated after taking, in the opinion of the directors, appropriate account of such claims.

GROUP PROFIT AFTER TAX AS A % OF MEAN TOTAL ASSETS

This relates the Group's profit after tax to its mean total assets, which are calculated as the simple average of total assets at the beginning and end of the financial year.

GROSS CAPITAL AS A % OF SHARES AND BORROWINGS

Gross capital comprises the Group's reserves, and this ratio measures the proportion of this in relation to the Group's liabilities to holders of shares and borrowings. The Group's reserves consist of profits accumulated over many years. Capital provides a financial cushion against any difficulties that might arise in the Group's business and therefore protects investors.

INTEREST MARGIN FOR MEMBERS

This ratio takes the interest received from residential mortgage borrowers as a percentage of mean residential mortgage balances, minus the interest paid to members with share accounts as a percentage of mean share balances (after adjusting for net income or expense on financial instruments). It therefore primarily reflects the pricing of the Society's residential mortgage and savings products, but can also reflect in respect of fixed rate products the net income and expense on financial instruments. In the last two years, given the provision for the Financial Services Compensation Scheme levy of £2.7 million in 2008-09, the continuing exposure to this issue (the credit of £0.87 million in the latest year's accounts notwithstanding) and the large reduction in market interest rates which has significantly reduced the Society's net income on its free capital, the Board has been mindful of the impact of these factors upon the Society's profitability. Nevertheless it continues to seek to balance these issues with the interests of members with respect to providing competitive savings and mortgage rates.

SOCIETY ADMINISTRATIVE EXPENSES AND DEPRECIATION AS A % OF MEAN TOTAL ASSETS

Administrative expenses and depreciation consist mainly of the costs of running the Society's business, including staff costs. This ratio measures the proportion that these costs bear to mean total assets. It is an indication of the Society's efficiency and the aim is, over time, to see it reduce. In

Michael Pratt
Chairman

Richard Atkinson
Vice–Chairman

Kevin Parr
Chief Executive

John Leveson
Deputy Chief Executive

John Kidd
Finance Director and Secretary

relation to its peers however, the Society's business model of offering a wide range of services and obtaining its residential mortgage and savings business directly from customers rather than through intermediaries, means that its ratio will inevitably be higher than were that not the case.

LOANS AND ADVANCES TO CUSTOMERS - BALANCE CHANGE %

This shows the change in the Society's mortgage book (both residential and commercial) and reflects both the popularity of its products and services offered to new and existing borrowing members, the demand for these, which has been much reduced over the last two years as is evident from national statistics, and the Society's appetite for credit risk in these areas.

LENDING DURING THE YEAR

This figure reflects the same factors as mentioned above. The reduction in lending over the last two years reflects the reduction in mortgage lending evident from national statistics.

INFLOW OF FUNDS FROM CUSTOMERS

This reflects the popularity of the Society's savings and current account products. The inflow in 2008-09 was exceptional and principally reflected the turbulence in the financial services sector, which led many people to seek a safe location for their funds. In spite of strong price competition in 2009-10, the Society achieved a creditable inflow, particularly in the second half of the year.

OTHER FUNDING AS A % OF SHARES AND BORROWINGS

This reflects the extent to which the Group is funded by deposits owed to credit institutions and other customers, rather than its members. The Group's aim is to be funded predominantly by its members, i.e. individual savers and current account customers, in line with the principal purpose of a building society, and this percentage is at a low level in relation to its peers. In the year to 31 March 2010, the reduction in this percentage is principally a reflection of the larger increase in savings and current account balances, than in mortgages.

FUTURE DEVELOPMENTS

The Society will upgrade its core computer system and its wide area network in the coming year, utilising new technological features to improve its efficiency and service to customers, together with additional security features.

It will also replace its existing 'fraud detection system' to enhance its capabilities in this respect.

PRINCIPAL RISKS AND UNCERTAINTIES

Building societies operate in a highly competitive market, and with significant uncertainties arising from the general economic environment. Therefore the management of risk and strategic direction are key activities, vital for the success of the business.

The Board of Directors, aided by a number of committees, ensures risk management and strategic direction are considered thoroughly and appropriate actions implemented.

The principal risks facing the Group and the procedures put in place to manage them are described below.

LIQUIDITY RISK

Liquidity risk is the risk of failing to meet demands and commitments to provide funds to customers and other third parties. The Society's Assets and Liabilities Committee (ALCO) assists the Society's management and the Board to manage this risk. Responsibility for the daily management of the risk lies with the Treasurer, who reports directly to the Chief Executive. Monthly, the balance sheet is stress tested to confirm that the Group can withstand normal and extreme cash outflows. The Treasury Policy Statement, regularly reviewed by ALCO and agreed by the Board, ensures that the daily activities of the treasury team are conducted within a prudent framework. The Society maintains strong levels of undrawn committed facilities with highly rated counterparties. A report from ALCO and the minutes of its monthly meeting are presented to the Board each month.

MARKET RISK

The primary market risk faced by the Group is interest rate risk. This is the risk of fluctuations in interest rates and changes in the value of derivative contracts impacting upon the value of the Group's assets and liabilities. The ALCO assists management and the Board to manage that risk. The balance sheet is stress tested on a monthly basis to inform the ALCO of the effects on income or costs of interest rates rising or falling. The Treasurer manages the daily position within a framework in accordance with the Treasury Policy Statement. A detailed analysis of the Group's interest rate sensitivity at 31 March 2010 and 2009 can be found in note 25 to the accounts.

CREDIT RISK

The Group is exposed to credit risk in respect of either mortgage customers or treasury counterparties being unable to meet their obligations as they become due. The Lending Policy Statement, approved by the Board, sets out the approaches to residential and commercial mortgage lending.

In respect of residential mortgages, lending mandates are strictly controlled and all applications are reviewed by a specialist residential mortgage underwriting team. Applications outside individuals' mandates are considered by the Credit Committee, which consists of the executive directors.

In respect of commercial mortgages, the Society's specialist commercial lending managers produce detailed appraisals of each application. All applications are considered by at least two members of the Credit Committee.

The Treasury Policy Statement contains limits on credit exposures to individual counterparties.

Peter Temple
Operations Director

Simon Berry
Non-executive Director

David Clarke
Non-executive Director

Charles Waddington
Non-executive Director

Trevor Hebdon
Non-executive Director

OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. The Group Operational Risk Policy sets out the Group's approach to the management of operational risk.

Whilst line management is responsible for identifying and managing operational risks, this is carried out using an agreed framework and methodology, with quarterly reporting to the Risk Management Committee. This consists of the executive directors, meets on a quarterly basis and reports to the Audit and Risk Committee, which in turn reports to the Board.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective is to minimise the impact of financial risk upon its performance. An explanation of the financial risks and the controls in place to manage them is given in note 25 to the annual accounts.

The disclosures required under Pillar 3 of the Capital Requirements Directive (Basel 2) will be published on the Society's website.

FREE CAPITAL

At 31 March 2010 free capital was £96.82 million, being 6.62% of shares and borrowings (2009: 6.17%). Free capital is the general reserves plus the general provision for doubtful debts, less fixed assets as shown in the balance sheet.

MORTGAGE ARREARS

At 31 March 2010, there were 7 accounts where payments were twelve months or more in arrears. The total amount outstanding on these accounts was £1.05 million, and the amount of arrears was £0.09 million, which represents less than 0.01% of mortgage balances.

CREDITOR PAYMENT POLICY

The Group policy concerning the payment of trade creditors is to agree terms of payment, to ensure that suppliers fulfil their contractual obligations and to settle invoices for the provision of goods and services within the agreed payment terms.

At 31 March 2010 the total amount owed to suppliers was equivalent to 2 days credit (2009: 5 days).

CHARITABLE AND POLITICAL DONATIONS

During the year, charitable donations of £104,660 were made to a number of organisations within our operating area, of which £30,000 was given to the Cumberland Building Society Charitable Foundation.

No contributions were made for political purposes.

EVENTS SINCE THE YEAR END

The directors consider that there have been no events since the year end that have had a material effect on the position of the Society or any of its subsidiary undertakings.

DIRECTORS

Information on the directors is given in the Annual Business Statement on page 32. Richard Atkinson, John Leveson and Michael Pratt retire at the Annual General Meeting and, being eligible, seek re-election. Trevor Hebdon, who was appointed to the Board during the year, also retires and, being eligible, seeks election.

CORPORATE GOVERNANCE

The Directors' Report on Corporate Governance can be found on pages 10 to 12.

STAFF

Great importance is placed on the recruitment, training and retention of high calibre employees. It is recognised that staff will play a vital role in the continuing success of the Cumberland. Training and staff development policies are continuously reviewed and, where appropriate, updated to meet the organisation's needs.

The Cumberland is committed to effective communication with staff, who are kept informed of matters relating to business performance and objectives. Staff involvement in matters affecting them is achieved by regular meetings.

The Cumberland has an equal opportunities policy and considers applications for employment from disabled persons. In the event of existing staff becoming disabled every effort is made to assist them in continuing to work for the organisation.

All staff are given opportunities for training, career development and promotion, taking into account their aptitudes, abilities and the particular demands of the job.

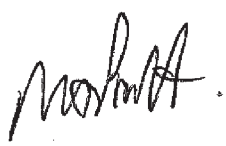
The directors' warm appreciation is extended to staff for their dedication, hard work and enthusiasm during the financial year.

GOING CONCERN

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the annual accounts continue to be prepared on the going concern basis.

AUDITORS

KPMG Audit Plc are eligible for re-appointment and have offered themselves for re-election.



On behalf of the Board of Directors
Michael J. Pratt *Chairman*
19 May 2010

REPORT ON DIRECTORS' REMUNERATION

The purpose of this report is to provide details of the policy for the remuneration of executive and non-executive directors.

Remuneration is reviewed annually and the Board and the Remuneration Committee believe that it is essential that it is set at a level to retain and attract individuals of the calibre necessary to operate an organisation as complex as the Group.

The remuneration of non-executive directors comprises only of fees and, other than that of the Chairman, is determined by the Board. The remuneration of the executive directors and the Chairman is determined by the Remuneration Committee, which consists of its chairman Richard Atkinson and two other non-executive directors, Simon Berry and David Clarke. Both the Board and the Remuneration Committee take account of fees payable and other benefits provided to non-executive directors, executive directors and chairmen of building societies that are similar in size and complexity to the Cumberland.

The executive directors are members of the Society's contributory defined benefit pension scheme and one of them is also a member of a defined contribution scheme in respect of the portion of his salary above a certain amount. They are also provided with a car and membership of a private medical insurance scheme. They are employed under contracts terminable by the Society or by the individual on six months' notice, under normal circumstances.

The executive directors voluntarily waived any entitlement to receive the payment of any bonus for the year ended 31 March 2009 and in light of the continued difficult economic conditions and the impact of these on members, the Committee, in consultation with the executive directors, agreed that no bonuses relating to performance against corporate targets for the year ended 31 March 2010 would be paid. This is in spite of the Society achieving excellent financial results in a difficult operating environment, which it is anticipated will continue through 2010-11.

The Committee has awarded one executive director a bonus for individual performance in the year ended 31 March 2010.

The Committee believes that bonus schemes relating to performance against corporate targets are an appropriate part of a balanced remuneration package, and that the continued achievement of excellent results in difficult operating conditions should be recognised. The Committee has decided therefore to reintroduce a modest executive bonus scheme for the year ending 31 March 2011.

Full details of individual directors' remuneration and of their pension benefits in respect of the defined benefit scheme are contained in note 6 to the accounts. The increase in accrued pension represents the change in the annual pension to which each director is entitled as a result of the changes in pensionable earnings and increases in pensionable service during the year.

Following their review of remuneration policies and practices within the financial services sector, the FSA introduced a new Remuneration Code of Practice with effect from 1 January 2010. Whilst the new code does not apply to building societies of the Cumberland's size, the Remuneration Committee, where appropriate, intends to comply with its requirements.

On behalf of the Remuneration Committee
Richard Atkinson
Chairman 19 May 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT, THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS

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

The Building Societies Act ("the Act") requires the directors to prepare Group and Society annual accounts for each financial year. Under that law they have elected to prepare the Group and Society annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

In preparing each of the Group and Society 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 accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the Group and 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 Group.

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTING RECORDS AND INTERNAL CONTROL

The directors are responsible for ensuring that the Group:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and 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 Services 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 Group 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 Group's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE

DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Cumberland Building Society supports the principles of good corporate governance and reviews annually its compliance with the Combined Code on Corporate Governance.

The Combined Code identifies a number of principles in relation to which a listed company should state its position. Although the Society is not a listed company and therefore is not subject to the Code, information on the Society's approach is set out below. The Board considers that the Society complies with all of the Code provisions unless the contrary is stated.

THE BOARD

The principal functions of the Board are the development and monitoring of strategy, the review of business and financial performance, and to ensure that effective systems and controls are in place for risk management. The Board meets every month and in addition, a policy review meeting is held at least annually.

There is a formal schedule of matters reserved for the Board and the Board has full and timely access to all relevant information to enable it to discharge its duties effectively.

In addition, the Board has established three committees to consider specific areas in more detail than would be possible within Board Meetings. Each of the Board sub-committees has Board approved Terms of Reference, which are published on the Society's website, www.cumberland.co.uk, or are available from the Society's Secretary on request. Details of the principal Board committees are set out below.

AUDIT AND RISK COMMITTEE

This monitors internal controls, financial reporting, risk management and regulatory compliance matters, reviews the work of Internal Audit and Compliance functions, assesses their effectiveness, considers the appointment of the external auditor, and reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process. It also has responsibility for ensuring that effective whistle-blowing arrangements are in place, which enables any concerns to be raised by employees in confidence.

The Committee consists of its chairman Richard Atkinson, and two other non-executive directors, Simon Berry and Charles Waddington. The four executive directors, the Head of Internal Audit, the Group Compliance Manager and a representative from the external auditors also attend Committee meetings by invitation to assist in its deliberations.

REMUNERATION COMMITTEE

This consists of its chairman Richard Atkinson, and two other non-executive directors, Simon Berry and David Clarke. The Committee's main role is to approve the level of remuneration for the Society's Chairman, executive and senior management. The Committee is also responsible for determining, on behalf of the Board, the structure of any incentive schemes for staff. Details of the remuneration policy can be found in the Report on Directors' Remuneration on page 9.

NOMINATION COMMITTEE

This consists of all directors and is chaired by the Society's Chairman, Michael Pratt. The Committee is responsible for making recommendations to the Board on matters relating to the composition of the Board, including board and executive succession planning, the appointment of new directors and the election and re-election of directors.

In addition, the Board receives a monthly report from the Assets and Liabilities Committee.

Set out in the table on the right are details of the directors during 2009-10 and their attendance record at Board meetings and relevant Board Committee meetings in the year. The figure in brackets indicates the number of meetings that the director was eligible to attend during the year.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of Chairman and Chief Executive are held by different individuals, with a clear division of responsibilities. The Chairman, who is a part-time non-executive director, is responsible for leading the Board and ensuring it acts effectively. The Chief Executive has responsibility for managing the Society and for the implementation of the strategies and policies agreed by the Board.

BOARD BALANCE AND INDEPENDENCE

The Board consists of four executive and six non-executive directors.

Four of the non-executive directors have served for less than the maximum of 9 years recommended by the Combined Code and can be defined as

Directors' attendance at Board and Board Committee meetings during the year ended 31 March 2010

Director	Board	Audit and Risk	Remuneration	Nomination
Richard Atkinson	12 (12)	5 (5)	6 (6)	6 (6)
Simon Berry	9 (12)	4 (5)	4 (6)	4 (6)
David Clarke	12 (12)		6 (6)	6 (6)
Trevor Hebdon*	3 (4)			0 (1)
John Kidd	12 (12)			6 (6)
John Leveson	3 (12)			1 (6)
Kevin Parr	12 (12)			6 (6)
Michael Pratt	12 (12)			6 (6)
Peter Temple	12 (12)			6 (6)
Charles Waddington	12 (12)	5 (5)		6 (6)

* Appointed 11 December 2009.
Figure in brackets indicates the number of meetings that the director was eligible to attend during the year.

not a member of the committee

Mr. John Leveson was on long term sickness absence during the year.

Mr. Simon Berry took unpaid sabbatical leave of three months during the year.

independent under it. Michael Pratt completed 13 years of service on the Board on 29 September 2009, and Richard Atkinson completed 12 years on 1 August 2009.

In the view of the Board, all the non-executive directors are independent in character and judgement, are free of any relationship or circumstance that could interfere with the exercise of their judgement, and bring wide and varied commercial experience to Board deliberations. In addition, Mr. Pratt and Mr. Atkinson stand for re-election by the Society's members at the Annual General Meeting each year, in line with the requirements of the Combined Code.

The Society has appointed Simon Berry to the position of Senior Independent Director. He is available to members if they have concerns which they either have been unable to resolve, or feel cannot be resolved, by contact through the normal channels of the Chairman or the executive directors.

APPOINTMENTS TO THE BOARD AND RE-ELECTION POLICY

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board. The Board maintains a succession plan and develops a role profile for vacancies arising. Non-executive positions are advertised in branches and in the press within the Society's operating area. All directors must meet the tests of fitness and propriety laid down by the FSA and are required to be registered with the FSA as Approved Persons in order to fulfil their controlled functions as directors.

The Board seeks to ensure planned and progressive refreshing of its membership. Directors are subject to election by members at the Annual General Meeting following their appointment and seek re-election every three years thereafter. Any non-executive directors serving for over 9 years are subject to annual re-election by the members.

INFORMATION AND PROFESSIONAL DEVELOPMENT

On appointment, directors are given appropriate induction and training. To ensure their skills remain updated, directors attend industry conferences, seminars and training courses and the Board regularly receives presentations from senior managers. All directors are able to obtain independent, professional advice at the Society's expense if they believe it is necessary in fulfilling their role.

PERFORMANCE EVALUATION

There is a process to evaluate, at least annually, the performance and effectiveness of individual directors, the Chairman, the Board and Board Committees.

The executive directors are appraised by the Chief Executive, and the Chief Executive is appraised by the Chairman. The performance of non-executive directors is reviewed by the Chairman, and the Senior Independent Director reviews the performance of the Chairman in liaison with the other non-executive directors.

Those non-executive directors who have served at least 6 years on the Board are subject to a particularly rigorous performance evaluation, in line with the Combined Code's requirements.

The Board and each Committee evaluate their own performance annually.

REMUNERATION

The Report on Directors' Remuneration on page 9 sets out the remuneration policies for executive and non-executive directors.

FINANCIAL REPORTING

The Statement of Directors' Responsibilities on page 9 sets out the Board's responsibilities in relation to the preparation of the Group's Annual Report and Accounts, and a statement that the Group's business is a going concern is included in the Directors' Report.

INTERNAL CONTROL

The Board has delegated responsibility for managing the system of internal control to senior management. The Group Internal Audit function provides independent assurance to the Board on the effectiveness of the system of internal control through the Audit and Risk Committee.

The information received and considered by the Committee provided reasonable assurance that during the financial year there were no material breaches of control or regulatory standards and that, overall, the Society maintained an adequate system of internal control. Further information on the Society's approach to risk management is included in the 'Principal Risks and Uncertainties' section of the Directors' Report.

AUDIT AND RISK COMMITTEE AND AUDITORS

The role and membership of the Audit and Risk Committee have been set out earlier in this report.

The Committee meets at least five times a year. At least annually, the external auditors meet with the Committee without the executive directors present. Minutes of the Committee's meetings, together with a report highlighting the key issues, are provided to the subsequent Board Meeting.

The Committee implements the Society's policy on the use of the external auditor for non-audit work. The purpose of this policy is to ensure the continued independence and objectivity of the external auditor. The external auditor, KPMG Audit Plc, undertook a number of non-audit related assignments during the year and these were conducted within the limits set out in the policy and are considered to be consistent with the professional and ethical standards expected of the external auditor in this regard.

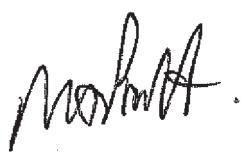
RELATIONS WITH MEMBERS

As a mutual organisation, the Society has members rather than shareholders. The Society seeks the views of its members in a variety of ways, including customer feedback surveys and market research.

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM)

Each year the Society sends details of the AGM to all members eligible to vote. Members are encouraged to vote in the postal ballot (by appointing a proxy to vote on their behalf and in accordance with their instructions) or by attendance at the Meeting. For several years the Society has encouraged members to vote by linking the numbers of votes received to donations to local charities. This year, the Society will donate 50 pence for each vote received to Macmillan Cancer Support.

All members of the Board are present at the AGM each year unless there are exceptional circumstances. The Chairs of the Board and of its committees are available to answer questions.



On behalf of the Board of Directors
Michael J. Pratt *Chairman*
19 May 2010

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CUMBERLAND BUILDING SOCIETY

We have audited the Group and Society annual accounts of Cumberland Building Society for the year ended 31 March 2010 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Statements of Total Recognised Gains and Losses, the Group and Society Balance Sheets, the Group Cash Flow Statement and the related notes. These annual accounts have been prepared under the accounting policies set out therein.

We have examined the Annual Business Statement (other than the details of directors and officers upon which we are not required to report) and the Directors' Report.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report including the Directors' Report, the Annual Business Statement and the annual accounts in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the annual accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We are also responsible for examining the Annual Business Statement (other than the details of directors and officers) and for reading the information in the Directors' Report and assessing whether it is consistent with the accounting records and the annual accounts.

We report to you our opinion as to whether the annual accounts give a true and fair view and are properly prepared in accordance with the Building Societies Act 1986 and regulations made under it. In addition, we report to you our opinion as to whether certain information in the Annual Business Statement gives a true representation of the matters in respect of which it is given, whether the information in the Directors' Report is consistent with the accounting records and the annual accounts and whether the Annual Business Statement and the Directors' Report have each been prepared in accordance with the applicable requirements of the Building Societies Act 1986 and regulations made under it. The information given in the Directors' Report includes that specific information given in the Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report.

We also report to you if, in our opinion, the annual accounts are not in agreement with the accounting records or if we have not received all the information and explanations that we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited annual accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the annual accounts, Annual Business Statement and Directors' Report. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the annual accounts and the Annual Business Statement. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the annual accounts, and of whether the accounting policies are appropriate to the group's and society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the annual accounts.

OPINION

In our opinion:

a) the annual accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the affairs of the group and of the society as at 31 March 2010 and of the income and expenditure of the group and of the society for the year then ended;

b) 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;

c) the information given in the Directors' Report is consistent with the accounting records and the annual accounts; and

d) the annual accounts, the Annual Business Statement and the Directors' Report have each been prepared in accordance with the applicable requirements of the Building Societies Act 1986 and regulations made under it.

Andrew Walker (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

St James' Square
Manchester
M2 6DS — 19 May 2010

GROUP AND SOCIETY INCOME AND EXPENDITURE ACCOUNTS

For the year ended 31 March 2010

	Notes	**Group 2010 £000**	Group 2009 £000	**Society 2010 £000**	Society 2009 £000
Interest receivable and similar income	2	**45,354**	79,915	**45,357**	79,921
Interest payable and similar charges	3	**(26,361)**	(58,217)	**(26,370)**	(58,285)
Net interest receivable		**18,993**	21,698	**18,987**	21,636
Pension finance (charge)/income	26	**(52)**	310	**(52)**	310
Fees and commissions receivable		**4,093**	4,413	**2,525**	3,113
Fees and commissions payable		**(1,680)**	(1,627)	**(1,757)**	(1,465)
Other operating income		**3,073**	1,814	**3,034**	1,794
		24,427	26,608	**22,737**	25,388
Administrative expenses	4	**(14,386)**	(14,789)	**(12,833)**	(13,229)
Depreciation and amortisation		**(1,319)**	(1,440)	**(1,202)**	(1,299)
Operating profit before provisions		**8,722**	10,379	**8,702**	10,860
Provisions for bad and doubtful debts	11	**(748)**	(404)	**(748)**	(404)
Operating profit before FSCS levy		**7,974**	9,975	**7,954**	10,456
Provisions for contingent liabilities and commitments - FSCS levy	22	**869**	(2,713)	**869**	(2,713)
Operating profit		**8,843**	7,262	**8,823**	7,743
Amounts written off fixed asset investments		**–**	–	**–**	(301)
Profit on ordinary activities before tax		**8,843**	7,262	**8,823**	7,442
Tax on profit on ordinary activities	7	**(2,499)**	(2,174)	**(2,496)**	(2,322)
Profit for the financial year	23	**6,344**	5,088	**6,327**	5,120

The above results are derived from continuing operations of the business.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2010

	Notes	**Group 2010 £000**	Group 2009 £000	**Society 2010 £000**	Society 2009 £000
Profit for the financial year		**6,344**	5,088	**6,327**	5,120
Actuarial gain/(loss) recognised in pension scheme	26	**139**	(1,535)	**139**	(1,535)
Movement in deferred tax relating to pension scheme	26	**(39)**	430	**(39)**	430
Unrealised loss on revaluation of investment property	14	**(35)**	(58)	**–**	–
Total recognised gains and losses for the year		**6,409**	3,925	**6,427**	4,015

The notes on pages 17 to 31 form part of these accounts.

GROUP AND SOCIETY BALANCE SHEETS

As at 31 March 2010

Assets	Notes	**Group 2010 £000**	Group 2009 Restated (see note 10) £000	**Society 2010 £000**	Society 2009 Restated (see note 10) £000
Liquid assets					
Cash in hand and balances with the Bank of England		**2,615**	2,673	**2,612**	2,671
Loans and advances to credit institutions	8	**230,851**	161,821	**230,851**	161,821
Debt securities	9	**144,134**	185,870	**144,134**	185,870
		377,600	350,364	**377,597**	350,362
Loans and advances to customers					
Loans fully secured on residential property	10	**1,034,460**	1,036,895	**1,034,460**	1,036,895
Other loans	10	**147,083**	147,624	**147,083**	147,624
	10	**1,181,543**	1,184,519	**1,181,543**	1,184,519
Investments					
Investments in subsidiary undertakings	12	**–**	–	**3,833**	3,958
Tangible fixed assets	13	**9,742**	10,318	**7,997**	8,471
Investment property	14	**340**	375	**–**	–
Other assets	15	**1,668**	1,558	**1,843**	2,000
Prepayments and accrued income	17	**2,772**	6,369	**2,766**	6,360
Total Assets		**1,573,665**	1,553,503	**1,575,579**	1,555,670

Liabilities	Notes	**Group 2010 £000**	Group 2009 Restated £000	**Society 2010 £000**	Society 2009 Restated £000
Shares	18	**1,320,679**	1,283,752	**1,320,679**	1,283,752
Amounts owed to credit institutions	19	**40,371**	55,281	**40,371**	55,281
Amounts owed to other customers	20	**102,373**	107,952	**104,384**	110,081
Other liabilities	21	**2,908**	3,811	**2,946**	3,860
Accruals and deferred income		**3,225**	3,560	**3,037**	3,514
Provisions for liabilities	22	**1,367**	2,713	**1,367**	2,713
Net pension liability	26	**159**	260	**159**	260
Reserves					
General reserves	23	**102,676**	96,232	**102,636**	96,209
Investment property reserve	23	**(93)**	(58)	**–**	–
Total Liabilities		**1,573,665**	1,553,503	**1,575,579**	1,555,670
Memorandum items					
Commitments	24	**6,029**	7,938	**6,029**	7,938

These accounts were approved by the Board of Directors on 19 May 2010

M. J. Pratt, Chairman
R. Atkinson, Vice–Chairman and Chairman of the Audit and Risk Committee
K. Parr, Director and Chief Executive

The notes on pages 17 to 31 form part of these accounts.

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2010

	2010 £000	2009 £000
Net cash (outflow)/inflow from operating activities	**(35,180)**	56,470
Taxation	**(2,583)**	(1,624)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(786)**	(820)
Sale of tangible fixed assets	**43**	41
Purchase of investment securities	**(479,726)**	(636,867)
Sale and maturity of investment securities	**520,971**	568,964
Increase/(decrease) in cash and cash equivalents	**2,739**	(13,836)

Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2010 £000	2009 £000
Operating profit	**8,843**	7,262
Decrease/(increase) in prepayments and accrued income	**4,525**	(8)
(Decrease)/increase in accruals and deferred income	**(335)**	19
Provisions for bad and doubtful debts	**748**	404
Depreciation and amortisation	**1,324**	1,432
(Profit)/loss on sale of tangible fixed assets	**(5)**	8
Pension contributions	**(548)**	(544)
Pension charges	**547**	257
Other non–cash movements	**(152)**	(20)
Net cash inflow from trading activities	**14,947**	8,810
Decrease/(increase) in loans and advances to customers	**2,380**	(57,570)
Increase in shares	**36,927**	123,952
Decrease in amounts owed to credit institutions and other customers	**(20,489)**	(50,893)
(Increase)/decrease in loans and advances to credit institutions and other liquid assets	**(66,670)**	30,571
Decrease/(increase) in other assets	**118**	(335)
(Decrease)/increase in other liabilities and provisions for liabilities	**(2,393)**	1,935
Net cash (outflow)/inflow from operating activities	**(35,180)**	56,470

Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	At 1 April 2009 £000	Movement in year £000	At 31 March 2010 £000
Cash in hand and balances with the Bank of England	2,673	(58)	2,615
Loans and advances to credit institutions - repayable on demand (note 8)	10,849	2,797	13,646
	13,522	2,739	16,261

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The Society has reclassified certain loans from 'loans fully secured on land' to 'loans fully secured on residential property' as detailed in note 10. This has also led to a restatement of the analysis of 'interest receivable and similar income' in note 2, but has not changed reported profit, total assets or reserves in 2009 or 2010.

There have been no other significant changes in accounting policies during the year.

(a) **Basis of Preparation**

These accounts have been prepared under the historical cost accounting rules, with the exception of the investment property which is held at open market value, and in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations and applicable UK Accounting Standards.

(b) **Basis of Consolidation**

The consolidated financial statements include the financial statements of the Society and its subsidiary undertakings made up to 31 March 2010.

(c) **Corporation Tax**

Corporation tax is charged in the accounts on the profit for the year as adjusted for taxation purposes.

(d) **Deferred Taxation**

Provision for deferred tax is made in respect of all timing differences that have originated but not reversed by the balance sheet date. Timing differences represent differences between gains and losses recognised for tax purposes in periods different from those in which they are recognised in financial statements. No deferred tax is recognised on permanent differences between the Group's taxable gains and losses and its results as stated in the financial statements. Deferred tax assets and liabilities are stated without discounting.

(e) **Fixed Assets and Depreciation**

The cost of additions and major alterations to freehold land and buildings and equipment is capitalised. Freehold buildings are depreciated at 2% per annum on cost. In addition, included in freehold land and buildings are amounts in respect of refurbishment and plant which are depreciated over their estimated useful lives on a straight line basis at 20%.

The costs less estimated residual values of fixed assets other than freehold land and buildings are written off over their estimated useful lives on a straight line basis using the following annual rates:

Fixtures and Fittings and Office Furniture	20%
Computer Equipment	20% to 50%
Office Equipment	20%
Motor Vehicles	20%

(f) **Leases**

When a lease is entered into which involves taking substantially all the risks and rewards of ownership of an asset, it is treated as a 'finance lease'. The asset is recorded in the balance sheet as a fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is the shorter. Future instalments under such leases, net of finance charges, are included in other liabilities. Rentals are apportioned between the finance element, which is charged to the income and expenditure account at a constant annual rate, and the capital element, which reduces the outstanding obligation for future instalments.

(g) **Liquid Assets**

Debt securities intended for use on a continuing basis in the Society's activities are classified as financial fixed assets and are stated at cost. Any permanent diminution in value of such financial fixed assets would result in a write down of the cost of the securities to their recoverable amounts and would be dealt with through the income and expenditure account. Other liquid assets are stated at the lower of cost and net realisable value.

(h) **Pension Costs**

The Group operates a defined benefit pension scheme and three defined contribution pension schemes for staff. The assets of the schemes are held separately from those of the Group in independently administered funds.

The defined benefit pension scheme's assets are measured at market value at each balance sheet date and the liabilities are measured using the attained age method, discounted using the current rate of return on a high quality corporate bond of equivalent term of the liability.

The resultant surplus or deficit is carried on the balance sheet, net of associated deferred tax.

Increases in the present value of scheme liabilities that are expected to arise from employee service in the period (current service costs), and those which have arisen as a result of past service benefit improvements (past service costs), are charged to the income and expenditure account as administrative expenses. The expected return on the scheme's assets less the increase in the scheme's liabilities, arising from the passage of time, is disclosed as a pension finance income or charge.

Any resulting actuarial gains or losses, that is gains or losses arising from differences in the expected return on scheme assets compared to the actual return and changes in assumptions, or factors which affect those assumptions, used in measuring the scheme liabilities, are recognised immediately in the statement of total recognised gains and losses.

Contributions to the defined contribution pension schemes are charged to the income and expenditure account as incurred.

(i) **Provisions for Loans and Advances**

Provisions are made to reduce the value of loans and advances to the amount which the directors consider is likely ultimately to be received.

Throughout the year and at the year end, individual assessments are made of all loans and advances on properties which are in possession, or in arrears by three months or more. Specific provision is made against those loans and advances which are considered to be impaired. In considering the specific provision for impaired loans, account is taken of any discount which may be needed against the value of the property at the balance sheet date to agree a sale within three months of that date, the anticipated realisation costs and the amount recoverable under mortgage indemnity policies. The directors recognise that not all accounts in arrears will result in possession and apply a factor based on recent experience to reflect this probability when calculating the provision for accounts in arrears.

A general provision is made against other loans and advances to the extent that receipt of these may be doubtful. This provision is based upon the Society's experience and current economic trends and as such may be adjusted in the future as appropriate.

Interest in respect of all loans is credited to the income and expenditure account as it becomes receivable, except in respect of advances where the property has been taken into possession and where the collectability of the interest is subject to significant doubt. Such interest is credited to an interest suspense account.

Loans and advances in the balance sheet are shown net of provisions, specific and general. The charge or credit to the income and expenditure account comprises the movement in the provisions together with losses written off in the year.

(j) **Incentives to Borrowers**

i) Cashbacks

Cashbacks are accounted for on completion of the mortgage and are charged as a reduction of interest receivable.

ii) Interest Discounts

Interest discounts are accounted for within interest receivable over the period of the discount.

(k) **Off Balance Sheet Instruments ('Derivatives')**

The Group enters into derivative financial instruments in order to hedge the risk of interest rate fluctuations and all interest rate related contracts are classified at the balance sheet date as hedging contracts. Income and charges on these instruments are included within the interest caption relevant to the underlying instrument on an accruals basis. If the hedge contract is terminated early, the realised gain or loss is amortised over the residual life of the underlying instrument.

(l) **Investment Property**

When a building is fully developed and held for rental purposes or capital appreciation, it is classified as an investment property and held in the balance sheet at its open market valuation and not depreciated. Changes in the market value of such properties are taken to the statement of total recognised gains and losses (being a movement on an investment property reserve), unless a deficit or its reversal on an investment property is expected to be permanent.

2. Interest Receivable and Similar Income

	Group 2010 £000	Group 2009 Restated (see note 10) £000	Society 2010 £000	Society 2009 Restated (see note 10) £000
On loans fully secured on residential property	**42,112**	54,523	**42,112**	54,523
On other loans	**4,957**	8,705	**4,960**	8,711
On debt securities				
Interest and other income	**2,571**	6,418	**2,571**	6,418
On other liquid assets				
Interest and other income	**3,084**	10,363	**3,084**	10,363
Net expense on financial instruments	**(7,370)**	(94)	**(7,370)**	(94)
	45,354	79,915	**45,357**	79,921

The total income from fixed income securities (within debt securities above) was £204,000 (2009 - £215,000). Interest on secured advances, as shown above, has been reduced by £13,000 (2009 - £27,000) being the net effect of interest suspended on non-performing loans in accordance with the Society's accounting policy. Movements in the suspended interest account were as follows:

	Group and Society 2010 £000	Group and Society 2009 £000
At 1 April	**21**	–
Interest suspended during the year	**13**	27
Interest written off during the year	**–**	(6)
At 31 March	**34**	21

3. Interest Payable and Similar Charges

	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
On shares held by individuals	**26,378**	46,947	**26,378**	46,947
On deposits and other borrowings				
To connected undertakings	**–**	–	**9**	67
Other	**3,763**	11,956	**3,763**	11,956
Net income on financial instruments	**(3,780)**	(686)	**(3,780)**	(686)
Other interest payable	**–**	–	**–**	1
	26,361	58,217	**26,370**	58,285

4. Administrative Expenses

	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
Staff costs (note 5)	**8,663**	9,432	**7,942**	8,495
Remuneration of auditors and their associates (excluding VAT)				
– Audit fees	**64**	63	**56**	56
– Non–audit fees:				
– tax services	**1**	4	**1**	4
– other services	**7**	–	**7**	–
Other expenses	**5,651**	5,290	**4,827**	4,674
	14,386	14,789	**12,833**	13,229

5. Staff Numbers and Costs

The average number of persons employed during the year (including executive directors) was as follows:

	Full time 2010	Full time 2009	Part time 2010	Part time 2009
Society's principal office	**132**	145	**42**	43
Society's branches	**116**	127	**95**	97
Estate agency offices	**25**	29	**17**	24
	273	301	**154**	164

The aggregate costs of these persons were as follows:	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
Wages and salaries	**7,544**	8,160	**6,912**	7,342
Social security costs	**624**	705	**577**	636
Other pension costs (note 26)	**495**	567	**453**	517
	8,663	9,432	**7,942**	8,495

6. Directors' Emoluments and Transactions

	2010 £000	2009 £000
Total directors' remuneration	**707**	724
Non-executive directors' remuneration		
M. J. Pratt (Chairman)	**37**	37
R. Atkinson (Vice–Chairman)	**25**	25
S. F. M. Berry	**15**	20
D. M. Clarke	**20**	20
T. Hebdon (appointed 11 December 2009)	**7**	–
H. S. Sykes (retired 1 July 2008)	**–**	5
C. A. Waddington	**20**	20
M. E. Wilcox (appointed 1 February 2008, resigned 30 November 2008)	**–**	14
	124	141

Mr. Berry was on sabbatical leave for three months in 2009-10.

Executive directors' remuneration **2010**	Salary £000	Bonus £000	Taxable benefits £000	Sub–total £000	Increase in accrued pension £000	Pension contributions £000	Total £000
K. Parr	**176**	**–**	**8**	**184**	**9**	**–**	**193**
J. M. Leveson	**123**	**–**	**8**	**131**	**2**	**–**	**133**
J. C. N. Kidd	**125**	**–**	**5**	**130**	**2**	**–**	**132**
P. R. Temple	**108**	**8**	**6**	**122**	**1**	**2**	**125**
	532	**8**	**27**	**567**	**14**	**2**	**583**

Mr. Leveson was absent on long term sickness leave during the year and part of his salary during this period was covered by permanent health insurance.

2009							
K. Parr	174	–	8	182	8	–	190
J. M. Leveson	135	–	8	143	4	–	147
J. C. N. Kidd	121	–	5	126	3	–	129
P. R. Temple	107	–	6	113	2	2	117
	537	–	27	564	17	2	583

Defined Benefit Pension Scheme	Directors' contribution £000	Accumulated total accrued pension at year end £000	Transfer value of accrued benefits, 31 March 2010 £000	Transfer value of accrued benefits, 31 March 2009 £000	Difference in transfer value less contributions £000
K. Parr	**13**	**47**	**704**	**531**	**160**
J. M. Leveson	**10**	**27**	**370**	**304**	**56**
J. C. N. Kidd	**9**	**31**	**390**	**339**	**42**
P. R. Temple	**7**	**41**	**750**	**726**	**17**

Pensions paid to former directors were £4,000 (2009 - £4,000).
None of the directors had an interest in shares in, or debentures of, any subsidiary undertaking of the Society at any time during the financial year.
At 31 March 2010 two directors had mortgage loans granted in the ordinary course of business, amounting to £286,000 (2009 - three directors, £371,000). A register is maintained at the Principal Office of the Society, containing details of loans, transactions and arrangements between the Society and its directors and connected persons; requisite particulars from it are available for inspection.

7. Taxation

	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
(a) Analysis of charge in year:				
Current tax				
Corporation tax at 28%	**2,706**	2,152	**2,773**	2,284
Under/(over) provision of corporation tax in prior year	**21**	(13)	**22**	(10)
Total current tax	**2,727**	2,139	**2,795**	2,274
Deferred tax at 28%				
Origination and reversal of timing differences	**(228)**	35	**(299)**	48
Tax on profit on ordinary activities	**2,499**	2,174	**2,496**	2,322
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	**8,843**	7,262	**8,823**	7,442
Tax on profit on ordinary activities at UK standard rate of 28%	**2,476**	2,033	**2,470**	2,084
Effects of:				
Depreciation in excess of capital allowances	**47**	164	**143**	148
Other timing differences	**150**	(23)	**149**	(19)
Expenses not deductible for tax purposes	**34**	60	**11**	151
Adjustments to tax charge for payments basis (pensions)	**–**	(80)	**–**	(80)
Small companies rate	**(1)**	(2)	**–**	–
Under/(over) provision of corporation tax in prior year	**21**	(13)	**22**	(10)
Current tax charge for year	**2,727**	2,139	**2,795**	2,274

8. Loans and Advances to Credit Institutions

	Group and Society 2010 £000	Group and Society 2009 £000
Loans and advances to credit institutions are repayable from the date of the balance sheet in the ordinary course of business as follows:		
On demand	**13,646**	10,849
In not more than three months	**171,653**	111,483
In more than three months but not more than one year	**40,000**	35,500
In more than one year but not more than five years	**5,000**	3,000
	230,299	160,832
Accrued interest	**552**	989
	230,851	161,821

9. Debt Securities

	2010 £000	2009 £000
(a) Debt securities comprise:		
Issued by public bodies	**19,739**	3,902
Issued by other borrowers	**124,395**	181,968
	144,134	185,870
(b) Debt securities are repayable from the date of the balance sheet in the ordinary course of business as follows:		
In not more than one year	**129,170**	181,000
In more than one year	**14,474**	3,889
	143,644	184,889
Accrued interest	**490**	981
	144,134	185,870

	Group and Society 2010 £000	2009 £000
(c) Analysis of debt securities, excluding accrued interest:		
Transferable securities		
Listed on a recognised investment exchange	**19,644**	3,889
Unlisted	**124,000**	181,000
	143,644	184,889
Market value of listed transferable securities	**20,007**	4,253

The directors of the Society consider that the primary purpose of holding securities is prudential. The securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities and are classified as financial fixed assets.

Movements during the year of transferable securities held as financial fixed assets are analysed as follows:

Cost (excluding accrued interest)	Group and Society £000
At 1 April 2009	**184,889**
Additions	**479,726**
Disposals and maturities	**(520,971)**
At 31 March 2010	**143,644**

10. Loans and Advances to Customers

	Group and Society 2010 £000	2009 Restated £000
(a) Loans and advances to customers comprise:		
Loans fully secured on residential property	**1,034,460**	1,036,895
Other loans		
Loans fully secured on land	**145,619**	146,307
Other loans	**1,464**	1,317
	1,181,543	1,184,519

During the year the Society reclassified loans in respect of holiday letting, from 'loans fully secured on land' to 'loans fully secured on residential property', which at 31 March 2009 amounted to £20,855,000. The balances at 31 March 2009 have been restated accordingly.

	2010 £000	2009 Restated £000
(b) The maturity of loans and advances to customers from the date of the balance sheet is as follows:		
On call and at short notice	**11,640**	5,735
In not more than three months	**12,196**	11,202
In more than three months but not more than one year	**41,464**	42,443
In more than one year but not more than five years	**257,641**	241,560
In more than five years	**862,903**	887,317
	1,185,844	1,188,257
Less: Provisions (note 11)	**(4,233)**	(3,637)
Deferred mortgage indemnity guarantee insurance income	**(68)**	(101)
	1,181,543	1,184,519

The actual experience of repayments may differ from the above since many loans and advances are repaid early.

11. Provisions for bad and doubtful debts	Group and Society Loans fully secured on residential property £000	Loans fully secured on land £000	Other loans £000	Total £000
Provisions against loans and advances to customers have been made as follows:				
At 1 April 2009				
General provision	1,615	1,748	40	3,403
Specific provision	–	155	79	234
	1,615	1,903	119	3,637
Amounts written off during year				
General provision	–	–	–	–
Specific provision	(64)	(73)	(13)	(150)
	(64)	(73)	(13)	(150)
Income and expenditure account				
Provisions for bad and doubtful debts				
General provision	75	500	–	575
Specific provision	64	117	(10)	171
	139	617	(10)	746
At 31 March 2010				
General provision	1,690	2,248	40	3,978
Specific provision	–	199	56	255
	1,690	2,447	96	4,233

The total charge of £748,000 in the income and expenditure account consists of the charge of £746,000 shown above, a credit of £7,000 in respect of recoveries against residential loans which had been written off in prior years, and a charge of £9,000 in relation to other loans incurred during the year.
Within accruals and deferred income the Society has a provision of £772,000 (2009 - £622,000) in respect of customer claims arising from potential shortfalls on the maturity of endowment policies.

12. Investments in Subsidiary Undertakings (Society)	Shares £000	Loans £000	Total £000
Cost at 1 April 2009	2,890	1,068	3,958
Advances	–	5	5
Repayments	–	(130)	(130)
Cost at 31 March 2010	2,890	943	3,833

Subsidiary undertakings carrying on a business

At 31 March 2010 the Society held an interest in the following subsidiary undertakings all limited by shares under the Companies Act 2006:

	Country of Registration	Principal Activity	Class of Shares	Interest of Society
Direct				
Cumberland Holdings Ltd	England	Holding Company	Ordinary	100%
Indirect				
Cumberland Estate Agents Ltd	England	Estate Agents	Ordinary	100%
Cumberland Financial Services Ltd	England	Independent Financial Adviser	Ordinary	100%
Cumberland Homes Ltd	England	Development Company	Ordinary	100%
Cumberland Leasing Ltd	England	Leasing Company	Ordinary	100%
Cumberland Property Services Ltd	England	Property Company	Ordinary	100%

13. Tangible Fixed Assets (Group)	Freehold Land and Buildings £000	Equipment, Fixtures and Fittings and Vehicles £000	Total £000
Cost			
At 1 April 2009	17,224	13,347	30,571
Additions	145	641	786
Disposals	(5)	(82)	(87)
At 31 March 2010	17,364	13,906	31,270
Depreciation			
At 1 April 2009	8,985	11,268	20,253
Charge for year	437	887	1,324
Disposals	–	(49)	(49)
At 31 March 2010	9,422	12,106	21,528
Net book value			
At 31 March 2010	7,942	1,800	9,742
At 31 March 2009	8,239	2,079	10,318

Tangible Fixed Assets (Society)			
Cost			
At 1 April 2009	14,713	12,737	27,450
Additions	141	620	761
Disposals	–	(61)	(61)
At 31 March 2010	14,854	13,296	28,150
Depreciation			
At 1 April 2009	8,230	10,749	18,979
Charge for year	365	843	1,208
Disposals	–	(34)	(34)
At 31 March 2010	8,595	11,558	20,153
Net book value			
At 31 March 2010	6,259	1,738	7,997
At 31 March 2009	6,483	1,988	8,471

The net book value of tangible fixed assets held by the Society of £7,997,000 includes £nil in respect of finance leases (2009 - £24,000). All such assets were leased from a Group company, Cumberland Leasing Limited. Depreciation for the year ended 31 March 2010 on these assets was £24,000 (2009 - £107,000). The net book value of land and buildings occupied by the Group for its own activities at 31 March 2010 was £6,205,000 (Society £5,189,000) (2009 - Group £6,466,000, Society £5,385,000).

14. Investment Property	Group 2010 £000	Group 2009 £000
At 1 April	**375**	433
Revaluation	**(35)**	(58)
At 31 March	**340**	375

A revaluation of the investment property on an open market value basis was carried out by an employee of the Group who is a member of the Royal Institution of Chartered Surveyors on 22 April 2010.

15. Other Assets

	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
Deferred taxation asset (note 16)	**1,389**	1,161	**1,328**	1,029
Other	**279**	397	**515**	971
	1,668	1,558	**1,843**	2,000

16. Deferred Taxation

	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
The elements of deferred taxation at 28% are as follows:				
Difference between accumulated depreciation and amortisation and capital allowances	**227**	180	**195**	48
General mortgage loss provisions	**1,114**	953	**1,114**	953
Other timing differences	**48**	28	**19**	28
Deferred taxation asset (note 15)	**1,389**	1,161	**1,328**	1,029
The deferred taxation movement for the year is as follows:				
At 1 April	**1,161**	1,115	**1,029**	996
Credit/(charge) for the year (note 7)	**228**	(35)	**299**	(48)
Offset against pension deficit	**–**	81	**–**	81
At 31 March	**1,389**	1,161	**1,328**	1,029

17. Prepayments and Accrued Income

	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
Accrued income relating to off balance sheet instruments	**2,576**	5,980	**2,576**	5,980
Other	**196**	389	**190**	380
	2,772	6,369	**2,766**	6,360

18. Shares

	Group and Society 2010 £000	2009 £000
(a) Shares comprise:		
Held by individuals	**1,320,672**	1,283,745
Other	**7**	7
	1,320,679	1,283,752
(b) Repayable from the date of the balance sheet in the ordinary course of business as follows:		
On demand	**713,360**	753,541
In not more than three months	**167,576**	149,521
In more than three months but not more than one year	**355,570**	332,538
In more than one year but not more than five years	**75,336**	36,393
	1,311,842	1,271,993
Accrued interest	**8,837**	11,759
	1,320,679	1,283,752

19. Amounts owed to Credit Institutions

	Group and Society 2010 £000	2009 £000
Repayable from the date of the balance sheet in the ordinary course of business as follows:		
In not more than three months	**11,750**	23,500
In more than three months but not more than one year	**18,500**	25,500
In more than one year but not more than five years	**10,000**	6,000
	40,250	55,000
Accrued interest	**121**	281
	40,371	55,281

20. Amounts owed to Other Customers	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
Repayable from the date of the balance sheet in the ordinary course of business as follows:				
On demand	**18,314**	9,046	**20,325**	11,175
In not more than three months	**47,570**	58,450	**47,570**	58,450
In more than three months but not more than one year	**33,233**	26,820	**33,233**	26,820
In more than one year but not more than five years	**2,259**	11,240	**2,259**	11,240
	101,376	105,556	**103,387**	107,685
Accrued interest	**997**	2,396	**997**	2,396
	102,373	107,952	**104,384**	110,081

21. Other Liabilities	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
Falling due within one year:				
Corporation tax	**1,424**	1,280	**1,375**	1,270
Income tax	**548**	1,594	**548**	1,594
Obligations to subsidiary undertaking under finance leases	**–**	–	**–**	97
Other creditors	**936**	937	**1,023**	899
	2,908	3,811	**2,946**	3,860

22. Provisions for liabilities	Group and Society 2010 £000	Group and Society 2009 £000
Financial Services Compensation Scheme Levy:		
At 1 April	**2,713**	–
Paid, 1 September 2009	**(477)**	–
(Credited)/charged to income and expenditure account	**(869)**	2,713
At 31 March	**1,367**	2,713

The Financial Services Compensation Scheme (FSCS) makes annual levies on all regulated U.K. deposit–takers in relation to its running expenses (the management expenses levy) and any compensation claims made against it (the compensation levy). The levies for each deposit–taker are based on its share of the total of protected deposits.

The management expenses levy now includes the cost of interest on sums borrowed by the FSCS from the Bank of England, and eventually HM Treasury, in order to fund the exceptional compensation payments arising from deposit–taker failures during 2008. Levies were made in relation to Bradford and Bingley plc (September 2008), the U.K. retail deposit–taking arms of Icelandic banks (Heritable, Kaupthing Edge and Icesave - October 2008), London Scottish Bank plc (December 2008), and the transfer of core parts of Dunfermline Building Society to Nationwide Building Society in March 2009.

In the current year, the Society paid £477,000 in respect of the levy for 2008–09.

In addition to this, the reduction of £869,000 in the provision in the latest year, a credit to the profit and loss account, is following the Society's latest calculation of its liability with reference to its protected deposits, anticipated future interest rates and the FSCS's latest estimates of the management expenses levy for the scheme years.

There remains uncertainty over the amount provided; the final amounts chargeable in respect of management expenses levy claims will depend upon future interest rates and each deposit–taker's final share of the U.K. total of protected deposits.

In addition to the management expenses levy claims referred to above, the Society will be required to contribute to any compensation levies raised in relation to the aforementioned deposit–taker failures. Compensation levies will arise in the event that proceeds from the eventual disposal of assets are insufficient to cover compensation payments made by the FSCS.

23. Reserves	Group 2010 £000	Group 2009 £000	Society 2010 £000	Society 2009 £000
General Reserves				
At 1 April	**96,232**	92,249	**96,209**	92,194
Profit for the financial year	**6,344**	5,088	**6,327**	5,120
Actuarial gain/(loss) net of deferred tax in the STRGL	**100**	(1,105)	**100**	(1,105)
At 31 March	**102,676**	96,232	**102,636**	96,209
Investment Property				
At 1 April	**(58)**	–	**–**	–
Unrealised loss on revaluation of property (note 14)	**(35)**	(58)	**–**	–
At 31 March	**(93)**	(58)	**–**	–
Reserves excluding net pension liability	**102,742**	96,434	**102,795**	96,469
Net pension liability	**(159)**	(260)	**(159)**	(260)
Reserves including net pension liability	**102,583**	96,174	**102,636**	96,209

24. Guarantees and other Financial Commitments

(a) The Society has undertaken to discharge the liabilities of all its subsidiary undertakings, in so far as they are unable to discharge them out of their own assets.

(b) Financial Services Compensation Scheme
The Society has a contingent liability in respect of contributions to the Financial Services Compensation Scheme as outlined in note 22.

(c) Capital commitments at 31 March for which no provision has been made in the accounts were as follows:

	Group and Society 2010 £000	Group and Society 2009 £000
Contracted but not provided for	**30**	48

(d) Memorandum items

	2010 £000	2009 £000
Irrevocable mortgage commitments	**6,029**	7,938

25. Financial Instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Group is a retailer of financial instruments in the form of mortgage and savings products, and also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and manage the risks arising from its operations.

The Group has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This is set out in the Treasury Policy Statement, approved by the Board. This structure is reviewed regularly by the Assets and Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes.

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

Derivatives are only used by the Group in accordance with the Building Societies Act 1986, to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. Derivatives are not used in trading activity or for speculative purposes.

Types of derivatives

The principal derivatives used in balance sheet risk management are interest rate swaps which are used to hedge Group balance sheet exposures arising from fixed rate mortgage lending and savings products.

The following table describes the significant activities undertaken by the Group, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. Such risks may alternatively be managed using on balance sheet instruments as part of an integrated approach to risk management.

Activity	Risk	Type of hedge
Fixed rate savings products	Sensitivity to falls in interest rates	Receive fixed interest rate swaps
Fixed rate mortgage lending	Sensitivity to increases in interest rates	Pay fixed interest rate swaps

The table below shows the nominal principal amounts, credit risk weighted amounts and replacement costs of derivatives, analysed by maturity. Nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The replacement cost represents the cost of replacing contracts with positive values, calculated at market rates current at the balance sheet date, reflecting the Group's maximum exposure should the counterparties default. The credit risk weighted amount, which is calculated according to rules specified by the Financial Services Authority, is based on the replacement cost, but also takes into account measures of the extent of potential future exposure and the nature of the counterparty.

	Nominal principal amount 2010 £000	**Credit risk weighted amount 2010 £000**	**Replacement cost 2010 £000**	Nominal principal amount 2009 £000	Credit risk weighted amount 2009 £000	Replacement cost 2009 £000
Interest rate contracts						
– under one year	**213,000**	**595**	**2,973**	215,090	1,473	7,365
– between one and five years	**206,830**	**885**	**3,390**	246,363	1,292	5,228

The accounting policy for derivatives is described in note 1 to the accounts.

Liquidity risk

The Group's liquidity policy is to maintain sufficient liquid resources to cover cashflow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Group and to enable the Group to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets, through wholesale funding facilities and through management control of the growth of the business.

Market risk

The primary market risk faced by the Group is interest rate risk. The potential impact of changes in interest rates on the Group's financial position is monitored against policy limits approved by the Board on a continuous basis, and managed using a combination of on and off balance sheet instruments.

The table below shows the allocation of assets and liabilities at the balance sheet date to time bands by reference to the earlier of the next interest repricing date and the maturity date. The interest rate sensitivity gap represents the asset/liability mis–match within the balance sheet after taking into account off balance sheet derivatives and quantifies the net value of assets or liabilities which will give rise to earnings variations when interest rates change.

At 31 March 2010:	**Not more than three months £000**	**More than three months but not more than six months £000**	**More than six months but not more than one year £000**	**More than one year but not more than five years £000**	**Non interest bearing £000**	**Total £000**
Assets						
Liquid assets	289,914	41,000	31,170	14,474	1,042	377,600
Loans fully secured on residential property and other loans	944,597	16,690	29,623	194,866	(4,233)	1,181,543
Tangible fixed assets	–	–	–	–	9,742	9,742
Other assets	–	–	–	–	4,780	4,780
Total assets	1,234,511	57,690	60,793	209,340	11,331	1,573,665
Liabilities						
Shares	1,072,781	63,806	107,106	68,149	8,837	1,320,679
Amounts owed to credit institutions and other customers	108,702	13,124	19,500	300	1,118	142,744
Other liabilities	–	–	–	–	7,659	7,659
Reserves	–	–	–	–	102,583	102,583
Total liabilities	1,181,483	76,930	126,606	68,449	120,197	1,573,665
Net assets / (liabilities)	53,028	(19,240)	(65,813)	140,891	(108,866)	–
Off balance sheet items	50,830	18,400	55,600	(124,830)	–	–
Interest rate sensitivity gap	103,858	(840)	(10,213)	16,061	(108,866)	–
Cumulative gap	103,858	103,018	92,805	108,866	–	–

At 31 March 2009:	Not more than three months £000	More than three months but not more than six months £000	More than six months but not more than one year £000	More than one year but not more than five years £000	Non interest bearing £000	Total £000
Assets						
Liquid assets	280,332	23,500	36,000	5,889	4,643	350,364
Loans fully secured on residential property and other loans	955,806	7,679	36,095	188,576	(3,637)	1,184,519
Tangible fixed assets	–	–	–	–	10,318	10,318
Other assets	–	–	–	–	8,302	8,302
Total assets	1,236,138	31,179	72,095	194,465	19,626	1,553,503
Liabilities						
Shares	1,106,019	62,102	76,138	27,734	11,759	1,283,752
Amounts owed to credit institutions and other customers	118,806	16,750	15,000	10,000	2,677	163,233
Other liabilities	–	–	–	–	10,344	10,344
Reserves	–	–	–	–	96,174	96,174
Total liabilities	1,224,825	78,852	91,138	37,734	120,954	1,553,503
Net assets / (liabilities)	11,313	(47,673)	(19,043)	156,731	(101,328)	–
Off balance sheet items	39,613	53,200	37,550	(130,363)	–	–
Interest rate sensitivity gap	50,926	5,527	18,507	26,368	(101,328)	–
Cumulative gap	50,926	56,453	74,960	101,328	–	–

Fair values of financial instruments
Set out below is a comparison of book and fair values of some of the Group's financial instruments by category. Where available, market values have been used to calculate fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates. Interest rate options have been valued using current replacement cost for comparable instruments.
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. Thus it excludes mortgages, retail savings accounts and other balance sheet items whose book and fair values may differ at the balance sheet date.

Assets	**Book value 2010 £000**	**Fair value 2010 £000**	Book value 2009 £000	Fair value 2009 £000
On balance sheet instruments				
Liquid assets	**144,134**	**144,591**	185,870	186,892
Off balance sheet instruments				
Interest rate contracts	**2,576**	**(2,840)**	5,980	5,205

Liquid assets as stated above excludes non–marketable instruments.

Gains and losses arising from derivatives used to hedge financial risks
Gains and losses arising from derivatives used to hedge financial risks are not recognised within interest receivable until the exposure that is being hedged is itself recognised. Unrecognised gains and losses arising from derivatives and the movements therein are shown in the table below.

	Unrecognised gains £000	Unrecognised losses £000	Net Unrecognised gain/(loss) £000
Unrecognised at the start of the year	12,592	(13,367)	(775)
Recognised in the year	(7,365)	1,056	(6,309)
Carried forward to future periods	5,227	(12,311)	(7,084)
Gains and losses arising in the year but not recognised in the year	1,134	534	1,668
Unrecognised at the end of the year	6,361	(11,777)	(5,416)
Of which:			
Expected to be realised in the year ending 31 March 2011	2,972	(1,274)	1,698
Expected to be realised after 31 March 2011	3,389	(10,503)	(7,114)
	6,361	(11,777)	(5,416)

26. Pensions

The Group operates a defined benefit pension scheme and three defined contribution schemes, funded by contributions from the Group and its staff.

Defined contribution schemes

The Group's contributions in the year to the defined contribution schemes totalled £158,000 (2009 - £146,000). The assets of the schemes are externally managed. One of the schemes is open to all new employees.

Defined benefit scheme

The defined benefit scheme is externally managed and was closed to new entrants in April 2000.

All of the following details relate solely to the defined benefit scheme.

The valuation used for FRS 17 disclosures has been prepared by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2010 using the attained age method. Scheme assets are stated at their market value at 31 March 2010.

The most recent full actuarial valuation was as at 27 August 2009.

Principal assumptions used to calculate the scheme's liabilities under FRS 17	**2010 %**	2009 %
Rate of increase in salaries	**4.20**	4.20
Rate of increase in pensions in payment	**3.40**	3.20
Discount rate	**5.60**	6.60
Inflation assumption	**3.40**	3.20

Post–retirement mortality is based on the PMA/PFA00 tables with reference to members' years of birth. Allowance has been made for improvement in mortality for males at 100% of the medium cohort rate with a minimum improvement of 1.4% p.a., and for females at 70% of the medium cohort rate with a minimum of 1.1% p.a.
Pre–retirement mortality is based on the AM92/AF92 tables using 70% of the mortality indicated by them.

The number of years' life expectancy, retiring at 60, is as follows:	**2010**	2009
Retiring today:		
Males	**87.6**	87.6
Females	**89.0**	89.0
Retiring in 20 years:		
Males	**90.6**	90.6
Females	**91.1**	91.1

The Group contributed at the rate of 17.2% (2009 - 17.2%) of pensionable salaries for the year. Group contributions for the next financial year, based on contribution rates and membership at 31 March 2010, are estimated at £448,000.

Amounts recognised in the balance sheet (before deferred tax)

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of scheme liabilities	**(36,701)**	(27,302)	(31,619)	(32,532)	(31,210)
Fair value of scheme assets	**36,480**	26,941	32,506	33,063	27,185
Net pension (liability)/asset	**(221)**	(361)	887	531	(4,025)

Reconciliation of the present value of scheme liabilities

	2010 £000	2009 £000
At 1 April	**27,302**	31,619
Interest cost	**1,797**	1,900
Current service cost	**337**	421
Contributions from scheme members	**218**	226
Charges paid	**(52)**	(36)
Benefits paid	**(659)**	(499)
Experience change in secured pensioner value	**256**	(171)
Actuarial loss/(gain)	**7,502**	(6,158)
At 31 March	**36,701**	27,302

Reconciliation of the fair value of scheme assets	2010 £000	2009 £000
At 1 April	**26,941**	32,506
Expected return on assets	**1,745**	2,210
Contributions from employers and scheme members	**738**	742
Charges paid	**(52)**	(36)
Benefits paid	**(659)**	(499)
Expenses paid	**(130)**	(118)
Experience change in secured pensioner value	**256**	(171)
Actuarial gain/(loss)	**7,641**	(7,693)
At 31 March	**36,480**	26,941

Fair value of the scheme's assets and the expected rates of return at 31 March

	Expected long term rate of return 2010 %	Value 2010 £000	Expected long term rate of return 2009 %	Value 2009 £000
Equities	**7.50**	**21,441**	7.50	13,926
Bonds	**5.70**	**10,801**	5.70	9,106
Cash	**4.00**	**1,938**	4.00	2,265
Annuities	**5.70**	**2,300**	5.70	1,644
Total market value of assets		**36,480**		26,941

The scheme's assets are not intended to be realised in the short term and their market values may be subject to significant change before the assets are realised.

Amounts recognised in the performance statements under the requirements of FRS 17

a) Administrative expenses	2010 £000	2009 £000
Current service cost	**337**	421
Total operating charge	**337**	421

The operating charge of £337,000 (2009 - £421,000), plus the Group's contributions to the defined contribution schemes of £158,000 (2009 - £146,000), comprise the Group's 'other pension costs' total of £495,000 (2009 - £567,000) shown in note 5.

b) Pension finance (charge)/income		
Expected return on pension scheme assets	**1,745**	2,210
Interest on pension scheme liabilities	**(1,797)**	(1,900)
Net (charge)/income	**(52)**	310

c) Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	**7,641**	(7,693)
Experience (losses)/gains arising on scheme liabilities	**(242)**	80
Changes in assumptions underlying the present value of the scheme's liabilities	**(7,260)**	6,078
Actuarial gain/(loss)	**139**	(1,535)
Movement in deferred taxation relating to pension scheme	**(39)**	430
Actuarial gain/(loss) recognised in the STRGL	**100**	(1,105)

d) Movement in the (deficit)/surplus in the scheme during the year		
(Deficit)/surplus in scheme at beginning of year	**(361)**	887
Movement in year:		
Current service cost	**(337)**	(421)
Contributions	**390**	398
Other finance (charge)/income	**(52)**	310
Actuarial gain/(loss)	**139**	(1,535)
Deficit in scheme at end of year	**(221)**	(361)
Deferred tax asset	**62**	101

History of experience gains and losses	**2010**	2009	2008	2007	2006
Actual return less expected return on pension scheme assets (£000)	**7,641**	(7,693)	(3,272)	96	3,425
Percentage of scheme assets	**20.9**	28.6	10.1	0.3	12.6
Experience (losses)/gains arising on the scheme liabilities (£000)	**(242)**	80	(426)	299	(63)
Percentage of scheme liabilities	**0.7**	0.3	1.3	0.9	0.2
Actuarial gain/(loss) recognised in the STRGL (£000)	**139**	(1,535)	(143)	538	(763)
Percentage of scheme liabilities	**0.4**	5.6	0.5	1.7	2.4

ANNUAL BUSINESS STATEMENT

For the year ended 31 March 2010

1. Statutory Percentages	**31 March 2010 %**	Statutory Limit %
Lending Limit	**12.96**	25
Funding Limit	**9.75**	50

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

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets comprise Group total assets plus provision for bad and doubtful debts, less liquid assets and tangible fixed assets.

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

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

2. Other Percentages	**Group 31 March 2010 %**	Group 31 March 2009 %
As percentage of shares and borrowings:		
Gross capital	**7.01**	6.65
Free capital	**6.62**	6.17
Liquid assets	**25.80**	24.21
Profit for the financial year as a percentage of mean total assets	**0.41**	0.34
Management expenses as a percentage of mean total assets	**1.00**	1.07

	Society 31 March 2010 %	Society 31 March 2009 %
Management expenses as a percentage of mean total assets	**0.90**	0.96

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

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

3. Information relating to the Directors, Chief Executive and other Officers as at 31 March 2010

Name	Occupation	Date of Birth	Date of Appointment	Other Directorships (excluding dormant companies)
DIRECTORS				
M. J. Pratt, BA, FCA	Chartered Accountant	26.1.56	29.9.96	ASW Properties Ltd Carleton Properties (Cumbria) Ltd Brigrove Ltd Brigrove (Two) Ltd Brigrove (Three) Ltd Brigrove (Four) Ltd Brigrove (Five) Ltd Brigrove (Six) Ltd Gibbons Properties Ltd MEP Enterprises Ltd The Old Ginn House Ltd The Veterinary Defence Society Ltd
R. Atkinson, LLB	Solicitor	10.6.53	1.8.97	25/26 Church St. Ltd
S. F. M. Berry	Hotelier and Company Director	23.9.59	10.1.03	English Lakes Hotels Ltd English Lakes Hotels (Property Management) Ltd Low Wood Hotel (1958) Ltd Crosthwaite Hotels (Westmorland) Ltd Cumbria Tourist Board Cumbria Vision youStay Ltd Nurture, Cumbria Lake Christian Centre Ltd LPEA Europe Sam's Club (Lakeland) Ltd
D. M. Clarke, BSc, FCIM, FCIMC	Company Director	22.5.48	14.2.05	Fellside Management Services Ltd Forensic Science Service Ltd Phone Pay Plus Ltd The Abbeyfield (Kirkby Lonsdale) Society Ltd IMCB Ltd
T. Hebdon, ACIB	Business Consultant	21.3.54	11.12.09	Carlisle Cathedral Development Trust Hospice at Home, Carlisle and North Lakeland
J. C. N. Kidd, BA, ACA	Building Society Finance Director and Secretary	10.6.65	28.3.02	Cumberland Financial Services Ltd Cumberland Leasing Ltd Cumberland Homes Ltd Cumberland Property Services Ltd
J. M. Leveson, MBA, FCIB	Building Society Deputy Chief Executive	4.9.59	17.11.97	Cumberland Holdings Ltd Cumberland Financial Services Ltd Cumberland Leasing Ltd Cumberland Property Services Ltd Cumberland Estate Agents Ltd Cumberland Homes Ltd
K. Parr, BA, FCCA	Building Society Chief Executive	27.5.60	26.7.94	Cumberland Holdings Ltd Cumberland Financial Services Ltd Cumberland Leasing Ltd Cumberland Property Services Ltd Cumberland Estate Agents Ltd Cumberland Homes Ltd
P. R. Temple, BSc, MBA	Building Society Operations Director	9.3.61	1.9.07	Cumberland Estate Agents Ltd Cumberland Financial Services Ltd
C. A. Waddington, BCom, FCA	Chartered Accountant	1.8.49	14.2.07	Cumbria Waste Management Ltd
OFFICERS				
A. Gordon, BSc	Assistant General Manager (Branches)			Cumberland Estate Agents Ltd Cumberland Financial Services Ltd
C. McDonald, BSc	General Manager			Cumberland Estate Agents Ltd
G. Richardson	Assistant General Manager (IT)			

Mr K. Parr, Mr J. M. Leveson, Mr J. C. N. Kidd and Mr P. R. Temple are employed under contracts terminable by the Society or by the individual on six months' notice, under normal circumstances. Mr Parr's contract was signed on 28 January 1997, Mr Leveson's on 12 February 1998, Mr Kidd's on 16 May 2002 and Mr Temple's on 30 January 2008.
Correspondence to Directors jointly or individually should be addressed 'Private and Confidential' and c/o KPMG Audit Plc, St James' Square, Manchester M2 6DS.

Cumberland
Building Society

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