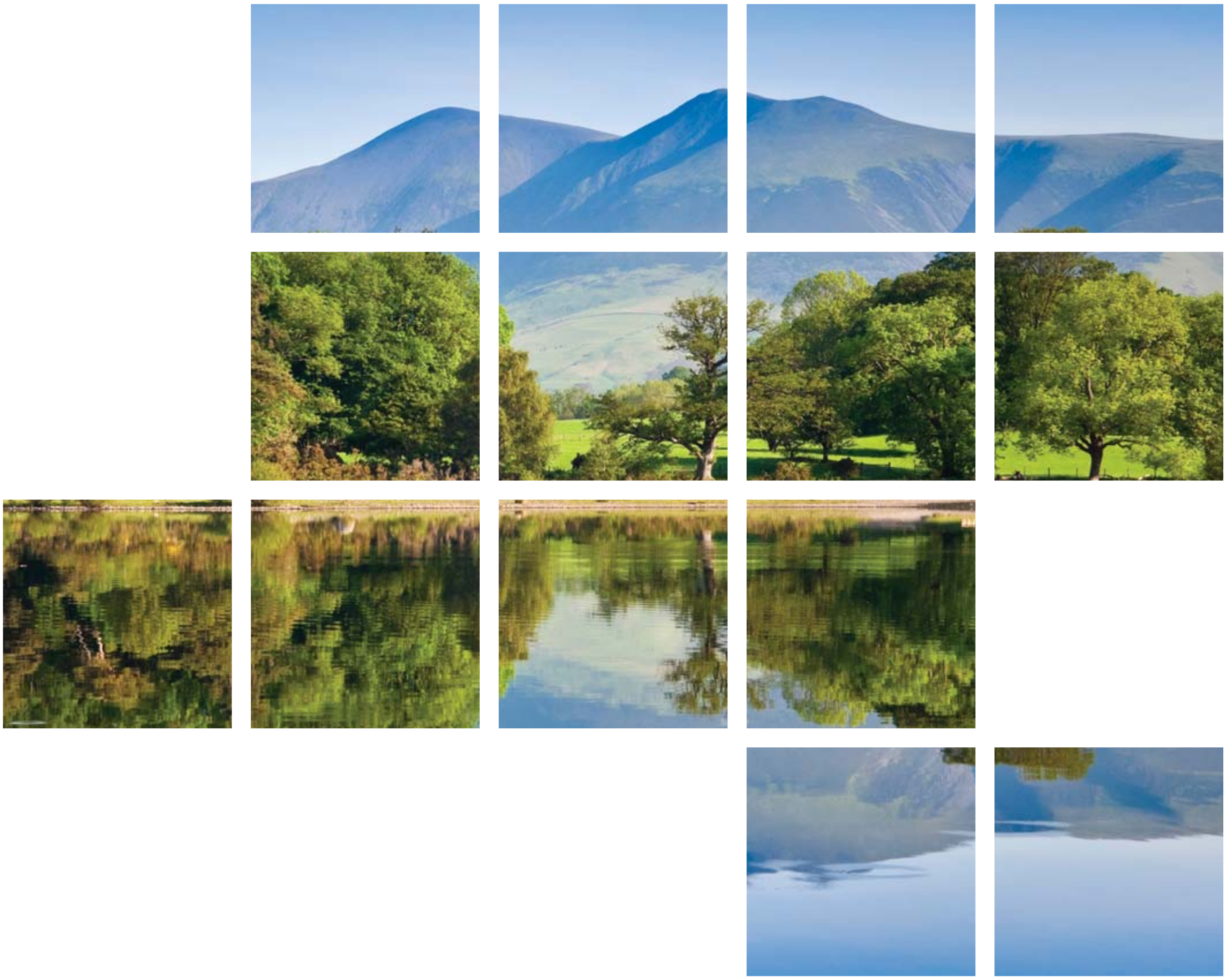
ANNUAL REPORT and ACCOUNTS

Year ended 31 March 2012



Cumberland
Building Society

ANNUAL REPORT and ACCOUNTS

Year ended 31 March 2012

CHAIRMAN'S STATEMENT

The British economy has continued to struggle throughout the year, with increased living costs and high unemployment, especially amongst the young, and with the announcement of the latest GDP figures on 25 April it is once again in recession. On top of this, we expect that there will be a greater impact from public spending cuts over the coming year as both central and local government try to balance their budgets.

Financial institutions are inevitably affected by the country's economic health and our operating environment therefore remains a very difficult one, especially given the continuing uncertainty over what will happen next, both for the country as a whole and for individuals, and not least with respect to any consequences emerging from the continuing crisis in the Eurozone.

Nevertheless, the Cumberland has had another successful year, maintaining its record of strong financial performance over the last five years, with a profit after tax of £5.86 million, 0.38% of its mean total assets, almost exactly the same as in the previous year. Once again, this is one of the best results in the building society sector and the Society retains one of the strongest capital positions in the industry.

As I wrote in my Statement last year, a key objective for the year was self-generated and sustainable mortgage growth, and therefore a particularly encouraging feature of the Society's performance has been the growth in residential mortgage lending and balances. Residential mortgage balances grew by 2.2% in the year, with new advances rising by 39% to £179 million, as the Society participated vigorously in a very competitive market and made frequent appearances in the 'best buy' tables in national newspapers. In addition, repayments of mortgages were slightly reduced on those of the previous year, which is a reflection of the Society's policy of seeking to retain existing borrowers at the end of their product period by offering them the same products as are available to new borrowers. We were delighted to be named the 'Best Regional Building Society' at the 'Mortgage Finance Gazette' awards in November 2011, and in the early months of 2012 our promotional activity utilising this award was particularly successful in generating new business.

Share balances however, fell by 1.2%, a reduction which was concentrated in the first half of the year, after an increase of 1.6% in the previous year. Whilst certainly not welcome, this does need to be seen in the context of the last five years as a whole. In the three years to 31 March 2010, the Society attracted £178 million of new funds, far above its natural market share, and over the last five years, savings and current account balances have risen by 25% while mortgage balances (both residential and commercial) have risen by 11%. The Society's approach continues to be to deliver consistently good savings rates for members but at times competitors will offer very attractive products, often to new customers only, in order to meet their own funding requirements. Inevitably there is a limit to how far the Society can or indeed should, respond to such 'special offers', particularly as its longstanding policy is to offer existing members rates at least as good as those offered to new customers. These competitors include, as well as the major state-supported banks, National Savings, which offered a series of very competitive products in the six months to 30 September 2011, and saw its total balances grow by 4.8% over that period. The Society's variable share account rates for existing customers in place at the start of the year remained unchanged during the year, and the Society monitors the competitive position of both its variable and fixed rate savings products regularly.

Even with the growth in mortgage balances and reduction in share balances, the level of funding that the Cumberland had obtained from the financial money markets at 31 March 2012 was less than 4% of the total. Liquid assets essentially remained at a steady level throughout the year, and no deposits were held with institutions outside of the UK, which the Board believes to be appropriate given the ongoing turmoil in the Eurozone.

In addition, the quality of both our residential and commercial mortgage books remains high in comparison with industry averages, although a specific provision charge of £1.1 million was taken in respect of commercial mortgages. There remains in place however, a very strong general provision of £1.75 million in relation to commercial loans, together with one of £1.63 million in respect of residential loans.

In a similar manner to most other firms operating defined benefit pension schemes, the Society has recorded a significantly increased pension deficit in its accounts this year, at £3.8 million after deferred tax. The scheme had been close to being in balance at the three previous year ends, and was in surplus for the two years before them. However, the Board takes a long term view of this issue, which is very much affected by the Government's Quantitative Easing programme, a temporary measure to assist in alleviating the current economic difficulties. This policy has had the effect of reducing the price of gilts, which then in turn impacts upon the prices of corporate bonds which are the basis of the calculation of the scheme's liabilities.

Financially, the Cumberland is in a strong position and indeed, one that has improved both in absolute terms and relative to other financial institutions, since the 'credit crunch' started nearly five years ago. This has been achieved alongside giving our members the products and services they want, and the level of service they deserve. As discussed in the Chief Executive's Review, a major achievement for the Society in November 2011 was the introduction of mobile banking, a logical extension of our internet banking service but nonetheless, a real step forward, and one taken ahead of many organisations much larger than ourselves. Moreover, the decision to increase the level of 'mystery shopping' undertaken in our 33 branches, to benchmark the level of customer service we provide against a range of other financial services firms, yielded results which showed improvements from what was already a strong performance, to a very high level of service indeed.

Our technological capabilities, together with our focus on customer service, have combined to drive the ongoing success of our current account and cashcard operations, which have been growing at an excellent rate. Balances have doubled in the last five years, as more and more young people have joined us and many others have switched from the major banks.

Our reputation for being run prudently and efficiently and most of all, in the interests of our members, is of paramount importance and the root of the success we have enjoyed over the last few years. We have had a very consistent long term strategy which has required only tactical adjustments. Within this, there are certainly some unusual aspects to our approach for a building society of our size; only obtaining residential mortgage business direct through our branches or by post and not through introducers, operating an estate agency, only accepting (with very minor exceptions) savings and current account business from within our home area, our commercial lending (focusing particularly on the leisure and hospitality trades which are so well represented in our area), and offering full service current accounts. The consistent thread through these points though, is our desire to develop our relationship with our members and provide them with the best possible service, whether it be in branch, on the telephone or over the internet, so that we can achieve our aim of being the natural choice for financial services for people in our operating area.

As ever, our commitment to our local communities is highlighted by the fact that the Society gave over £100,000 for charitable purposes across a wide range of local causes and projects. More details of our work in this respect are contained in the Annual Review booklet.

Regulatory developments have continued to emerge and will continue to do so, perhaps even more so following the division of the Financial Services Authority into 'prudential' and 'conduct' arms, the former under the supervision of the Bank of England. This area continues to absorb a large amount of the Board's and senior management's time, and indeed, that of the Group Risk Manager, who was appointed to this new post in July 2011. Nevertheless, the Cumberland has a record of taking all such changes in its stride, and in many cases we find that the new regulatory developments are actually in tune with our established business approach, with the Mortgage Market Review being the latest example of this.

The strength of the Cumberland's strategy and business approach has been amply demonstrated in the difficult economic times of the last five years through both our financial results and our ability to innovate to serve our members, and we believe that this will continue to be the case going forward. Everything flows, however, from putting our members first in everything we do. This encompasses offering competitive rates which provide long term value, delivering up to date services such as mobile internet banking, and operating branches across our area together with our customer service centre in Carlisle with friendly, well trained and dedicated staff. They have again excelled and their efforts are greatly appreciated by both the Board and, judging from feedback frequently received, members alike.

In conclusion, the Society has had another successful year and is in a very strong position to meet the challenges of the future, with robust profitability and capital, excellent products and services, and a team which is determined to serve our members and ensure that our levels of customer service demonstrate clearly why being a part of the Cumberland is so worthwhile. Our status as a mutual independent organisation enables us to take a pragmatic and long term view of the world while moving quickly to respond to its challenges, and I am sure that our role as a local, highly competitive force in financial services increasingly resonates with the people of our area.

Michael J. Pratt
Chairman
17 May 2012

CHIEF EXECUTIVE'S REVIEW

I am pleased to report that our 2011-12 results once again show a strong performance, with significant growth in our lending resulting in an increase in mortgage balances, and a Group profit after tax of £5.86 million.

Our results have been achieved against the background of an economy that has struggled since the credit crunch began in autumn 2007 and which we have come to accept will continue to be flat for the foreseeable future. The resilience of the Cumberland's business performance over the last few difficult years has stemmed from its long term strategy. Central to this remains the building of direct, long term relationships with people within our local communities, through the provision of a wide range of services and excellent customer service, all set within a culture of treating customers fairly.

RESIDENTIAL MORTGAGES

As reported in the Chairman's Statement, our residential mortgage lending increased significantly during 2011-12, particularly in the early months of 2012, resulting in balances growing by £22 million.

Our standard variable rate of 4.49%, unchanged since February 2009, remained the second lowest of the 15 largest building societies and this, together with our competitive new mortgage products, resulted in the Society winning the 2012 Mortgage Finance Gazette award for Regional Building Society of the Year. The Society's aim is to offer consistently competitive products which provide long term value and this award, for the second time in three years, is a tangible demonstration of our efforts to achieve this.

For the Cumberland, the relationship we build with our borrowers is very important. The vast majority of our mortgage interviews take place face to face in our branches with a qualified mortgage adviser and we believe that customers very much value their assistance, advice and guidance through what can be a complex process. With over 40 qualified mortgage advisers, we can offer this service readily in all of our 33 branches, and moreover, mortgage interviews are available outside of normal branch opening hours.

A major part of our role in our operating area is to make finance available to first time buyers, and to existing borrowers wishing to improve their homes, and we continue to offer products up to 90% of a property's value in order to enable local people to achieve their goals. Detailed underwriting of each case, rather than relying on automated credit scoring, continues to help us make the right decision for both the Society and the customer.

The Society's mortgage arrears continue to be significantly lower than the industry average, with, at 31 March 2012, only three residential properties in possession, and 0.34% of our residential mortgages in arrears of three months or more. We believe that the reasons for our low mortgage arrears continue to be the thorough mortgage advice process we undertake, our prudent lending criteria and the direct relationship we build with customers. When borrowers do experience financial difficulties the Society is sympathetic and supportive. Their circumstances are assessed to identify the appropriate forbearance strategy to match their individual needs, and the situation is reviewed regularly until they are able to return to their normal repayment plan.

CUMBERLAND BUSINESS

Commercial lending balances reduced by 3.2% in 2011-12, with some significant repayments of a few larger loans slightly outweighing new lending, which was actually up on the previous year. Our commercial lending team has remained active and as the year progressed, opportunities increased as competitors appeared to reduce their appetite for commercial property lending. We, however, have continued to lend, focusing on owner-occupied businesses such as small hotels, guest houses and bed and breakfast accommodation in the Lake District and Yorkshire Dales, where they play a key role in the local economy.

The Society is one of very few lenders offering a specially designed holiday-let mortgage. The demand for this product remained buoyant during the year and we have been able to achieve significant levels of business while retaining our prudent lending criteria.

Wherever possible, we endeavour to support our business lending by offering banking services. We believe that local building societies can play a role in the provision of banking services for the small business sector and this is an area which has grown in its own right, with the number of business current accounts increasing by 17% over the last year. Last year we also introduced a current account specially designed for schools, which was initially marketed to primary schools and following its success, is to be made available to secondary schools in our operating area.

SAVINGS AND CURRENT ACCOUNTS

As discussed in the Chairman's Statement, the Society's share balances reduced slightly over the year which represents the loss of a small proportion of the £183 million inflow in the four years to 31 March 2011. The Society's objective is to deliver long term value to members and with this in mind we continue to review our competitive position on an ongoing basis.

The Society is overwhelmingly funded by local members, with only 2% of balances being held by those living outside its operating area. Once again, this demonstrates the importance of our direct relationship with members and the role played by the branch network.

One of the main features of our business, and one that is unique for a building society of our size, is the current account service we offer. We are fortunate that in 1988 the Cumberland's Board and management made the decision to enter the current account market and invest in the technology and staff expertise required. Since then this has been central to our strategy of meeting, with the exception of credit cards, the mainstream financial services needs of local people.

Although unusual in the UK, it is commonplace for an organisation of our size in North America or Australia to provide current account services. Over recent years, the infrastructure required to offer current accounts has expanded and become more complex, with the advent of internet banking, chip and pin and other security requirements such as 'Verified by Visa', and in-house fraud detection systems. We see the fact that we are so much smaller than the major high street banks as an advantage in responding quickly to market developments and over the years we have developed close working relationships with our various software providers. As a result, we can offer the same services that are available from larger providers, but at the same time give a level of personal service that so many people appreciate.

Two important new developments were implemented during the year. Firstly, 'SecureCall', whereby members wishing to make an internet payment to a new payee receive an automated telephone call to a number of their choosing and registered with us, to verify the payment. This provides a very high level of security and removes the need for token devices commonly issued by other providers. Secondly, there was the launch of mobile banking for internet enabled phones, which to us was a natural extension of our internet banking service. This has been popular amongst members of all ages and we believe demonstrates that a 'traditional' building society can offer up to date services. As our television adverts state, banking 'whenever... wherever...' is a reality for members of the Cumberland.

CUSTOMER SERVICE

We are committed to delivering excellent customer service and to achieving a high level of customer satisfaction. We are, therefore, pleased that during the year, 98% of respondents to our customer satisfaction surveys said that they would recommend the Cumberland to their family and friends.

During 2011-12 we increased the level of 'mystery shopping' throughout our branch network. This has proved to be an effective way of monitoring our customers' experience when visiting our branches and I am pleased to report that our branch staff achieved consistently high scores, meeting and, on many occasions, exceeding our high expectations.

Feedback from our customers plays an important part in our work to improve customer service. In response to comments received, we extended the opening hours for our customer service centre and our team can now be contacted 7 days a week. We also responded to customer requests by increasing the number of services available over the telephone.

Cumberland branches remain fundamental to the Society's business model and its relationship with its members. All branches are open six days a week and in some of the smaller towns in our region, our community branches offer an additional range of free services to the local communities.

We plan to extend our branch network in 2012 by opening a new branch in Lancaster. This is home to a large number of potential customers within our core operating area and we believe it represents a significant business opportunity.

CUMBERLAND ESTATE AGENTS

Our estate agency provides an important source of high quality mortgage business and remains an integral part of the Group's long term business strategy. 2011-12 was a record year for Cumberland Estate Agents in terms of mortgage business, with over £22 million being generated for the Society.

The building society's expansion into Lancaster will include an estate agency branch and 2012 will also see the re-opening of an estate agency branch in Preston.

Market conditions for estate agents remain challenging and it is pleasing to report that for the third year in succession, Cumberland Estate Agents has recorded a profit. Over recent years, in response to changes in the housing market and the need to diversify, we have seen many of our competitors move into property letting services. Following a strategic review of the services offered by our estate agency and an assessment of customer demand, in 2012 we will launch a Cumberland lettings and management service.

COMMUNITY INVOLVEMENT

In addition to retaining local branches and providing a range of competitive products and services, part of our role as an independent regional building society is, we believe, to support the local communities in which we operate. At a time when funding available for community and charity projects is diminishing, the Cumberland is committed to maintaining its level of funding and once again we have donated over £100,000 for the benefit of those living in our operating area. 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.

In 2011, 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, raised over £11,000 which was shared between the Lake District Search and Mountain Rescue Association and the Salvation Army.

This year the Society will donate 50p for each vote received at the 2012 AGM to The Royal British Legion to support their work in our area.

STAFF

Much of the Cumberland's continued success can be attributed to the hard work and commitment of its staff and on behalf of the Board and my Executive colleagues, I would like to take this opportunity to record our thanks.

In the complex world of financial services, their friendly and professional approach is valued by our members. Training continues to be provided to all staff which focuses on the delivery of high quality customer service and on the products and services we provide.

THE YEAR AHEAD

As predicted last year, 2011-12 proved to be another difficult year for the British economy and there are no signs yet that 2012-13 will see any significant improvement.

I believe, however, that our consistent performance over the last five years is testament to the resilience of the Society's long term business strategy and is the best possible indication that our success will continue in the future. We see the opening of a new Society branch, together with two new estate agency offices and the introduction of the lettings and management service, as excellent opportunities for growth. Whilst we expect that market conditions will remain difficult, we are confident that the Cumberland has the strategy and the skilled and dedicated staff to ensure its continued success.

Kevin Parr
Chief Executive
17 May 2012

DIRECTORS' REPORT

The Directors have pleasure in presenting their 162nd Annual Report, together with the Group Accounts and Annual Business Statement, for the year ended 31 March 2012.

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.

	2012	*2011*	*2010*
Group Profit After Tax (£ million)	5.86	5.85	6.34
Group Profit After Tax as a % of Mean Total Assets	0.38	0.38	0.41
Gross Capital as a % of Shares and Borrowings	7.76	7.71	7.01
Interest Margin for Members (%)	1.71	1.71	1.61
Society Administrative Expenses and Depreciation as a % of Mean Total Assets	0.94	0.89	0.90
Loans and Advances to Customers - Balance Change %	1.51	(2.46)	(0.25)
Lending during the year (£ million)	194.62	143.92	152.86
Inflow of Funds from Customers (£ million)	(35.16)	5.42	34.01
Other Funding as a % of Shares and Borrowings	7.10	4.97	9.75

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 Group has achieved a very similar level of profit in 2011-12 to that of the previous year.

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 general reserve, 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. There has been no change in this measure in the past year, and the Society's standard variable rate for residential mortgages and its variable share account rates for existing customers in place at the start of the year remained unchanged during the year.

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 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. Inflation has been around 5% for much of the year to 31 March 2012 and the increase of 2.5% in VAT in January 2011 was almost all borne by the Society, because as a financial institution it can recover very little of this. The Society has also sought to invest in order to enhance its services for members, for example with the introduction of mobile banking. A significant further reason for the increase in depreciation was that the previous year's figure was reduced by a profit on the sale of a property.

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, and the Society's appetite for credit risk. During the low interest rate environment of the last three years members have increasingly preferred to repay their loan balances so far as they are able, rather than build up savings, but in the last year, the Society's mortgage balances grew as a result of increased lending, with only a modest increase in repayments.

LENDING DURING THE YEAR

This figure reflects the same factors as mentioned above.

INFLOW OF FUNDS FROM CUSTOMERS

This reflects the net movement of funds in and out of the Society's savings and current account products. In the latest year there was an outflow of funds, although this was concentrated in the first half of the year. The Society's approach continues to be to deliver consistently good savings rates for members but there will inevitably be times when competitors offer very attractive products to increase their market share. The Society's variable share account rates for existing customers in place at the start of the year remained unchanged during the year, and the Society monitors the competitive position of both its variable and fixed rate savings products regularly. The performance of the last two years should also be seen in the context of the three years to 31 March 2010 when the Society enjoyed inflows totalling £178 million, far above its natural market share.


Michael Pratt
Chairman


Richard Atkinson
Vice–Chairman


Kevin Parr
Chief Executive


John Leveson
Deputy Chief Executive


John Kidd
Finance Director and Secretary

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. The modest increase in the latest year reflects the outflow of funds from savers and the increase in lending discussed above.

FUTURE DEVELOPMENTS

The Society is currently upgrading the authorisation system for its internet banking, Visa debit and ATM services and its correspondence management system and will complete these projects in the coming year. Premises for a new branch and estate agency have been purchased in Lancaster, and an ATM will be installed at Cleator Moor branch.

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 Finance Director. Monthly, the balance sheet is stress tested to confirm that the Group can withstand normal and extreme cash outflows. The Treasury Policy Statement and the Individual Liquidity Adequacy Assessment, both regularly reviewed by ALCO and agreed by the Board, ensure that the daily activities of the treasury team are conducted within a prudent framework and in line with the requirements of the FSA. 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 2012 and 2011 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 and the General Manager, and is attended by the Group Risk Manager.

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.

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 the assistance of the Group Risk Manager and with quarterly reporting to the Risk Management Committee. This consists of the executive directors, the General Manager and the Group Risk Manager, meets on a quarterly basis and reports to the Audit and Risk Committee, which in turn reports to the Board.

FINANCIAL RISK MANAGEMENT OBJECTIVE 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.


Peter Temple
Operations & HR Director


Simon Berry
Non-executive Director


David Clarke
Non-executive Director


Alan Johnston
Non-executive Director


Trevor Hebdon
Non-executive Director

The disclosures required under Pillar 3 of the Capital Requirements Directive (Basel 2) for the year ended 31 March 2012 will be published on the Society's website.

FREE CAPITAL

At 31 March 2012 free capital was £105.20 million, being 7.37% of shares and borrowings (2011: 7.36%). Free capital is the reserves plus the general provision for doubtful debts, less fixed assets as shown in the balance sheet.

MORTGAGE ARREARS AND FORBEARANCE

At 31 March 2012, there were 2 accounts where payments were twelve months or more in arrears. The total amount outstanding on these accounts was £0.10 million, and the amount of arrears was £0.01 million, which represents less than 0.01% of mortgage balances.

In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty. Such measures include agreeing a temporary transfer to interest only payments, or a capitalisation of arrears, in order to reduce the borrowers' financial pressures. We expect borrowers to resume normal payments once they are able.

During the year, the Society undertook forbearance measures for 110 residential mortgage accounts which had total balances of £8.43 million at 31 March 2012. 33 of these cases had arrears of £0.03 million at 31 March 2012. Where the Society considers that there is a possibility of loss, a specific provision is made in accordance with the Society's policies.

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 2012 the total amount owed to suppliers was equivalent to 4 days credit (2011: 3 days).

CHARITABLE AND POLITICAL DONATIONS

During the year, charitable donations of £100,666 were made to a number of organisations within our operating area, of which £25,000 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, Simon Berry, Kevin Parr and Michael Pratt retire at the Annual General Meeting and, being eligible, seek re-election. 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 2012 two directors had mortgage loans granted in the ordinary course of business, amounting to £196,000 (2011 - two directors, £200,000). 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.

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 maintained 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*
17 May 2012

REPORT ON DIRECTORS' REMUNERATION

The purpose of this report is to provide information about the Group's policy for the remuneration of non-executive and executive directors and to give details of the process for determining the level of remuneration.

The remuneration of non-executive directors comprises only of fees and, other than that of the Chairman, this is reviewed and agreed annually by the Board. The remuneration of the executive directors and the Society's 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.

In determining non-executive and executive director remuneration, both the Board and the Remuneration Committee take account of fees and salaries 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. To ensure that fees and salaries are set at a level to retain and attract individuals of the calibre necessary to operate an organisation such as the Society and which reflect the skills and time commitment required, the Committee periodically commissions an external review of executive and non-executive remuneration.

The Committee believes that bonus schemes relating to financial and business performance are an appropriate part of a balanced remuneration package. As I reported last year, the Committee reintroduced a modest executive bonus scheme for the year ended 31 March 2011. A similar scheme was also implemented for the year ended 31 March 2012 and a payment representing 5% of salary has been awarded. The Chief Executive has voluntarily waived his entitlement to receive a bonus under this scheme.

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.

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.

The Society has complied with the FSA's Remuneration Code since its implementation on 1 July 2011.

On behalf of the Remuneration Committee
Richard Atkinson, Chairman 17 May 2012

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 1986 ("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 is committed to good practice in corporate governance and this report explains how the Society applies the principles in the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council in June 2010.

Whilst the Society is not required to comply with the Code, as it is not a listed company, the recommendations have been adopted where they are appropriate and proportionate to the Society.

THE BOARD

Code Principle A.1: Every company should be headed by an effective board, which is collectively responsible for the long term success of the company.

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 policy review meetings are held when required, normally once a year.

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.

The non-executive directors meet without the executive directors present on a regular basis.

The Board conducts an annual self-assessment exercise to review its effectiveness and highlight any areas which should be improved.

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 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.

The Board receives recommendations from the committees within their terms of reference and the minutes of the committee meetings are reported to the Board.

AUDIT AND RISK COMMITTEE

This monitors internal controls, financial reporting, risk management and regulatory compliance matters, reviews the work of the Internal Audit, Compliance and Risk Management 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 enable any concerns to be raised by employees in confidence.

The Committee consists of its chairman Richard Atkinson, and two other non-executive directors, Trevor Hebdon and Alan Johnston. The four executive directors, the Head of Internal Audit, Group Risk Manager and Group Compliance Manager and representatives 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 on page 11 are details of the directors during 2011-12 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.

DIVISION OF RESPONSIBILITIES

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

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.

THE CHAIRMAN

Code Principle A.3: The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.

The Chairman sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors and maintaining constructive relations between executive and non-executive directors. The Chairman also ensures that directors receive accurate, timely and clear information.

NON-EXECUTIVE DIRECTORS

Code Principle A.4: As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.

The non-executive directors of the Society are drawn from a wide range of backgrounds to provide the appropriate skills, knowledge and experience to ensure a robust level of challenge and debate. The role requires an understanding of the risks in a financial services business, commercial leadership within a framework of prudent and effective risk management controls and the ability to monitor performance and resources while providing support to executive management in developing the Society.

Directors' attendance at Board and Board Committee meetings during the year ended 31 March 2012

Director	Board	Audit and Risk	Remuneration	Nomination
Richard Atkinson	12 (12)	5 (5)	9 (9)	7 (7)
Simon Berry	11 (12)	2 (2)*	9 (9)	7 (7)
David Clarke	12 (12)		9 (9)	7 (7)
Trevor Hebdon	11 (12)	5 (5)		7 (7)
Alan Johnston	11 (12)	5 (5)		6 (7)
John Kidd	12 (12)			7 (7)
John Leveson	12 (12)			7 (7)
Kevin Parr	12 (12)			7 (7)
Michael Pratt	12 (12)			7 (7)
Peter Temple	12 (12)			7 (7)

* Retired 28 June 2011

The figure in brackets indicates the number of meetings that the director was eligible to attend during the year.

not a member of the committee

THE COMPOSITION OF THE BOARD

Code Principle B.1: The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

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

Three of the non-executive directors have served for less than the maximum of 9 years recommended by the UK Corporate Governance Code and can be defined as independent under it. Michael Pratt completed 15 years of service on the Board on 29 September 2011, Richard Atkinson completed 14 years on 1 August 2011 and Simon Berry completed 9 years on 10 January 2012.

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 (AGM) each year, in line with the requirements of the 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. It is proposed that Mr Berry will stand down as Senior Independent Director following the 2012 AGM, having completed more than 9 years of service on the Board.

APPOINTMENTS TO THE BOARD

Code Principle B.2: There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

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. Candidates are identified in a number of ways, which includes external search consultants, with appointments to the Board made on merit and against objective criteria and in line with the requirements of the succession plan. All directors must meet and maintain the FSA's fitness and propriety standards and must be approved by the FSA in order to hold the controlled function of director. They are also subject to election by members at the AGM following their appointment.

COMMITMENT

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

The Nomination Committee evaluates the ability of directors to commit the time required for their role prior to appointment. The formal appraisal process carried out by the Chairman each year also assesses whether directors have demonstrated this ability during the year.

DEVELOPMENT

Code Principle B.4: All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

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. Training and development needs are identified as part of the annual appraisal of directors.

INFORMATION AND SUPPORT

Code Principle B.5: The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Chairman ensures that the Board receives sufficient accurate, timely and clear information to enable it to fulfil its responsibilities. The directors have access to the advice and services of the Secretary and, if necessary, are able to take independent professional advice at the Society's expense.

PERFORMANCE EVALUATION

Code Principle B.6: The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

The Society has a process to evaluate, at least annually, the performance and effectiveness of individual directors, the Chairman, the Board and Board committees. The performance of the Chief Executive and non-executive directors is evaluated annually by the Chairman. The Chairman is evaluated by the Senior Independent Director, after consulting and obtaining the views of the other 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 Code's requirements. The Board and the Board Committees also annually evaluate their overall performance. Annually, the membership and Terms of Reference of the various committees are reviewed and agreed by the Board.

RE-ELECTION

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

The Board seeks to ensure planned and progressive refreshing of its membership. Directors are subject to election by members at the AGM 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.

FINANCIAL AND BUSINESS REPORTING

Code Principle C.1: The board should present a balanced and understandable assessment of the company's position and prospects.

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. Business performance is reviewed in the Chairman's Statement, Chief Executive's Review and the Business Review section of the Directors' Report and a statement that the Group's business is a going concern is included in the Directors' Report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has delegated responsibility for managing the Society's risk management framework and system of internal control to senior management. The Group Internal Audit function, the Group Compliance Manager and Group Risk Manager provide independent assurance to the Board on the effectiveness of the system of internal control through their reporting to and attendance at 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 COMMITTEE AND AUDITORS

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

The role and membership of the Audit and Risk Committee is 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 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 non-audit related assignment during the year and this was conducted within the limits set out in the policy and is considered to be consistent with the professional and ethical standards expected of the external auditor in this regard.

REMUNERATION

Code Principle D.1: Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Code Principle D.2: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

The remuneration policies for executive and non-executive directors are set out in the Report on Directors' Remuneration on page 9. These policies explain the Society's application of the Code principles.

DIALOGUE WITH SHAREHOLDERS

Code Principle E.1: There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

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. Members are invited to attend the AGM, where they can ask questions and voice their opinions.

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM)

Code Principle E.2: The board should use the AGM to communicate with investors and to encourage their participation.

Each year the Society sends details of the AGM to all members eligible to vote. Members are encouraged to vote by post, in branches or online (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 The Royal British Legion.

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*
17 May 2012

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S 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 2012 set out on pages 14 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE ANNUAL ACCOUNTS

A description of the scope of an audit of annual accounts is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON ANNUAL ACCOUNTS

In our opinion the annual accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and of the society as at 31 March 2012 and of the income and expenditure of the group and of the society for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

OPINION ON OTHER MATTERS PRESCRIBED BY THE BUILDING SOCIETIES ACT 1986

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Andrew Walker (Senior Statutory Auditor)

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

St James' Square
Manchester
M2 6DS

17 May 2012

GROUP AND SOCIETY INCOME AND EXPENDITURE ACCOUNTS

For the year ended 31 March 2012

	Notes	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Interest receivable and similar income	2	**45,539**	44,729	**45,542**	44,732
Interest payable and similar charges	3	**(26,068)**	(26,040)	**(26,068)**	(26,040)
Net interest receivable		**19,471**	18,689	**19,474**	18,692
Pension finance income	26	**361**	372	**361**	372
Income from investment in subsidiary undertaking		**–**	–	**–**	281
Fees and commissions receivable		**4,046**	4,236	**2,703**	2,784
Fees and commissions payable		**(1,694)**	(1,653)	**(1,808)**	(1,730)
Other operating income		**3,218**	3,146	**3,178**	3,101
		25,402	24,790	**23,908**	23,500
Administrative expenses	4	**(14,683)**	(14,091)	**(13,327)**	(12,754)
Depreciation and amortisation		**(1,287)**	(1,128)	**(1,193)**	(1,030)
Operating profit before provisions		**9,432**	9,571	**9,388**	9,716
Provisions for bad and doubtful debts	11	**(976)**	(944)	**(976)**	(944)
Operating profit before FSCS levy		**8,456**	8,627	**8,412**	8,772
Provisions for contingent liabilities and commitments - FSCS levy	22	**(525)**	(205)	**(525)**	(205)
Profit on ordinary activities before tax		**7,931**	8,422	**7,887**	8,567
Tax on profit on ordinary activities	7	**(2,075)**	(2,570)	**(2,079)**	(2,501)
Profit for the financial year	23	**5,856**	5,852	**5,808**	6,066

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2012

	Notes	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Profit for the financial year		**5,856**	5,852	**5,808**	6,066
Actuarial loss recognised in pension scheme	26	**(5,150)**	(75)	**(5,150)**	(75)
Movement in deferred tax relating to pension scheme	26	**1,236**	19	**1,236**	19
Unrealised gain on revaluation of investment properties	14	**–**	394	**–**	–
Total recognised gains and losses for the year		**1,942**	6,190	**1,894**	6,010

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

GROUP AND SOCIETY BALANCE SHEETS

As at 31 March 2012

Assets	Notes	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Liquid assets					
Cash in hand and balances with the Bank of England		**93,560**	25,174	**93,558**	25,171
Treasury and other eligible bills		**–**	39,964	**–**	39,964
Loans and advances to credit institutions	8	**159,246**	185,070	**159,246**	185,070
Debt securities	9	**110,307**	109,129	**110,307**	109,129
		363,113	359,337	**363,111**	359,334
Loans and advances to customers					
Loans fully secured on residential property	10	**1,026,360**	1,003,893	**1,026,360**	1,003,893
Other loans	10	**143,436**	148,530	**143,436**	148,530
	10	**1,169,796**	1,152,423	**1,169,796**	1,152,423
Investments					
Investments in subsidiary undertakings	12	**–**	–	**2,381**	2,333
Tangible fixed assets	13	**8,928**	8,641	**8,080**	7,744
Investment properties	14	**1,650**	1,610	**–**	–
Other assets	15	**1,519**	1,538	**1,723**	1,843
Prepayments and accrued income	17	**3,616**	3,222	**3,609**	3,216
Total Assets		**1,548,622**	1,526,771	**1,548,700**	1,526,893
Liabilities					
Shares	18	**1,325,782**	1,341,389	**1,325,782**	1,341,389
Amounts owed to credit institutions	19	**22,527**	4,506	**22,527**	4,506
Amounts owed to other customers	20	**78,850**	65,663	**79,227**	66,042
Other liabilities	21	**3,526**	2,924	**3,465**	2,826
Accruals and deferred income		**2,230**	2,379	**2,167**	2,347
Provisions for liabilities	22	**1,195**	1,101	**1,195**	1,101
Net pension liability	26	**3,797**	36	**3,797**	36
Reserves					
General reserves	23	**110,414**	108,472	**110,540**	108,646
Investment properties reserve	23	**301**	301	**–**	–
Total Liabilities		**1,548,622**	1,526,771	**1,548,700**	1,526,893
Memorandum items					
Commitments	24	**6,706**	5,503	**6,706**	5,503

These accounts were approved by the Board of Directors on 17 May 2012
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.

For the year ended 31 March 2012

	2012 £000	2011 £000
Net cash inflow/(outflow) from operating activities	**79,683**	(9,317)
Taxation	**(2,557)**	(2,390)
Capital expenditure and financial investment		
Purchase of tangible fixed assets and expenditure on investment property	**(1,670)**	(1,170)
Sale of tangible fixed assets	**56**	267
Purchase of investment securities	**(320,000)**	(371,037)
Sale and maturity of investment securities	**318,669**	406,000
Increase in cash and cash equivalents	**74,181**	22,353

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

	2012 £000	2011 £000
Operating profit	**7,931**	8,422
Increase in prepayments and accrued income	**(313)**	(295)
Decrease in accruals and deferred income	**(149)**	(846)
Provisions for bad and doubtful debts	**976**	944
Depreciation and amortisation	**1,314**	1,288
Profit on sale of tangible fixed assets	**(27)**	(160)
Pension contributions	**(405)**	(410)
Pension charges	**202**	163
Other non–cash movements	**(205)**	(133)
Net cash inflow from trading activities	**9,324**	8,973
(Increase)/decrease in loans and advances to customers	**(18,144)**	28,308
(Decrease)/increase in shares	**(15,607)**	20,710
Increase/(decrease) in amounts owed to credit institutions and other customers	**31,208**	(72,575)
Decrease in loans and advances to credit institutions and other liquid assets	**31,691**	45,462
Decrease/(increase) in treasury and other bills	**39,964**	(39,964)
Increase in other assets	**(64)**	(77)
Increase/(decrease) in other liabilities and provisions for contingent liabilities and commitments	**1,311**	(154)
Net cash inflow/(outflow) from operating activities	**79,683**	(9,317)

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

	At 1 April 2011 £000	Movement in year £000	At 31 March 2012 £000
Cash in hand and balances with the Bank of England	25,174	68,386	93,560
Loans and advances to credit institutions – repayable on demand (note 8)	13,440	5,795	19,235
	38,614	74,181	112,795

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.

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 investment properties which are 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 2012.

(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 and are calculated at the tax rates that are substantively enacted at the time the timing differences are expected to reverse.

(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, including those residential loans in respect of which forbearance measures have been taken to assist borrowers who are, or could be experiencing financial difficulty. 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 Properties**

When land and buildings are held for rental purposes or capital appreciation, they are classified as investment properties and held in the balance sheet at their 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 properties reserve), unless a deficit or its reversal on an investment property is expected to be permanent.

2. Interest Receivable and Similar Income

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
On loans fully secured on residential property	**42,315**	42,429	**42,315**	42,429
On other loans	**5,178**	5,095	**5,181**	5,098
On debt securities				
Interest and other income	**1,255**	2,499	**1,255**	2,499
On other liquid assets				
Interest and other income	**2,173**	922	**2,173**	922
Net expense on financial instruments	**(5,382)**	(6,216)	**(5,382)**	(6,216)
	45,539	44,729	**45,542**	44,732

The total income from fixed income securities (within debt securities above) was £433,000 (2011 - £1,188,000). Interest on secured advances, as shown above, has been increased by £24,000 (2011 - reduction of £41,000) being the net effect of interest suspended on non-performing loans in accordance with the Society's accounting policy, and the recovery of interest written off in prior years. Movements in the suspended interest account were as follows:

	Group and Society 2012 £000	Group and Society 2011 £000
At 1 April	**44**	34
Interest suspended during the year	**23**	41
Interest written off in prior years recovered during the year	**(47)**	–
Interest written off during the year	**(6)**	(31)
At 31 March	**14**	44

3. Interest Payable and Similar Charges

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
On shares held by individuals	**25,137**	25,591	**25,137**	25,591
On deposits and other borrowings	**1,326**	1,697	**1,326**	1,697
Net income on financial instruments	**(395)**	(1,248)	**(395)**	(1,248)
	26,068	26,040	**26,068**	26,040

4. Administrative Expenses

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Staff costs (note 5)	**9,361**	8,846	**8,579**	8,053
Remuneration of auditor (excluding VAT)				
– Audit of annual accounts	**64**	64	**58**	57
– Other services	**4**	7	**4**	7
Other expenses	**5,254**	5,174	**4,686**	4,637
	14,683	14,091	**13,327**	12,754

5. Staff Numbers and Costs

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

	Full time 2012	Full time 2011	Part time 2012	Part time 2011
Society's principal office	**139**	134	**49**	45
Society's branches	**111**	111	**97**	97
Estate agency offices	**21**	24	**23**	20
	271	269	**169**	162

The aggregate costs of these persons were as follows:	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Wages and salaries	**8,178**	7,684	**7,489**	6,988
Social security costs	**620**	627	**572**	571
Other pension costs (note 26)	**563**	535	**518**	494
	9,361	8,846	**8,579**	8,053

The Society operates a salary sacrifice scheme whereby the employee agrees to a reduction in salary in return for the Society making the pension contributions that were previously paid by the employee. The amounts shown above under wages and salaries include the headline salary (i.e. before the salary sacrifice deduction) and other pension costs exclude the additional contributions made by the Society as a result of the salary sacrifice scheme. This also applies to the executive directors' remuneration disclosures in note 6.

6. Directors' Emoluments and Transactions

	2012 £000	2011 £000
Total directors' remuneration	**779**	742
Non-executive directors' remuneration		
M. J. Pratt (Chairman)	**40**	39
R. Atkinson (Vice–Chairman)	**28**	28
S. F. M. Berry	**22**	21
D. M. Clarke	**22**	21
T. Hebdon	**22**	21
A.J. Johnston (appointed 15 February 2011)	**22**	3
C.A. Waddington (retired 29 June 2010)	**–**	5
	156	138

Executive directors' remuneration	Salary £000	Bonus £000	Taxable benefits £000	Sub–total £000	Increase in accrued pension £000	Pension contributions £000	Total £000
2012							
K. Parr	**186**	**–**	**6**	**192**	**3**	**–**	**195**
J. M. Leveson	**140**	**7**	**6**	**153**	**2**	**–**	**155**
J. C. N. Kidd	**129**	**6**	**7**	**142**	**2**	**–**	**144**
P. R. Temple	**114**	**6**	**4**	**124**	**2**	**3**	**129**
	569	**19**	**23**	**611**	**9**	**3**	**623**
2011							
K. Parr	183	9	8	200	4	–	204
J. M. Leveson	116	5	8	129	3	–	132
J. C. N. Kidd	127	6	5	138	3	–	141
P. R. Temple	112	6	5	123	2	2	127
	538	26	26	590	12	2	604

Mr. Parr has voluntarily waived his entitlement to a bonus for the year ended 31 March 2012.
Mr. Leveson was absent on long term sickness leave during 2010-11, and part of his salary during this period was covered by permanent health insurance.

Defined Benefit Pension Scheme	Directors' contribution £000	Accumulated total accrued pension at year end £000	Transfer value of accrued benefits, 31 March 2012 £000	Transfer value of accrued benefits, 31 March 2011 £000	Difference in transfer value less contributions £000
K. Parr	**14**	**54**	**1,122**	**810**	**298**
J. M. Leveson	**11**	**32**	**567**	**422**	**134**
J. C. N. Kidd	**10**	**36**	**635**	**442**	**183**
P. R. Temple	**7**	**45**	**1,149**	**827**	**315**

The transfer values of the accrued benefits of the executive directors' pensions are calculated on a basis set by the trustees of the defined benefit pension scheme. The increases in the year were overwhelmingly the result of significant falls in the yields of gilts which were used in their calculation, together with a change in the basis of the calculation.

Pensions paid to former directors were £5,000 (2011 - £4,000).

7. Taxation	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
(a) Analysis of charge in year:				
Current tax				
Corporation tax at 26% (2011 - 28%)	**1,998**	2,290	**1,987**	2,262
(Over)/under provision of corporation tax in prior year	**(56)**	4	**(40)**	–
Total current tax	**1,942**	2,294	**1,947**	2,262
Deferred tax at 24% (2011 - 26%)				
Origination and reversal of timing differences	**133**	276	**132**	239
Tax on profit on ordinary activities	**2,075**	2,570	**2,079**	2,501
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	**7,931**	8,422	**7,887**	8,567
Tax on profit on ordinary activities at UK standard rate of 26% (2011 - 28%)	**2,062**	2,358	**2,051**	2,399
Effects of:				
Depreciation in excess of capital allowances	**80**	88	**69**	73
Other timing differences	**(88)**	(69)	**(88)**	(69)
Expenses not deductible for tax purposes	**1**	6	**8**	7
Release of accrual not taxable	**–**	(21)	**–**	–
Non-taxable dividend income	**–**	–	**–**	(79)
Adjustments to tax charge for payments basis (pensions)	**(53)**	(69)	**(53)**	(69)
Small companies rate	**(4)**	(3)	**–**	–
(Over)/under provision of corporation tax in prior year	**(56)**	4	**(40)**	–
Current tax charge for year	**1,942**	2,294	**1,947**	2,262

8. Loans and Advances to Credit Institutions	Group and Society 2012 £000	Group and Society 2011 £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	**19,235**	13,440
In not more than three months	**69,000**	139,691
In more than three months but not more than one year	**70,500**	31,500
	158,735	184,631
Accrued interest	**511**	439
	159,246	185,070

9. Debt Securities	2012	2011
(a) Debt securities comprise:		
Issued by public bodies	**9,107**	31,954
Issued by other borrowers	**101,200**	77,175
	110,307	109,129

Included in debt securities are £11,000 (2011 - £681,000) of unamortised premiums and discounts.

NOTES TO THE ACCOUNTS

	Group and Society 2012 £000	Group and Society 2011 £000
(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	**110,012**	99,490
In more than one year	**–**	9,191
	110,012	108,681
Accrued interest	**295**	448
	110,307	109,129
(c) Analysis of debt securities, excluding accrued interest:		
Transferable securities		
Listed on a recognised investment exchange	**9,012**	31,681
Unlisted	**101,000**	77,000
	110,012	108,681
Market value of listed transferable securities	**9,191**	31,975

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 2011	**108,681**
Additions	**320,000**
Disposals and maturities	**(318,669)**
At 31 March 2012	**110,012**

10. Loans and Advances to Customers	Group and Society 2012 £000	Group and Society 2011 £000
(a) Loans and advances to customers comprise:		
Loans fully secured on residential property	**1,026,360**	1,003,893
Other loans		
Loans fully secured on land	**141,749**	146,414
Other loans	**1,687**	2,116
	1,169,796	1,152,423
(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	**8,857**	13,082
In not more than three months	**12,116**	13,067
In more than three months but not more than one year	**47,717**	43,961
In more than one year but not more than five years	**264,210**	266,343
In more than five years	**842,751**	821,066
	1,175,651	1,157,519
Less: Provisions (note 11)	**(5,816)**	(5,045)
Deferred mortgage indemnity guarantee insurance income	**(39)**	(51)
	1,169,796	1,152,423

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

	Loans fully secured on residential property £000	Loans fully secured on land £000	Other loans £000	Group and Society Total £000
Provisions against loans and advances to customers have been made as follows:				
At 1 April 2011				
General provision	1,690	1,998	40	3,728
Specific provision	211	1,045	61	1,317
	1,901	3,043	101	5,045
Amounts written off during year				
Specific provision	(223)	–	–	(223)
	(223)	–	–	(223)
Income and expenditure account				
Provisions for bad and doubtful debts				
General provision	(61)	(250)	–	(311)
Specific provision	220	1,100	(15)	1,305
	159	850	(15)	994
At 31 March 2012				
General provision	1,629	1,748	40	3,417
Specific provision	208	2,145	46	2,399
	1,837	3,893	86	5,816

The total charge of £976,000 in the income and expenditure account consists of the charge of £994,000 shown above, and credits of £18,000 in respect of recoveries against loans which had been written off in prior years.
Within accruals and deferred income the Society has a provision of £454,000 (2011 - £550,000) 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 2011	1,390	943	2,333
Advances	–	48	48
Cost at 31 March 2012	1,390	991	2,381

Subsidiary undertakings carrying on a business
At 31 March 2012 the Society held an interest in the following principal 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 Property Services Ltd	England	Property Company	Ordinary	100%

NOTES TO THE ACCOUNTS

13. Tangible Fixed Assets (Group)

	Freehold Land and Buildings £000	Equipment, Fixtures and Fittings and Vehicles £000	Total £000
Cost			
At 1 April 2011	16,505	14,655	31,160
Additions	18	1,612	1,630
Disposals	(22)	(626)	(648)
At 31 March 2012	16,501	15,641	32,142
Depreciation			
At 1 April 2011	9,718	12,801	22,519
Charge for year	395	919	1,314
Disposals	(22)	(597)	(619)
At 31 March 2012	10,091	13,123	23,214
Net book value			
At 31 March 2012	6,410	2,518	8,928
At 31 March 2011	6,787	1,854	8,641

Tangible Fixed Assets (Society)

	Freehold Land and Buildings £000	Equipment, Fixtures and Fittings and Vehicles £000	Total £000
Cost			
At 1 April 2011	14,847	14,032	28,879
Additions	18	1,558	1,576
Disposals	–	(192)	(192)
At 31 March 2012	14,865	15,398	30,263
Depreciation			
At 1 April 2011	8,904	12,231	21,135
Charge for year	333	883	1,216
Disposals	–	(168)	(168)
At 31 March 2012	9,237	12,946	22,183
Net book value			
At 31 March 2012	5,628	2,452	8,080
At 31 March 2011	5,943	1,801	7,744

The net book value of land and buildings occupied by the Group for its own activities at 31 March 2012 was £5,600,000 (Society £4,706,000) (2011 - Group £5,955,000, Society £4,995,000).

14. Investment Properties

	Group 2012 £000	Group 2011 £000
At 1 April	**1,610**	340
Additions/Properties transferred from 'tangible fixed assets'	**40**	876
Revaluation	**–**	394
At 31 March	**1,650**	1,610

A revaluation of the investment properties was carried out on an open market basis on 4 April 2012, by an employee of the Group who is a member of the Royal Institute of Chartered Surveyors.

15. Other Assets

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Deferred taxation asset (note 16)	**1,099**	1,182	**1,076**	1,158
Other	**420**	356	**647**	685
	1,519	1,538	**1,723**	1,843

16. Deferred Taxation

The elements of deferred taxation at 24% (2011 - 26%) are as follows:

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Difference between accumulated depreciation and amortisation and capital allowances	**269**	199	**246**	175
General mortgage loss provisions	**820**	969	**820**	969
Other timing differences	**10**	14	**10**	14
Deferred taxation asset (note 15)	**1,099**	1,182	**1,076**	1,158

The deferred taxation movement for the year is as follows:

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
At 1 April	**1,182**	1,389	**1,158**	1,328
Charge for the year (note 7)	**(133)**	(276)	**(132)**	(239)
Offset against pension deficit	**50**	69	**50**	69
At 31 March	**1,099**	1,182	**1,076**	1,158

17. Prepayments and Accrued Income

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Accrued income relating to off balance sheet instruments	**3,290**	2,999	**3,290**	2,999
Other	**326**	223	**319**	217
	3,616	3,222	**3,609**	3,216

18. Shares

	Group and Society 2012 £000	Group and Society 2011 £000
(a) Shares comprise:		
Held by individuals	**1,325,775**	1,341,382
Other	**7**	7
	1,325,782	1,341,389
(b) Repayable from the date of the balance sheet in the ordinary course of business as follows:		
On demand	**681,340**	702,328
In not more than three months	**187,630**	177,068
In more than three months but not more than one year	**330,763**	341,150
In more than one year but not more than five years	**116,662**	112,197
	1,316,395	1,332,743
Accrued interest	**9,387**	8,646
	1,325,782	1,341,389

19. Amounts owed to Credit Institutions

	Group and Society 2012 £000	Group and Society 2011 £000
Repayable from the date of the balance sheet in the ordinary course of business as follows:		
In not more than three months	**5,000**	2,000
In more than three months but not more than one year	**17,500**	2,500
	22,500	4,500
Accrued interest	**27**	6
	22,527	4,506

20. Amounts owed to Other Customers

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Repayable from the date of the balance sheet in the ordinary course of business as follows:				
On demand	**18,203**	21,360	**18,580**	21,739
In not more than three months	**28,976**	24,065	**28,976**	24,065
In more than three months but not more than one year	**26,582**	17,446	**26,582**	17,446
In more than one year but not more than five years	**4,542**	2,394	**4,542**	2,394
	78,303	65,265	**78,680**	65,644
Accrued interest	**547**	398	**547**	398
	78,850	65,663	**79,227**	66,042

21. Other Liabilities

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
Falling due within one year:				
Corporation tax	**713**	1,328	**700**	1,261
Income tax	**555**	565	**555**	565
Other creditors	**2,258**	1,031	**2,210**	1,000
	3,526	2,924	**3,465**	2,826

22. Provisions for Liabilities

	Group and Society 2012 £000	Group and Society 2011 £000
Financial Services Compensation Scheme Levy:		
At 1 April	**1,101**	1,367
Paid	**(431)**	(471)
Charged to income and expenditure account	**525**	205
At 31 March	**1,195**	1,101

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 principally 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 £431,000 in respect of the levy for 2010-11. The charge of £525,000 in the latest year reflects the Society's calculation of its liability using the funding rate of 12 months Libor plus 0.30% in respect of the levy for 2011-12, and in line with the agreement between the Treasury and the FSCS announced in March 2012, 12 months Libor plus 1.00% in respect of the levy for 2012-13.

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, which will arise in the event that proceeds from the eventual disposal of assets are insufficient to cover compensation payments made by the FSCS. The Treasury and the FSCS have agreed that these levies will commence in 2013-14 and be spread over three equal tranches.

23. Reserves

	Group 2012 £000	Group 2011 £000	Society 2012 £000	Society 2011 £000
General Reserves				
At 1 April	**108,472**	102,676	**108,646**	102,636
Profit for the financial year	**5,856**	5,852	**5,808**	6,066
Actuarial loss net of deferred tax in the STRGL	**(3,914)**	(56)	**(3,914)**	(56)
At 31 March	**110,414**	108,472	**110,540**	108,646
Investment Properties				
At 1 April	**301**	(93)	**–**	–
Unrealised gain on revaluation of properties (note 14)	**–**	394	**–**	–
At 31 March	**301**	301	**–**	–
Reserves excluding net pension liability	**114,512**	108,809	**114,337**	108,682
Net pension liability	**(3,797)**	(36)	**(3,797)**	(36)
Reserves including net pension liability	**110,715**	108,773	**110,540**	108,646

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 2012 £000	Group and Society 2011 £000
Contracted but not provided for	**419**	201
(d) Memorandum items		
Irrevocable mortgage commitments	**6,706**	5,503

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 2012 £000	Credit risk weighted amount 2012 £000	Replacement cost 2012 £000	Nominal principal amount 2011 £000	Credit risk weighted amount 2011 £000	Replacement cost 2011 £000
Interest rate contracts						
– under one year	**264,300**	**1,371**	**2,634**	257,530	586	2,929
– between one and five years	**243,200**	**1,148**	**1,078**	212,950	492	2,084

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.

Group At 31 March 2012:	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	280,803	44,000	37,474	–	836	363,113
Loans fully secured on residential property and other loans	860,447	7,420	52,394	255,351	(5,816)	1,169,796
Tangible fixed assets	–	–	–	–	8,928	8,928
Other assets	–	–	–	–	6,785	6,785
Total assets	1,141,250	51,420	89,868	255,351	10,733	1,548,622
Liabilities						
Shares	1,020,942	89,672	98,634	107,147	9,387	1,325,782
Amounts owed to credit institutions and other customers	70,203	1,600	29,000	–	574	101,377
Other liabilities	–	–	–	–	10,748	10,748
Reserves	–	–	–	–	110,715	110,715
Total liabilities	1,091,145	91,272	127,634	107,147	131,424	1,548,622
Net assets / (liabilities)	50,105	(39,852)	(37,766)	148,204	(120,691)	–
Off balance sheet items	74,100	49,800	39,900	(163,800)	–	–
Interest rate sensitivity gap	124,205	9,948	2,134	(15,596)	(120,691)	–
Cumulative gap	124,205	134,153	136,287	120,691	–	–

Group At 31 March 2011:	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	269,241	47,964	31,990	9,192	950	359,337
Loans fully secured on residential property and other loans	906,625	17,752	17,796	215,295	(5,045)	1,152,423
Tangible fixed assets	–	–	–	–	8,641	8,641
Other assets	–	–	–	–	6,370	6,370
Total assets	1,175,866	65,716	49,786	224,487	10,916	1,526,771
Liabilities						
Shares	1,070,229	61,764	96,554	104,196	8,646	1,341,389
Amounts owed to credit institutions and other customers	61,228	5,516	3,021	–	404	70,169
Other liabilities	–	–	–	–	6,440	6,440
Reserves	–	–	–	–	108,773	108,773
Total liabilities	1,131,457	67,280	99,575	104,196	124,263	1,526,771
Net assets / (liabilities)	44,409	(1,564)	(49,789)	120,291	(113,347)	–
Off balance sheet items	17,178	31,150	76,622	(124,950)	–	–
Interest rate sensitivity gap	61,587	29,586	26,833	(4,659)	(113,347)	–
Cumulative gap	61,587	91,173	118,006	113,347	–	–

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 2012 £000**	**Fair value 2012 £000**	Book value 2011 £000	Fair value 2011 £000
On balance sheet instruments				
Liquid assets	**110,307**	**110,517**	103,800	104,126
Off balance sheet instruments				
Interest rate contracts	**3,290**	**680**	2,999	1,087

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	5,013	(6,925)	(1,912)
Recognised in the year	(2,929)	967	(1,962)
Carried forward to future periods	2,084	(5,958)	(3,874)
Gains and losses arising in the year but not recognised in the year	2,367	(1,103)	1,264
Unrecognised at the end of the year	4,451	(7,061)	(2,610)
Of which:			
Expected to be realised in the year ending 31 March 2013	3,267	(1,431)	1,836
Expected to be realised after 31 March 2013	1,184	(5,630)	(4,446)
	4,451	(7,061)	(2,610)

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 £179,000 (2011 - £160,000). This excludes the additional contributions made by the Group as a result of the operation of the salary sacrifice scheme outlined in note 5.

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 2012 using the attained age method. Scheme assets are stated at their market value at 31 March 2012.

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

Principal assumptions used to calculate the scheme's liabilities under FRS 17	**2012 %**	2011 %
Rate of increase in salaries	**3.25**	4.40
Rate of increase in pensions in payment	**3.25**	3.60
Discount rate	**4.70**	5.60
Inflation assumptions - RPI	**3.25**	3.60
- CPI	**2.60**	2.90

Post-retirement mortality is based on 95% of the S1PMA and S1PFA year of birth tables, projected assuming medium cohort improvements with a minimum improvement of 1.5% per annum. Pre-retirement mortality is based on 80% of the PMA92/PFA92 tables, projected in line with the medium cohort and with a minimum improvement of 1.5%.

The number of years' life expectancy, retiring at 62, is as follows:	**2012**	2011
Retiring today:		
Males	**87.3**	87.9
Females	**90.2**	89.2
Retiring in 20 years:		
Males	**90.4**	90.9
Females	**93.3**	91.3

The Group contributed at the rate of 15.8% (2011 - 15.8%) of pensionable salaries for the year. Group contributions for the next financial year, based on contribution rates and membership at 31 March 2012, and excluding the additional contributions as a result of the operation of the salary sacrifice scheme as stated in note 5, are estimated at £415,000.

Amounts recognised in the balance sheet

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of scheme liabilities	**(44,060)**	(38,607)	(36,701)	(27,302)	(31,619)
Fair value of scheme assets	**39,064**	38,558	36,480	26,941	32,506
Net pension (liability)/asset	**(4,996)**	(49)	(221)	(361)	887
Net pension (liability)/asset after deferred tax	**(3,797)**	(36)	(159)	(260)	639

Reconciliation of the present value of scheme liabilities

	2012 £000	2011 £000
At 1 April	**38,607**	36,701
Interest cost	**2,160**	2,046
Current service cost	**384**	375
Contributions from scheme members	**195**	191
Charges paid	**(30)**	(56)
Benefits paid	**(841)**	(828)
Experience change in secured pensioner value	**3**	38
Actuarial loss	**3,582**	140
At 31 March	**44,060**	38,607

Reconciliation of the fair value of scheme assets

	2012 £000	2011 £000
At 1 April	**38,558**	36,480
Expected return on assets	**2,521**	2,418
Contributions from employers and scheme members	**620**	644
Charges paid	**(30)**	(56)
Benefits paid	**(841)**	(828)
Expenses paid	**(199)**	(203)
Experience change in secured pensioner value	**3**	38
Actuarial (loss)/gain	**(1,568)**	65
At 31 March	**39,064**	38,558

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

	Expected long term rate of return 2012 %	Value 2012 £000	Expected long term rate of return 2011 %	Value 2011 £000
Equities and other growth-type assets	**7.00**	**24,227**	7.40	22,197
Corporate Bonds	**4.70**	**10,967**	5.70	12,122
Government Bonds	**3.10**	**1,095**	–	–
Cash	**4.00**	**465**	4.00	1,918
Annuities	**4.70**	**2,310**	5.70	2,321
Total market value of assets		**39,064**		38,558

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	2012 £000	2011 £000
Current service cost	**384**	375
Total operating charge	**384**	375

The operating charge of £384,000 (2011 - £375,000), plus the Group's contributions to the defined contribution schemes of £179,000 (2011 - £160,000), comprise the Group's 'other pension costs' total of £563,000 (2011 - £535,000) shown in note 5.

b) Pension finance income	2012	2011
Expected return on pension scheme assets	**2,521**	2,418
Interest on pension scheme liabilities	**(2,160)**	(2,046)
Net income	**361**	372

c) Statement of Total Recognised Gains and Losses (STRGL)	2012	2011
Actual return less expected return on pension scheme assets	**(1,565)**	103
Experience gains arising on scheme liabilities	**304**	380
Changes in assumptions underlying the present value of the scheme's liabilities	**(3,889)**	(558)
Actuarial loss	**(5,150)**	(75)
Movement in deferred taxation relating to pension scheme	**1,236**	19
Actuarial loss recognised in the STRGL	**(3,914)**	(56)

d) Movement in the deficit in the scheme during the year	2012	2011
Deficit in scheme at beginning of year	**(49)**	(221)
Movement in year:		
Current service cost	**(384)**	(375)
Contributions	**226**	250
Other finance income	**361**	372
Actuarial loss	**(5,150)**	(75)
Deficit in scheme at end of year	**(4,996)**	(49)

History of experience gains and losses	2012	2011	2010	2009	2008
Actual return less expected return on pension scheme assets (£000)	**(1,565)**	103	7,641	(7,693)	(3,272)
Percentage of scheme assets	**4.0**	0.3	20.9	28.6	10.1
Experience gains/(losses) arising on the scheme liabilities (£000)	**304**	380	(242)	80	(426)
Percentage of scheme liabilities	**0.7**	1.0	0.7	0.3	1.3
Actuarial (loss)/gain recognised in the STRGL (£000)	**(5,150)**	(75)	139	(1,535)	(143)
Percentage of scheme liabilities	**11.7**	0.2	0.4	5.6	0.5

ANNUAL BUSINESS STATEMENT

For the year ended 31 March 2012

1. **Statutory Percentages**	31 March 2012 %	Statutory Limit %
Lending Limit	**13.04**	25
Funding Limit	**7.10**	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 2012 %	Group 31 March 2011 %
As percentage of shares and borrowings:		
Gross capital	**7.76**	7.71
Free capital	**7.37**	7.36
Liquid assets	**25.44**	25.46
Profit for the financial year as a percentage of mean total assets	**0.38**	0.38
Management expenses as a percentage of mean total assets	**1.04**	0.98

	Society 31 March 2012 %	Society 31 March 2011 %
Management expenses as a percentage of mean total assets	**0.94**	0.89

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 properties 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, debt securities and treasury and other bills.
'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 2012

Name	Occupation	Date of Birth	Date of Appointment	Other Directorships (excluding dormant companies)
DIRECTORS				
M. J. Pratt, BA, FCA	Company Director	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 youStay Ltd 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 Phonepay Plus Ltd The Abbeyfield Society Ltd IMCB Ltd The Pensions Advisory Service Ltd
T. Hebdon, ACIB	Business Consultant	21.3.54	11.12.09	Carlisle Cathedral Development Trust Hospice at Home, Carlisle and North Lakeland
A. J. Johnston, BA, FCA	Chartered Accountant	13.2.60	15.2.11	Armstrong Watson Financial Planning Ltd Future Money Ltd Armstrong Watson Accountants
J. C. N. Kidd, BA, ACA	Building Society Finance Director and Secretary	10.6.65	28.3.02	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 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 Property Services Ltd Cumberland Estate Agents Ltd Cumberland Homes Ltd
P. R. Temple, BSc, MBA	Building Society Operations and Human Resources Director	9.3.61	1.9.07	Cumberland Estate Agents Ltd Cumberland Financial Services Ltd
OFFICERS				
M. Byrne	Assistant General Manager (Marketing)			
N. Legge	Assistant General Manager (Branches/CFP/CFSL)			Cumberland Financial Services Ltd
C. McDonald, BSc	General Manager			
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

Cumberland House, Castle Street, Carlisle, Cumbria CA3 8RX · Tel. 0845 6018396

www.cumberland.co.uk