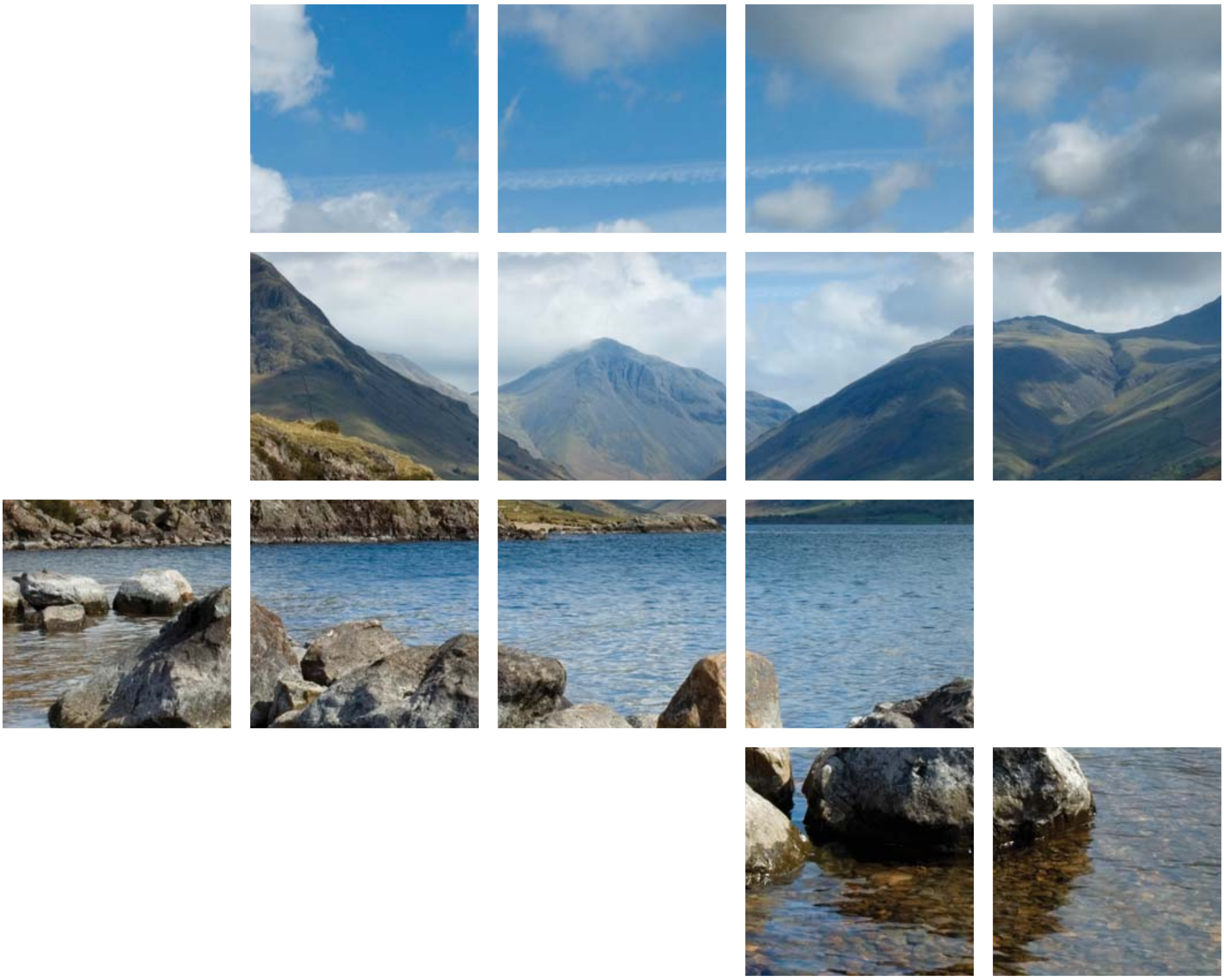
ANNUAL REPORT and ACCOUNTS

Year ended 31 March 2013



Cumberland Building Society

ANNUAL REPORT and ACCOUNTS

Year ended 31 March 2013

CHAIRMAN'S STATEMENT

Once again, there has been little good news about the British economy, with it having remained in the doldrums against the backdrop of serial crises in various countries of the Eurozone. The difficult economic times which arrived with the credit crunch in summer 2007 can now almost be regarded as normality and as economic forecasts continue to be missed and adjusted negatively, no one seems confident enough to say when better times might materialise. However, I am glad to report that in spite of this, I can again be very positive about the progress of the Cumberland.

Its results over the past few years have shown that the Cumberland was very well placed when the difficult economic conditions arrived, thanks to its long term strategy of steady growth of both mortgages and savings underpinned by strong levels of profitability and capital. We continue to compete successfully in the very difficult mortgage and savings markets while seeking to balance the interests of both borrowers and savers fairly. Our aim, as always, is to be the natural choice for financial services for the people of our operating area, and a key element of this includes the provision of an excellent standard of customer service, as we believe this enables us to differentiate ourselves from other financial institutions.

Since 2007 the Cumberland has strengthened its position considerably, both financially and with respect to its business operations. The latest year's financial results show another strong performance, with a profit after tax of £6.16 million, 0.40% of mean assets, again one of the best in the building society industry. Moreover, residential mortgage balances grew by 7.3% in the year, with new advances rising by 26% to £226 million. Repayments fell by 4%, reflecting the success of the Society's work to retain existing borrowers at the end of their product period by offering them the same products as are available to new borrowers. Cumberland Estate Agents Limited has continued to make a strong contribution to securing local mortgage business. On the other side of the balance sheet, savings and current account balances rose by 2.1%, with the Society achieving a net inflow of just under £10 million in the year.

A key feature of the year has been further significant falls in interest rates with respect to mortgages and savings, and in the money markets. Government policy has contributed strongly to this, as policymakers have sought to stimulate economic growth. In addition to the Bank of England maintaining its base rate at 0.50% and increasing its 'quantitative easing' programme to £375 billion, the announcement of the 'Funding for Lending Scheme' (FLS) in June 2012 has had a significant impact upon money market rates (in particular 3 month Libor), which has fed through, as intended, to mortgage and savings rates. This has also had the effect of reducing the Society's income from its deposits placed with other institutions.

The Cumberland responded quickly to the introduction of the FLS and having completed the application process, was one of only 5 societies to have drawn funds from it at 31 December 2012. The Society has participated vigorously in the mortgage market with very competitive products throughout the year, both within its own branch operating area and outside, including receiving (in a move which was a modest departure from its longstanding approach) introduced business from a couple of carefully selected intermediary firms. Strong mortgage growth along the lines achieved in 2012-13 is targeted for 2013-14, with the aim of utilising the opportunity provided by the FLS, and in doing so helping many prospective homeowners, whether they be first time buyers or home movers, and achieving a good share of remortgage business too.

With respect to savings and current accounts, the Society has continued to offer competitive rates, and has not reduced any variable rates for existing customers during the year, although some products were withdrawn from availability to new customers. For the past three years we have continued to maintain our savings and current account balances following significant increases prior to this period, due to our long standing policy of offering existing members rates at least as good as those offered to new customers.

Liquid assets were reduced over the year, due to the low interest rate yields received on them, and in line with the approach taken by many other societies, while remaining conservative in the management of these funds and maintaining a high level of availability in a short time period to meet any possible requirements. The level of funding that the Cumberland had obtained from the financial money markets fell to a very low level at 31 March 2013, and was less than 1.5% of the total.

Crucially, the quality of our mortgage book remains high, although a further provision of £749,000 has been made in the year, principally in relation to commercial mortgages, reflecting the ongoing economic challenges for many businesses. However regrettable these charges are though, in an industry context they are very modest. With respect to residential lending, we believe that our thorough underwriting process carried out both by our branch staff and the dedicated team in Head Office is absolutely vital. Similarly, with respect to commercial lending, which has contributed significantly to the Society's profitability over many years, the expertise of our commercial lending managers both in assessing a loan at the outset, and keeping closely in touch with borrowers thereafter, helps us to minimise risks. We have continued to focus on the leisure and hospitality sectors, building on the knowledge gained through participating in the Lake District market and applying that elsewhere, and the majority of the balances in the commercial book continue to be held by borrowers who are resident in their properties.

With the firm foundation of a strong financial performance in place however, the Society still needs to evolve its products and services in line with the wishes of members. The mobile banking service which was introduced in 2011 has continued to grow in popularity and in the latest year, we introduced SMS text alerts for internet banking customers, enabling them to receive texts when the balance on their account falls below a level set by themselves. We are also participating in two industry initiatives; firstly, the scheme to accelerate the process for the switching of current accounts between providers, and secondly, the 'mobile payments scheme', by which members will be able to send money securely from their mobile phone, to the mobile phone number of someone they wish to pay. The latter is a particularly ground breaking development and it gives me considerable satisfaction that the Cumberland is one of only eight financial institutions committed to this scheme, five of which are the major high street banks.

The Cumberland's branch network continues to complement these technological advances, and the opening of our new branch in Lancaster in February 2013 fulfilled a long held objective of the Board. We already had many members in north Lancashire and had been looking for suitable premises for some time, but we were delighted to secure an ideal location and thereby fill an obvious gap in our coverage between our Preston and Kendal branches. We also introduced a new ATM into our Cleator Moor branch which has proved to be very popular.

We remain committed to providing our members with the best possible service, whether via branches, telephone or the internet, and to backing this up with excellent value products and services. We want our members to know for sure that to us, they are 'more than a number', and therefore all our decisions, whether they be with regard to how we deliver our products and services or in how we set interest rates for borrowers and savers, are taken with them in mind. We can always improve, and will not always be right in our decisions, but members can be fully assured that their interests are the start and end point of our discussions, because serving the short, medium and long term interests of our members is what the Cumberland is all about. I would like to take this opportunity to thank all of our staff, who have again excelled in providing a friendly, efficient and professional service to our members.

During the year a significant decision was taken with respect to the Society's operations which will not directly affect our members in their day to day dealing with us. Nevertheless, the move of the Society's Head Office from the centre of Carlisle to a modern new building on the edge of the city at Kingstown will provide much improved working conditions for our staff which should in turn, enable improved efficiency, while giving the space for the Society to grow its operations as and when required. We regret in many ways our departure from Carlisle city centre and are mindful of any impacts from this, but after considerable discussion the Board was in no doubt that it was the right decision for the future of the Cumberland. Our branches in Carlisle city centre will remain in place, but the move of our Head Office staff will take place in summer 2013.

Once again, we have given over £100,000 for charitable purposes across a wide range of local causes and projects, and more details of this are contained in the Annual Review booklet.

On the regulatory front, we have recently had the separation of the Financial Services Authority into two bodies, the Prudential Regulatory Authority and the Financial Conduct Authority. We look forward to working with both organisations in the future and will continue to take all regulatory developments in our stride, as achieving compliance in as straightforward a manner as possible is essential.

With respect to the Board, during the year Simon Berry retired, having served as a director for almost 10 years. Simon was a very astute and capable director and contributed hugely to the Society's successful progress during this period, and his insight will be missed. However, I am very pleased to welcome to the Board Gill Gardner, who brings significant legal and commercial experience, and I look forward to working with her in the years to come.

Although economic conditions remain difficult and we believe that they will remain so for a considerable period to come, the Cumberland has continued to perform very well indeed both financially and in terms of the services it provides, which together demonstrate why being a member is so worthwhile.

The financial services market is dominated to a large extent by huge organisations and I firmly believe that it is much to the benefit of this particular region, that the Cumberland is strong and successful, providing first class service and value for local people. Trust is crucial, and the Cumberland's track record over the years means that it can be trusted. At a time when politicians and regulators speak enthusiastically of a banking sector with more participants, and seek to encourage new entrants to diminish the stranglehold of the major banks, I feel that the Cumberland's presence as an unashamedly regional financial institution, its achievements, but most of all its general approach of putting members first and foremost, should be noted by all concerned. We are in a strong position, but will continue to work hard to build on this by responding positively to the challenges facing us, enabling us to move forward with confidence.

Michael J. Pratt
Chairman
16 May 2013

CHIEF EXECUTIVE'S REVIEW

Despite the continued difficult economic conditions, the Society has again delivered strong financial and business results, the highlights being:

- Group profit after tax of £6.16 million, 0.40% of mean total assets
- Loan balances increased by 6.9% to £1,251 million
- Share balances increased by 2.1% to £1,354 million
- Funding from sources other than individual members, fell to less than 5% of the total.

As reported in the Chairman's Statement, we have undertaken a number of significant initiatives this year. These included the opening of our 34th branch in Lancaster, incorporating an estate agency office, and the purchase of a new Head Office building. We have also participated in the Bank of England's Funding for Lending Scheme (FLS), and have been active in managing the Society's response to the changes in the mortgage and savings markets which resulted from the introduction of the Scheme. There have, however, been many other projects which have been progressed through the year and I have given an outline of some of these in this Review.

RESIDENTIAL MORTGAGES

The year to 31 March 2013 has seen a significant increase in lending to £226 million, a 26% increase on last year.

The Society has sought to take advantage of the opportunity provided by the FLS by competing strongly for mortgage business, and this will continue in 2013-14. Whilst the Society believes it is appropriate to access the funds available under the FLS, it will do so prudently, recognising the particular features of this facility and its cessation date.

There have been no material changes in our lending policy during the year, and we continue to assess all loans on an individual basis. We have, though, undertaken a modest amount of introduced mortgage business, from a very small number of partners. This lending has been based on more restricted criteria than our normal direct business, and managed by a specialist team of underwriters in our Head Office. As a result of our cautious approach to lending, our arrears have remained below the national industry average. At 31 March 2013 the Society had four residential properties in possession and 0.33% of our residential mortgages were in arrears of three months or more, compared with 0.34% a year earlier.

The FSA published the final version of its Mortgage Market Review in October 2012. We welcomed this publication, the principles of which are consistent with the Society's long established approach to lending. The new regulations take effect in April 2014 and the Society will have implemented all the necessary changes prior to that date.

SAVINGS AND CURRENT ACCOUNTS

A feature of the year, and a consequence of the FLS, has been a reduction in savings rates available in the market. We remain conscious of the impact of the low interest rate environment on our members. The Cumberland has not reduced its variable savings interest rate for existing customers, with rates on accounts available at the start of the year remaining unchanged. Reflecting this competitive position, the Society has seen a net inflow of funds in the year and balances increased by £28 million.

The rapid pace of technological change in the current account arena has continued, and again this year we have introduced initiatives to enhance our service to customers. SecureCard protects members from fraudulent overseas transactions by enabling them to register their debit cards with us when they travel abroad. We also introduced a balance alert texting facility on our internet enabled current accounts. This allows customers to set a balance below which they wish to receive a text message, providing a warning when their account balance is running low. As part of the registration process, customers confirm their mobile telephone number with us and it is envisaged that over time we will develop the use of text messaging to improve further the service provided to our customers.

2013-14 will see further development work on two initiatives which we believe will have a significant impact on the current account market and provide enhanced customer service. The first, planned for September 2013, is the launch of the national 'Current Account Switch Service'. The Society has for several years provided its own free switching service to customers moving their current account to the Cumberland. As one of the 17 current account providers participating in the launch of this free service, customers will be able to transfer their personal or small business current accounts to the Society in seven working days. Once a switch date has been agreed with the customer, payments and the balance will automatically be transferred to their new account and their old account closed.

The second initiative is the 'Mobile Payments Scheme'. The Cumberland is one of only eight financial services organisations in the UK to announce their participation in the launch of the service, which is anticipated to be available from spring 2014. Instead of having to know someone's account details, a user of the service only needs to know another user's mobile phone number in order to send them a payment securely.

CUSTOMER SERVICE

The provision of excellent service to our members remains a key objective for the Society and is essential to our long term success.

The Society is committed to offering members the ability to manage their accounts with us in a way, and at a time, that they find most convenient, and our provision of new technology illustrates our commitment to this goal.

We appreciate, however, that face to face contact will always be an important part of the service we offer and remain committed to our branch network, which secures the vast majority of the business the Society undertakes. As mentioned earlier, during the year we opened a new branch in Lancaster. Although only open for a short time, it has achieved strong initial business results and an important objective for the coming year will be its successful development.

During the year, we have again expanded the type of transactions that customers are able to carry out over the telephone and our evening and weekend service continues to be popular.

In the competitive customer service environment in which we operate, it is essential to continually monitor the level of service we provide. As well as reviewing performance against our own service standards, we use an independent company to undertake 'mystery shopping'. The positive results, which have been consistent over many years, show that the Society is achieving high levels of customer service, both within the branch network and Head Office, and are a credit to the Society's staff and their ongoing commitment to serving our members.

During the year the Society completed projects to upgrade two important systems, the authorisation system for internet banking, Visa debit and ATM services, and our correspondence management system. The Society completed the upgrade of its core mortgage, savings and current account system in the previous year and, as a result, our three major systems are now up to date and it should be some time before a further significant upgrade is required. As well as the immediate benefits in customer service and efficiency from upgrading these systems, the completion of these projects has released resources to enable work on other customer focused developments.

CUMBERLAND BUSINESS

Cumberland Business remains an integral part of the Society's business model and continues to secure good quality commercial lending, particularly to owner occupiers in the hospitality sector, and to increase its market share of the local business current account market.

The Society has undertaken commercial lending for many years and over this period we have established a team who are experienced in assessing customers' individual requirements. In a year which has seen continued concerns about financial institutions' willingness to lend to businesses, it is particularly pleasing to report that commercial lending advances have increased by over 40%.

We have remained active in the holiday let mortgage market and during the year have extended our geographical coverage to new areas such as East Anglia. In doing so, however, we retained our prudent lending criteria, focusing on both the quality of the property and the credit worthiness of the borrower.

The Society is one of the relatively few financial institutions to provide a full business current account service. We have had another successful year, achieving a 21% growth in the number of business current accounts, following a growth of 17% in 2011-12.

CUMBERLAND ESTATE AGENTS

In August 2012, to broaden the services we offer, we launched the 'Cumberland Lettings and Management Service' which will provide an additional income stream for our estate agency business. Having established the infrastructure required to provide a high quality service, we are looking to grow significantly in this area. In February 2013 Cumberland Estate Agents opened an office in Lancaster, within the Society's new branch, and this will play an important role in developing the Group's business there.

The estate agency remains a key part of the Society's mortgage acquisition strategy, with £26 million of mortgages generated during the year, and is particularly important in developing direct relationships with new customers buying their first home.

COMMUNITY INVOLVEMENT

As a regional building society, we believe involvement in our local communities is very important. Despite the challenging economic environment, we have continued to provide a significant level of financial support to local community-based organisations and charities, donating over £100,000 during 2012-13.

Details of some of the community projects the Society has supported are outlined in the Annual Review booklet, which is sent to members ahead of the Annual General Meeting.

In 2013 we are continuing our Pledge for Votes Scheme, which encourages members to vote at the AGM by linking a charitable donation to the number of votes cast. This year the Society will donate 50p for each vote at the AGM to Action for Blind People for their work within our operating area.

In 2012 the beneficiary was The Royal British Legion and following the excellent turnout of 21.4%, again one of the highest amongst building societies, they received £10,719 for use in our area.

STAFF

The Cumberland's staff are key to both the provision of excellent customer service and the development work undertaken to enhance our product range and services. We are committed to investment in our staff, and have continued to provide development and training opportunities to ensure that the Society can compete in the modern financial services environment.

Another year of excellent financial and business results is a reflection of the hard work and commitment of our staff. On behalf of the Board and my Executive colleagues, I would like to acknowledge and thank them for their achievements.

THE YEAR AHEAD

The year ahead is likely to remain challenging as the UK economy struggles to achieve growth. We start the year, however, from a position of strength, not only in terms of the Society's capital, but also as a result of the success of our long established strategy and the continued support we receive from our members. The coming year will see work continue not only in the areas I have mentioned above, but on many other initiatives, which together will improve the service we offer.

In a difficult economic environment, with rapid changes in technology, there is much to challenge financial services organisations. We believe, however, that the Society has the business model, balance sheet and people to respond to these challenges and are confident that in 2013-14 we will again deliver strong financial and business results based on a foundation of excellent customer service.

Kevin Parr
Chief Executive
16 May 2013

DIRECTORS' REPORT

The Directors have pleasure in presenting their 163rd Annual Report, together with the Group Accounts and Annual Business Statement, for the year ended 31 March 2013.

BUSINESS OBJECTIVES

Cumberland Building Society aims to be the natural choice for mortgages 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.

	2013	*2012*	*2011*
Group Profit After Tax (£ million)	6.16	5.86	5.85
Group Profit After Tax as a % of Mean Total Assets	0.40	0.38	0.38
Gross Capital as a % of Shares and Borrowings	8.18	7.76	7.71
Interest Margin for Members (%)	1.71	1.71	1.71
Society Administrative Expenses and Depreciation as a % of Mean Total Assets	0.97	0.94	0.89
Loans and Advances to Customers - Balance Change %	6.95	1.51	(2.46)
Lending during the year (£ million)	247.13	194.62	143.92
Inflow of Funds from Customers (£ million)	9.84	(35.16)	5.42
Other Funding as a % of Shares and Borrowings	4.96	7.10	4.97

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 slightly higher level of profit in 2012-13 compared with 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 for the second consecutive 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 the vast majority of its residential mortgage and all of its savings business directly from customers rather than through intermediaries, means that its ratio will inevitably be higher than were that not the case. The ratio rose slightly in the year because Society administrative expenses and depreciation rose by 3.7% while mean total assets rose by 0.9%. The main reason for the former was that the Society increased its staff costs as a result of a number of initiatives to develop the business. Against this, depreciation was reduced largely by the impact of a reduction in the rate of the depreciation of freehold land and buildings with effect from 1 April 2012.

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 latest year the Society offered attractive products to new borrowers and the same products to those borrowers reaching the end of their product period, with the result that lending increased and repayments fell slightly, resulting in increased balance growth.

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 a modest inflow of funds. 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.


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 reduction in the latest year reflects a reduced need for funding from the wholesale money markets. It should also be noted that over 70% of 'other funding' is from retail customers, principally small and medium sized businesses located within the Society's operating area.

FUTURE DEVELOPMENTS

The Society is currently involved in the national current account switching and mobile payments services projects. It also intends to grow mortgage balances during the year by utilising funds supplied by the Bank of England's Funding for Lending Scheme to provide attractive products for first time buyers, home movers and those wishing to remortgage from other firms. The Society will move to a new Head Office at Kingstown on the edge of Carlisle in summer 2013.

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 Prudential Regulation Authority. 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 2013 and 2012 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.

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, General Manager (IT) 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.

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

FREE CAPITAL

At 31 March 2013 free capital was £107.11 million, being


Peter Temple
Operations Director


Gill Gardner
Non-executive Director


David Clarke
Non-executive Director


Alan Johnston
Non-executive Director


Trevor Hebdon
Non-executive Director

7.52% of shares and borrowings (2012: 7.37%). 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 2013, there were 7 accounts where payments were twelve months or more in arrears. The total amount outstanding on these accounts was £0.74 million, and the amount of arrears was £0.08 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 103 residential mortgage accounts which had total balances of £7.10 million at 31 March 2013 (2012: 110 accounts, balances of £8.43 million). 28 of these cases had arrears of £0.02 million at 31 March 2013 (2012: 33, £0.03 million). Where the Society considers that there is a possibility of a 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 2013 the total amount owed to suppliers was equivalent to 3 days credit (2012: 4 days).

CHARITABLE AND POLITICAL DONATIONS

During the year, charitable donations of £100,772 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, Trevor Hebdon, John Leveson and Michael Pratt retire at the Annual General Meeting and, being eligible, seek re-election. Gill Gardner, who was appointed to the Board during the year, also retires and, being eligible, seeks 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 2013 two directors had mortgage loans granted in the ordinary course of business, amounting to £105,000 (2012: two directors, £196,000). 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.

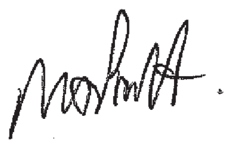
The directors' warm appreciation is extended to staff for their dedication, hard work and enthusiasm during the financial year.

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*
16 May 2013

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 this is reviewed and agreed annually by the Board. The Chairman's remuneration is set by the Board, however, the Chairman takes no part in the Board's consideration of this matter. The remuneration of the executive directors is determined by the Remuneration Committee, which consists of its chairman Richard Atkinson and the other non-executive directors.

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, and for the year ended 31 March 2013, agreed a modest bonus scheme based on overall business performance achieved, including customer service, mortgage growth, the increase in current accounts and Group profitability.

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 on twelve months' notice and by the individual on six months' notice.

Full details of individual directors' remuneration, including bonus payments, 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, accrual rate and increases in pensionable service during the year.

The Society's remuneration policy meets with the requirements of the Remuneration Code implemented by the FSA.

On behalf of the Remuneration Committee
Richard Atkinson, Chairman
16 May 2013

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 Trevor Hebdon, and two other non-executive directors, Richard Atkinson and Alan Johnston, who has recent and relevant financial experience. 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 all of the other non-executive directors. The Committee's main role is to approve the level of remuneration for the Society's 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.

Set out on page 11 are details of the directors during 2012-13 and their attendance record at Board meetings and relevant Board committee meetings in the year.

The Board also receives a monthly report from the Assets and Liabilities Committee.

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 2013

Director	Board	Audit and Risk	Remuneration	Nomination
Richard Atkinson	12 (12)	5 (5)	8 (8)	4 (4)
Simon Berry #	9 (9)	4 (4)	5 (5)	3 (3)
David Clarke	12 (12)		8 (8)	4 (4)
Gill Gardner *	7 (7)		5 (5)	1 (1)
Trevor Hebdon	11 (12)	5 (5)	5 (5)	3 (4)
Alan Johnston	12 (12)	5 (5)	5 (5)	4 (4)
John Kidd	12 (12)			4 (4)
John Leveson	11 (12)			4 (4)
Kevin Parr	12 (12)			4 (4)
Michael Pratt	12 (12)		5 (5)	4 (4)
Peter Temple	12 (12)			4 (4)
Robert Watson ~	2 (2)		2 (2)	1 (1)

\# Retired 18 December 2012
* Appointed 17 September 2012
~ Appointed 23 January 2013, resigned 26 March 2013

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

(shaded) 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.

Four 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 16 years of service on the Board on 29 September 2012 and Richard Atkinson completed 15 years on 1 August 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 David Clarke to the position of Senior Independent Director. He is available to members if they have concerns which they either have been unable to resolve, or feel cannot be resolved, by contact through the normal channels of the Chairman or the executive directors.

APPOINTMENTS TO THE BOARD

Code Principle B.2: There should be a formal, rigorous and transparent procedure for 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 fitness and propriety standards of the Prudential Regulation Authority and Financial Conduct Authority and must be approved by them 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 should ensure planned and progressive refreshing of the board.

The Board seeks to ensure planned and progressive refreshing of its membership. Directors are subject to election by members at the Annual General Meeting following their appointment and seek re-election every three years thereafter.

The Board has considered the Code provisions relating to re-election of directors and does not feel that it would be appropriate to submit the entire Board for annual re-election by the members. Any non-executive directors serving for over 9 years are, however, 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 financial reporting 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, did not undertake any non-audit related assignments during the year.

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 Action for Blind People.

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*
16 May 2013

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 2013 set out on pages 14 to 30 and on the first part of page 31 (before the start of the Annual Business Statement). 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

OPINION ON ANNUAL ACCOUNTS

In our opinion the annual accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and of the society as at 31 March 2013 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

16 May 2013

GROUP AND SOCIETY INCOME AND EXPENDITURE ACCOUNTS

For the year ended 31 March 2013

	Notes	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Interest receivable and similar income	2	**46,692**	45,539	**46,694**	45,542
Interest payable and similar charges	3	**(25,823)**	(26,068)	**(25,823)**	(26,068)
Net interest receivable		**20,869**	19,471	**20,871**	19,474
Pension finance income	26	**298**	361	**298**	361
Fees and commissions receivable		**3,893**	4,046	**2,602**	2,703
Fees and commissions payable		**(2,169)**	(1,694)	**(2,298)**	(1,808)
Other operating income		**3,508**	3,218	**3,464**	3,178
		26,399	25,402	**24,937**	23,908
Administrative expenses	4	**(15,528)**	(14,683)	**(14,079)**	(13,327)
Depreciation and amortisation		**(1,038)**	(1,287)	**(972)**	(1,193)
Operating profit before provisions		**9,833**	9,432	**9,886**	9,388
Provisions for bad and doubtful debts	11	**(749)**	(976)	**(749)**	(976)
Operating profit before FSCS levy		**9,084**	8,456	**9,137**	8,412
Provisions for contingent liabilities and commitments – FSCS levy	22	**(765)**	(525)	**(765)**	(525)
Profit on ordinary activities before tax		**8,319**	7,931	**8,372**	7,887
Tax on profit on ordinary activities	7	**(2,157)**	(2,075)	**(2,169)**	(2,079)
Profit for the financial year	23	**6,162**	5,856	**6,203**	5,808

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2013

	Notes	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Profit for the financial year		**6,162**	5,856	**6,203**	5,808
Actuarial loss recognised in pension scheme	26	**(466)**	(5,150)	**(466)**	(5,150)
Movement in deferred tax relating to pension scheme	26	**107**	1,236	**107**	1,236
Total recognised gains and losses for the year		**5,803**	1,942	**5,844**	1,894

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

GROUP AND SOCIETY BALANCE SHEETS

As at 31 March 2013

Assets	Notes	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Liquid assets					
Cash in hand and balances with the Bank of England		**196,517**	93,560	**196,515**	93,558
Loans and advances to credit institutions	8	**81,972**	159,246	**81,972**	159,246
Debt securities	9	**6,087**	110,307	**6,087**	110,307
		284,576	363,113	**284,574**	363,111
Loans and advances to customers					
Loans fully secured on residential property	10	**1,101,672**	1,026,360	**1,101,672**	1,026,360
Other loans	10	**149,404**	143,436	**149,404**	143,436
	10	**1,251,076**	1,169,796	**1,251,076**	1,169,796
Investments					
Investments in subsidiary undertakings	12	**–**	–	**2,381**	2,381
Tangible fixed assets	13	**12,769**	8,928	**11,325**	8,080
Investment properties	14	**1,650**	1,650	**–**	–
Other assets	15	**1,435**	1,519	**2,300**	1,723
Prepayments and accrued income	17	**1,834**	3,616	**1,829**	3,609
Total Assets		**1,553,340**	1,548,622	**1,553,485**	1,548,700

Liabilities	Notes	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Shares	18	**1,353,994**	1,325,782	**1,353,994**	1,325,782
Amounts owed to credit institutions	19	**4,002**	22,527	**4,002**	22,527
Amounts owed to other customers	20	**66,727**	78,850	**67,063**	79,227
Other liabilities	21	**5,015**	3,526	**5,026**	3,465
Accruals and deferred income		**1,774**	2,230	**1,706**	2,167
Provisions for liabilities	22	**1,470**	1,195	**1,470**	1,195
Net pension liability	26	**3,840**	3,797	**3,840**	3,797
Reserves					
General reserves	23	**116,217**	110,414	**116,384**	110,540
Investment properties reserve	23	**301**	301	**–**	–
Total Liabilities		**1,553,340**	1,548,622	**1,553,485**	1,548,700
Memorandum items					
Commitments	24	**11,497**	6,706	**11,497**	6,706

These accounts were approved by the Board of Directors on 16 May 2013
M. J. Pratt, Chairman
T. Hebdon, Chairman of the Audit and Risk Committee
K. Parr, Director and Chief Executive

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

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2013

	2013 £000	2012 £000
Net cash inflow from operating activities	**12,525**	79,683
Taxation	**(1,750)**	(2,557)
Capital expenditure and financial investment		
Purchase of tangible fixed assets and expenditure on investment property	**(4,943)**	(1,670)
Sale of tangible fixed assets	**64**	56
Purchase of investment securities	**(145,000)**	(320,000)
Sale and maturity of investment securities	**249,012**	318,669
Increase in cash and cash equivalents	**109,908**	74,181

Reconciliation of operating profit to net cash inflow from operating activities

	2013 £000	2012 £000
Operating profit	**8,319**	7,931
Decrease/(increase) in prepayments and accrued income	**2,215**	(313)
Decrease in accruals and deferred income	**(456)**	(149)
Provisions for bad and doubtful debts	**749**	976
Depreciation and amortisation	**1,067**	1,314
Profit on sale of tangible fixed assets	**(29)**	(27)
Pension contributions	**(1,069)**	(405)
Pension charges	**594**	202
Other non–cash movements	**(48)**	(205)
Net cash inflow from trading activities	**11,342**	9,324
Increase in loans and advances to customers	**(81,981)**	(18,144)
Increase/(decrease) in shares	**28,212**	(15,607)
(Decrease)/increase in amounts owed to credit institutions and other customers	**(30,648)**	31,208
Decrease in loans and advances to credit institutions and other liquid assets	**84,000**	31,691
Decrease in treasury and other bills	**–**	39,964
Increase in other assets	**(20)**	(64)
Increase in other liabilities and provisions for contingent liabilities and commitments	**1,620**	1,311
Net cash inflow from operating activities	**12,525**	79,683

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

	At 1 April 2012 £000	Movement in year £000	At 31 March 2013 £000
Cash in hand and balances with the Bank of England	93,560	102,957	196,517
Loans and advances to credit institutions – repayable on demand (note 8)	19,235	6,951	26,186
	112,795	109,908	222,703

NOTES TO THE ACCOUNTS

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 2013.

(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 land and buildings are depreciated at 1% per annum on cost with effect from 1 April 2012 (having been depreciated at 2% per annum since 1 April 1999). 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 rates between 5% and 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) **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.

(g) **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.

(h) **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.

(i) **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.

(j) **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.

(k) **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 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
On loans fully secured on residential property	42,433	42,315	42,433	42,315
On other loans	5,747	5,178	5,749	5,181
On debt securities				
Interest and other income	756	1,255	756	1,255
On other liquid assets				
Interest and other income	2,305	2,173	2,305	2,173
Net expense on financial instruments	(4,549)	(5,382)	(4,549)	(5,382)
	46,692	45,539	46,694	45,542

The total income from fixed income securities (within debt securities above) was £204,000 (2012 - £433,000).
Interest on secured advances, as shown above, has been decreased by £101,000 (2012 - increase of £24,000) 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 2013 £000	Group and Society 2012 £000
At 1 April	14	44
Interest suspended during the year	113	23
Interest written off in prior years recovered during the year	(12)	(47)
Interest written off during the year	(8)	(6)
At 31 March	107	14

3. Interest Payable and Similar Charges

	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
On shares held by individuals	24,646	25,137	24,646	25,137
On deposits and other borrowings	1,510	1,326	1,510	1,326
Net income on financial instruments	(333)	(395)	(333)	(395)
	25,823	26,068	25,823	26,068

4. Administrative Expenses

	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Staff costs (note 5)	9,819	9,361	8,935	8,579
Remuneration of auditor (excluding VAT)				
– Audit of annual accounts	65	64	59	58
– Other services	–	4	–	4
Other expenses	5,644	5,254	5,085	4,686
	15,528	14,683	14,079	13,327

5. Staff Numbers and Costs

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

	Full time 2013	Full time 2012	Part time 2013	Part time 2012
Society's principal office	144	139	48	49
Society's branches	108	111	96	97
Estate agency offices	22	21	21	23
	274	271	165	169

The aggregate costs of these persons were as follows:	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Wages and salaries	8,267	8,178	7,503	7,489
Social security costs	660	620	598	572
Other pension costs (note 26)	892	563	834	518
	9,819	9,361	8,935	8,579

The Group operates a salary sacrifice scheme whereby the employee agrees to a reduction in salary in return for the Group 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 Group 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

	2013 £000	2012 £000
Total directors' remuneration	827	779
Non-executive directors' remuneration		
M. J. Pratt (Chairman)	42	40
R. Atkinson (Vice-Chairman, and in 2011-12 Chairman of the Audit and Risk Committee)	26	28
S. F. M. Berry (retired 18 December 2012)	17	22
D. M. Clarke	23	22
G. F. Gardner (appointed 17 September 2012)	12	–
T. Hebdon (in 2012-13 Chairman of the Audit and Risk Committee)	26	22
A. J. Johnston	23	22
R. Watson (appointed 23 January 2013, resigned 26 March 2013)	4	–
	173	156

Executive directors' remuneration	Salary £000	Bonus £000	Taxable benefits £000	Sub–total £000	Increase in accrued pension £000	Pension contributions £000	Total £000
2013							
K. Parr	191	9	6	206	7	–	213
J. M. Leveson	142	7	5	154	4	–	158
J. C. N. Kidd	131	7	7	145	4	–	149
P. R. Temple	117	7	4	128	3	3	134
	581	30	22	633	18	3	654
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

Mr Parr voluntarily waived his entitlement to a bonus for the year ended 31 March 2012.

Defined Benefit Pension Scheme	Directors' contribution £000	Accumulated total accrued pension at year end £000	Transfer value of accrued benefits, 31 March 2013 £000	Transfer value of accrued benefits, 31 March 2012 £000	Difference in transfer value less contributions £000
K. Parr	14	61	1,445	1,122	309
J. M. Leveson	11	36	768	567	190
J. C. N. Kidd	10	40	855	635	210
P. R. Temple	7	48	1,393	1,149	237

Pensions paid to former directors were £5,000 (2012 - £5,000).

7. Taxation	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
(a) Analysis of charge in year:				
Current tax				
Corporation tax at 24% (2012 - 26%)	**1,910**	1,998	**1,929**	1,987
Over provision of corporation tax in prior years	**(16)**	(56)	**(16)**	(40)
Total current tax	**1,894**	1,942	**1,913**	1,947
Deferred tax at 23% (2012 - 24%)				
Origination and reversal of timing differences	**263**	133	**256**	132
Tax on profit on ordinary activities	**2,157**	2,075	**2,169**	2,079
(b) Factors affecting current tax charge in year:				
Profit on ordinary activities before tax	**8,319**	7,931	**8,372**	7,887
Tax on profit on ordinary activities at UK standard rate of 24% (2012 - 26%)	**1,997**	2,062	**2,009**	2,051
Effects of:				
Depreciation in excess of capital allowances	**41**	80	**40**	69
Other timing differences	**(19)**	(88)	**(18)**	(88)
Expenses not deductible for tax purposes	**6**	1	**12**	8
Adjustments to tax charge for payments basis (pensions)	**(114)**	(53)	**(114)**	(53)
Small companies rate	**(1)**	(4)	**–**	–
Over provision of corporation tax in prior years	**(16)**	(56)	**(16)**	(40)
Current tax charge for year	**1,894**	1,942	**1,913**	1,947

8. Loans and Advances to Credit Institutions	Group and Society 2013 £000	Group and Society 2012 £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	**26,186**	19,235
In not more than three months	**30,000**	69,000
In more than three months but not more than one year	**25,500**	70,500
	81,686	158,735
Accrued interest	**286**	511
	81,972	159,246

9. Debt Securities	Group and Society 2013 £000	Group and Society 2012 £000
(a) Debt securities comprise:		
Issued by public bodies	**–**	9,107
Issued by other borrowers	**6,087**	101,200
	6,087	110,307

Included in debt securities are £nil (2012 – £11,000) of unamortised premiums and discounts.

In addition, at 31 March 2013 the Society had drawn £5 million of Treasury Bills under the Bank of England's Funding for Lending Scheme. These are held off balance sheet.

	Group and Society 2013 £000	Group and Society 2012 £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	**6,000**	110,012
Accrued interest	**87**	295
	6,087	110,307
(c) Analysis of debt securities, excluding accrued interest:		
Transferable securities		
Listed on a recognised investment exchange	**–**	9,012
Unlisted	**6,000**	101,000
	6,000	110,012
Market value of listed transferable securities	**–**	9,191

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 2012	**110,012**
Additions	**145,000**
Disposals and maturities	**(249,012)**
At 31 March 2013	**6,000**

10. Loans and Advances to Customers	Group and Society 2013 £000	Group and Society 2012 £000
(a) Loans and advances to customers comprise:		
Loans fully secured on residential property	**1,101,672**	1,026,360
Other loans		
Loans fully secured on land	**147,234**	141,749
Other loans	**2,170**	1,687
	1,251,076	1,169,796
(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	**7,422**	8,857
In not more than three months	**12,839**	12,116
In more than three months but not more than one year	**49,929**	47,717
In more than one year but not more than five years	**276,139**	264,210
In more than five years	**911,264**	842,751
	1,257,593	1,175,651
Less: Provisions (note 11)	**(6,517)**	(5,816)
Deferred mortgage indemnity guarantee insurance income	**–**	(39)
	1,251,076	1,169,796

The actual experience of repayments may differ from the above since many loans and advances are repaid early. At 31 March 2013 £239.5 million of loans had been pledged as collateral to the Bank of England under the Funding for Lending Scheme.

11. Provisions for Bad and Doubtful Debts

	Loans fully secured on residential property £000	Loans fully secured on land £000	Other loans £000	Total £000
				Group and Society
Provisions against loans and advances to customers have been made as follows:				
At 1 April 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
Amounts written off during year				
Specific provision	(29)	–	(10)	(39)
	(29)	–	(10)	(39)
Income and expenditure account				
Provisions for bad and doubtful debts				
General provision	(52)	–	–	(52)
Specific provision	25	765	2	792
	(27)	765	2	740
At 31 March 2013				
General provision	1,577	1,748	40	3,365
Specific provision	204	2,910	38	3,152
	1,781	4,658	78	6,517

The total charge of £749,000 in the income and expenditure account consists of the charge of £740,000 shown above, and a net debit of £9,000 in respect of additional costs and recoveries against loans which had been written off in prior years.
Within accruals and deferred income the Society has a provision of £380,000 (2012 - £454,000) 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 31 March 2012 and 2013	1,390	991	2,381

Subsidiary undertakings carrying on a business
At 31 March 2013 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 Financial Planning Ltd	England	Financial Adviser	Ordinary	100%
Cumberland Homes Ltd	England	Development Company	Ordinary	100%
Cumberland Property Services Ltd	England	Property Company	Ordinary	100%

13. Tangible Fixed Assets (Group)

	Freehold Land and Buildings £000	Equipment, Fixtures and Fittings and Vehicles £000	Total £000
Cost			
At 1 April 2012	16,501	15,641	32,142
Additions	3,858	1,085	4,943
Disposals	(518)	(10,029)	(10,547)
At 31 March 2013	19,841	6,697	26,538
Depreciation			
At 1 April 2012	10,091	13,123	23,214
Charge for year	239	828	1,067
Disposals	(518)	(9,994)	(10,512)
At 31 March 2013	9,812	3,957	13,769
Net book value			
At 31 March 2013	10,029	2,740	12,769
At 31 March 2012	6,410	2,518	8,928

Tangible Fixed Assets (Society)

	Freehold Land and Buildings £000	Equipment, Fixtures and Fittings and Vehicles £000	Total £000
Cost			
At 1 April 2012	14,865	15,398	30,263
Additions	3,345	925	4,270
Disposals	(432)	(9,981)	(10,413)
At 31 March 2013	17,778	6,342	24,120
Depreciation			
At 1 April 2012	9,237	12,946	22,183
Charge for year	217	775	992
Disposals	(432)	(9,948)	(10,380)
At 31 March 2013	9,022	3,773	12,795
Net book value			
At 31 March 2013	8,756	2,569	11,325
At 31 March 2012	5,628	2,452	8,080

The net book value of land and buildings occupied by the Group for its own activities at 31 March 2013 was £9,244,000 (Society £7,857,000) (2012 - Group £5,600,000, Society £4,706,000). As set out in note 1(e), with effect from 1 April 2012 the Group depreciated freehold land and buildings at 1% per annum on cost, rather than 2%. The effect of this change has been to reduce depreciation charged in the latest year by £120,000 (Society £106,000). The cost and depreciation figures relating to disposals above overwhelmingly relate to the removal of historic assets from the Group's fixed assets register, held at a net book value of £nil.

14. Investment Properties

	Group 2013 £000	Group 2012 £000
At 1 April	**1,650**	1,610
Additions	**–**	40
At 31 March	**1,650**	1,650

A revaluation of the investment properties was carried out on an open market basis on 10 April 2013, by an employee of the Group who is a member of the Royal Institution of Chartered Surveyors.

15. Other Assets	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Deferred taxation asset (note 16)	**995**	1,099	**979**	1,076
Other	**440**	420	**1,321**	647
	1,435	1,519	**2,300**	1,723

16. Deferred Taxation	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
The elements of deferred taxation at 23% (2012 - 24%) are as follows:				
Difference between accumulated depreciation and amortisation and capital allowances	**221**	269	**205**	246
General mortgage loss provisions	**774**	820	**774**	820
Other timing differences	**–**	10	**–**	10
Deferred taxation asset (note 15)	**995**	1,099	**979**	1,076
The deferred taxation movement for the year is as follows:				
At 1 April	**1,099**	1,182	**1,076**	1,158
Charge for the year (note 7)	**(263)**	(133)	**(256)**	(132)
Offset against pension deficit	**159**	50	**159**	50
At 31 March	**995**	1,099	**979**	1,076

17. Prepayments and Accrued Income	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Accrued income relating to off balance sheet instruments	**1,481**	3,290	**1,481**	3,290
Other	**353**	326	**348**	319
	1,834	3,616	**1,829**	3,609

18. Shares	Group and Society 2013 £000	Group and Society 2012 £000
(a) Shares comprise:		
Held by individuals	**1,353,987**	1,325,775
Other	**7**	7
	1,353,994	1,325,782
(b) Repayable from the date of the balance sheet in the ordinary course of business as follows:		
On demand	**710,416**	681,340
In not more than three months	**204,075**	187,630
In more than three months but not more than one year	**294,143**	330,763
In more than one year but not more than five years	**136,397**	116,662
	1,345,031	1,316,395
Accrued interest	**8,963**	9,387
	1,353,994	1,325,782

19. Amounts owed to Credit Institutions	Group and Society 2013 £000	Group and Society 2012 £000
Repayable from the date of the balance sheet in the ordinary course of business as follows:		
In not more than three months	**2,000**	5,000
In more than three months but not more than one year	**2,000**	17,500
	4,000	22,500
Accrued interest	**2**	27
	4,002	22,527

20. Amounts owed to Other Customers	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Repayable from the date of the balance sheet in the ordinary course of business as follows:				
On demand	**19,538**	18,203	**19,874**	18,580
In not more than three months	**27,896**	28,976	**27,896**	28,976
In more than three months but not more than one year	**14,158**	26,582	**14,158**	26,582
In more than one year but not more than five years	**4,612**	4,542	**4,612**	4,542
	66,204	78,303	**66,540**	78,680
Accrued interest	**523**	547	**523**	547
	66,727	78,850	**67,063**	79,227

21. Other Liabilities	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
Falling due within one year:				
Corporation tax	**857**	713	**850**	700
Income tax	**556**	555	**556**	555
Other creditors	**3,602**	2,258	**3,620**	2,210
	5,015	3,526	**5,026**	3,465

22. Provisions for Liabilities	Group and Society 2013 £000	Group and Society 2012 £000
Financial Services Compensation Scheme Levy:		
At 1 April	**1,195**	1,101
Paid	**(490)**	(431)
Charged to income and expenditure account	**765**	525
At 31 March	**1,470**	1,195

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

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

In the current year, the Society paid £490,000 in respect of the levy for 2011-12.

The charge of £765,000 in the latest year reflects, based on the Society's share of UK protected deposits:
a) the management expenses levies for 2012-13 and 2013-14, calculated using the funding rate of 12 months Libor plus 1.00%, and
b) the first of three tranches in relation to the current estimated shortfall on the capital loans outstanding.

23. Reserves	Group 2013 £000	Group 2012 £000	Society 2013 £000	Society 2012 £000
General Reserves				
At 1 April	**110,414**	108,472	**110,540**	108,646
Profit for the financial year	**6,162**	5,856	**6,203**	5,808
Actuarial loss net of deferred tax in the STRGL	**(359)**	(3,914)	**(359)**	(3,914)
At 31 March	**116,217**	110,414	**116,384**	110,540
Investment Properties				
At 1 April and 31 March	**301**	301	**–**	–
Reserves excluding net pension liability	**120,358**	114,512	**120,224**	114,337
Net pension liability	**(3,840)**	(3,797)	**(3,840)**	(3,797)
Reserves including net pension liability	**116,518**	110,715	**116,384**	110,540

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 2013 £000	Group and Society 2012 £000
Contracted but not provided for	**279**	419
(d) Memorandum items		
Irrevocable mortgage commitments	**11,497**	6,706

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 Prudential Regulation 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 2013 £000	Credit risk weighted amount 2013 £000	Replacement cost 2013 £000	Nominal principal amount 2012 £000	Credit risk weighted amount 2012 £000	Replacement cost 2012 £000
Interest rate contracts						
– under one year	**168,950**	**107**	**214**	264,300	1,371	2,634
– between one and five years	**402,500**	**1,017**	**–**	243,200	1,148	1,078

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 2013:	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	253,630	26,000	4,500	–	446	284,576
Loans fully secured on residential property and other loans	858,362	11,621	18,320	369,290	(6,517)	1,251,076
Tangible fixed assets	–	–	–	–	12,769	12,769
Other assets	–	–	–	–	4,919	4,919
Total assets	1,111,992	37,621	22,820	369,290	11,617	1,553,340
Liabilities						
Shares	1,067,475	65,066	88,253	124,237	8,963	1,353,994
Amounts owed to credit institutions and other customers	67,204	3,000	–	–	525	70,729
Other liabilities	–	–	–	–	12,099	12,099
Reserves	–	–	–	–	116,518	116,518
Total liabilities	1,134,679	68,066	88,253	124,237	138,105	1,553,340
Net assets / (liabilities)	(22,687)	(30,445)	(65,433)	245,053	(126,488)	–
Off balance sheet items	211,600	28,200	49,000	(288,800)	–	–
Interest rate sensitivity gap	189,913	(2,245)	(16,433)	(43,747)	(126,488)	–
Cumulative gap	188,913	186,668	170,235	126,488	–	–

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	–	–

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 2013 £000**	**Fair value 2013 £000**	Book value 2012 £000	Fair value 2012 £000
On balance sheet instruments				
Liquid assets	**6,087**	**6,119**	110,307	110,517
Off balance sheet instruments				
Interest rate contracts	**1,482**	**(2,804)**	3,290	680

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	4,451	(7,061)	(2,610)
Recognised in the year	(3,267)	1,431	(1,836)
Carried forward to future periods	1,184	(5,630)	(4,446)
Gains and losses arising in the year but not recognised in the year	1,210	(1,050)	160
Unrecognised at the end of the year	2,394	(6,680)	(4,286)
Of which:			
Expected to be realised in the year ending 31 March 2014	1,528	(637)	891
Expected to be realised after 31 March 2014	866	(6,043)	(5,177)
	2,394	(6,680)	(4,286)

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 £209,000 (2012 - £179,000). 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 2013 using the attained age method. Scheme assets are stated at their market value at 31 March 2013.

The most recent full actuarial valuation was as at 27 August 2009. An actuarial valuation as at 27 August 2012 is currently being produced.

Principal assumptions used to calculate the scheme's liabilities under FRS 17	**2013 %**	2012 %
Rate of increase in salaries	**3.35**	3.25
Rate of increase in pensions in payment	**3.50**	3.25
Discount rate	**4.40**	4.70
Inflation assumptions - RPI	**3.50**	3.25
- CPI	**2.85**	2.60

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 1.25% 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 1.25%.

The number of years' life expectancy, retiring at 62, is as follows:	**2013**	2012
Retiring today:		
Males	**87.5**	87.3
Females	**90.0**	90.2
Retiring in 20 years:		
Males	**89.5**	90.4
Females	**92.0**	93.3

The Group contributed at the rate of 15.8% (2012 - 15.8%) of pensionable salaries for the year. It also made an additional contribution of £600,000 in March 2013. Group contributions for the next financial year, based on contribution rates and membership at 31 March 2013, and excluding the additional contributions made as a result of the operation of the salary sacrifice scheme as stated in note 5, are estimated at £369,000.

Amounts recognised in the balance sheet

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of scheme liabilities	**(48,888)**	(44,060)	(38,607)	(36,701)	(27,302)
Fair value of scheme assets	**43,901**	39,064	38,558	36,480	26,941
Net pension liability	**(4,987)**	(4,996)	(49)	(221)	(361)
Net pension liability after deferred tax	**(3,840)**	(3,797)	(36)	(159)	(260)

Reconciliation of the present value of scheme liabilities

	2013 £000	2012 £000
At 1 April	**44,060**	38,607
Interest cost	**2,062**	2,160
Current service cost	**506**	384
Past service cost	**177**	–
Contributions from scheme members	**175**	195
Charges paid	**(80)**	(30)
Benefits paid	**(1,142)**	(841)
Experience change in secured pensioner value	**78**	3
Actuarial loss	**3,052**	3,582
At 31 March	**48,888**	44,060

Reconciliation of the fair value of scheme assets

	2013 £000	2012 £000
At 1 April	**39,064**	38,558
Expected return on assets	**2,360**	2,521
Contributions from employers and scheme members	**1,274**	620
Charges paid	**(80)**	(30)
Benefits paid	**(1,142)**	(841)
Expenses paid	**(239)**	(199)
Experience change in secured pensioner value	**78**	3
Actuarial gain/(loss)	**2,586**	(1,568)
At 31 March	**43,901**	39,064

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

	Expected long term rate of return 2013 %	Value 2013 £000	Expected long term rate of return 2012 %	Value 2012 £000
Equities and other growth-type assets	**7.00**	**26,916**	7.00	24,227
Corporate Bonds	**4.10**	**13,594**	4.70	10,967
Government Bonds	**2.80**	**–**	3.10	1,095
Cash	**4.00**	**1,052**	4.00	465
Annuities	**4.10**	**2,339**	4.70	2,310
Total market value of assets		**43,901**		39,064

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	2013 £000	2012 £000
Current service cost	**506**	384
Past service cost	**177**	–
Total operating charge	**683**	384

The operating charge of £683,000 (2012 - £384,000), plus the Group's contributions to the defined contribution schemes of £209,000 (2012 - £179,000), comprise the Group's 'other pension costs' total of £892,000 (2012 - £563,000) shown in note 5. The past service costs relate to an enhancement of the executive directors' pensions in relation to the accrual rate used between August 2007 and February 2012.

b) Pension finance income

	2013 £000	2012 £000
Expected return on pension scheme assets	**2,360**	2,521
Interest on pension scheme liabilities	**(2,062)**	(2,160)
Net income	**298**	361

c) Statement of Total Recognised Gains and Losses (STRGL)

	2013 £000	2012 £000
Actual return less expected return on pension scheme assets	**2,664**	(1,565)
Experience gains arising on scheme liabilities	**(273)**	304
Changes in assumptions underlying the present value of the scheme's liabilities	**(2,857)**	(3,889)
Actuarial loss	**(466)**	(5,150)
Movement in deferred taxation relating to pension scheme	**107**	1,236
Actuarial loss recognised in the STRGL	**(359)**	(3,914)

d) Movement in the deficit in the scheme during the year

	2013 £000	2012 £000
Deficit in scheme at beginning of year	**(4,996)**	(49)
Movement in year:		
Current and past service costs	**(683)**	(384)
Contributions	**860**	226
Other finance income	**298**	361
Actuarial loss	**(466)**	(5,150)
Deficit in scheme at end of year	**(4,987)**	(4,996)

History of experience gains and losses	2013	2012	2011	2010	2009
Actual return less expected return on pension scheme assets (£000)	**2,664**	(1,565)	103	7,641	(7,693)
Percentage of scheme assets	**6.1**	4.0	0.3	20.9	28.6
Experience gains/(losses) arising on the scheme liabilities (£000)	**(273)**	304	380	(242)	80
Percentage of scheme liabilities	**0.6**	0.7	1.0	0.7	0.3
Actuarial (loss)/gain recognised in the STRGL (£000)	**(466)**	(5,150)	(75)	139	(1,535)
Percentage of scheme liabilities	**1.0**	11.7	0.2	0.4	5.6

ANNUAL BUSINESS STATEMENT

For the year ended 31 March 2013

1. Statutory Percentages	31 March 2013 %	Statutory Limit %
Lending Limit	**12.60**	25
Funding Limit	**4.96**	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 2013 %	Group 31 March 2012 %
As percentage of shares and borrowings:		
Gross capital	**8.18**	7.76
Free capital	**7.52**	7.37
Liquid assets	**19.97**	25.44
Profit for the financial year as a percentage of mean total assets	**0.40**	0.38
Management expenses as a percentage of mean total assets	**1.07**	1.04

	Society 31 March 2013 %	Society 31 March 2012 %
Management expenses as a percentage of mean total assets	**0.97**	0.94

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 2013

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 Milburns Solicitors
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
G. F. Gardner, MA (Cantab)	Solicitor	28.9.64	17.9.12	Council Member of Lancaster University Member of Brabners Chaffe Street LLP
A. J. Johnston, BA, FCA	Chartered Accountant	13.2.60	15.2.11	Armstrong Watson Financial Planning Ltd Future Money Ltd Armstrong Watson Accountants Armstrong Watson General Partner Ltd
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 Cumberland Financial Planning 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 Cumberland Financial Planning 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				
N. Legge	Assistant General Manager (Branches/CFP/CFSL)			Cumberland Financial Services Ltd Cumberland Financial Planning Ltd
C. McDonald, BSc	General Manager			
G. Richardson	General Manager (IT)			Cumberland Homes Ltd Cumberland Property Services Ltd
D. Winton	Assistant General Manager (Marketing)			

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 on twelve months' notice or by the individual on six months' notice. 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, and all were varied by a side letter determining the notice periods above on 26 March 2013.
Correspondence to Directors jointly or individually should be addressed 'Private and Confidential' and c/o KPMG Audit Plc, St James' Square, Manchester M2 6DS.

Cumberland
Building Society

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