



# Business Review and Summary Financial Statement 2011

## History of Savings Account Variable Interest Rates 2011

Accounts Currently Available		11 Feb	11 Feb	10 Jun	21 Sept	1 Nov	23 Jan
Account		2010	2011	2011	2011	2011	2012
	Balance	%AER	%AER	%AER	%AER	%AER	%AER
Pyramid Share / Air Ambulance	>£1	0.10	0.10	0.10	0.10	0.10	0.10
	>£500	0.10	0.10	0.10	0.10	0.10	0.10
	>£5,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£25,000	0.25	0.25	0.25	0.25	0.25	0.25
Pyramid 90	>£1	0.10	0.10	0.10	0.10	0.10	0.10
	>£10,000	0.15	0.15	0.15	0.15	0.15	0.15
	>£25,000	0.25	0.25	0.25	0.25	0.25	0.25
	>£50,000	0.50	0.50	0.50	0.50	0.50	0.50
	>£100,000	0.75	0.75	0.75	0.75	0.75	0.75
Performance Bond 1 Year	>£2,000	1.50	1.50	1.50	1.50	1.50	1.50
Performance Bond 2 Year	>£2,000	1.75	1.75	1.75	1.75	1.75	1.75
Performance Bond 3 Year	>£2,000	2.00	2.00	2.00	2.00	2.00	2.00
Instant Access Cash ISA	>£1	2.00	2.00	2.00	2.00	2.00	2.00
Pyramid Max	>£1	1.50	1.50	1.50	1.50	1.50	1.50
Humphrey	>£1	1.51	1.50	1.50	1.50	1.50	1.50
Charities / Clubs	>£10	0.10	0.10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£25,000	0.25	0.25	0.25	0.25	0.25	0.25
Solicitors Account	>£500	0.10	0.10	0.10	0.10	0.10	0.10
	>£5,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£25,000	0.25	0.25	0.25	0.25	0.25	0.25
	>£100,000	0.60	0.60	0.60	0.60	0.60	0.60
No Instruction Holding A/C	>£1	0.35	0.35	0.35	0.35	0.35	0.35
50 Plus Postal (with bonus)	>£500	N/A	N/A	N/A	3.00	3.00	N/A
50 Plus Postal (excluding bonus)	>£500	N/A	N/A	N/A	2.50	2.50	N/A
Business Deposit Account	>£25,000	N/A	N/A	1.25	N/A	N/A	N/A
Business Deposit Account	>£10,000	N/A	N/A	N/A	1.25	1.25	1.25
	>£50,000	N/A	N/A	N/A	1.50	1.50	1.50
	>£100,000	N/A	N/A	N/A	1.75	1.75	1.75
Regular Savings (with bonus)	>£25	N/A	N/A	N/A	3.50	3.50	3.50
Regular Savings (excluding bonus)	>£25	N/A	N/A	N/A	3.00	3.00	3.00
Junior Cash ISA	>£10	N/A	N/A	N/A	N/A	2.00	2.00
<b>Closed Issues</b>		<b>11 Feb</b>	<b>11 Feb</b>	<b>10 Jun</b>	<b>21 Sept</b>	<b>1 Nov</b>	<b>23 Jan</b>
<b>Account</b>		<b>2010</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2012</b>
	<b>Balance</b>	<b>%AER</b>	<b>%AER</b>	<b>%AER</b>	<b>%AER</b>	<b>%AER</b>	<b>%AER</b>
Ordinary Share & Paid Up Share Rate	>£1	0.10	0.10	0.10	0.10	0.10	0.10
	>£500	0.10	0.10	0.10	0.10	0.10	0.10
	>£5,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£25,000	0.25	0.25	0.25	0.25	0.25	0.25
Pyramid Bonus (Excluding 0.5% bonus)	>£1,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£25,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£50,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£100,000	0.35	0.25	0.25	0.25	0.25	0.25
Overseas	>£10	0.10	0.10	0.10	0.10	0.10	0.10
	>£10,000	0.10	0.10	0.10	0.10	0.10	0.10
	>£20,000	0.25	0.25	0.25	0.25	0.25	0.25
Instant Access Cash ISA (ex-TESSA Only ISA)	>£10	2.00	2.00	2.00	2.00	2.00	2.00
Instant Access Cash ISA (ex-Loyalty TESSA Only ISA)	>£10	2.25	2.25	2.25	2.25	2.25	2.25
Regular Saver (5 Year)	>£10	0.10	0.10	0.10	0.10	0.10	0.10
50 Plus Postal (with bonus)	>£500	3.00	3.00	3.00	3.00	3.00	3.00
50 Plus Postal (excluding bonus)	>£500	2.50	2.50	2.50	2.50	2.50	2.50

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# Business Review

**2011 was a year characterised by ongoing global economic uncertainty, ever more stringent fiscal measures from central government and the shockwaves that continue to be felt throughout Europe from the sovereign debt crisis.**



The added elements of worsening UK unemployment figures, increasingly restrictive regulatory changes, interest rates that remain historically low and a relatively static housing market, all served to create a difficult and challenging 12 months for the financial services industry.

I am pleased to report, therefore, that Leek United's 2011 results have both consolidated and strengthened the society's position as the region's largest independent building society, providing further proof that our implicit belief in a sustainable and proven business model is well-founded.

The society's business ethos has always been built, quite simply, on a commitment to delivering service excellence to our members, backed by a range of consistent, competitive financial products that provide value for money and peace of mind for customers.

It is this straightforward philosophy – and our ability to turn it into a reality year on year – that has won us our hard-earned reputation as a society with the interests of the individuals and communities we serve firmly at its heart.

Our central aim is to continue to nurture a financially robust business that benefits members through security and long-term value. We have never sought to artificially enhance the balance sheet by offering the sort of unsustainable, unrealistic, short-term promises that have all but destroyed public confidence in a largely unpopular banking sector. Nor will we.

Similarly, faced with the potential risks and pressures placed on individuals in the current financial crisis, the society's lending policy is governed by affordability and we will neither allow, nor encourage, anyone to borrow beyond their means.

Our policy of responsible lending has been rewarded by achieving an all-time low level of arrears with just 2 repossessions during the last 12 months.

The board believes that Leek United's prudent – and, indeed, rightly cautious – approach remains the correct strategy for the society to follow for the foreseeable future. This has been borne out by our performance over the past 12 months, coupled with our dedication to putting first the needs of borrowers and savers alike.

It is precisely this mutual approach and the sufficiency, rather than maximisation, of profits that enables Leek United to better serve the interests of members – rather than shareholders – in this difficult economic climate.

In this regard, the society's core activities – the provision of competitive residential mortgage and savings products – are augmented with a broader range of insurance and financial planning products offered as security for our members.

The Financial Services Compensation Scheme (FSCS) continues to affect the building society sector disproportionately and is likely to do so for years to come. At Leek United, we firmly believe that the method of calculating these compulsory costs needs to be changed and we feel that the society's own liability to these charges does not reflect the low-risk business model it operates.





County Air Ambulance  
Trust Affinity Account  
cheque presentation

This levy – used to pay the interest on loans from the Treasury to the Scheme – does, of course, have a significant impact when setting the interest rates for our members.

In 2011, we were required to pay £206,000 in respect of scheme year 2010/11. At 31 December 2011, the society had a total FSCS levy provision of £857,000 in respect of scheme years 2011/12 and 2012/13. HM Treasury is currently seeking to renegotiate the interest rates charged for scheme year 2012/13 onwards and this may lead to a significant increase in the amount of levy payable.

A strong capital base is paramount to business success and Leek United has remained in a robust position of high liquidity and capital strength throughout 2011. Profits have remained broadly in line with 2010 and, despite the increased pressure on our earnings, the society has achieved modest growth.

Despite the fierce competition for retail funds in the marketplace, demand for Leek United savings products has remained high. Similarly, we have continued to retain a significantly strong, high-quality mortgage book, within a housing market that remains flat.

A more comprehensive analysis of the society's performance is set out in the Chief Executive's review and in the pages that follow.

Uncertainty about the speed and extent of economic recovery, rising unemployment, the risks of increasing inflation and the historically low interest rate level, all present their own challenges in 2012, as the society moves towards its 150th anniversary year.

We will strive even harder to achieve and sustain the levels of service excellence that members have rightly come to expect and deserve from Leek United.

Engagement with, and feedback from, our membership plays an important part in helping us to shape our services.

The standards we set for ourselves would, however, be impossible to achieve were it not for the loyalty and dedication of the team responsible for delivering the society's service.

I would, therefore, like to take this opportunity to record my sincere thanks, on behalf of the board, to both staff and management for their excellent contribution.

I would like to take this opportunity of welcoming Richard Goddard to the board. Richard was co-opted to the board in November 2011 and will be standing for election at our AGM in April. He is highly experienced and brings a wealth of knowledge in accountancy and treasury matters.

Philip Stanyer resigned from the board in February 2012. Philip joined Leek United as a non-executive director in December 2008 and has served on the Audit and Risk and Information Technology committees. On behalf of the board and staff we wish Philip every success for the future.

Finally, I must thank you, our members, for the unstinting support and belief that you continue to show in the society – your society – and I give you my assurance that we will continue to strive to uphold the principles and advantages of mutuality as we serve you and the community we live and work in.

**P Marriott**

Chairman

22 February 2012

# Review of the year



Group profit before tax and FSCS levy	<b>£3.79m</b>
Group reserves	<b>£51.64m</b>
Group assets	<b>£783m</b>

## Overview

I am pleased to report that 2011 has been another very successful year for Leek United.

Against a backdrop of rising unemployment, record low interest rates and a very fragile global economy the society has achieved a very strong overall performance.

Operating in a very volatile environment certainly presents many challenges. Set in this context, 2011 was a year of high performance for the society.

Total assets have grown by 2.56%. Operating profit has remained strong at £3.79m and we have delivered our highest mortgage lending performance since 2007.

## Group Financial Performance

**Group profit before tax and FSCS levy - £3.79m (2010: £3.87m)**

**Profit after tax - £2.48m (2010: £2.54m)**

**Group assets - £783m (2010: £764m)**

**Group reserves - £51.64m (2010: £50.69m)**

**Management expenses ratio - 0.83% (2010: 0.79%)**

## Mortgage Lending

I am pleased to report that we were able to increase our gross mortgage lending in 2011 to £93m (2010: £84m). Our mortgage balances increased by 4% during the year.

This increase in lending has been achieved by delivering very competitive mortgage products supported by our highly qualified staff delivering excellent advice and customer service.

I am also delighted to report that the society has sustained no mortgage losses during the year, an achievement which is testimony to a prudent lending policy adopted over many years. Our individual case underwriting, and a keen focus towards high quality low loan to value mortgage applications, continues to prove its value during the prolonged period of economic downturn.

Only two properties were taken into possession during the year and only 0.16% of our borrowers were 3-months or more in arrears, one of the lowest figures in the financial services sector. Fair treatment for borrowers experiencing financial difficulties is crucial at this particularly difficult period in the economic cycle. The society continues to offer support and forbearance to members who may experience difficulties meeting their mortgage repayments.

## Savings

Competition for retail savings has been very intense throughout 2011. Savers have, of course, been hit the hardest by the unprecedented continuation of historically low interest rates. We have continued to provide competitive products to our members, which refrain from the headline short-term introductory rates offered by some of our competitors. It is rewarding to note that our members recognise the benefits and integrity of long-term value in our savings products.



Fiona Rider (centre) celebrated her 40 years service with the society in 2011



Macmillan Cancer Support Biggest Coffee Morning fundraising

Once again our Fixed Rate Bonds and Cash ISA products have proved to be most popular with the latter featuring in many of the national 'best buy' tables as a consistent performer over many years.

We also launched a Junior ISA product and reviewed our regular savings product with increased interest rates and more flexible terms and conditions. We have also launched a very popular Business Deposit Account available to local businesses offering attractive tiered rates of interest.

### Investment in our Society

During 2011 we invested in a major upgrade of the society's information technology infrastructure and software. This project was implemented very successfully and positions us with a very resilient base to enhance our services to our members.

We also undertook a complete external refurbishment of our branch network with a new and contemporary design which has already attracted many new members.

### Our Staff and the Community we serve

I am extremely proud of the professionalism, dedication and motivation of our staff. Providing members with excellent service in a caring and efficient manner is a key feature of our society. I continue to receive many letters from members expressing their genuine appreciation of the high standard of service provided by our staff.

Our role in the local community is something that we have always taken seriously. Our staff have been very active again this year in raising funds and supporting local and national

charities. Our actions have helped local schools, hospitals and sports clubs to continue the very important roles they fulfill in our local area.

At this year's AGM, we will, once again, be supporting two outstanding local charitable organisations, the Donna Louise Trust and the Douglas Macmillan Charity.

### Outlook

We enter 2012 with great uncertainty regarding the future of the Eurozone which continues to hinder any prospect of a global recovery. Unemployment in the UK is at its highest level for 16 years and the full impact of large government spending cuts is clearly not going to be offset by the private sector.

However, our continued strong performance during recent years, a period which has produced unprecedented volatility, is our strong foundation for the future. We have demonstrated our ability to increase our financial strength and prove our resilience in a very difficult economic environment.

2013 is the 150th Anniversary of our society and we look forward to celebrating this fantastic achievement with a strong sense of purpose and support from you our members.

I would like to thank you, our members, for your valued support and we will continue to demonstrate the special values of a strong independent local building society.

### K Wilson

Chief Executive  
22 February 2012

# Corporate Governance Report

**The society's board is accountable to members for the careful direction of society affairs, safe stewardship of funds held on members' behalf and the provision of high quality products and services which meet the needs of individual members whilst offering a fair deal to all.**

At the beginning of 2011, the board consisted of five non-executive and two executive directors. Richard Goddard was appointed as a non-executive director on 23 November 2011. At the end of 2011 the board, therefore, consisted of six non-executive and two executive directors. On 8 February 2012 Philip Stanyer resigned as a non-executive director.

In striving towards ever higher standards of service to members, the board focuses not only on members' interests as customers for the society's products and services but also their interests as members of a mutual enterprise. In regard to this latter relationship, we take account of the guidance contained in the UK Corporate Governance Code 2010. Whilst this code is addressed to plcs, many of its provisions can be directly applied to the board and management arrangements in a mutual building society. The board is pleased to confirm that the society complies with the Code in all material and relevant aspects.

A formal system of board appraisal is in place and each director's personal contribution to board proceedings and society progress in the year has been the subject of rigorous review by the chairman. Performance evaluation of the chairman has been conducted by non-executive directors led by the vice-chairman and taking account of the views of the executive directors.

The overall effectiveness of the board and its committees is monitored throughout the year and is subject to formal review on an annual basis.

All directors participate in a programme of training and professional development designed to keep their knowledge and skills up to date in a fast changing, highly regulated business environment. They are also entitled to obtain independent professional advice at the society's expense.

The offices of chairman and chief executive are separate and held by different people.

The board considers that all members are independent and carry out their duties with complete objectivity. The board has considered the individual performance of any director whose service exceeds nine years and is satisfied that their independence is not impaired as they are considered to be independent in character and judgement, and free of any relationship or circumstance which could materially interfere with the exercise of their judgement. Non-executive directors with over nine years service offer themselves for re-election on an annual basis. All other directors are required to submit themselves for re-election at least once every three years.





All directors conform to the requirements of the Approved Persons regime instituted by the Financial Services Authority and pass the “fit and proper” test specified in the FSA’s Handbook.

The Code recommends that a non-executive director should be designated as the senior independent director with responsibility for leading non-executive directors in the performance appraisal of the chairman and to act as a contact for any member who may feel that contact with the chairman or chief executive would not be appropriate. The board considers that the duties of this role are encompassed within the role of the society’s vice-chairman, Derek Lyons, who is pleased to act as an alternative contact point for members.

## Register of Candidates for Board Vacancies

The society maintains a register of potential candidates for future non-executive board vacancies. Members who believe they have the skills, experience and commitment to serve effectively as a director of the society are invited to write, in confidence, to the chairman of the Nominations Committee at the society’s head office.

## Board Committees

Supervision and direction is facilitated by the operation of a number of board committees which meet regularly to consider issues specific to key business areas.

The **Audit and Risk Committee** receives reports from the society’s internal auditor and external auditors and its remit includes matters relating to compliance with the Building Societies Act 1986 and the Financial Services and Markets Act 2000, the effectiveness of systems of control, risk management, Internal Capital Adequacy Assessment Process (ICAAP), external audit arrangements, annual report and accounts and all regulatory issues. It considers and recommends the appointment of internal and external auditors and monitors their effectiveness

and independence. At 31 December 2011 the committee comprised the following non-executive directors:

J Washington (chair)  
P W Kerns  
P Marriott  
P A Stanyer

The **Remuneration Committee** considers and approves general policy on staff salaries and benefits, with particular reference to remuneration arrangements for senior management and executive and non-executive directors. The committee makes an annual report to members – this can be found on page 11. The committee is comprised entirely of non-executive directors and committee membership at 31 December 2011 was as follows:

D J Lyons (chair)  
P Marriott  
J Washington

The **Board Nominations Committee** leads the process for board appointments, ensuring a thorough search and selection process based on their evaluation of the balance of skills, knowledge and experience required on the board. All non-executive board vacancies are advertised in the press/media with a regional or national scope as appropriate. The committee also acts in the nomination of new board appointments. At 31 December 2011 the committee comprised:

P Marriott (chair)  
D J Lyons  
J Washington  
K Wilson

Other committees operated by the board, each with its own terms of reference, are as follows:-

**Assets and Liabilities Committee** monitors and controls balance sheet risk, funding and liquidity.

**Information Technology Committee** approves and monitors major IT projects.

# Corporate Governance Report

## Attendance at Board and Board sub-committee meetings - 2011

	Board	IT	Remuneration	Audit & Risk	Assets & Liabilities	Nominations
P Marriott	11 (12)	-	4 (4)	4 (4)	-	3 (3)
K Wilson	12 (12)	3 (3)	-	-	4 (4)	3 (3)
R T Goddard (from 23/11/11)	2 (2)	-	-	-	-	-
K Griffiths	12 (12)	3 (3)	-	-	4 (4)	-
P W Kerns	12 (12)	3 (3)	-	3 (3)	4 (4)	-
D J Lyons	11 (12)	-	4 (4)	-	4 (4)	3 (3)
P A Stanyer	12 (12)	3 (3)	-	4 (4)	-	-
J Washington	11 (12)	3 (3)	4 (4)	4 (4)	4 (4)	3 (3)

Figures in brackets denote number of meetings for which eligible to attend during the year.



AGM donation to  
Douglas MacMillan Charity

## Constructive use of the AGM

The society sends details of the AGM to all members who are eligible to vote. Members are encouraged to vote or appoint a proxy to vote if they cannot or choose not to attend the AGM. A donation to charity is made for each vote cast.

All members of the board are present at the AGM (unless their absence is unavoidable). The chair of all of the committees are therefore available to answer questions raised by members.

## Relations with members

The views of new and existing members are sought by individual questionnaires during the year. Member Forums are held each year when the chief executive gives a presentation on the main business developments and members present have their opportunity to raise questions to the directors and senior management.

## On behalf of the board of directors

**P Marriott**  
**Chairman**  
**22 February 2012**

# Directors' Remuneration Report

**The society's Remuneration Committee is composed solely of non-executive directors. D J Lyons, P Marriott and J Washington served on the committee during 2011.**

The committee's principal responsibility is the determination of the terms and conditions of employment of executive directors and the level of fees payable to non-executive directors. In making its determinations the committee is guided by the recommendations of the UK Corporate Governance Code 2010 relating to remuneration and to the FSA's Remuneration Code. It aims to set remuneration at levels that are sufficient to attract, retain and motivate directors of the quality required to run a successful building society such as Leek United.

When considering the remuneration of both the executive and non-executive directors, the Remuneration Committee takes into account comparable data from a range of independent sources covering building societies and firms in the wider financial services sector where the scale and complexity of business operations are similar to those of Leek United.

## Executive Directors

The main elements of each executive director's remuneration package are - basic salary, pension benefits, private medical insurance and the provision of a company car or car allowance.

The chief executive is a member of the Leek United Building Society Pension and Assurance Scheme. In addition, due to salary cap restrictions on his defined benefits pension scheme, the society contributes into a personal pension scheme.

The finance director is a member of the defined contribution stakeholder pension scheme.

The Corporate Governance Code recommends that a director's service contract period should be set at 12 months or less and the contractual notice period for existing and new executive director appointments conforms to this limit.

## Non-Executive Directors

Non-executive directors receive fees for the provision of their services. They do not have service contracts and do not receive any other benefits (other than travelling expenses incurred in the normal course of duties), bonus or pension entitlement.



AGM donation to Donna Louise Trust

# Directors' Remuneration Report

## Directors' Remuneration

The table below summarises directors' pay and benefits for the year ended 31 December 2011:-

	2011 Salary/ Fees £000's	2011 Other Benefits £000's	2011 Total £000's	2010 Total £000's
<b>Non-Executive directors</b>				
P Marriott (Chairman)	30	-	30	30
R T Goddard (from 23/11/11)	2	-	2	-
P W Kerns	20	-	20	20
D J Lyons	25	1	26	26
P A Stanyer	20	-	20	20
D W Stevens (to 21/04/10)	-	-	-	7
J Washington	23	-	23	21
<b>Executive directors</b>				
K Wilson	160	26	186	173
K Griffiths	98	20	118	109
	<u>378</u>	<u>47</u>	<u>425</u>	<u>406</u>



Hanley Help for Heroes donation

## Member Consultation

The Directors' Remuneration Report will be the subject of an advisory vote at this year's AGM.

D J Lyons

Chair of the Remuneration Committee

22 February 2012

# Summary Financial Statement

## For the year ended 31 December 2011

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of Leek United Building Society from 11 April 2012.

Approved by the board of directors on 22 February 2012.

<b>P Marriott</b>	Chairman
<b>K Wilson</b>	Chief Executive
<b>K Griffiths</b>	Finance Director

## Summary Directors' Report

### Financial Performance

#### Total Assets

The total assets of the group at the end of 2011 were £783.4m, an increase of £19.6m in the year.

#### Profit and Capital

The profit after tax of £2.48m was transferred to the general reserve. Gross capital amounted to £51.64m at 31 December 2011.

### Management Expenses

The management expenses ratio was 0.83% for 2011 (2010: 0.79%).

### Liquid Assets

Liquid assets, in the form of cash securities, amounted to £189.2m, representing 25.99% of shares and borrowings.

### Mortgages

The total amount outstanding on mortgages at the end of the year was £590.5m.

### Shares and Deposits

Investors' and depositors' balances at 31 December 2011 totalled £727.7m, an increase during the year of £17.8m.

### Interest Rates

The residential mortgage base rate was 5.19% throughout the year.



## Summary Statement

### Group Results for the Year

	2011 £000's	2010 £000's
Net interest receivable	8,772	8,397
Other income and charges	1,226	1,610
Administrative expenses	(6,400)	(5,934)
Net finance credit on pension scheme	194	80
Provision for bad and doubtful debts	1	(287)
Financial Services Compensation Scheme Levy	(313)	(245)
Profit for the year before taxation	3,480	3,621
Taxation	(998)	(1,085)
Profit for the year	2,482	2,536

### Financial position at the end of the year

Assets	2011 £000's	2010 £000's
Liquid assets	189,161	193,454
Mortgages	590,529	566,834
Fixed and other assets	3,686	3,508
<b>Total assets</b>	<b>783,376</b>	<b>763,796</b>
<b>Liabilities</b>		
Shares	694,514	695,724
Borrowings	33,212	14,154
Other liabilities	1,973	1,898
Net pension liabilities	2,037	1,328
General reserve	50,527	49,579
Revaluation reserve	1,113	1,113
<b>Total liabilities</b>	<b>783,376</b>	<b>763,796</b>

### Summary of key financial ratios at the end of the year

	2011 %	2010 %
1. Gross capital as a percentage of shares and borrowings	7.10	7.14
2. Liquid assets as a percentage of shares and borrowings	25.99	27.25
3. Profit for the year as a percentage of mean total assets	0.32	0.34
4. Management expenses as a percentage of mean total assets	0.83	0.79

Gross capital as a percentage of shares and borrowings measures the proportion which the group's capital bears to the group's liabilities to holders of shares, depositors and other providers of funds (investors).

The group's capital consists of profits accumulated over many years in the form of reserves together with the revaluation reserve. Capital provides a financial cushion against any losses which might arise from the group's activities and therefore protects investors.

The **liquid assets ratio** measures the proportion that the group's assets, which are held in the form of cash, short-term deposits and securities readily convertible into cash, bears to the group's liabilities to investors.

Most of the group's assets are long-term mortgages, while many of its liabilities to investors are repayable on demand. Liquid assets are generally readily realisable, enabling the group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

The **profit/assets ratio** measures the proportion that the group's profit after taxation for the year bears to the average of the group's total assets during the year.

The group needs to make a reasonable level of profit each year in order to maintain its capital ratio at a suitable level to protect investors. However, a building society does not have to pay dividends to equity shareholders as a company does. The group is therefore able to operate safely with lower margins than a bank.

The **management expenses ratio** measures the proportion that the group's administrative expenses bears to the average of the group's total assets during the year. Management expenses consist mainly of the costs of employing staff and of running the society's branches. Expenses need to be controlled so that the group operates as efficiently as possible while providing the service that members require.

# Independent Auditors' Statement on the Summary Financial Statement

## Independent Auditors' statement to the members and depositors of Leek United Building Society

We have examined the summary financial statement of Leek United Building Society set out on pages 13 and 14.

### Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the summary financial statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Business Review and Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report, and its compliance with the relevant requirements of section 76 of the Building Societies Act 1986 and the regulations made thereunder.

We also read the other information published with the Business Review and Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Business review, Corporate Governance Report and Director's Remuneration Report.

This statement, including the opinion, has been prepared for and only for the Society's members and depositors as a body in accordance with section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those Annual Accounts.

### Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Leek United Building Society for the year ended 31 December 2011 and complies with the applicable requirements of section 76 of the Building Societies Act 1986, and the regulations made thereunder.

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Manchester

22 February 2012

<b>Registered Principal Office</b>	50 St. Edward Street Leek, Staffs. ST13 5DL
<b>Registered No.</b>	323B
<b>Directors</b>	R T Goddard MA, FCA K Griffiths BSc (Econ), FCA P W Kerns D J Lyons MCISI P Marriott FCA P A Stanyer FCA, FIMI, AlnstIB (Resigned 8 February 2012) J Washington ACIB K Wilson
<b>Chairman</b>	P Marriott FCA
<b>Chief Executive</b>	K Wilson
<b>Finance Director</b>	K Griffiths BSc (Econ), FCA
<b>Internal Auditor</b>	I Boston
<b>Other Officers</b>	R Bebington S Boulton PGDip Mgmt, MCM1 B Gronneberg M Williams D Wilson
<b>Bankers</b>	HSBC Santander
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW.

Member of the Building Societies Association  
The Society is authorised and regulated by  
the Financial Services Authority.

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